3.1 CONDUCTING MARKET RESEARCH; DRAWING THE RIGHT CONCLUSIONS

- Doing Market Research
- Market Research; Examples Of Information Needed
- Market Research 1
- Market Research 2
- Some Market Research Information Sources
- Analysing The Competition
- The SWOT Analysis
Market research means you collect and analyse information about the market, your customers and competitors, then draw up or change plans accordingly. You can do desk research and/or field research.

**Desk Research**

This makes use of information already collected (‘secondary information’). It can use information from inside the organisation (the ‘Internal Market Audit’) or information from outside (the ‘External Market Audit’) using the following sources:

- Yellow Pages, Thomson Local, Kelly’s Directory, or other company information
- Trade association yearbooks, trade directories, trade press and newspapers
- Market surveys, MINTEL reports and market reviews
- Local authority, Chamber of Commerce and TEC surveys
- Government statistics, including census, social surveys and purchasing information
- Competitor literature and publicity
- Books on marketing, selling and customer behaviour

**Field Research**

Going out and talking to people (customers and competition), counting them or watching what they are doing via:

- Observation of peoples’ reactions to your product or competitor
- Interviews on the street or at home, using written questions
- Phone interviews, short and to the point
- Postal surveys fill-in questionnaires, best used with existing customers
- Omnibus surveys by commercial market surveyors, pay per question asked
- Focus groups of typical customers, cheap and effective
Plan Of Action

No market research can occur until a plan of action has been drawn up. Note this is different from the Marketing Plan. For each item decide:

- How will the information be obtained?
- Who will do the research?
- What can you do yourself and what will you need help with?
- Where will you obtain the information?
- How much will it cost (in time and money)?
- When will it get done (draw up a timetable and deadlines)?

Remember to make these decisions according to what you are trying to decide or achieve. Will the information arrive in time to be used? Will you have to change plans as a result?

Random and informal opportunities to acquire information are also useful: chatting with customers, suggestions for changes to a product or service and conversations with suppliers. Look out for changes, patterns and trends.
MARKET RESEARCH; EXAMPLES OF INFORMATION NEEDED

Size of Market
What is the total market - industrial, consumer, home and overseas?
Is it growing or shrinking?
Are there any regional biases or preferences?
What are the seasonal influences?
Where are the big users?
Is it a well developed, saturated market or are new products entering it?
Is it prone to fashions, short runs, cyclical changes?
Is new technology likely to alter the market?
What changes may affect demand?

The Product
Who uses the product?
Frequency of purchase?
Who else could use the product?
How can it be improved?
What do customers think of it?
Is it branded?
Is the price right?
Are specials produced?
Can it be personalised?
What are the returns?
What new products are envisaged and how will they tie in with existing lines?

The Competition
Who are the main competitors and what market share do they enjoy?
What is their product range and what do customers like?
What are their strengths and weaknesses?
Where do you have a competitive edge?

The Customer
How can you reach them?
What is the customer profile?
What are their needs?

Your Own Performance
Where do you make the most profit and where is the potential growth?
What extra lines or service could be sold?
How do you promote yourself and compare with your competition?
Any organisation intending to introduce a new product or service, for instance a group of people starting out in business, needs to establish that there is both a demand for the product or service and that conditions exist for it to be provided. Market research provides the necessary information. There are four stages to any market research.

1 : Deciding What Questions Need To Be Asked

The most useful questions that could be asked are: ‘how often?’, ‘how much?’, ‘when?’, 'where?', and ‘why?’. A group setting up a restaurant might ask:

- How often do people eat out at restaurants?
- How much do they spend/are they willing to pay?
- When do people eat out?
- Where do they go to eat out?
- Why do people eat out/why would they buy our meals?

In getting this information, it may be useful to know who you are getting the information from. In this way you can decide if particular kinds of people act in particular kinds of ways: ‘Young people seem to like fast food’, ‘older people spend more money’, ‘people with low incomes only eat out on special occasions’ etc. Your marketing strategy may try to make use of these patterns of behaviour.

2 : Drawing Up A Research Plan

You must first determine what you are trying to find out, who you are finding this information out from, where the information can be obtained and how best to obtain it. Then tasks must be drawn up matching these aims, responsibility assigned, a timetable set and a method for analysing and reporting the information (if necessary) agreed.

3 : Collecting The Information

This depends on information, either primary information (that you obtain directly) or secondary information (that other people have found out).

Primary information can be collected by personal interviews, telephone interviews, or postal questionnaires. It can include street surveys, talking to groups of potential customers, observation (especially of competitors), talking to similar organisations in other areas and talking to suppliers or other people in the industry or sector.
Secondary information includes statistics on the product or service area, socio-demographic information, competitor analysis, trade directories and journals, government statistics e.g. the census. All of these should be in or available from the reference library. The Yellow Pages or Thomsons, trade associations, the local Council, research organisations, competitor brochures, the Chamber of Commerce and local enterprise agencies may all provide useful information.

The starting point for market research should be secondary information since this has already been gathered, organised and analysed. But secondary information may not be enough. Primary information is obtained in the following ways:

The Questionnaire
The most common method but usually is disappointing. People see it as a waste of time and intrusive. Postal questionnaires have response rates of 1-5%. The questionnaire works best when it is either face-to-face or the questionnaire has been targeted on key individuals who, perhaps through a letter or telephone call, have been informed about the proposed product or service and see some advantage to them (e.g. saving money) through ‘being sold’ on it.

The Focus Group
A group of ‘ideal’ customers or users who represent the kinds of people you are trying to reach give their views on the quality of the product/service, the price, the publicity material, the product’s usability and its acceptability. This can be a relatively cheap method (especially where customers or users exist already) of finding out consumer attitudes to a product or service.

The Personal Interview
Very time consuming and not much use unless, used with a questionnaire, it provides an opportunity to market or sell the product/service to the interviewee. The interviewee is made aware of the product or service, interest is created and they may be persuaded to buy or use the product/service.

The Telephone Interview
Perceived as low cost and effective but needs careful preparation to reach the target group. Can be used to obtain sales or users but people called may be hostile or deflationary.

