



# Company Foundation 3/5

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### 3 Market & Competition - Marketing & Sales Sales Forecast & Turnover Planning

#### Learning objectives

- You can define your relevant market and carry out an analysis of the market and competitors.
- You are able to plan the marketing measures for your company.
- You can develop a realistic sales plan and turnover forecast for your performance.

The subject of this chapter are modules 4, 5 and 6 from the already known knowledge map for the business plan.

**Module 4** - "Market & Competition" deals with the **market structures and competitive conditions** you need to investigate in order to successfully place your business in the market. You will learn about the **criteria** you should use to conduct your market research from the perspective of the business idea. You will probably need the **most time to complete the** module, as you will have to look at the real conditions in the relevant industry on site. You need to **collect market data, company data, competition data and general information that has an impact on your business**. Supply and demand meet in the market.

When you have learned how the market works, you have learned a lot about the marketing of your competitors. **In Module 5** - "Marketing & Sales" you will learn how to **set up a marketing concept and which marketing instruments exist**. **Based on this, you will learn to create a marketing mix for your start-up idea**. In the **advertising planning you have** to determine the various possibilities of the marketing mix concretely for your company. A successful marketing plan has direct effects on the sales forecast.

With **module 6** - you will learn to set up a **"sales planning & turnover forecast"** for your company. This is **only possible** after you have gained **knowledge about the market** and your customers. You have to make a **forecast** about how many products or services customers will buy from you in a day, in a week, in a month, in a year and finally in three years. This is not about writing down wishful thinking numbers. You learn to make a **realistic sales forecast**.

## 3.1 Market & Competition

### 3.1.1 Market research and market analysis

Anyone who wants to sell something must know the **market**. He must know about the nature and extent of the demand, about the attitudes and habits of the customers, about the ways and means of selling, about the competitors and about the causes of the constant changes in the market. Only customers give a company its *raison d'être*. They decide on the success in selling the products and services. A good knowledge of the market with an analysis of the customer potential and the competitors are among the success factors of the company.

When founding or taking over a company, **market research** seems indispensable. Constant market research is also necessary for the further development of a company. This means observing the market continuously and systematically. In market research, the market is continuously examined for its changes and developments.

For certain occasions, such as the preparation of a business plan, a **market analysis** is a sufficient instrument that focuses on a targeted one-time examination of the market at a certain point in time. The market analysis must collect the basic information that is necessary for the company to compete. The market analysis is an up-to-date examination of the market. The aim is to determine whether and to what extent the sale of a product and a service is possible.

If you want to describe the market, you can first conduct a **market reconnaissance**. This can be done by talking to potential customers, suppliers, at trade fairs and exhibitions, by reading business reports, trade journals or by researching on the internet. It is about assessing the sales potential of one's own range of services.

Finally, the business plan is about making a **market forecast** in which the medium-term market and sector development for the company are assessed and evaluated. For the business plan, this is three to five years.

It makes a crucial difference to a company's **chances of success** whether an industry is in growth or in a downturn. While demand tends to increase in growth phases, it decreases in recession. The sales forecast will be affected by this. A company is always in a certain competitive situation. When demand decreases, competitive pressure increases. It can turn into cut-throat competition. Another form of competition is to compete against a company with a dominant position or even a monopoly. In the best case, a company is the sole supplier, otherwise it may be one of many. Buying a company is also an option from a competitive point of view.

#### Market dynamics



**Note:** The **market** is constantly in motion. The description of the market and the competition is about the basis of the business. It is about the market share, which is relevant for the sale of one's own product and service. It is about the product life cycle, which



is important for the selling time of offers. It is about sales in the market.

Market movements can be distinguished. They have a direct impact on the assumptions made when planning sales in the business plan. The market movements are, metaphorically speaking, the "general weather situation", in which there are certainly different regional climates.

1. **Business cycle fluctuations** are movements in economic development that recur at regular and irregular intervals. They are like wave movements. They show typical changes in sales, price development, employment, investment propensity or capital procurement. They are a barometer for the climate in the economy. Every company is affected by them. A distinction can be made:
  - a. **Boom** means the full utilisation of the production forces of an economy; it can also refer to individual sectors.
  - b. **Upswing** means the increase in investment activity by companies, as a result of which general economic activity increases. With an upswing, economic growth increases noticeably.
  - c. **Downturn** means the slowdown of sales in the economy or in branches. The seller's market changes to a buyer's market, a downward trend in growth can be seen. A severe downturn can lead to recession. **Recession** means the "significant" economic decline in sales and production. Finally, depression follows. **Depression** means the low point of economic activity, entire industries can come to a standstill. The economy and society enter a profound crisis.
2. The **trend** describes a direction of development. It is superficially known as a "fashion trend". The trend is a cycle in society, economy or technology that sets a new direction of march. The trend can be seen as tendential changes in the economy. A reversal of a certain development is also called a trend reversal. Then there is a fundamental change in previous perceptions, for example in buyer behaviour or political opinions. Megatrends are spoken of when they are profound and sustainable changes.

The trend has different triggers: e.g. through population development, which is demographically influenced; through district-related ageing, through migration, emigration and immigration; through revolutionary inventions, such as micro-technology; through state intervention in the health sector, through wars; through the globalisation of markets. Long- and medium-term developments are linked to the trend, which can also include economic leaps and breaks in production, sales, employment, transport or trade.

Trends are attempted to be ascertained within the framework of trend research. Dealing with trends is a special skill that companies can learn. The entrepreneurial possibilities of trends must be used. The effects can be positive or negative for the individual company.

3. **Periodic fluctuations** (e.g. the **season**) recur at regular intervals and at certain times of the year or occasions. Thus, the seasonal weather (summer, winter) has just as much influence on purchasing behaviour as certain payment dates (Christmas bonus) or special occasions (start of school, trade fairs, regional markets). Such economic fluctuations can be included in the sales forecast as seasonal business.
4. **Random movements** influence the course of the market irregularly and unpredictably. They can be triggered by "novelties" that affect the zeitgeist, sensibilities or fashion. This is according to the motto, what is "in" this summer, what is "out". Unusual weather conditions (storms, snow) or major events (demonstrations, events) can also have invigorating or disruptive influences on individual business.

The handling of economic fluctuations should be considered in the business plan if it is apparent that the sales forecast will be affected.

### Market and customer potential

To be able to make a **sales forecast for the** range of services in the business plan, you need to check how large the market and customer potential is. These are relative parameters that need to be determined for each company.

