

## CHAPTER 6

# ANALYZING THE MARKET AND THE CUSTOMER

### Author's Note

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Getting to the customer is, perhaps, the most critical step in feasibility analysis. Without the customer, there is no business. Beyond that, the customer provides important information to the entrepreneur about the product or service being offered. This chapter explores methods for understanding who the customers are and their needs. It also provides a methodology for studying the customer and the market.

From the customer and target market, the chapter moves into the issue of forecasting new product/service demand and how to get the product or service to the customer.

At this point in the process, with the customer defined and tested, the entrepreneur will know if he or she wants to go forward to look at the financial risks and benefits of the venture. If things don't appear to be sufficiently positive at the customer test, then doing a financial analysis might not make sense.

### Learning Objectives

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This chapter will give students an understanding of:

- How to characterize the target market
- Forecasting new product/service demand
- How to get the product/service to the customer
- Conclusions as to feasibility

### Supplementary Lecture Material

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#### ***How David Beat Goliath***

Chelsea Milling has consistently beaten the Pillsbury Dough Boy and Betty Crocker with its down-home family business. Jiffy stands out on the grocery shelves by being the antithesis of hype. With simple, even plain, packaging of its muffin and biscuit mixes, Chelsea Milling holds a 30.6 percent revenue share of the market for muffin mixes and 55.3 percent share based on unit sales. Their 70-year victory is the result of making their own rules; they don't spend any money on advertising, and they keep their costs low. They rely on repeat customers and word of mouth. Actually, Jiffy was the first U.S. prepared baking mix when it was introduced in 1930. Mable Holmes, the founder, identified a niche that wasn't being served: offering a ready-to-make mix that even a man could prepare.

One of the other secrets to its success is that Chelsea Milling is a privately held company, so it can make quick decisions without having to consider what the stock analysts might think.

*Source: Paul Lukas, "Jiffy's Secret Recipe," Fortune Small Business, December 3, 2001.*  
[http://www.fortune.com/indexw.jhtml?channel=artcol.jhtml&doc\\_id=205624](http://www.fortune.com/indexw.jhtml?channel=artcol.jhtml&doc_id=205624)

## Films to Rent

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### *Marketing Research and Information*

This film discusses how to gather consumer data using both primary and secondary methods. It includes focus groups, one-on-one interviews, surveys, and experiments.

www.films.com  
Item: **BVL10140**  
Format: **VHS**  
List Price: **\$89.95**

### *Creating Customer Value: The Essentials of Marketing*

This film looks at how a company successfully challenges an industry leader in the market. It addresses the 4 P's, market segmentation, and strategy.

www.films.com  
Item: **BVL10804**  
Format: **VHS**  
List Price: **\$149.95**  
Rental Price: **\$75.00**

## Cases Relevant to This Chapter

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Beanos Ice Cream Shoppe

Earthlink.net: The Journey to Recognizing an Opportunity

Alcoholes de Centroamerica, S.A. de C.V.

## Answers to Issues to Consider

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1. *What is the value of defining a market niche?*

Defining a niche allows you to enter a market that you can control. It gives you a chance to succeed before others enter. Most importantly, you are usually solving a customer need that hasn't been served.

2. *Why is it important to do secondary market research before primary market research?*

It's important to learn what others have discovered about the market so that when you collect data, you don't reinvent the wheel. It also allows you to ask more insightful questions during your primary data collection.

3. *What advantages do interviews have over other data collection methods?*

Interviews provide more opportunity for clarification and discussion; they offer the advantages of nonverbal communication; the response rate is high; they permit open-ended questions; and they provide an opportunity to network.

4. *Suppose you are introducing a new type of exercise equipment to the fitness industry. What types of research methods would you use to forecast demand, and why?*

Students should suggest a variety of secondary and primary research methods. Considering the type of product, methods that involve a prototype of the equipment will probably provide the most valuable information. This can be accomplished through focus groups where customers can actually try the equipment or compare it against others in the market.

5. *Market research can be an expensive, time-consuming process. What can you do to minimize the costs while still achieving your goals?*

You can use focus groups to gauge potential customer reaction; observe buyer behavior at random times; use small, representative segments of the target market; examine case studies of similar companies; and study census data for demographic information.

### **Suggestions for Experiencing Entrepreneurship**

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1. *Develop a business concept for either a new theme restaurant or an enterprise software application to manage the operations of small business owners. Create a customer grid similar to that in Table 6.2. Add at least one more column of information than what is given. Which customer would you seek out first, and why?*

Alternatively, give all students the same concept and then compare and contrast the concept grid that each develops.

2. *Pick a product or service and formulate a plan for researching the customer. Justify your plan.*

Be sure that students spend the majority of their time “in the field” talking to actual customers.