New Venture Creation: NCV Level 2
Module 2
Investigate markets & needs for a new venture
In Module 2 we shall be covering:

- how to identify potential customers for a new venture
- why and how to conduct customer research into the need for the proposed products or services of the new venture
- how to use statistical information to determine the type of product or service valued by different communities
Marketing is an on-going process

1. Identify the target market
2. Determine needs & wants
3. Develop product range
4. Promote product range
5. Distribute product range
6. Sell product range
7. Provide after-sales service
Identifying the target market for a new venture

- e.g. targeted by age & gender
  - teenage females?
  - businessmen?
  - pensioners?

- e.g. targeted by profession
  - sports professionals?
  - teachers?
  - doctors?
Criteria used to identify the target market

- **Age**: Different things interest us at different stages of our lives.
- **Gender**: Certain product ranges might appeal more to females e.g. beauty salon.
- **Location**: ‘Take away’ restaurants will do very well in areas where lots of students live.
- **Income**: The lower the income the more important the price of the product.
- **Education**: People with a lower level of education are less likely to buy imported foods.
Determining customer needs leads to business ideas

**Customer need**

**Product**

[Image: People sharing a bowl of soup with an arrow pointing to a McDonald's logo with a burger and fries]
and more ideas ……

Customer need

Service
and even more ideas ……

Customer need

Products & services
‘Wants’ are needs expressed in a specific product choice

Customer need

Product choice

Mcdonald's

Steers
Why do customers choose a specific product or service?

- **Taste**
  - e.g. “it always tastes the same”

- **Quality**
  - e.g. “it lasts a long time”

- **Status**
  - e.g. “it is a really ‘cool’ product to wear”

- **Reliability**
  - e.g. “their deliveries are always on time”

- **Cost**
  - e.g. “they are the cheapest place in town!”

**The Brand**
How important to a ‘Brand’ is its logo?
Top ten coolest brands

1. Levi's
2. Coca-Cola
3. Adidas
4. Nokia
5. BMW
6. Billabong
7. DSTv
8. Vodacom
9. Nike
10. iPod
Factors influencing the buying patterns of customers

- Product
- Price
- Promotion
- Place
Products are the ‘why’ of the marketing effort

Why do customers want to buy a specific product?

Features
- 24” ultra-wide screen
- maximum resolution
- quick response time
- over 200 cd/m2 brightness
- DVI connectivity

Benefits
- easy-to-read documents
- no waiting
- looks great on workstation
- can be connected anywhere
- makes games more realistic
Pricing has a huge effect on customer buying patterns

Do customers buy mainly on price?

Do customers seek quality and worry less about price?

OR

SHOPRITE

Checkers

WOOLWORTHS

the difference
**Place is the ‘where’ of the marketing effort**

The success of a business often depends on where it is located – convenience is a very important consideration for many customers!

For example; if you’re a gym member wouldn’t you like to get a healthy drink as soon as possible after your workout?
The marketing checklist

<table>
<thead>
<tr>
<th>Does your marketing plan:</th>
<th>yes (✓)</th>
<th>no (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• focus on the <strong>benefits</strong> you provide?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• have a clear <strong>message</strong>?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• focus on a <strong>specific group</strong>?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• feature your <strong>unique selling proposition (USP)</strong> – the one thing that sets your product apart from others?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• have <strong>1 strong message</strong>?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• offer methods for customers to <strong>respond</strong>?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• have a <strong>specific objective</strong> that can be measured?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Values in marketing (* option 1)

Often sales people are viewed in a ‘bad light’ because of the actions of a few individuals who make promises they can’t keep or sell a product to a customer who really can’t afford to pay for it!
Values in marketing (** option 2)

Often sales people are viewed in a ‘bad light’ because of the actions of a few individuals who make promises they can’t keep or sell a product to a customer who really can’t afford to pay for it!
Ubuntu values to guide us in marketing

- Always speak and act truthfully
- Treat others as you want them to treat you
- Recognise and respect diverse religious and spiritual cultures
- Act comprehensively to ensure fair compensation and humane working conditions
- Ensure that economic activities support and promote human development
Factors that motivate or prevent people from buying a product

- **Culture**
  - e.g. the impact of a common language and history

- **Technological Forces**
  - e.g. iPods that allow us to play music when we want where we want

- **Natural environment**
  - e.g. is the food we buy natural “organic” produce or genetically modified?