Observation
Just looking can tell you, for instance, what people are doing, how they are buying, who they buy from, where they buy and how often.

4 : Analysing And Reporting The Information
Analysis must begin by returning to the original question of what you were trying to find out. The information must be organised in an understandable way. You must be able to present this information to others so they can understand it and draw the same conclusions. Your analysis must be honest.
Customer-Focused Marketing

Marketing is about serving the customer, placing them first and recognising that customers have many product and service providers from which to choose.

As potential business owners you will be asking yourself, ‘where are we now?’, ‘where do we want to get to?’ and ‘how do we get there?’. You might approach the same questions from the customer’s point of view.

- Who are our existing/potential customers?
- What are their current and future needs and wants?
- How can we satisfy these needs and wants?
- Can we provide a service or product our customers will value?
- Do we have good communication channels to talk to our customers?
- Can we deliver a competitive service/product?
- Why should our customers buy and continue buying from us?

Within the limits of your budgets and resources, you must try to find the answers to these questions.
The Purpose Of Market Research

The purpose of market research is to provide you with basic information about your potential market to enable you to make informed decisions.

Ask yourself whether you have enough information about your customers, competitors, and trends in the industry in which you intend to trade.

Market research will help you to establish the following:

- Who will buy your products/services?
- Who buys your competitor's products/services?
- What sales level you can realistically forecast?
- What are people prepared to pay for the products/services?
- What is the size of your potential market?
- What the reaction would be to the introduction of new products/services?
- Where the products/services are bought currently?
- Where you should sell your products/services?
- Why people buy specific products/services?

The results of this market research will enable you to make informal decisions, react to changes in the market place (e.g. legislation or technological advances) and confirm or disprove any assumptions you may have.

Kinds Of Market Research

There are two categories of market research - quantitative or qualitative.

Quantitative Research

Any information which can be expressed using numbers as a measure is considered quantitative e.g. sales information, accounting details and statistics.

Qualitative research

This is concerned with information that is based on description e.g. description of consumer behaviour, market segments and product performance.

Market research is not a one-off exercise undertaken before trading. You should undertake market research:

- Before entering the market
- When expanding into new markets - either product or geographical
- Continually when operating the business

Doing Market Research

In order to obtain information you will have to consider two areas:

1: Desk Research
2: Field Research

Desk Research

Desk Research is the analysis of published material. It is usually the starting point of any research. Its main benefits are that it is quick and inexpensive. Its main failing is that the material is often dated and not comprehensive.
Information for desk research can be obtained from external or internal business data. Examples include:

- Sales information
- Competitor information
- Communication with customers (face-to-face, mailshots, telephones etc.)
- Reference libraries
- Chamber of Commerce, Business Links /Business Eye etc.

Internal business data, however, is mostly applicable to existing businesses as new businesses will not have data to base their work on.

**Information You Need To Gather**

You will need information on:

- The market size (how big is the market?)
- The market scope (how wide is the market?)
- The market share (both yours and your competitors')
- Selling methods
- Prices and discounts
- Channels of distribution (how to distribute?)
- The future of the market (what might happen?)
- The factors which influence buying decisions (why the buyer decides to buy?)
- Who makes buying decisions?

In addition you need to profile your potential customers, regarding age, location, income etc. There is a vast array of published information available. This information may be specific or general. Some may carry a cost for purchasing.

Alternatively, try to access the information through libraries.

Sources of published data include:

Trade information produced by trade associations, in *trade press reports and surveys*. There are also specialist publishers who compile *reports and undertake surveys* in specific markets.

Limited companies produce *annual company reports and accounts* that can be obtained through Companies House. *Shareholder reports* are also useful.

Useful information can be gained from *government publications* such as:

- Census data
- Family expenditure surveys
- National income statistics
- Trade and manufacturing trends (in ‘trade magazines’)

**Competitors’ literature** can also be a valuable source of information.

It is worthwhile trying to identify someone in the same line of business in another area who may be prepared to give you information and advice. Try contacting trade and professional associations, banks, business clubs etc. that are related to your business field. Do they have a directory or have local or national support groups?

What other services and resources can they offer and at what cost? Obtain as much information as possible - in particular concerning:

- Your existing/potential customers
- Your competition
- Your suppliers
- The sector in which you intend to compete
Field Research

Field Research is the collection of new or additional data. This involves using one of the following research techniques:

- Surveys
- Observation

To be of value the information must be accurate, current, sufficient and relevant.

Observation

Observation is another method of conducting field research. Observation can be where customers are observed, or it may involve visiting exhibitions or counting heads. As a research method it can be useful in obtaining quantitative data. It is also possible to pose as a customer to obtain information from your competitors. Getting out and about in the car to find potential customers and competitors comes under this heading.

Test marketing is a technique more often used in product research. It literally means testing out the product or service with a group of people and noting what they think about it.

Whichever method of obtaining information you choose you will have to produce a questionnaire. Questionnaires are used to find out all types of information and to make sure that you are asking for the same information from all the people that you deal with:

- Facts
- Knowledge
- Intentions
- Opinions
- Attitudes
- Motivation
- Lifestyle

You will need to ‘sell’ the idea of completing the questionnaire, to get people to participate.

The main advantage of face-to-face conversation compared to telephone conversation is the scope for personal interaction: it gives you the chance to strike up a relationship which can lead to an open question and answer discussion.
A lot of these sources can be found on the Web or in your local reference or business library.

The A-Z Of UK Marketing Data
This provides basic marketing data for several hundred UK markets, from adhesives to zip fasteners. It is arranged by product area, size, production, imports and exports.

Annual Abstract Of Statistics
This is a good source of all UK statistics. Figures are given for each of the preceding ten years, so trends can be recognised.

BBC Data Enquiry Service
This is a personal information service drawing on the world-wide resources of the BBC. It is an inexpensive and easy way of checking facts and drawing on a statistical data bank which covers people, products, countries and events. You will be charged for enquiries.