- The terms **market and customer potential** are defined differently. For the business plan it is important to know what basic market opportunities a company has in its industry, sector or field. It is about the absorptive capacity of the market in terms of market capacity, taking into account the purchasing power of the customers.
- The **market potential** is a "quantity" to be defined
  - in terms of the potential sales market of the products and services,
  - in terms of the relevant market participants (customers) in the overall market.
- **Customer potential** defines the "size" of the target customers that are likely to be acquired from the market potential group. The customer potential is to be segmented from the market potential. It is to be examined which and how many customers have the characteristics of "target customers".

Determining the **market potential**: If you want to start a "youth restaurant" in a neighbourhood, you should find out how many local residents and how many young people live within "x" kilometres of the restaurant. It would also be necessary to check how many young people still live outside or in certain catchment areas to the restaurant. The total number of potential young people can be defined as the market potential.

Determining the **customer potential**: Out of the total number of young people there are in the market, only a subset will feel attracted to the "youth restaurant". The restaurant will only actually address and reach a part of them with its offer. In the context of determining the customer potential, it is necessary to forecast how many young people are likely to visit the restaurant.

The verification of these assumptions can only take place in reality. In this respect, the quality of the sales forecast lies in the objectified assessment. The market potential as well as the customer potential have fluctuation ranges.



**Note:** Quantitative data (numbers) on the quantity, nature and quality of the target customers are indispensable for the business plan.



Questions to determine the market and customer potential :

- **What is the nature of the market in which the products and services are to be sold?**
- **What can be sold?**  
(Properties, advantages and disadvantages, durability, possible uses, presentation, fashion influences, price of the goods).
- **Who shops?**  
(Buyer group according to gender, age, social origin, purchasing power, consumption and buying habits)
- **How does the customer buy?**  
(past and future demand, initial, renewal and backlog demand, large or small quantities).
- **When does the customer shop?**  
(Opening hours, season, sales quiet times, boom)
- **Where does the customer buy?**  
(Sales area, transport routes and means, industry influences, European and international market)
- **How does the customer buy?**  
(Direct sale, sale to dealers, sale to private or business customers, sale to public clients, sale via tender, sale via internet).
- **How do legal regulations affect the market?**  
(Import, export and customs regulations, government reforms, occupational health and safety regulations, environmental protection regulations, permits, government subsidies and support programmes).
- **What competitors are there in the market? What do they offer? What are they good at? Where do they have their weaknesses?**  
(Competitors in general and locally, size, quality, financial strength of the competition, type of services, unique selling propositions).

The market potential can be determined with the help of a market matrix for the respective products and services.

The sale of services usually takes place in **market sectors**, which can be branches (e.g. wood, furniture, consulting, gastronomy) or market segments (trade, crafts, industry). Rules of the game are formed in each market sector. These have something to do with the product and the

service itself; for example, with the machines, with a craft, with retail or wholesale, with an intermediary or agency activity, with the service "personal care" or "health".

**Sector data** is a particularly important indicator for a company. It can be used to check whether the company's own results are above or below the industry average. Strengths and weaknesses can be worked out. Sector information is provided: Chambers of Industry and Commerce, Chambers of Crafts, District Chambers of Crafts, savings banks, credit unions and commercial banks, professional associations, employers' and entrepreneurs' associations, cooperatives, retail trade associations.

The typical characteristics in industries or economic sectors have a lot to do with the economic, social and cultural behaviour of people. Products and buyers shape each other. Certain products are bought by certain target groups. Certain target groups demand a certain service. There are big differences in who the products and services are sold to. National characteristics in Germany, Spain, the USA or in China also have a significant influence on the way goods are bought and sold.

In the business plan, it is important to work out the special features of the market in order to be able to develop a targeted offer strategy for the respective market segments. Not all characteristics play the same role. The market criteria must be described with regard to the target customers who are to buy services.

### Client matrix

The **customer matrix** is intended to enable a grouping of the target customers to the company's products and services.

The question is: Which products and services should be sold to which customers? How big should sales be? What can realistically be sold? Using the example of a producer of writing instruments, this can be illustrated as follows.

### Example of a customer matrix for writing instruments:



Advertising matrix	Specification	Budget plan				
		Jan	Feb	Mar	...	Sum
Media	Goal, Type, Location, Specialities					
Advertising budget Type of advertising		€	€	€		Euro
Marketing concept	Goals, principles, design					
Logo development	Character, typ, memorable, short, on point					
Outdoor ads	Image, attention, material					
Indoor ads	Image, charakter , atmosphere					
Brochures	Self presentation, Values, Concept					
Catalogue	Value Proposition					
Events	Opening celebration, inhouse congress					
Press release	Foundation, interesting topics					
Magazines	Subject specific, spreading, type of article					
Flyer	Value proposition, concise					
Mailing/Newsletter	Target group, amount					
Advertising boards	Motive, message, locations, duration					
Merchandise	Attention, products, memory					
Cinema	Target group, amount, high attention					
TV	Broad reach, production, spot, seconds					
Sponsoring	Aspiration, content, customer language					
Mouth-to-mouth Advertising	Positive/negative effect					
Personal direct contact	Direct contact					
Call-Center ads	Masses, action, acceptance					
Internet	Homepage, banner ads, search engines					

Target Group: Product criteria:	Students	Business-Clients	Merchandise Customers	House-Wives
Ballpoint Pen	Typ 1	Typ 2	Typ 3	Typ 4
Material	Plastic	Stainless Steel	Rubber	Alluminium
Color	Blue	Silver	Pink	Neon-green
Technique	Twist	Push	Pull of Cap	Shake
Logo/Brand	Quierly	Admiral	Flummi	Exotic
Sales price	0,75 €	25,00 €	1,99 €	3,49 €
Targeted sales	10.000	500	750	1.000
Sales goal for time frame: Days, Months	6 Months	12 Months	1 Month	6 Months

Table 1: Customer matrix



**Note:** The market must be described in the business plan. The customer potential, i.e. the possible target customers, must be identified in terms of quality and quantity. Finally, the different target groups should be defined in a customer matrix, which at the same time will become the object of the advertising measures.



### 3.1.2. Competitive analysis and self-positioning

While the market analysis tries to capture the general conditions in which the company finds itself, the **competitive analysis deals** specifically with the competitors in the market.

The competitors are to be closely scrutinised. The competitors, their number, their range of services, their strengths and weaknesses, their immediate areas of attack should be recorded.

The description in the business plan should give an idea of the competitive environment of the enterprise.

When evaluating competitors, i.e. those who offer the same services, a **company comparison (benchmarking)** can be informative. In a comparison of service quality, sales, pricing, growth, market share, etc., one's own company should be classified. In this way, competitive advantages can be worked out.