To buy or not to buy?
Surveying opinions for the new venture’s products

**Question**: why should a new business do market research?

**Answer**: because it will help the entrepreneur to …..

- understand the various business environments
- anticipate any changes within these environments
- forecast the impact and direction of these changes
- make changes to the current business plan to fit in with these changes in the environment

and, it will also help the entrepreneur to investigate …

- whether customers will buy a new product
- why existing products are not selling
- better methods of marketing existing products
- changes in customer needs
- whether there is a risk of new competitors coming into the same market
Market research involves the following:

- identifying WHAT the marketing problem or opportunity is
- identifying WHERE to find the information needed
- understanding HOW to collect the information and interpret it
- making a decision based on the information e.g.
  - WHEN to introduce new products
  - WHERE to open or expand the business
Planning a research project

1. Identify the problem
2. Formulate an hypothesis
3. Decide on information
4. Choose information sources
5. Collect data with questionnaires
6. Analyse & interpret data
7. Report findings
Collecting and analysing data

Primary Data

gathered specifically for the research being conducted

Surveys

Observation

Experimentation
Collecting and analysing data

Secondary Data
already gathered in previous research projects by other organisations

government publications/stats
libraries/resource centres
university research papers
media statistics e.g.
AMPS (All Media & Products Survey)
professional/business associations
e.g. Chamber of Commerce
Internet e.g. Google
### Format of a questionnaire

**Customer Satisfaction Survey**

#### Section A: demographics

1. Age
2. Income level
3. Cell phone number

#### Section B: survey questions

1. Queuing time
2. Staff friendliness
3. Staff knowledge
4. Problems resolved
Evaluating and analysing data

Step # 1: edit the data
- have all questions been answered?
- can the answers be read?
- are the answers accurate?
- do the answers make sense?
- how consistent are the answers?

Step # 2: tabulate the data
- count the number of answers in each category
- enter the data into the system
Interpreting closed questions
This is relatively easy because very specific answers have been requested e.g. “do you prefer ‘health food’ to ‘junk food’?” If 70% answer ‘yes’, it is very clear that the majority of students prefer healthy foods.

Interpreting open-ended questions
Because these questions allow for opinions the researcher has to group similar answers together to develop themes such as people believing that ‘junk food is bad for you’.

X ✓
# The research report

<table>
<thead>
<tr>
<th></th>
<th>Title page</th>
<th>Title &amp; main theme of report</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Table of contents</td>
<td>Listing main sections &amp; page nos.</td>
</tr>
<tr>
<td>3</td>
<td>Tables &amp; figures</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Proposal</td>
<td>Research objectives and plan</td>
</tr>
<tr>
<td>5</td>
<td>Introduction</td>
<td>Subject, purpose &amp; research plan</td>
</tr>
<tr>
<td>6</td>
<td>Methodology</td>
<td>Interview techniques, questions asked</td>
</tr>
<tr>
<td>7</td>
<td>Interpretation &amp; findings</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Conclusion</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Recommendations</td>
<td>What action to take based on findings</td>
</tr>
</tbody>
</table>
Using statistical information to determine products/services

**Question #1**: why does a business need statistical information to determine which products and services are most valued?