British Rate & Data (BRAD)
This lists all the newspapers and periodicals in the UK and Eire which carry advertising. It gives their frequency, circulation volume, price, executive names, advertising rates and readership classification.

Business Monitors
This is the medium through which the Government publishes the business statistics it collects from UK firms. The Monitors can help by indicating trends and tracing the progress of many individual products manufactured by firms in many industries. They are published in three main series: The Production Monitors, The Service and Distribution Monitors and Miscellaneous Monitors.

Annual Census Of Production Monitors
These cover virtually every sector of industry and include a variety of quite detailed information on UK production.

Guide To Official Statistics
This is the main guide to all Government produced statistics, including ad hoc reports.

Key Note Publications
Over 100 market sectors are covered. These are comprehensive reports containing a detailed examination of the structure of an industry, its distribution network and its major companies. They include an in-depth analysis of the market covering products by volume and value; market shares; foreign trade; an appraisal of trends within the market; a review of recent developments within the industry; a financial analysis of named major companies; and an appendix listing further sources of information, recent press articles, other reports and journals.
Kelly's Manufacturers And Merchants Directory
This directory has an alphabetical list of manufacturers, merchants, wholesalers and firms. It gives basic information on each. In addition, entries are listed by trade classification and it has a section listing British importers and what they import. Exporters are listed by the products they export and the countries in which they sell.

Kelly's Regional Directory Of British Industry
This is published in eight volumes and provides a town by town guide to industry and the products and services offered.

Key British Enterprise
This contains information on the key UK companies that are responsible for 90% of industrial expenditure. Each entry gives basic information on the company, but also branch addresses, products by SIC codes (Standard Industrial Classification code), sales turnover and directors names etc.

Kompass
This is published in two volumes. Volume 1 is indexed by product or service to help you find suppliers and indicates whether they are manufacturers, wholesalers, or distributors. Volume 2 gives basic company information on the companies identified in Volume 1.

Office Of Population, Census And Surveys
This office produces demographic statistics for each county in England and Wales from the census. They provide data not only on total populations in each area, but also on occupations, economic groups etc.

Overseas Trade Statistics
Published by the Department of Industry & Trade, these provide a monthly statement of UK imports and exports by volume and value for each product group and individual country.

Reports Index
This is an index of reports in every field published and available for sale. Its sources include Government publications, HMSO and other market research organisations, education establishments etc.

The Retail Directory
This gives details of all UK department stores and private shops. It lists the names of executives and merchandise buyers as well as basic address information.

Specialist Libraries
Apart from your local library, there are hundreds of libraries connected with Government departments, major industrial companies, trade organisations, research centres and academic institutes.

Two publications that list these specialist libraries are:
- ASLIB Economic And Business Information Group Membership Directory www.freebizinfo.org
- Guide To Government Departments And Other Libraries
Do not assume you have no competition - somebody will possibly be offering similar products and services. Be objective: acknowledge if a competitor is good.

Use this grid to analyse the competition:

<table>
<thead>
<tr>
<th>Name</th>
<th>Better Or Worse Location?</th>
<th>What Is The Main Selling Point?</th>
<th>How Is Their Service Or Product Better Than Yours?</th>
<th>Higher, Lower Or Comparable Prices?</th>
</tr>
</thead>
</table>
Look at your findings.
What are your competitor's strengths and weaknesses compared with yours?
How will you compete with them in the market?
A SWOT Analysis is a way of understanding and organising information about both your organisation and the environment. It focuses on what is important and excludes what is not. Unlike market research it requires you to make decisions about information: what is important and what is not, what affects you and what does not, what weight you will give to particular problems or situations, what you will do about them.

A SWOT Analysis is also used to assess information about competitors. What are their strengths and weaknesses? What opportunities are they able to make use of? What are the threats to your competitor’s business and how would they be able to respond to these threats. What threats could you generate? The kinds of information you need to collect and analyse are:

**Weaknesses**

- Can you exploit poor quality or low appeal? Why do these conditions exist? Is low quality a weakness (check quality-price relationship)?
- Is there demand for different products? Does the range match demand?
- Is the price too high or low? Is the pricing strategy per product correct? Does promotion strategy match the profile, product and price? Where is the product sold and is it an effective and accessible location?
- Is purchasing casual? Has poor availability, quality, or reliability affected customer loyalty?
- Is the competitor well-known? Does it dominate?
- Is it cash-rich, or have a strong asset-base? Can it raise money easily? How well does it use resources?

**Strengths**

- Product quality and customer appeal
- Product range
- Market mix: price, product, promotion and place
- Personnel: skills, costs and flexibility
- Location/accessibility
- Reputation and customer loyalty
- Market position
- Resources: money, skills, information and communication
Opportunities

- Can you introduce new products or remarket existing ones to seem new?
- Is there a gap in the market?
- Can you sell more cheaply? Can you offer a better product-price mix? Are your costs lower? Or production methods more efficient? Do you have spare capacity?
- Do you have resources that can be used or used more efficiently?
- Are there opportunities to co-operate? Or joint market?
- Is the political, economic, social, or technological environment changing to your advantage?

Threats

- Can your competitor offer better quality, lower price, better marketing, or a higher ‘added value’?
- Will legislative, political, economic, technological, commercial, personnel, resource level, or financial changes threaten your market?

The SWOT Analysis

**W : Weaknesses**

- What you don't know or don't do well
- Things which hold you back e.g. lack of certain skills
- Poor marketing or sales techniques
- A poor or over-priced product
- Lack of experience in business or this field of business

**O : Opportunities**

- Changes in the business environment giving you an advantage
- Market opportunities e.g. a rival business closing
- Untapped demand for a product or service
- A possible new business relationship

**S : Strengths**

- The things you are good at e.g. marketing or teamwork
- The things on which the business relies e.g. good design skills or lower prices
- The advantage you have over competitors
- The resources available to you

**T : Threats**

- Sudden changes in the business environment e.g. price rises or new regulations
- Inability to respond to/cope with change
- New competitors or better products you can't compete with
- Relying on one or only a few customers for your income
SWOT Analysis

Date: 

Under each heading list the main things that apply to your proposed business today.