When **positioning the company in the market** - in relation to the competition - the question is: Why should a customer buy "my" product, "my" service from "my" company? It must be determined what is better about one's own product or what promises greater benefits for the customer. Knowing this is of crucial importance for marketing communication. The comparison reveals how a "brand", a "product" or a "service" can be unmistakably anchored in the customer's consciousness.

The positioning of the service in the market needs to be skilful. In this context, the personal view of things is less important for market positioning than the view of the customers! The right positioning is crucial for market success. It does not happen automatically. It involves search movements and intensive discussion with the customers. It is a constant challenge for the entrepreneur, because the market and demand are constantly changing.

#### Synopsis of a simple competitive analysis

For a business plan it is helpful to draw up a simple synopsis of the competitors. This creates a classification. Define the criteria for your own company as well, because this is the only way to create a self-positioning that shows strengths and weaknesses.

	Competitor A	Competitor B	Competitor C	Own company	SWOT Evaluation
<b>Name</b>					
<b>Location</b>					
<b>Line offer: Products and services</b>					
<b>Target customers</b>					
<b>Unique selling points</b>					
<b>Sales prices</b>					
<b>Positioning in the market</b>					

Table 2: Synopsis of a competitive analysis

In everyday business, information from competitors should be collected continuously and in a structured way. They provide information about market developments and what competitors intend to do. In markets where there is fierce cut-throat competition, close observation of competitors is indispensable.

## Checklist for your business plan: Market & Competition

### What is the nature of the market and competition?

1. Describe the market for your business idea.
2. Identify special characteristics and features of the market.
3. Carry out an industry and competition analysis and describe the competitors.
4. Define the market position of your business.
5. Define the market position of your business.
5. Describe the market movements in the target market.
7. Determine the market potential for your range of services.
8. Describe your target groups and determine the customer potential.
8. Create a customer matrix: determine the target customers and describe the products and services.
9. Position yourself in the competitive market.

## 3.2. Marketing & Sales

### 3.2.1. Marketing concept

**Marketing** defines how the company's range of services is to be presented, promoted, distributed or advanced on the market. This is done with the aim of marketing the products and services effectively and successfully. This means selling at the same time.



**Note:** The marketing concept formulates the business actions of selling the products and services, including market conditions and promotional activities. The marketing concept must be able to convey the company's message to the customers.



The best possible **marketing strategy** is to be developed in the business plan. It should enable the products and services to be sold effectively. A strategy is a plan of actions or a policy by which the greatest possible benefit can be achieved. The marketing strategy must make statements about the sales forecast.

The marketing mix defines the combinations of the company's marketing and advertising measures that are to be specifically executed and thus have an influence on the customer.

Marketing concepts have different scopes in influencing business management and entrepreneurial processes. The business plan is about focusing on the essentials for successfully marketing one's own business.

In order to find the right marketing strategy for one's own company, a marketing concept must be developed that leads to a concrete marketing and advertising plan. This plan must define how the market is to be developed, how the company wants to present itself in the market, how the pricing policy is to be designed and finally how concrete advertising and communication is to be carried out.

In the business plan, the marketing concept should make statements on product policy, distribution policy, pricing policy and communication policy.

### 3.2.2. Marketing mix

#### Product policy

The product policy describes the products and services in terms of their quality and characteristics. While the performance description (module 2) defines which products and services the company wants to sell, the marketing aspect determines the policy of marketing to specific target customers. In other words, it is about the way in which the products and services are to be sold. In the process, a product strategy typical of the company is to be developed.

- The business plan must describe how the developed products and services are to be offered in concrete terms. It must be explained how products with their special

features are to be offered on the market for certain customer groups. In the product policy, the way of marketing is to be determined. Consumer goods, for example, are sold differently than capital goods or services:

- Characteristics of consumer goods: retail, specialised trade, wholesale, craft, gastronomy, customer is the end consumer, mass market, target customer definition
- Characteristics of capital goods: Industrial products, finished products, plants, industry, mechanical engineering, electrical goods, large customers, monopoly companies, private customers, corporate customers, system business (turnkey houses).
- Characteristics of services: intangible performance, know-how sales, consulting, mediation, training, culture, craft services, gastronomy, service to customers, health

It must be worked out which market strategy is to be used to sell the product or service in the specific market sector.



#### **Product policy is about:**

- Brand policy
- Product programme policy
- Product development, product differentiation
- Quality policy
- Service offer



### **Distribution policy**

Distribution policy describes the way or process of "distributing" products and services to customers. It is about an optimal distribution strategy that generates high customer satisfaction. The goal of an entrepreneur must be to deliver his products and services "just in time", i.e. at the right time, at the right place, to the customer.

In distribution, a distinction is made between two ways of distributing goods.

#### **a) Purchase of goods:**

Purchasing goods is about how you yourself can buy your products and services from the manufacturer or wholesaler, locally or worldwide, on demand - on demand as fast as or whenever possible - or with long delivery times, packaged or loose, with customs duty or without, with taxes or without, etc.. The decisive factor is which goods, in which quality, with which delivery time, at which purchase price and overall at which conditions can be purchased. In the global price war, it is a question of the best purchasing conditions and ultimately the

lowest production costs. In competition, the customers decide where and from whom you buy the goods.

It is necessary to check where certain goods are available at the lowest price, how purchasing and transport to one's own company can be organised, what possibilities there would be to get the goods directly to the customer so that, for example, an intermediate warehouse would become superfluous. Example: A book producer and trader who can organise sales on demand only needs to produce on demand.

#### b) Sale of goods:

The sale of goods describes the path of the goods to the customer. In a coffee shop, the customer is served at his or her seat or "... to go". The sale of goods is to be organised in the way the customer wants. It is important to examine how the sale and transport of goods or products from one's own company to the customer can best be organised. When the customer comes into the shop, he wants to be addressed and served in a very specific way. If the goods are to be delivered free to the customer's home, certain logistics are required. If the goods are ordered via the Internet, questions of packaging, payment, complaints, transport damage, insurance, etc. must be defined.

The business plan shall describe the ways, means and costs. It must be described: By whom? To whom? By what means? How are the products to be produced, packaged and transported? How should they be presented to the customer? What does the retail shop or warehouse need to look like? What capacities are needed? Does the company need its own sales force? How should the sales process actually be designed in e-commerce? Is there an enterprise resource planning system with all the functions or is ordering by mail and paying by invoice sufficient for the time being? What are the distribution costs?

In distribution, it is important to recognise the trade levels and define how the paths in between can be effectively designed. Depending on the stage of development of a product (product life cycle) or the entire company, the sales strategies must be adapted to this. Logistics plays an important role in this. Many industrial companies in the automotive industry partly do without their own warehouses because the goods can and must be delivered "just in time" by truck. In this context, questions of location must be answered as well as the physical distribution of goods in real terms.

