Basic Market Feasibility Analysis Steps & Tools

Wednesday, May 8, 2013
NEDA SPRING CONFERENCE PRE-SESSION WORKSHOP presented by Shawn Kaskie

Source: NY Times
Topics

1. UNK, CRRD, and our outreach services
2. Marketing Overview – Focus on Feasibility
3. Sales Forecasting Methods and Resources
4. Sources of Success/Innovative Practices
5. Key Industries Trends and Data Sources

Synergy: Individual businesses working together to be more successful than if they were working alone.
1. Our Focus

COLLEGE OF BUSINESS & TECHNOLOGY

- Providing student-centered educational opportunities including **experiential learning**;
- Advancing knowledge through **applied** and pedagogical **scholarship**;
- Providing service to our stakeholders
What we do
Local Experts in Many Fields - Faculty Consulting

- Software development
- Economic impact studies
- Pricing studies
- **Marketing research**
- Marketing planning
- Sales training
- Strategic planning
- Feasibility analysis
- Leadership development
- Statistical analysis
- Transportation efficiency
- Web marketing
- Quality control and improvement
- Process analysis and improvement
- IT training
Student Consulting
“We value experiential, hands-on learning”

- Marketing research studies
- Advertising plans
- Marketing plans
- Web marketing projects

- New venture plans
- Habitat for Humanity
- Translators
- Quality improvement projects
- Database projects
Role of CRRD in Encouraging Rural Entrepreneurship in Global Marketplace

STAGE 1
NASCENT ENTREPRENEUR

STAGE 2
NASCENT ENTREPRENEUR ACQUIRES ENTREPRENEURIAL KNOWLEDGE AND SKILL-SETS

STAGE 3
NASCENT ENTREPRENEUR BECOMES A NEBRASKAN ENTREPRENEUR DOING BUSINESS IN A GLOBAL MARKETPLACE

CRRD
Business
Economic Developers
University
Gov’t

Entrepreneurial activities
Retention of young, educated population
Globalization
Retention and Attraction of innovators
Other Programs & Activities: Entrepreneurship Education

**Baldwin Free Enterprise Seminar Series**

**Nebraska State Agency Director Lecture Series**

& International Business

- Entrepreneurship Networking Group facilitation
- UNK Business Innovation Summit
- Eship CONTESTS
- SPEAKER SERIES
- STATE FAIR
- Marketplace CFRA
- ENTREPRENEUR IN RESIDENCE
- RURAL SOURCING

**Global Scholars Seminar Series**
Our Niche - Primary Market Research

FOCUS GROUPS
• Interactive portable Technology
• New, State of the Art, Facility
• Professional Moderation (Proctor & Gamble training)

SURVEY
• Paper – Mail or Interview
  • 12 years of Community Needs Assessment Experience
• Online
  • Over 15 projects completed since 2010
  • Extensive Library w/ nearly 300 tested surveys
• Telephone
  • New confidential facility w/ trained Marketing Students
2. What is Marketing?

Marketing is EVERYTHING entrepreneur do to promote the business, from the moment entrepreneur conceive of it to the point at which customers buy the product or service and begin to patronize the business on a regular basis.

The key words to remember are everything and regular basis.

- Jay Conrad Levinson
Traditional Marketing Elements

Three “parts” to the marketing process:
- RESEARCH
- ANALYSIS
- STRATEGIES and TACTICS

The “P’s of Marketing” that will guide the research, analysis and strategies:
- PRODUCT
- PRICE
- PROMOTION
- PLACEMENT
- (& PEOPLE!)
Determining the MARKET POTENTIAL

- Research > Industry Trends, potential issues

- Analysis > What’s the best chance to access to this industry based on these trends, issues, and typical customer profile
3. Parts of Market Analysis

1. Determine the “PROFILE” of the customer
2. Determine the MARKET AREA-geographic boundaries and size
3. Determine the number of people (or businesses) in the trade territory who potentially “FIT” the customer profile
4. Determine the MARKET POTENTIAL for the business in the trade area
Market Analysis Example – Understanding the Consumer

Demographics:

- Population
- Household Size
- Household Income
- Age Distribution
- Ethnicity
- Education
- Marital Status
- Occupation
- Housing Units

Lifestyles:

Use zip code or block groups to segment consumers using systems developed by private companies like Claritas and ESRI.