<table>
<thead>
<tr>
<th>S : Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>W : Weaknesses</th>
</tr>
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<table>
<thead>
<tr>
<th>O : Opportunities</th>
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<table>
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<tr>
<th>T : Threats</th>
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3.2

PRODUCT AND SERVICE DESIGN

- Marketing Strategies
- The External Market Audit
- The Internal Market Audit
- Product Led Versus Market Led Strategies
- The Marketing Mix; Promoting The Business
Success with marketing strategies depends on:

- Understanding both your current and potential customers or service-users
- How current strategies affect the market: Are they working? Do they generate a return?
- What are the current and future needs of the market?
- What resources do you have to change your products and implement a new marketing strategy?
- Overcoming internal factors such as lack of skills, confidence and unwillingness to change
- Whether changes will be perceived positively by customers, users, funders, supporters etc.

Typical Problems

- Getting community groups or social businesses to take marketing seriously
- Failure to review product or service regularly
- Poor budgeting of time and money (wasted resources with little return)
- Poor monitoring (hard to see results and therefore persuade people to change)
Typical Strategies

<table>
<thead>
<tr>
<th>Business</th>
<th>Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardising the product range</td>
<td>Concentrating resources on a few activities</td>
</tr>
<tr>
<td>Diversifying into new market areas</td>
<td>New services for new groups</td>
</tr>
<tr>
<td>Offering special, unique or added value services</td>
<td>Innovation, one-off events</td>
</tr>
<tr>
<td>Changing the product</td>
<td>Cutting back or adding services</td>
</tr>
<tr>
<td>Regionalising the selling/marketing area</td>
<td>Focusing in on particular user groups or areas</td>
</tr>
<tr>
<td>Changing product in ways competition can’t</td>
<td>As Business</td>
</tr>
<tr>
<td>Change market perception of its needs</td>
<td>Promotion, information, tasters</td>
</tr>
<tr>
<td>Joint marketing with other businesses</td>
<td>As Business</td>
</tr>
<tr>
<td>Create situations where competitors have no incentive to compete</td>
<td>Staying local, lobbying to keep a monopoly keeping users isolated</td>
</tr>
</tbody>
</table>

Success And Failure

- Most successful businesses (and this applies to community groups as well) are market-led, i.e. they put the needs of the customer or user before the internal organisation or interests of the organisation.

- This can make the organisation over-dependent on market trends but human needs are slow to change (although perceptions of the extent of that need by funders can change very rapidly!).

- Trying too many strategies without adequately monitoring results can lead to resources being wasted or lead to the organisation becoming unclear on which are the key (profitable) parts of the market.
Objective-setting or other planning in an information vacuum is pretty pointless. You will need to analyse the external marketing environment to decide:

- Where there might be opportunities
- Which are the attractive growth areas
- Which areas of activity may be in decline
- How to analyse and plan for the various parts of the market

Areas To Investigate

1: The Global, Regional, National, and Local Environment

What is the current and future situation in the economic, political, legal, financial, technological, social, cultural, natural and business environments in which the organisation will operate. This might include the political parties in power and their policies (both stated and actual); local economic development policies; the socio-demographic make-up of the area (age, gender, health, skills etc); ethnic characteristics; influence of pressure groups; local social needs; unemployment levels and the industrial/commercial base of the economy; strength of the community and voluntary sectors.

2: The Market

What is the market’s total size, geographic split or distribution, growth or other trends, technological/social/cultural developments, products or services, prices, distribution networks and customers/users (who they are/how they can be contacted).

3: The Competition

You will need to locate assess potential and actual competitors looking at: size, market share, strengths and weaknesses, reputation, ability to satisfy demand, distribution methods, promotional methods, people involved, profitability/cash reserves.

This information needs to be related to the purpose of your market research and tailored to match the needs of the marketing plan. For instance, if you plan to create jobs and have high skill needs, information on the local labour market would be very helpful as would information on competitors who may be shedding workers. If you are planning to change your product, information on buying habits and consumer preferences would be more useful.

The external market audit can be used as the basis of the ‘opportunities’ and ‘threats’ part of a SWOT analysis, just as the internal market audit can provide the necessary information to determine the strengths and weaknesses of the organisation.
THE INTERNAL MARKET AUDIT

An internal market audit attempts to assess the ability of an organisation to carry out its marketing strategy, identify potential and actual barriers or constraints, decide if it will benefit from change and assess these benefits.

The audit needs to have a clear purpose, analyse the current situation and impact of changes, identify outcomes for each product/service in relation to each market segment or user-group, assess the cost-benefit of change and how the target group will respond to the change in the long-term.

The first stage in an internal market audit is to assess the current situation. This can be done by looking first at the marketing mix: product, price, promotion and place.

Product
What do we sell (or what service do we provide) and how do our customers and users perceive it? What does it cost in terms of resources to provide the product/service? What effect does the way we provide the product or service have on the organisation?

Price
What is the cost of the product or service? What price do we charge? What profit do we make? What other costs are there to the customer or user (e.g. travel and parking costs, time, a crowded or unpleasant environment, postage or telephone costs etc.).

Promotion
How much does promoting the product/service cost? What resources do we devote to promotion? What responses have we had to past promotional efforts? What would be the ‘costs’ of changing how we promote ourselves?

Place
Who do we reach? Where do customers/users find out about us? Where do they have to go to access our product/service? Do we reach them directly (e.g. through advertising) or indirectly (e.g. word-of-mouth).
SWOT Analysis

From this information you should then move on to the first stage of a SWOT analysis. A SWOT analysis looks at strengths, weaknesses, opportunities and threats. What are the strengths and weaknesses of your organisation in marketing terms? How easy would it be to make changes and improvements? And at what costs?

A similar analysis could be done on competitors. What are their strengths and weaknesses. This is important because it helps you to calculate whether and how they will respond to the changes you propose. If a competitor can make changes quickly and better than you can, watch out!
PRODUCT LED VERSUS MARKET LED STRATEGIES

Product Led Strategies
Product led strategies are marketing strategies that emphasise the strengths of the product and try to persuade the market to accept the product on its terms. It is a typical strategy for a new product or for an organisation known for a particular type of product or service.