#### **Trade**

#### **margin:**

The trade margin lies between the purchase of goods and the sale of goods. It describes the difference between the cost price and the selling price of the goods. The larger the margin is for the company, the more likely it is to make a profit on the sale of the goods.

In commercial costing, it is necessary to calculate (a) a "mark-up margin" based on the costs of purchasing goods, which b) covers the company's costs of action (personnel, premises, material costs, etc.) and which c) includes a profit contribution.

The mark-up margin is usually calculated as a percentage mark-up (30%, 100% or X) on the purchase of goods. It is to be calculated from the real expenses of the company. The mark-up margin is a reference value for pricing.

In commercial practice there are various forms of calculation, which are presented in Module 8.



#### **Distribution policy is about:**

- Purchase and sale
- Distribution system
- Sales organisation
- Logistics
- Import, Export
- Packing
- Shipping
- Merchandise management system
- Service
- Distribution strategy



### Pricing policy

**Pricing policy** describes what market prices are possible for the products and services in the market. A pricing strategy from the sales perspective must be developed.

From a marketing perspective, the **market price** must be determined. It must indicate at what conditions and with what prices the products and services can be offered in the market. The market price is in tension with the cost price of one's own products and services. When determining the pricing policy, it is necessary to work out what prices the competitors have and how they calculate their market prices. Only when the market prices are known and one's own cost price has been determined, can the sales price be established as the final result of the calculation.

The **pricing strategy** has to take into account the competitive situation of the company. In competition, it can be assumed that prices are always under pressure. The profit shares in the price are usually only a few percentage points. The profit margin helps to decide which strategy is realistic for the pricing policy. It has to be decided whether a high price strategy, a normal price strategy or a low price strategy is the right one.

As a rule, it can be formulated: A high price strategy requires an excellent offer and target customers with purchasing power. A normal price strategy moves at the level of the market price. A low-price strategy must offer high quality at low prices.

Those who "dump prices" want to undercut their competitors. As a rule, this means making offers below the market and cost price. The selling price does not cover costs. It is sold at a loss. This strategy can only be sustained for a certain period of time in order to drive competitors out of the market. It requires enormous capital, because the losses have to be financed. Such a strategy is only suitable as an investment in the future of the company in order to achieve a monopoly position in the market in the long run. The great unknown is the capital strength of the competitors, which can trigger the company's own ruin if the losses cannot be refinanced by the hoped-for additional market shares.

In marketing, rebates, bonuses and discounts play just as important a role as delivery conditions and terms of payment. Which customer, which benefits are to be granted, must be defined. These conditions represent incentives to buy, which in reality cost different amounts. The behaviour of competitors must be determined.

When considering pricing policy from a marketing perspective, the structure of supply and turnover must be taken into account, as well as considerations of cost recovery. The calculation of break-even can be helpful for pricing policy. Break-even determines the sales volume that is necessary to reach the break-even point.



#### **Pricing policy is about:**

- Market prices, cost prices, sales prices
- Maximum prices, normal prices, low prices
- Dumping prices
- Rebates, bonuses and discounts
- Delivery conditions
- Terms of payment



### **Communication policy**

**Communication policy** can be defined as the most important part of marketing. While the product, distribution and pricing policies provide the basis, internal and external communication as the marketing of products and services emerges as the actual marketing task.

In the business plan, the communication policy describes how the company wants to communicate with its customers and with which communication strategy the products and services are to be sold. What are the goals of corporate communication?



Important instruments of communication policy are described below. In the business plan, the right and appropriate choice of options must be made. The challenge lies in limiting the options to what is necessary and economically possible.

**Means of communication:**

The instruments of marketing must be coordinated with each other. All marketing instruments should pursue the goal of positively influencing the customer's purchase decision.

**Market presence**

In everything a company does, its market presence must be right. It is the company's business card. The appearance must correspond to the Corporate Identity (CI) (corporate identity) and the Corporate Design (CD) (corporate form, colour, appearance). Corporate Identity (CI) is the fine art of communicating with the customer. It is about the unmistakable unity of the company and communicating it. In the long run, this will only succeed if the self-presentation and presentation is done in a typical "exterior" (design), in form, colour, writing, language, image and if the advertising media are used in a targeted manner.

The **company name**, the **company logo** or also the **signet**, are often the entrance ticket. They must have a high recognition value. The basis for this is a corporate concept that can communicate the strengths of the company. The name and the signet should establish a link to the services offered. As a start-up, your own name can speak for itself. Signet, company name and advertising material must be coordinated. The customer must be told what makes the offer stand out. The market presence must fit.

When a logo becomes a trademark, it has succeeded in gaining acceptance. It is usually enough to see the logo to know which brand it is. For example, the star of Mercedes, the yellow M of McDonald's, the typical spelling of Google. What would the dark drink be without its unmistakable lettering? Coca Cola! Nothing more than a brown, foamy fizzy drink with no real value?

In the following, the importance of important communication tools will be outlined in order to be able to decide for the business plan which tools can be used for one's own marketing:

Public Relations,  
  
Personal sale,  
  
Product placement, sponsoring, advertising.

**Public relations**

Public relations is the conscious and continuous effort to build public understanding and trust for an offer or a company. Public relations should have an image-building effect. The company's goals and services are communicated so that a company image is created. Unlike advertising, public relations is not primarily product-related, but focuses on the company as a whole. It is about the external impact in the sense of a corporate identity. Effective public relations work

increases the level of awareness and leads to the development of a positive opinion of the company.

### **Personal sale**

The most direct form of advertising is personal selling. This takes place in consultation and sales talks in every shop, restaurant, travel agency or production hall.

The personal direct approach can also be made by telephone or in writing (direct mailing). In each case, it must be decided who is to be addressed and how this person can actually be reached. Telephone marketing has its own "rules of the game": The interlocutor is not known personally; neither is the situation he or she is in. The person who feels disturbed does not like to buy. Long introductions without saying what it is about are annoying. The aim could be to be allowed to send a brochure, to offer a sample, to arrange an appointment for a consultation or a visit. Good and plausible reasons are always necessary. The direct approach must be well prepared.

### **Product placement**

Product placement aims at the integration of products and/or services, e.g. in media programmes (cinema, video and TV programmes), in an effective advertising manner. In the media, products are presented without the advertising being immediately recognisable. This happens when a main actor drives a certain car, eats the ice cream of a certain manufacturer or the photo backdrop depicts a certain company.

