



# Agribusiness Marketing Report



Department of Agricultural and Resource Economics, Fort Collins, CO 80523-1172

December 2002-ABMR 02-08

## A Step-by-Step Guide on How to Write a Successful Business Plan Part IV: Market Planning by

Wendy Umberger and Susan Hine  
Department of Agricultural and Resource Economics  
Colorado State University

This market planning fact sheet is the final segment in our four part series on business planning. The purpose of this series has been to help entrepreneurs who are interested in successful business planning. This fact sheet will build upon market analysis and provide entrepreneurs with an outline of the information that should be included in a Marketing Plan.

✓ **A Marketing Plan is a dynamic planning tool.**

### Creating a Market Plan

After conducting a market analysis to determine if a profitable market exists, you can use this information to assist you in developing your marketing plan. A marketing plan should be developed following the completion of the market analysis and prior to production of your product. The marketing plan will help you to focus on meeting your sales or marketing goals and to better meet your customers' needs.

✓ **Marketing objectives should be specific and measurable.**

### Marketing Objectives

The first step of a marketing plan is to develop and state your marketing objectives. These objectives should summarize your business's short-term and long-term goals. Similar to your business objectives, your marketing goals should be specific, measurable, and realistic. For example, an objective stating "XYZ Company will gain 75% of the natural beef market by the year 2004" is specific and measurable; however, if the business is in its first year of operation, gaining 50% of the market is not very realistic. A more realistic objective might be to obtain 50% of the natural beef market within a specific local region after two years of production and marketing.

✓ **Marketing Mix = Product, Price, Place and Promotion.**

### Current Marketing Environment

The second step to your marketing plan is to describe your current marketing environment. Much of this information can be obtained after completing your market analysis. You should provide a summary of your current market situation. If you are already marketing a product, you should describe what you are currently selling, how you are currently marketing the product, who your customers are, what their needs are and why they are purchasing your product, and the market trends, which indicate growth. Additionally you should highlight your company's internal strengths and weaknesses and external opportunities and threats. For example, it is a good idea to

discuss how much of a threat your competition currently presents, and what your competition is doing to be successful. Using this information can help you to develop a well-defined target market.

## Developing Your Marketing Strategy

The next step of the market plan is to outline a target market strategy. This strategy should also evolve out of the information that was gained from the market analysis and should provide the reader with the details as to how you will achieve your marketing goals.

### *The Marketing Mix*

The most important part of your marketing strategy is to create your marketing mix or “4P’s.” The 4P’s include a description of your *product*,<sup>1</sup> how you will *price* your product, the *place* where your business will be located or where your product will be sold and how you plan to *promote* your product.

#### 1. *Defining your product*

The definition of your product is very important to the success of your business. The types of products and services you offer essentially determine your company’s image. The demographic information gained through the market analysis can be used to help you better understand your potential customer and to assess the attributes of your product that are most important to them. You can use this customer information to further develop your products and to increase your customers’ satisfaction and loyalty. The product definition should describe the type of unique benefits that your customers will gain from your product. Additionally you can include a description of the distinctive physical features of your product and the design and packaging that you plan to use to build up a brand image and to add personality to your product. If you are marketing a service rather than a product, then you can describe the customer service that you plan on offering.

#### 2. *Pricing methods*

The price of your product is an expression of the image of your business and a reflection of the value of your product. Determining the price of a product is often one of the most difficult decisions for businesses – this is especially true for producers who are used to selling in commodity markets where they are price-takers. The key to pricing is to remember that if you do not have a price above your cost of production or operating costs, you will not be in business for long. Therefore, it is vital to know your per unit cost of production. As a direct marketer, you are able to determine your asking price, but you must also consider your competitor and customer demographics or you may price yourself out of the market. The best way to begin determining your pricing strategy is to thoroughly examine your competitors’ prices and to consider how their products differ from yours. Whether you price above or below your competitors’ prices should depend upon the quality of your product, your costs relative to your competitors’, and your marketing goals. Once you develop an appropriate pricing policy you should constantly monitor your costs and your competitors’ prices to ensure a profitable pricing strategy.

#### 3. *Placing your product*

Placing your product is essentially how you will distribute your product. Retailers, wholesalers, brokerage firms, farmer’s markets, auctions, and the Internet are all various types of distribution methods. Throughout the last decade, retail and wholesale distributors have become increasingly consolidated and small producers and businesses are finding it difficult to partner with large-scale distributors. Furthermore, distribution and transportation costs can account for a large share of the final price of the product. While you may have developed a product that consumers desire, unless you can affordably provide the product to consumers at the right place and right time, you will not be able to market the product. Therefore, you must carefully consider the efficiency and cost of your distribution method.

---

<sup>1</sup> Product can also refer to a service.

#### 4. *Promoting your product*

After you have defined your product, determined a pricing policy, and decided where you will place your product, you can develop your promotional materials. Promotion is used to influence the attitudes and buying behavior of the customers in your target market. It is important to remember that promotional materials are only effective if you have a product that consumers want – which is why it is vital to have developed the other parts of the marketing mix before working on promotion.

Advertising methods such as newspapers, radio, television, point-of-purchase material, the Internet, and billboards are often the most common approaches of promoting products and services. Advertising is important to provide your target market customers with information about your product's unique benefits, price, and where they can purchase the product. However, there is more to promotion than advertising. Your business's public relations and networking are important for building a positive public image. One method of promoting your business and building a good public image is through sponsorship of local special events.

Regardless of the methods that you use, promotional material should encourage consumers to purchase your product and help you to expand your market. Promotion is a major expense and must be included in your budget and cost calculations. Your promotional budget should include estimated costs and expected returns based on projected sales.

#### Monitoring and Measuring

Your marketing plan should be a dynamic business-planning tool. Your market environment is constantly changing, and, therefore, your customer, competition, and costs are constantly changing. Monitoring involves evaluating the progress your company has made toward achieving your goals and objectives. Measuring entails quantifying the growth and performance of your business's sales volume and market growth, profits, company image, customer satisfaction, and promotional success. You can use your business's financial records, sales reports, and consumer surveys to measure your success at reaching your marketing goals. This information will help you to further develop and to refine your marketing plan.

In order to stay ahead of your customers and to remain profitable and competitive you must consistently evaluate the following:

- The number of potential or existing customers.
  - Where your customers are located – has your market grown to the extent that you need to alter the location(s) of your product?
  - Your company's image and customer satisfaction.
  - The market trends that affect market growth.
  - How your customers' needs and wants are changing.
  - The potential competition, their products/services, where they are located and how they are currently pricing and promoting their products.
  - Your cost of production and budget.
  - Your marketing goals and objectives – Does your business have the image that you would like it to have? Is it profitable? Is your business growing at the rate you would like it to?
-

This four-part series was designed to provide you with a brief overview of the steps to successful business planning. Numerous other sources of information on business planning are also available. The following are some links that may also provide helpful information.

- U.S. Small Business Administration website: <http://www.sba.gov/>
  - Colorado Small Business Administration website: <http://www.sba.gov/co/>
  - United States Department of Agriculture Farmer Direct Marketing website: <http://www.ams.usda.gov/directmarketing/>
  - Colorado Department of Agriculture- Markets website: <http://www.ag.state.co.us/mkt/mkt.html>
  - Southwest Marketing Network website: <http://www.swmarketing.ncat.org/>
-