Product led strategies are more expensive and require more effort but are safer since (so long as people are persuaded that they want your product) they will go on buying it even if the market changes.

Market Led Strategies
Market led strategies are based on the idea that responding to the market and designing or redesigning your product or service to fit the market guarantees success. More resources are devoted therefore to finding out what the market wants and to being able to quickly and easily change the product and less resources to actually selling it.

Market led strategies depend on good market research and quick development of new products. They offer greater rewards potentially and allow/require higher flexibility, but carry the risk of over-committing to one or other markets or being unable to respond to change quickly enough.
Exercise 1: Marketing Strategy

Wood 'N' Tops is a community-based organisation trying to create work opportunities for young, disabled people. It has existed for five years and was initially a church-based initiative. It gets funding from the local authority and Jobcentre Plus. It has discovered that there are not many young disabled women using its service and would like to encourage a higher take-up among this group.

As a team, spend thirty minutes considering the following questions and come up with some answers. Prepare a short verbal report on what you think a product led strategy would require.

- What are the typical strengths and weaknesses of the service Wood 'N' Tops provides?
- What are the opportunities and dangers of a product-led approach for an organisation like Wood 'N' Tops?
- What resources might Wood 'N' Tops want to call on?
- What would be the attractions of such a service to its target group?
- What would be the likely disincentives to its target group?
- In what way could the target group be persuaded to use the service?

Answers can be found in the appendix on page 407

Exercise 2: Marketing Strategy

Wood 'N' Tops is a community-based organisation trying to create work opportunities for young, disabled people. It has existed for five years and was initially a church-based initiative. It gets funding from the local authority and the Department of Employment. It has discovered that many of its target-group are turned off by its churchy, charitable approach and want more up to date services.

As a team, spend thirty minutes considering the following questions and come up with some answers. Prepare a short verbal report on what you think a market led strategy would require.

- How can Wood 'N' Tops find out just what people want?
- What resources would be most useful to Wood 'N' Tops in carrying out research?
- What sort of changes might Wood 'N' Tops have to make?
- How could Wood 'N' Tops persuade the target group it has changed?
- What are the potential dangers (internally and externally) of a market-led approach?

Compare your findings. Are there significant differences between ‘product led’ and ‘market led’ strategies? What are they?

Now try to answer the questions contained within Exercise A and Exercise B for your own organisation or project idea.

Answers can be found in the appendix on page 408
A business will succeed if its product and how it is marketed has a close fit with how, when and why the customer makes a buying decision. Put simply, if people never listen to the radio or don't trust credit cards, advertising on the radio won't reach them and selling goods on-line just doesn't work for some customers. Your 'advertising method' must have a match with customer's usual way of making buying decisions.

You need to think about your customers and try to categorise them or group them together in some way, designing particular advertising, sales and pricing strategies to suit each category.

This process is called ‘Segmenting The Market’.

For instance, if you were planning a CCTV scheme, you might want to group potential customers according to the following questions:

- Are some customers more at risk of theft or vandalism?
- Would some customers be more affected by a break-in than others?
- Do they have security arrangements already or not?

Once this work has been done, it’s possible to move on to thinking about how to advertise and sell to potential customers. Your advertising has to create AIDA. It must:

- Generate Awareness (of your product)
- Create Interest (in buying it)
- Stimulate Desire (for the product) or Decision (to buy)
- Produce Action (an actual enquiry or purchase)

But the way you create AIDA will be different for each kind or category of customer or ‘segment’ of the market.
You are running a community CCTV service for public and other buildings (such as churches, community buildings, businesses, housing offices, industrial estates etc). You want to increase the number of customers you have. You must decide the best way to advertise your service. Decide first how you think someone running a business or managing premises might buy the service. Tick the boxes where the customer buying decision and the advertising method match.

<table>
<thead>
<tr>
<th>Customer Buying Decision</th>
<th>Customer buys from first supplier they find</th>
<th>Customer is at work when decision is made</th>
<th>Customer checks several suppliers before buying</th>
<th>Customer only buys when absolutely necessary</th>
<th>Customer takes note of supplier and buys later</th>
<th>Customer asks colleagues for recommendations</th>
<th>Customer only buys at certain times</th>
<th>Customer buys product regularly</th>
<th>Customer makes decision and looks for supplier</th>
<th>Customer makes impulse buy when hit by advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow Pages</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Radio Advertising</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Send a Brochure</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Unsolicited Phone Call</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fax Campaign</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The group must discuss and agree how they categorise the customers. Don’t just tick every box; not everyone acts the same.

Look at the pattern. What does this tell you about the way in which the customer should be approached?

Answers can be found in the appendix on page 409.
The local Council has approached a local community trust and proposed developing a childcare social business for people in the local area. Access to the service will be partly subsidised for low-income families. You are developing a marketing strategy as part of business planning. What would be the best way to reach prospective customers? Tick the boxes where the customer buying decision and the advertising method match.

<table>
<thead>
<tr>
<th>Customer Buying Decision</th>
<th>Customer makes impulse buy when hit by advertising</th>
<th>Customer is at work when decision is made</th>
<th>Customer checks several suppliers before buying</th>
<th>Customer only buys when absolutely necessary</th>
<th>Customer takes note of supplier and buys later</th>
<th>Customer asks colleagues for recommendations</th>
<th>Customer only buys at certain times</th>
<th>Customer buys product regularly</th>
<th>Customer makes decision and looks for supplier</th>
<th>Customer makes impulse buy when hit by advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising Method</td>
<td>Yellow Pages</td>
<td>Radio Advertising</td>
<td>Send A Brochure</td>
<td>Fax Campaign</td>
<td>Unsolicited Phone Call</td>
<td>drop</td>
<td>Ad</td>
<td>Email</td>
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</tr>
<tr>
<td>Yes/No?</td>
<td></td>
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</tbody>
</table>

Answers can be found in the appendix on page 410.