Product placement is to be distinguished from surreptitious advertising. The advertising effect is bought and not "obtained".

### **Sponsoring**

In sponsorship, the sponsor, a person or a company, gives capital in return for the sponsored person making contributions to the achievement of the sponsor's goals. Sponsoring is based on the principle: performance and consideration. Sponsoring is widespread in "sport", in the "arts", in "social" and also in the "environment". Educational sponsoring is still relatively little developed.

### **Advertising and advertising planning**

**Advertising** is the planned use of advertising media to promote sales. Advertising should draw attention to the company's offers. The needs and concrete requirements of the customers are to be addressed.

Advertising is on the one hand "sales promotion" and on the other hand "opinion formation" (public relations). Sales advertising aims to make the company's products and services known in concrete terms and to encourage people to buy them. Sales are to be stimulated directly. With every advertisement, public relations also takes place in the sense of increasing the level of awareness of the company as a whole in the public. This is about reputation, trust and information. Advertising makes use of various media.

Advertising is an investment that must pay off. Advertising does not necessarily have to be funny, crazy or eccentric. It has to fit the company and the offer. Advertising pursues the goal

of positively influencing customers. Advertising is one of the most important forms of market communication.



**A principle of advertising is:**

Truth and clarity - effectiveness and efficiency



Advertising must have a message. It should be clear and true. It should not be misleading. It should use simple language. It should use the language of the target customers. Comparative advertising is only allowed to a limited extent. Disparaging advertising is unfair; it disparages the advertiser. Advertising should achieve the desired effect.

**Advertising impact**

The AIDA formula describes levels of advertising effectiveness.

<p style="text-align: center;"><b>Attention</b> (attention) has the goal of generating attention!</p>	<p style="text-align: center;"><b>Interest</b> (interest) has the aim of conveying the advertising message and attracting interest!</p>
<p style="text-align: center;"><b>Desire</b> (Desire) has the aim of strengthening the desire for the product!</p>	<p style="text-align: center;"><b>Action</b> (Action) has the goal of getting the target person to buy !</p>

Figure 1: AIDA formula

**Advertising planning**

The business plan is about setting up a concrete advertising plan and budget with which the sales targets (Module 4) can be concretely planned and supported in the course of the year. If no measures are planned in an advertising plan, then no increase in demand can take place in the sales plan either. There is an internal connection between advertising and sales, which must be recognisable in the business plan.

- The **advertising plan** defines the specific objectives of the advertising and specifies the instruments.
- The **advertising budget** defines the financial resources. It must define how much the budget is and what the money is to be spent on.

- The **timetable** defines the point in time in the annual course of the promotional activities.
- The **performance review** has to measure the effect of the advertising measures. It must be determined whether and how many interested parties responded to a newspaper advertisement, for example, or how successful a direct mailing was. Statistical evaluations help to assess whether and how the advertising costs pay off.

The advertising plan must determine the advertising media for the respective target customers. The advertising must reach the target group. This is quite practical. A letter that does not arrive is money thrown out. So is an advertisement in the wrong newspaper. It is all for nothing if the target customers have not been defined correctly.

If you want to appeal to managers, you should advertise in a trade magazine designated for managers; if you offer cultural services, you may do well in a city or scene magazine. If you advertise for a removal service, you will do well in district newspapers. If you advertise a pizzeria, you can advertise well with a flyer in businesses in your neighbourhood. If you want to advertise on the internet, you have to justify how the advertisement will reach the target customers. On the one hand, advertising on the internet is difficult with several million homepages - on the other hand, the methods for targeting customers, e.g. via Google AdWords - online advertising by Google - are becoming more and more targeted, which has its price.

A customer file is the basis of targeted customer care. It is important for all companies to acquire new customers and retain regular customers. A permanent presence with the customer is achieved through targeted advertising measures.

### Advertising media

Each advertising medium has its own degree of effectiveness. The greatest effect is achieved when customers are addressed in different ways at the same time. For example, it is effective if a direct mailing is followed by a personal telephone follow-up.

If a target group is located, e.g. in a supra-regional catchment area, supra-regional daily newspapers, advertising journals, programme brochures or radio advertising could have an effect. If the target group is precisely delimited and can be grasped locally, brochures, direct mailing, promotional gifts can have a supporting effect. With vehicle advertising, outdoor advertising, reference folders or public relations, "background advertising" will increase awareness.

Important advertising media	Important advertising media
<ul style="list-style-type: none"> <li>▪ Image brochure</li> <li>▪ Advertising letters</li> <li>▪ Brochure</li> <li>▪ Throwaway items</li> <li>▪ Poster advertising</li> <li>▪ Radio advertising</li> <li>▪ Promotional gifts</li> <li>▪ Transport advertising</li> <li>▪ Car advertising</li> </ul>	<ul style="list-style-type: none"> <li>▪ Daily newspaper</li> <li>▪ Trade papers</li> <li>▪ General-interest newspapers</li> <li>▪ Weekly/Sunday newspapers</li> <li>▪ Customer magazines</li> <li>▪ Newsletter</li> <li>▪ Television</li> <li>▪ Broadcasting</li> <li>▪ Outdoor advertising</li> </ul>

<ul style="list-style-type: none"> <li>▪ Leaflets</li> <li>▪ Television advertising</li> <li>▪ Cinema advertising</li> <li>▪ Trade fair advertising</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cinema</li> <li>▪ Means of transport</li> <li>▪ Merchandising</li> </ul>
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Table 3: Overview of advertising media

### Feature description

**Daily newspapers** address the population in general. The audience is relatively large and so are the scattering losses. If the target group is small, advertising should be more precise.

Regular **classified ads** have the advantage of being noticed again and again by certain target groups.

**Large advertisements** are noticed, but they only have a one-off effect.

Information about an "**Open Day**" can also be published in daily newspapers as a press article. Regular customers should also be invited in writing.

**Editorial contributions** are very effective in advertising. They must bring news, e.g. certification as a specialist company, redesign, company takeover. They must be prepared journalistically. Even if the advertising effect is not immediately obvious, they have a good impact.

**Commercial advertisements** are gaining more and more space in the daily newspaper. Those who advertise a product also advertise their company. An image is created in the long run. Discounts should be taken advantage of for recurring advertisements.

**Specialist journals** address very specific specialist groups. Because they are specialised, they appeal to interested parties. They have a limited sphere of influence, but their impact is high.

The **image brochure** and the **image brochure** have a content-related claim. They should represent the company. Therefore, they must convey the particular impression that the company wants to radiate. In reality, there is often a big difference between what is intended and what is achieved. **Brochures** should be designed in such a lavish way that they leave a lasting impression. However, overdone glossy brochures can also create distance.