Households are segmented into unique clusters that describe their lifestyle, media and purchasing characteristics.

Free Zip Code Lookup:
http://www.esri.com/data/esri_data/tapestry.html
Free Sources

- For Secondary Market Research

### NEDI Online - Community GIS Information

To generate a report, complete "City" or "County" information.

- City: Select Community: Grand Island
- County: Select County: NA

Default radii: (change if desired)
- 10 miles
- 25 miles
- 40 miles

(Note: Data available up to 50 miles outside Nebraska.)

Click for results: Get Demographic Data

**Grand Island results below:** [2009 data, 2014 projections]

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### Results for Grand Island, Nebraska

(12/6/2010 2:24:52 PM)

<table>
<thead>
<tr>
<th>2009 Snapshot</th>
<th>10 miles</th>
<th>25 miles</th>
<th>40 miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>56,593</td>
<td>111,189</td>
<td>158,166</td>
</tr>
<tr>
<td>Households</td>
<td>21,526</td>
<td>43,480</td>
<td>62,989</td>
</tr>
<tr>
<td>Families</td>
<td>14,607</td>
<td>29,202</td>
<td>42,264</td>
</tr>
<tr>
<td>Average Household Size</td>
<td>2.5</td>
<td>2.5</td>
<td>2.4</td>
</tr>
</tbody>
</table>
Free Sources

- For Secondary Market Research
Market Analysis Example – Defining the Trade Area
Sample Market Research

- B2B EXAMPLE: Top Employers in Industry within 50m 68847.xls
- Sample Company Report (Little Mexico of Kearney-HANDOUT)
- HOW TO USE THIS DATA (SAMPLE HANDOUT FROM KEARNEY MEXICAN RESTAURANTS)
USE SEVERAL METHODS OF ANALYSIS

- **AVERAGE SALE PRICE PER UNIT** \( \times \) **UNITS SOLD PER TIME PERIOD**
- **SOCIO DEMOGRAPHIC POTENTIAL...SALES PER HOUSEHOLD**
- **COMPEITITIVE MARKET SHARE**
- **INDUSTRY SALES PER SQUARE FOOT AVG (BIZ MINER HANDOUT)**
- **Percent Capture Rate (traffic or foot count)**
- **OTHER INDUSTRY RATIOS**
## Determining Market Potential—Projecting Sales Volume

### Annual Sales Volume Projection Worksheet

<table>
<thead>
<tr>
<th>Target Market</th>
<th>Total # in your trade area</th>
<th># that fit your profile</th>
<th>Estimated Market Share</th>
<th>Of those that fit, to how many can you actually sell?</th>
<th>Quantity per sale</th>
<th># of times per year customer would buy</th>
<th>Expected price per unit</th>
<th>Expected Sales Volume (multiply A x B x C x D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
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<tr>
<td>Businesses</td>
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</tr>
</tbody>
</table>

**TOTAL:** 0
### Sample Method for Estimating Gross Sales:

**Example of: Kearney Mexican Restaurant**

| Population w/in 15 minute drive (area/target market geography) of site/location | 36,000 |
| Filter: # of Households | 14,000 |
| TIMES/X | annual amount spent eating out per home for area | $2,671 | $37,398,340 |
| Filter: TIMES/X | % choosing Mexican when eating out (0.047)** | 4.7% | $1,757,722 |
| Filter: DIVIDE BY | # of other Mexican restaurants in area (competitors)* | 13 | $135,209 |