Discuss why you think customers act in particular ways and why the advertising methods selected are most appropriate.

The local Council has approached a local community trust and proposed developing a childcare social business for people in the local area. Access to the service will be partly subsidised for low-income families. You are developing a marketing strategy as part of business planning. What would be the best way to reach prospective customers? Tick the boxes where the customer buying decision and the advertising method match.

<table>
<thead>
<tr>
<th>Customer Buying Decision</th>
<th>Customer makes impulse buy when hit by advertising</th>
<th>Customer is at work when decision is made</th>
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<th>Customer only buys when absolutely necessary</th>
<th>Customer takes note of supplier and buys later</th>
<th>Customer asks colleagues for recommendations</th>
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<th>Customer buys product regularly</th>
<th>Customer makes decision and looks for supplier</th>
<th>Customer makes impulse buy when hit by advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising Method</td>
<td>Yellow Pages</td>
<td>Radio Advertising</td>
<td>Send A Brochure</td>
<td>Fax Campaign</td>
<td>Unsolicited Phone Call</td>
<td>drop</td>
<td>Ad</td>
<td>Email</td>
<td></td>
<td></td>
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<tr>
<td>Yes/No?</td>
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</table>
THE SALES PLAN

- Prices And The Market
- Pricing Strategies
- Marketing Segmentation And The Marketing Mix
- The Marketing Process
- Sales And Finance In Marketing
- The Sales Plan Exercise - Calculating Financial Impact Of Sales
PRICES AND THE MARKET

There are a number of different approaches to pricing. Most businesses use a mix of these approaches or use a different approach to different customers and at different times.

How Your Product Or Service Compares

The price of your products and services will, to a certain extent, depend on the competition. Make comparisons based on the following where appropriate:

- How your product performs
- How it looks
- What is its quality?
- How is it packaged and presented?
- Whether your level of service is better or worse than your competitors
- Your image

Do not be afraid of setting a higher price than your competitors if your product or service has advantages over theirs. Customers often associate higher prices with higher quality - therefore it may be that a higher price can help the image or reputation of your products and services.

Pricing Strategies For New Products

If you are offering a new product there are two approaches you could adopt:

- **Price Skimming** - opts for a high price initially to take advantage of demand for a new product
- **Penetration Pricing** - attempts to gain a large share of the market for your product before the competition appears on the scene, by setting a fairly low price to dominate the market
What The Market Will Bear

Some argue that the price should be set by what the market would bear, but there are no easy methods for calculating this. If your prices were high would your customer choose another supplier? If you dropped your prices would you gain new customers? Generally if your products are bought infrequently they are more likely to be less sensitive to price change. Alternatively, if your products are bought on a regular basis your customers are more likely to be price sensitive, as they know the price they should pay. You will have to establish a price by looking at the market you are in and your particular product in relation to competitors.

Cost-Plus Pricing

Many businesses use the total of their overheads and drawings to fix a price. Although this may seem a straightforward option it has its drawbacks. For example, if your costs are very low, should your prices automatically be low?

It is more realistic to think in terms of price ranges. The lowest price will be fixed by the cost plus contributions to overheads, the break even point. You should not go below this price.

Pricing For Profit

There are five ways to increase profits:

- Cut your costs
- Sell more
- Change your product mix
- Increase your prices
- Combine elements of all these

You will aim to set your prices at a level which will provide you with the highest profits possible.
The price you charge your customers usually (but not always) has to cover the costs of making a product or providing a service. As important is the idea that pricing strategies can change people's behaviour. For instance, very low prices could persuade them to buy more.

The different kinds of strategy are:

**Cost Plus** - the basic cost of each item to make/provide, plus your profit margin.

**Mark-up** - traditional to add a simple percentage to your cost price, especially in retailing.

**Basic Plus** - charge a basic price for the product but add on ‘extras’ like delivery, servicing etc which may have a different price depending on the customer.

**Uniform** - the same price for all customers no matter who they are or how much they buy.

**Differential** - offering a different price to different customers depending on what they expect to pay or get for their money, or their eagerness to buy.

**Access** - offer a low price to get customers, knowing that you can put the price up later to recover any losses - introductory offers.

**Skimming** - selling a product at a high initial price to people who can afford it, then dropping the price when the market becomes saturated.

**Negotiated** - negotiating a different price with each customer.

**Marginal** - offering a price which is actually below cost but which will make a contribution to overheads you have to pay anyway.

**Price Lining** - if selling a range of products to different customers, setting prices so that they are balanced, better quality products clearly costing more than cheaper ones.

The majority of these pricing strategies are concerned with an organisation’s marketing plans and customer needs and expectations. If you can, always adopt a strategy that charges more than your costs and only charge below cost when you have a particular aim in mind.
MARKETING SEGMENTATION AND THE MARKETING MIX

Market Segmentation

In planning how to market a product, service or the organisation itself, the first step is to decide whether or not to segment the market. A market segment is a group of customers, users or supporters who share similar requirements. Each segment should be different enough from others to need special treatment and be able to be communicated with. Markets can be segmented in different ways:

**Customers**

Where they live, where they buy, purchasing power, average spend, type of industry, loyalty to supplier, age/gender/ethnic group/language, class, benefits sought (price, quality, delivery, reliability) required, life-style, attitudes, personality, or family structure

**Users**

Where they live, accessibility, extent of need, disposable income, socio-economic, relative dependency, or age/gender/ethnic/language

**Supporter**

Directly/indirectly involved, ethical supporter, bureaucrat, representative or advocate, or status-seeker

The Marketing Mix

A marketing plan consists of four elements and a decision. The four elements (the ‘Four Ps’) are:

**Product**

**Price** (or cost)

**Place** (where its advertised or located)

**Promotion**

How these four elements are combined is called the marketing mix. The decision is where to position your product, service or organisation in the market, on the basis of the marketing mix.
Positioning Your Product/Service In The Market

If you know the needs and expectations of your users, supporters or customers, what they want from your service or product, what they value and what they are prepared to give to obtain the service, then you can ‘position’ yourself and your organisation correctly.