**Company catalogues** are a standard medium. In them, the company presents itself with its products or services.

**Flyers, folders and brochures** are intended for customers and the professional public. They inform briefly and quickly about the company's services. The personal delivery of the folder contributes to customer loyalty. They can be used to create a direct impact, provided it is received.

The direct mail **advertising letter** addresses the target group directly. The mailing must be well presented and to the point. Customers should be addressed as personally as possible. Information must be short and to the point. One page of text is too much for many customers.

Only up-to-date and qualified address material should be used. Regular customers should be contacted directly at least once or twice a year and informed in a targeted manner.

**Exhibitions** and **trade fairs** have an indirect effect. The company can present itself and its performance in competition with the others. In-house exhibitions must develop a special ambience. The personal invitation for regular customers is well received. If there is then a hint of a promotional gift, this will encourage attendance.

**Handouts** can have a supporting effect. They inform briefly and quickly about an offer. As direct mail, they reach specific groups of buyers. Handbills are also quickly thrown away.

**Posters** can serve as points of attraction. They attract attention over a longer period of time. They need to be well designed to get them displayed. Why should someone put up your poster? A good advertising effect is achieved by large posters - in "favourable" locations.

**Promotional gifts** have a commemorative value. They maintain friendship. With pens, tear-off pads, writing pads or a folding rule, a "subliminal" attention is achieved. It is not to be hoped to sell just because of a promotional gift - unless it is something really special. The boundaries between promotional gift, favouritism or even bribery are fluid.

Advertising on **radio** and **television** encounters special conditions. Commercials are produced very professionally in the established broadcasters. They are relatively expensive because they have a high degree of distribution. The effect is only created by repeated broadcasts. A one-off advertisement would be lost in the flood of advertising. For radio and television advertising to reach customers, it must be broadcast in a typical grid, e.g. time, slot, rhythm.

Advertising via local radio stations enables local containment. It could also be affordable for start-ups.

**Transport advertising** on buses, trams or taxis reaches the population of a region for a long time. Private cars and company vehicles can be used for advertising. Street posters, street signs or advertising on a house wall are potential advertising media and carriers.

**Merchandising** can promote sales. Items and merchandise are produced as sales promotions to support the company's main business. Own product lines with the company logo/signet are produced and sold. Merchandising can grow into a separate line of business for large companies, e.g. Bayern Munich.

## Word-of-mouth

The best advertising is that which others do for you. Word-of-mouth advertising is extremely successful. If people talk positively about your company, it speaks for you. The opposite can have devastating consequences. Word-of-mouth advertising is so successful because it is authentic. Here, person A talks to B, who knows the product or service from personal experience. No one can speak better about a good product or service than the person who positively assesses the benefits for himself.

Sales television relies heavily on this factor and lets the "satisfied customers" speak personally in rows.

## E-commerce / Internet

The internet offers unimagined possibilities for advertising. Trade is changing. This expands the clientele for every company. Almost everything is traded online. Advertising on the Internet must find an answer to how it wants to be found in the flood of millions of homepages. It is not enough to create an Internet presence and believe that customers will find the company only because there is a website. Those who want to sell via the Internet must make it clear in their advertising strategy how they want to advertise to their target customers on the Internet.

### Advertising budget, timetable and performance review

With the concrete determination of the advertising media, it must be determined at which point in time money is to be spent on advertising. The amount of the budget is influenced by several parameters. It must be determined:

- What is the company's starting situation? A start-up needs to create an image brochure or basic product information; a market leader will expand targeted customer approaches.
- What is the nature of advertising within an industry? Pizzerias like to advertise with handouts. The salesroom or the restaurant itself is advertising. A pizzeria may belong to a franchising chain and take over the advertising material.
- What is to be achieved with the advertising? In what time span should advertising take place?
- How big is the advertising budget in terms of turnover? Is it two, five or even 20 percent of turnover? It has to be determined which advertising pays off? If a small ad is placed in the daily newspaper on Saturday, the reaction can be determined on Monday at the latest. After that, the effect is almost zero.
- Simple statistics (tally sheets) can be easily created. When customers are asked where they found out about the company's offer, the impact analysis begins. If you do this regularly, you will get a good insight into the advertising behaviour of your customers.

### Advertising matrix

An **advertising matrix** aims to link the advertising budget with the advertising measures. The business plan should not indicate everything that could be possible, but what is concretely planned for marketing the offers in the first business year. For the following years, a projection is to be made.

The following advertising matrix gives possibilities to advertise. It gives guidance on the specification of advertising. Budget planning is to be done on a monthly basis.

Advertising must be planned in terms of time, content and budget. A one-off opening advertisement is not enough. "If you don't advertise, you die!" is a simple sentence that is essentially correct. The advertising plan should be set up for at least one year. The budget has to be in proportion to turnover and earnings. The graphic design of the advertising material

should be done with professional help, if possible with the help of an agency. This does not have to be expensive. A professional look pays for itself. A "cheap" advertisement can become anti-advertising.



**Remember:** advertising is an investment in the future of a company.



Advertising matrix	Specification	Budget plan				
		Jan	Feb	Mar	...	Sum
Media	Goal, Type, Location, Specialities					
Advertising budget Type of advertising		€	€	€		Euro
Marketing concept	Goals, principles, design					
Logo development	Character, typ, memorable, short, on point					
Outdoor ads	Image, attention, material					
Indoor ads	Image, charakter , atmosphere					
Brochures	Self presentation, Values, Concept					
Catalogue	Value Proposition					
Events	Opening celebration, inhouse congress					
Press release	Foundation, interesting topics					
Magazines	Subject specific, spreading, type of article					
Flyer	Value proposition, concise					
Mailing/Newsletter	Target group, amount					
Advertising boards	Motive, message, locations, duration					
Merchandise	Attention, products, memory					
Cinema	Target group, amount, high attention					
TV	Broad reach, production, spot, seconds					
Sponsoring	Aspiration, content, customer language					
Mouth-to-mouth Advertising	Positive/negative effect					
Personal direct contact	Direct contact					
Call-Center ads	Masses, action, acceptance					
Internet	Homepage, banner ads, search engines					



## Checklist for your business plan: Marketing & Sales

### **What is the best way to sell your offers to the competition?**

1. Make relevant statements about the marketing concept for your company.
2. What is your marketing concept?
3. What is your marketing strategy?
4. What is your product policy?
5. What is your distribution policy?
6. What is your pricing policy? What are the market prices? What are the competitors' cost prices?
7. What is your communication policy? How do you want to communicate with your customers?
8. What means of communication do you want to use?
9. Create an advertising matrix for your company.