**Answer**: because it will help the entrepreneur to …..

- understand the different needs & wants of different communities
- forecast sales more accurately based on statistical trends
- make changes to the proposed product/service range offered where needed
- focus more marketing efforts on the products shown to be in demand

**Question #2**: why should statistical information be presented in the form of graphs, charts and tables?

**Answer**: because it will make the information

- clearer to ensure it is easy to understand and thus correctly interpreted
- more interesting to ensure that it is properly utilised
- a valuable tool to convince important stakeholders to support decisions
### Using Tables

**Example: Provincial demographics**

<table>
<thead>
<tr>
<th>Province</th>
<th>Size km²</th>
<th>Population</th>
<th>Pop. density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>169 600</td>
<td>6 436 790</td>
<td>37.95</td>
</tr>
<tr>
<td>Free State</td>
<td>129 480</td>
<td>2 726 840</td>
<td>21.06</td>
</tr>
<tr>
<td>Gauteng</td>
<td>18 810</td>
<td>6 869 100</td>
<td>365.18</td>
</tr>
<tr>
<td>Kwa-Zulu Natal</td>
<td>92 182</td>
<td>8 505 340</td>
<td>92.27</td>
</tr>
<tr>
<td>Limpopo</td>
<td>123 280</td>
<td>2 921 560</td>
<td>23.70</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>78 370</td>
<td>2 921 560</td>
<td>37.28</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>361 800</td>
<td>737 310</td>
<td>2.04</td>
</tr>
<tr>
<td>North West</td>
<td>116 190</td>
<td>3 252 990</td>
<td>28.00</td>
</tr>
<tr>
<td>Western Cape</td>
<td>129 370</td>
<td>3 633 080</td>
<td>28.08</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1 219 080</strong></td>
<td><strong>38 004 570</strong></td>
<td></td>
</tr>
</tbody>
</table>
Observations about Tables

In our example we see that:

- information is summarised, condensed and can be easily presented
- provinces are listed alphabetically
- we have to look very carefully to see which province is the biggest and which is the smallest
- it is very difficult to see which province is the 3rd biggest
- in Gauteng there are 365 people/km² compared to the Northern Cape where there are only 2 people/km²
- the total population is just over 38 million
- the total size of the country is 1 219 080 km²
Using Pie Charts

Province Sizes

- Eastern Cape
- Free State
- Gauteng
- KwaZulu Natal
- Limpopo
- Mpumalanga
- Northern Cape
- North West
- Western Cape
- Slice 10
Observations about Pie Charts

In our example we see that:

- information is very visual
- Gauteng is really small compared to the other provinces
- the Northern Cape is huge compared to the other provinces
- it is difficult to rank most of the other provinces in terms of size when using a Pie Chart
Using Bar Graphs

Province Population

Eastern Cape  Free State  Gauteng  KwaZulu Natal  Limpopo  Mpumalanga  Northern Cape  North West  Western Cape
Observations about Bar Graphs

In our example we see that:

- the names of provinces appear at the bottom (called the x – axis)
- the number of people/ appears on the left (called the y – axis)
- KwaZulu Natal is clearly the province with the biggest population
- although not as detailed as a table, a Bar Graph enables us to rank data very easily
Using Line Graphs

People per Square Km

- Eastern Cape
- Free State
- Gauteng
- KwaZulu Natal
- Limpopo
- Mpumalanga
- Northern Cape
- North West
- Western Cape
Observations about Line Graphs

In our example we see that:

- provincial names appear at the bottom (called the x – axis)
- the number of people/km² appears on the left (called the y – axis)
- most provinces seem to have a similar number of people/km² but the notable exceptions are Gauteng and KwaZulu Natal (high) and the Northern Cape (extremely low)
Trends in different sectors of the economy

A trend:

- gives an indication in which direction something is developing
- is about what we can expect in the future
- may not always be correct but at least gives an idea of possibilities
- is very helpful to the entrepreneur starting a new venture e.g. larger numbers living in urban areas within a smaller area (365 people/km² in Gauteng) help focus where the marketing effort should be concentrated
Trends in taxes collected every year

- 1993-1994
- 1994-1995
- 1995-1996
- 1996-1997
- 1997-1998
- 1998-1999
- 1999-2000
- 2000-2001
- 2001-2002
- 2002-2003
- 2003-2004