Product
Any product or service must be tailored to meet the needs of the customer or user. A Meals On Wheels service, for instance, must offer familiar and popular meals, be nutritious and cheap to satisfy the needs of users, funders and supporters.

Price
If your service is expensive to ‘purchase’ (for instance it is expensive and can only be funded by grants), then the people who take the decision to give a grant and who must justify it are the targets (the chief executive of a Health Authority or Committee Chairperson). If it requires little public subsidy, then those who recommend projects (Local Authority officers, often trying to manage small budgets) should be the targets.

Place
Your advertising or promotional literature must get to the right places. The people reading your literature must be the right (targeted) people. Your premises or the place you deliver your service must be in the right place or the right time. What is involved in accessing your service must not put people off.

Promotion
Must reach the users, supporters and funders effectively and appropriately. Must use language and emphasise aspects of the service each group values. The right advertising, publicity and image must all be used, matching and reinforcing your ‘position’ in the market.
Four P's Exercise
You are a community-based transport initiative on a depressed estate with high levels of unemployment and social exclusion.

Product
You must match the quality, price and availability of the product to customer/user’s needs and expectations. What features of your product(s) would be most attractive to your customers?

Price
Customers expect to pay a certain amount for goods. Users will only incur so much ‘cost’ to obtain a service. Supporters have limits. You must know what they each can ‘afford’ also ensure that they value what they receive. How will you price your products to maximise sales/use/support?
Place

Where do people or organisations acquire your product/service? How easy is it for you to deliver to them or them to come to you? **Think about the location and accessibility of the service and where people would find out about it.**

Promotion

You must make what you do and how you do it attractive and desirable to potential customers or service-users in order to generate a desired response: a purchase, a referral, extra demand, more money or resources or members. **What kinds of promotion would persuade your customers, supporters or users to buy your product or use your service?**
Marketing is not a single activity (for instance, putting an advertisement in the local newspaper), it is a process. Typically it involves planning and implementation, to develop the business, with the aim of consolidating or expanding the organisation. The marketing process has five stages:

1 : Deciding goals/objective-setting
2 : Conducting research/gathering information
3 : Drawing up a marketing plan
4 : Implementing the marketing plan
5 : Monitoring and reviewing results

Have you completed all of the tasks that might be involved in stages 1 - 3? If not, discuss what you still have to do and decide who will do them.

1 : Deciding Goals/Setting Objectives

You must decide what you are trying to achieve. Is it more customers/users, more sales/visits, more loyalty to the product, increased support or membership, higher prices, more profits/resources. A person given responsibility for achieving these goals must have the backing of the whole organisation and access to necessary resources. The organisation must itself set these goals and decide what resources to commit.

What goals does the marketing plan have and what objective measures will you use to test success?

2 : Conducting Research

The organisation must look at the external situation (demand, supply, trends, legislative or technical change, attitudes etc) and the internal situation (ability to deliver, effect of marketing, costs, change required etc). This is called a Market Audit. It is a large subject for even a small organisation and can only be tackled successfully if the research is broken into small subject areas (such as suppliers, product quality, market perceptions of our product, pricing strategy, human resources/skills and so on).

What research have you done in to the 'external environment' and what in to the ability of the organisation to implement any marketing strategy (the 'internal environment')? What problem areas are there?
3 : The Marketing Plan
The plan consists of five elements:
- The market audit
- Making assumptions about behaviour based on research you have carried out
- Setting marketing objectives (based on the audit and assumptions)
- Selecting marketing strategies
- Making plans for implementation

4 : Implementing The Plan
Assigning responsibility, allocating resources, setting a timetable, systems for monitoring outcomes, physical implementation, reporting back.

Who is doing what? When by?

5 : Monitoring And Reviewing Results
Unless the organisation has objectives (agreed by, for instance, a Board of Directors, Management Committee or funder-supporters) there will be nothing to report and no way to decide if marketing has been successful. Both objective criteria (e.g. ‘sales’, ‘increased use’, ‘more profit’) and subjective criteria (‘the picture in the paper was good’, ‘the kids enjoyed the day’, ‘I learned some new skills’) should be used.

Very often in community groups those who direct and those who implement are different people with different perspectives on the marketing process: its goals, methodology, importance, timing, outcomes and so on.

All people involved must agree to the importance of marketing and this can only be a reality if marketing is driven by shared perceptions or ambitions.
The aim of marketing is to increase sales of the goods or services produced or to increase take up of services offered. There is no point in stimulating demand, for instance, if the cost of buying extra stock or machinery, tooling up the factory, or providing more staff to work with people are beyond the resources of the organisation. Nor is there any point in making forecasts of sales without the means to measure the change and a set of criteria to determine if extra sales have actually improved the position of the business.

Additionally, for any community organisation with a tight budget, there has to be both a guaranteed return and no adverse effect on the organisation as a whole.

All organisations will require a sales plan to determine the costs of extra sales both directly (for instance extra stock, more sales staff, new machinery) and indirectly (increased warehouse space, extra transport costs). It will also need a financial plan to help it know when costs will be incurred, what for and at what level and also when income will be generated.

The Sales Plan

Once the purpose of a marketing plan has been identified and market research carried out, a sales plan can be drawn up. A sales plan consists of the following:

Market Segmentation

For each market segment or group what ‘sales pitch’ or promotional techniques are being used? When will they occur? What are the projected kind and levels of demand? What are the projected sales?

Resource Development And Allocation

Based on the internal market audit, decisions will need to be made about the resources to be committed to the sales plan, the personnel, physical resources, financial resources etc required and how they are to be acquired. For instance, will people need retraining? Will you need a bank overdraft? Will there need to be an internal reorganisation? Will you need to bring in consultants? Or hire extra production, sales or administrative staff?

Advertising Strategy

This consists of decisions about where you will advertise and when, using what methods and to achieve what ends. For instance, radio advertising which reaches many people can help increase brand-name recognition but not generate many actual sales. An advert and coupon in the paper might not generate sales without that recognition. Inducements at the point of sale, for instance discounts, money-back
guarantees, price cuts etc will not generate sales unless staff are offering them. Additionally it is important that each advertising method has had a cost-benefit analysis done in terms of both actual cost Vs sales income and resources allocated Vs marketing return.