Table 4: Advertising matrix

## 3.3. Sales forecast & turnover planning

### 3.3.1. Supply and sales forecast

The **market** is defined by **supply** and **demand**. The performance of a company represents the supply (products and services) on the market. Demand is defined by the actual need of customers for services. Sales are the quantity of services that can actually be sold in a certain period of time. This can mean hourly, daily, weekly, monthly or annual sales. Sales represent the service that can be sold.

The **sales forecast is the strategic core of a business plan**. It decides with which range of services the company wants to enter the market. The sales forecast therefore contains the entrepreneur's prediction and decision as to the extent and period of time in which his offer should find a demand. It is based on the market and competition analysis. While the market and customer potential tries to capture the qualitative and quantitative size of the market segment, the sales forecast is to determine the actual service offer - as worked out in the market matrix.

The assessment of demand is the most important entrepreneurial decision because it is the assumption about the economic success of the company. The sales forecast lays the economic foundation for the business concept. It decides on growth, consolidation or reduction. With the determination of the sales volume, the revenues or proceeds and thus the turnover are determined.



**Note:** With the justification of the sales forecast, the turnover of the business is at stake. The manner of justification and the arguments presented must be plausible, comprehensible and realistic.



In reality, sales forecasting is the greatest entrepreneurial challenge. This is particularly difficult in the case of start-ups or new business projects that attempt to open up previously unknown markets or market sectors. But the annual sales forecast of small and medium-sized enterprises is also a prognostic challenge. Planning sales or customer demand is a matter that requires justification, even in known markets.

The sales forecast always contains assumptions that have a certain probability of occurring in reality. Of course, there are also assumptions that do not occur in reality despite the best needs analysis. However difficult it may seem, a sales forecast has the function of making the planning of entrepreneurial success more probable. Only with a sales forecast is it possible to confirm or reject the assumptions made in retrospect - in the sense of controlling. With increasing entrepreneurial experience, there is a probability that the sales forecast will achieve a high success rate.

## Sales volumes

The **calculation of the sales quantity** is tied to various initial conditions. When a company is founded, the goods or services must be produced or purchased as initial stock. If these are products, there are usually upfront costs that must be "financed. The products or the goods must be available, the service offer must be developed and ready for the market so that it can be sold.

Depending on the type of service, the sales volume is expressed in numbers of units, in numbers of projects, in numbers of products or in numbers of individual services. The quantity is given as a quantitative measure, the value of the services is calculated in euros. The sales forecast, together with the calculation of the sales prices, also represents the turnover forecast in euros.

The sales volumes and thus the turnover result from the course of actual sales:

Sales is the sale of services, i.e. the quantity of services sold	Sale of 500 pieces of product A
Trade margin is the sales price in relation to the purchase or procurement price	<p>Selling price per piece = 1.00 €.</p> <p>/ . Purchase price per piece = 0.40 € =</p> <p>Trade margin per piece = 0.60 €</p>
Stock is the quantity and value of services purchased less services sold	<p>Purchase</p> <p>/ . sale 200 pieces =</p> <p>stock 300 pieces</p>

Table 5: Sales volume

The basic principle is that a company's range of services should be such that it can always be produced or delivered. The stock level should not be higher than required by the economic process (sales). Excessive stocks deprive the company of "liquid funds". Stocks that are too low jeopardise the ability to sell or produce and may require expensive orders in order to be able to satisfy customer demands.

If services are produced, there are usually no stocks. The equivalent of this are resources in the form of employees, rooms, networks and the like, which must be employed, held in stock or engaged in order to be able to produce the service in a professional, timely and customer-oriented manner. In order to be able to produce services, inputs in the form of "provisions" are necessary.

## Sales forecast and sales curve

The **sales forecast** must develop an idea of how the possible course of sales (**sales curve**) can take place. The assumptions made must be explained and justified in a business plan; only then is it possible to understand the assumptions and recognise them as plausible.

Possible **arguments for** the course of a sales curve:

- In the sales curve, the **variables**: Customer and product at time X the act of purchase. It is therefore necessary to determine how many customers buy how many products at time X.
- Basically, a separate sales curve and rationale must be developed for each product and service. In reality, each individual product has its own **product life cycle**.
- In the sales forecast it can be helpful to group goods and products into groups or specific units. The **grouping** should be justified and explained in the service description.
- There is a **basic assumption to be** made about the quantity of sales, defined by the type of product and the manner of service. Examples: Number of drinks in a restaurant per hour. Number of counselling cases in a month. Sales per customer in an hour, in a month, in a year. The basic assumptions can be based on industry comparisons.
- sales volume based on the **capacities of** the company. There are various dependencies here: More than the existing capacity cannot be sold. If a restaurant has 10 seats, at time X only these can be occupied. On the other hand, the capacity is not the same as the actual sales volume. The 10 seats can also simply stand empty if no customers come.
- **Seasonal fluctuations** throughout the year must be taken into account and planned for. Ice cream sales will decrease in winter and increase in summer.
- **Structural and cyclical fluctuations** are to be planned for in the course of the year. The energy debate in Germany has a positive impact on business around "energy", increasing sales are to be expected. The rising oil price has "negative" effects on the purchasing behaviour of oil products. If prices rise, sales will fall.
- Sales depend on **investments** in equipment, machinery and devices. Investments in machinery and also personnel are prerequisites for generating growth in a company.

The course of the sales or turnover curve shall be justified. The assumptions on which it is based must be explained. Why is the sales curve "linear"? Why does it rise and fall in the course of the year? Why does the sales volume increase by X percent in the second and third year? Why are there jumps in sales at certain points in time?

The **sales curve** can be based on considerations from series of figures over time.

		Jan 04	Feb 04	Mar 04	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04	Nov 04	Dec 04	Total p.a.
Time series	A	1	2	3	4	5	6	7	8	9	10	11	12	78
Time series	B	2	4	8	16	32	64	128	256	512	1024	2048	4096	8190
Time series	C	1	1	1	1	1	1	1	1	1	1	1	1	12

Time series	D	1	2	4	8	16	32	32	32	32	32	64	64	319
Time series	E	0	1	4	6	3	6	8	2	3	6	8	12	59
Time series	F	3	3	3	32	40	30	35	30	30	35	50	120	411
Time series	G	12	12	12	60	80	80	30	30	30	12	12	2	372
Time series	H	10	10	50	50	50	35	10	10	10	50	50	10	345
Time series	I	12	10	8	7	6	6	7	5	4	3	2	2	72

Table 6: Sales curve

### Presentation of the paragraph

The number series can be displayed as graphs. This has the advantage of giving a picture or a visual idea of the course of sales over the course of the year. Then it can be justified that there is a continuous increase without fluctuations or that there are sales fluctuations in winter and summer due to the weather or holidays.