*ASSUMPTIONS: This is based on ALL types of Mexican restaurants. But limiting the number of competitors to FULL-Service Mexican restaurants (5 in this example), total revenue estimated would remain under $300,000 assuming average (7.7%) market share. *Due to an assumption of market saturation. A new venture must "take" market share from most likely competitors (independent owned full service restaurants)*

**The assumption of 4.7% choosing Mexican when eating is based on a national study. This percentage will vary based on target market socio-economic preferences.*
# COMPETITIVE MARKET SHARE Analysis

## Sample Data Output from Reference USA, Hoovers (15 Mile Radius of Location/County): Kearney Mexican Restaurants

<table>
<thead>
<tr>
<th>Company Name</th>
<th>City</th>
<th>Location</th>
<th>Sales</th>
<th>Volume Actual</th>
<th>% Market Share</th>
<th>Location Type</th>
<th>Last Updated On</th>
<th>Years In Database</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amigos/Kings Classic</td>
<td>Kearney</td>
<td></td>
<td>$739,000</td>
<td></td>
<td>9.3%</td>
<td>Branch</td>
<td>201302</td>
<td>27</td>
</tr>
<tr>
<td>Amigos/Kings Classic</td>
<td>Kearney</td>
<td></td>
<td>$972,000</td>
<td></td>
<td>12.3%</td>
<td>Branch</td>
<td>201302</td>
<td>22</td>
</tr>
<tr>
<td>Big City Burrito</td>
<td>Kearney</td>
<td></td>
<td>$350,000</td>
<td></td>
<td>4.4%</td>
<td>Single Loc</td>
<td>201302</td>
<td>6</td>
</tr>
<tr>
<td>Fiesta Mexicana II</td>
<td>Gibbon</td>
<td></td>
<td>$77,000</td>
<td></td>
<td>1.0%</td>
<td>Single Loc</td>
<td>201302</td>
<td>17</td>
</tr>
<tr>
<td>La Mexicana</td>
<td>Gibbon</td>
<td></td>
<td>$39,000</td>
<td></td>
<td>0.5%</td>
<td>Single Loc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Little Mexico</td>
<td>Kearney</td>
<td></td>
<td>$1,361,000</td>
<td></td>
<td>17.2%</td>
<td>Single Loc</td>
<td>201302</td>
<td>19</td>
</tr>
<tr>
<td>Qdoba Mexican Grill</td>
<td>Kearney</td>
<td></td>
<td>$583,000</td>
<td></td>
<td>7.4%</td>
<td>Branch</td>
<td>201302</td>
<td>3</td>
</tr>
<tr>
<td>Taco Bell</td>
<td>Kearney</td>
<td></td>
<td>$622,000</td>
<td></td>
<td>7.9%</td>
<td>Branch</td>
<td>201210</td>
<td>18</td>
</tr>
<tr>
<td>Taco John's</td>
<td>Kearney</td>
<td></td>
<td>$778,000</td>
<td></td>
<td>9.8%</td>
<td>Branch</td>
<td>201302</td>
<td>30</td>
</tr>
<tr>
<td>Taco John's</td>
<td>Kearney</td>
<td></td>
<td>$661,000</td>
<td></td>
<td>8.3%</td>
<td>Branch</td>
<td>201302</td>
<td>4</td>
</tr>
<tr>
<td>Carlos O Kelly's</td>
<td>Kearney</td>
<td></td>
<td>$1,361,000</td>
<td></td>
<td>17.2%</td>
<td>Branch</td>
<td></td>
<td></td>
</tr>
<tr>
<td>El Poprero</td>
<td>Kearney</td>
<td></td>
<td>$311,000</td>
<td></td>
<td>3.9%</td>
<td>Single Loc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Pedro's Mexican</td>
<td>Kearney</td>
<td></td>
<td>$63,000</td>
<td></td>
<td>0.8%</td>
<td>Single Loc</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OR AVERAGE</strong></td>
<td></td>
<td></td>
<td><strong>$7,917,000</strong></td>
<td></td>
<td><strong>7.7%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Chipotle Sales per Sq. ft**: $719