**Marginal Cost Analysis**

This consists simply of a calculation of what extra sales will be generated at what cost in terms of the advertising budget and wage costs. How much extra income is generated and does this generate a gross profit or ‘margin’. It is not necessary for a marketing drive to generate a profit since it may have other purposes: to increase market recognition prior to introducing a new product for instance or to clear a warehouse of stockpiles etc. But the ‘marginal cost’ or ‘marginal benefit’ of the marketing drive (i.e. what is lost or gained compared to the situation now) must be calculated.

**The Financial Plan**

The Financial Plan takes the information contained within the marginal cost analysis and fits it into the overall financial situation of the organisation. If the information exists the impact of the Sales Plan on the organisation’s finances should be compared to the threats that exist from competitors and others. An advertising strategy that will bring in results in, for instance, six months is no good if a competitor can capitalise on demand generated to obtain those sales in three months. Or if a marketing drive starts a price war the organisation can’t win. Or persuades a funder to withdraw support because they feel money would be better spent on core activities.

Firstly you will need to calculate projected sales for each product or service. This must then be multiplied by the selling price to provide the sales revenue.

Secondly the sales revenue must be analysed in terms of when it will arrive. If you are using a mix of sales methods - retail, wholesale, credit, mail order, post-sale invoicing etc - then when the extra income generated arrives it can be very complicated. An allowance must also be made for the fact that some sales will be bad sales and payment will never materialise.

Finally, the sales cost must be calculated. Sales costs consist of capital costs such as extra machinery, premises, fixtures and fittings etc; and revenue costs such as stock, wages, distribution, extra overheads, advertising. As with sales revenue, when this cost is incurred and when payment is made must also be determined.

Usually this information is put into a cash flow projection covering the period of the marketing strategy and afterwards. If sales are projected to rise and then fall slowly afterwards, the point at which there is no sales revenue being generated can be calculated and a date identified for the development of a new marketing strategy.
THE SALES PLAN EXERCISE
- CALCULATING FINANCIAL IMPACT OF SALES

Acting as the marketing team for the Wood ‘N’ Tops community organisation and using the information below, draw up a sales plan for next year. There can be up to 30 trainees in the workshop able to work 30 hours a week each and 1 joiner is required to supervise 15 trainees. A training allowance of £36 per week is paid to each trainee. A training subsidy of £1000 per trainee per year has been announced. A joiner’s wage is £12,000pa, the manager’s is £16,000.

Wood N Tops Projected Budget

<table>
<thead>
<tr>
<th>Income</th>
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<tbody>
<tr>
<td>Grant (LA)</td>
<td>£10,000</td>
</tr>
<tr>
<td>Grant (LSC)</td>
<td>£30,000</td>
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<tr>
<td>Grant (ICP)</td>
<td>£8,000</td>
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<tr>
<td>Sales (last year)</td>
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<td>Donations</td>
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<td>Training Subsidy</td>
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<td>New Sales</td>
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<td><strong>Total</strong></td>
<td><strong>£89,300</strong></td>
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<td>Rent And Rates</td>
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<tr>
<td>Trainee Costs</td>
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<tr>
<td>Materials/Tools</td>
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<tr>
<td>Office Costs</td>
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<td>Transport</td>
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<tr>
<td>Promotion</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>£13,100</strong></td>
</tr>
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</table>
Sales Projections And Cost Analysis

a) Carefree Cot (maintain production of at least 5 per month)
Unit Cost is £20 of which £15 is materials. It takes 10 person hours to make.
Sales projections are: month 1 = 5, month 2 = 10, month 3 = 15, month 4 and after = 20.
Could be sold for £65 (local) or £90 (outside retailer).

b) Sleepeze Bed (maintain production of at least 6 per month)
Unit Cost is £80 of which £30 is materials. It takes 15 person hours to make.
Sales projections are: month 1 = 6, month 2 = 8, month 3 = 10, Month 4 = 12, Month 5 = 8,
month 6 = 12, stabilising at this level. Could be sold for £150 (local) or £190 (outside retailer).

c) Noah's Ark (new product)
Unit Cost is £3.50 of which £2 is materials. It takes 3 person hours to make.
Sales projections are: [retail : wholesale] month 1 = 10 : 30, month 2 = 15 : 40,
month 3 = 20 : 60, stabilising at this level. Could be sold for £20 retail and £14 wholesale.

d) Park Bench (new product)
Unit Cost is £60 of which £20 is materials. It takes 30 person hours to make.
Sales projections are: month 1 = 4, month 2 = 6, month 3 = 8, month 4 = 10, stabilising at
this level. Could be sold for £100 to Local Authorities in which case sales would be double
or retail for £130 (local) or £170 (outside retailer).

e) Picnic Table (new product)
Unit Cost is £50 of which £30 is materials. It takes 20 person hours to make.
Sales projections are: month 1 = 3, month 2 = 5, month 3 = 5, month 4 = 8, month 5 = 10,
stabilising at this level. Could be sold for £60 wholesale (month 6 onwards at treble the
quantity) or retail for £90 (local) or £120 (outside retailer).

The cost of packaging and distribution on all products sold to outside retailers always
adds 20% to the unit cost.
The workshop has a maximum annual amount of 23,400 person-hours of trainee labour available to it. This labour does not have a direct cost (i.e., wages) but does have an indirect cost (supervision). The task of the group is to distribute the productive capacity of the workshop over the next six months in order to break even.

Can the workshop break-even or does it either need to (a) expand or reduce production; (b) focus on particular products; or (c) introduce new products in order to break even?

Income

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<th>1</th>
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<td></td>
<td>20</td>
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</tbody>
</table>

Sales Plan Exercise

Develop a sales strategy that will enable the workshop to break even next year.

What were the relative advantages of selling locally vs. outside and retail vs. wholesale?

How easy was it to balance costs, sales and production/capacity?

Answers can be found in the appendix on page 412.