Source: Biz Miner... Ask unk NBDC Office
## INDUSTRY SALES PER SQUARE FOOT AVG

### Example

$400 \text{ sq. ft.} \times 2,800 \text{ ft.} = \$1.12 \text{ mil}

### Table

<table>
<thead>
<tr>
<th>Restaurant (16)</th>
<th>Report Year</th>
<th>Sales/Sq. Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benihana</td>
<td>2012</td>
<td>511</td>
</tr>
<tr>
<td>BJ’S Restaurants</td>
<td>2012</td>
<td>700</td>
</tr>
<tr>
<td>Buffalo Wild Wings Grill &amp; Bar*</td>
<td>2012</td>
<td>395</td>
</tr>
<tr>
<td>Bob Evans</td>
<td>2012</td>
<td>465</td>
</tr>
<tr>
<td>Cheesecake Factory</td>
<td>2012</td>
<td>885</td>
</tr>
<tr>
<td>Chipotle Mexican Grill</td>
<td>2012</td>
<td>719</td>
</tr>
<tr>
<td>Cracker Barrel</td>
<td>2012</td>
<td>411</td>
</tr>
<tr>
<td>Denny's*</td>
<td>2012</td>
<td>465</td>
</tr>
<tr>
<td>Domino's Pizza*</td>
<td>2012</td>
<td>742</td>
</tr>
<tr>
<td>Einstein Noah Restaurant Group*</td>
<td>2012</td>
<td>448</td>
</tr>
<tr>
<td>Famous Dave's*</td>
<td>2012</td>
<td>423</td>
</tr>
<tr>
<td>Kona Grill</td>
<td>2012</td>
<td>572</td>
</tr>
<tr>
<td>Panera Bread*</td>
<td>2012</td>
<td>468</td>
</tr>
<tr>
<td>Papa John's*</td>
<td>2012</td>
<td>644</td>
</tr>
<tr>
<td>Red Robin</td>
<td>2012</td>
<td>340</td>
</tr>
<tr>
<td>Texas Roadhouse</td>
<td>2012</td>
<td>441</td>
</tr>
</tbody>
</table>
Capture Rate (traffic or foot count)

23,000 cars x .02% capture...
What do I do with this consumer info:

BUILD A SALES LIST!
4. Encouraging Innovative Businesses

Online Clearinghouse

- Case studies of retail and service businesses that are Innovative
  - Searchable by
    - Type of business
    - Size of community
  - Eventually include hundreds of businesses from small to medium sized downtowns

http://www.uwex.edu/ces/cced/downtowns/innovative/
5. Changing Consumers & KEY STRATEGIES to adapt

• Retail will be impacted by a slow economic recovery.
• How some downtown retailers have/will respond:
  ✓ Add value – quality goods and more attentive service
  ✓ Exhaust alternative markets (e-commerce, business-to-business)
  ✓ Cultivate niche markets
  ✓ Find customers who are not price sensitive
  ✓ Develop customer loyalty programs

Drawn from: N David Milder
Key Strategies:
Why Analyze the Competition?

You **Might:**

- Learn more about what the customer really wants (or doesn’t want!)
- Discover unserved “niche markets”
- Get ideas for marketing, merchandizing, product mix
- Obtain valuable advice, support, information (particularly from remote or indirect competition)

You **Will:**

Determine if entrepreneur have any COMPETITIVE ADVANTAGE
Key Strategies: Market Potential

What percent can entrepreneur Really get (TAKE AS MARKET SHARE) from the competition in saturated market?

And

Even better, be the first in the market to discover what entrepreneur customer WILL WANT IN THE FUTURE!

And

Use common sense...perceptions lead to behavior & Start free or low cost, test small markets, get objective feedback, and retry if necessary.
Contact Information

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  kaskiesc@unk.edu  Office: (308) 865-8135

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