The way sales are determined is a question of the type and quality of the product or service. The **presentation** and **calculation** has industry-specific characteristics. The specification of quantities is just as possible as the specification in groups, clusters, units of measurement (litres, weight, volume, area), type classes, orders or projects.

The presentation of sales makes a statement about the marketability of the business idea. Its correctness is rewarded with business success.

In the business plan, graphical representations should be explained, legends should have a drawing explanation. The sales volumes and time series should be justified in terms of content.

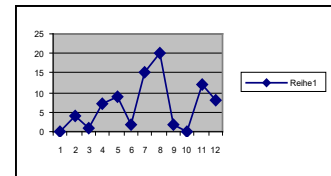
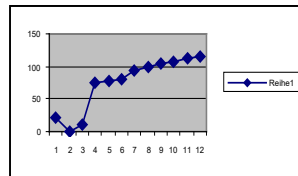
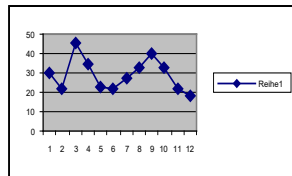
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*Example: The sales forecast gives the sales quantity of products  
(e.g. numbers of units) in a one-year period on*

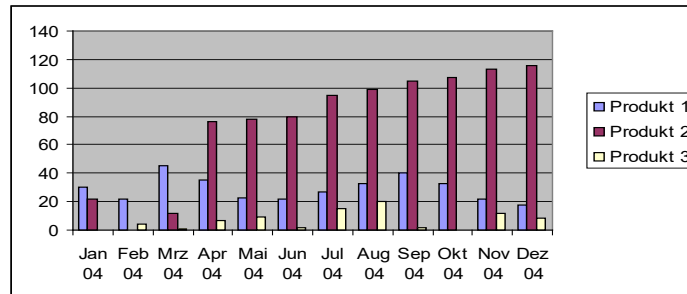
		Jan. 04	Feb. 04	Mar 04	Apr. 04	May. 04	Jun. 04	Jul. 04	Aug. 04	Sep 04	Oct. 04	Nov. 04	Dec. 04	Total p.a.
Product	1	30	22	45	35	23	22	27	33	40	33	22	18	351
Product	2	22	0	12	76	78	80	95	99	105	107	113	116	905
Product	3	0	4	1	7	9	2	15	20	2	0	12	8	83
Product	4	?												

Table 7: Sales forecast

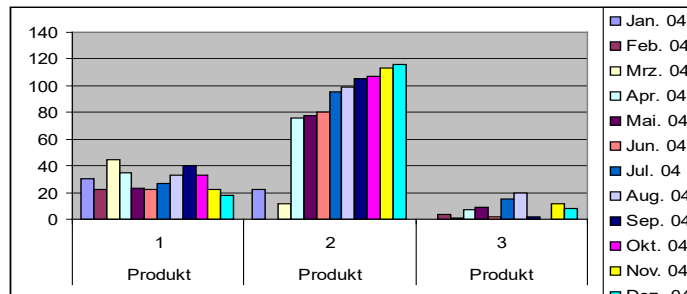
Heel curves of series 1 - 3



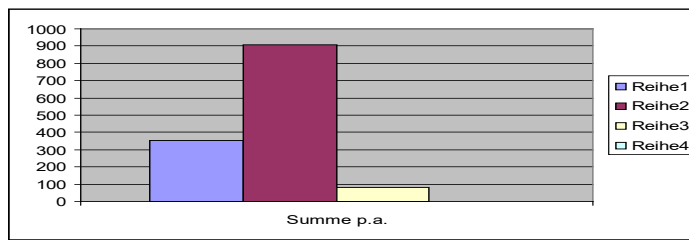
Product comparison over time



Products per group over time



Product totals



### 3.3.2. Sales planning

If sales are based on the **quantity of turnover**, **turnover planning** indicates the valued services in euros. The turnover, also called revenue or income of a company, is calculated by multiplying the services sold (products and services) by the **sales price of** the services in the exchange rate of the respective national currency.

If sales volumes can only be planned with some difficulty, the challenge of turnover planning lies in determining the selling price of the services. Basically, price determination is a much more difficult undertaking than is often assumed. The question is, what determines the price of a service? Is it the market price, i.e. the price that can be achieved in the market in competition? Is it a cost price, i.e. the price it costs to produce and sell the services? The price calculation is presented in the framework of costing. When calculating turnover in a business plan, one or more defined sales prices per product or service must be assumed.

The turnover planning should be as sound as possible. The figures - even if they are estimates - must be comprehensible. They are if they are justified on the basis of criteria.

It should be noted that sales revenue should not be confused with the profit of the enterprise. Profit is calculated by subtracting operating costs and other obligations, such as taxes, from sales revenue. In other words, turnover is the amount of products and services sold per unit of time multiplied by the respective current monetary value.

The presentation of the turnover planning can be done graphically in different ways.

## Checklist for your business plan: Sales Forecast & Turnover Planning

**How many products and services do you want to sell?**

**How high is the sales volume, how high is the turnover?**

**How realistic are sales and turnover forecasts?**

Make relevant statements for your company on sales/turnover planning!

1. How many services can you sell in the hour, the day, the week, the month, the year, in three years. Try to forecast sales as realistically as possible.
2. Define the sales quantities.
3. Define capacity utilisation.
4. Calculate the turnover based on the sales forecast.
5. How high is the risk? Best and worst case. Try a percentage assessment of the risk?



## Summary Chapter 3 and Conclusion

Chapter 3 presents modules 4 to 6 of the knowledge map.

In **Module 4 - "Market & Competition"** you have learned about the market structures and competitive conditions that you need to investigate. Working on the module requires intensive research in the market. You should have a detailed knowledge of the real industry conditions. To know more, talk to entrepreneurs, professionals and managers who work in the industry. You can, of course, research a lot of market information online. Indicate the source in the business plan so that an assessment of the quality of the data is possible.

With **Module 5 - "Marketing & Sales"** you have learned to set up the marketing concept for your business. For the business plan you also need a justified marketing/advertising plan. A successful marketing plan has direct effects on the sales forecast.

In **Module 6 - you learned about "Sales Planning & Sales Forecasting"**. Create the sales planning on the basis of your performance description (Module 2). If you set up an Excel spreadsheet and structure it systematically, you can easily calculate a variety of considerations by increasing or decreasing the sales of a product. You can then find out immediately at the end of the month what the turnover is. You will find that every business needs a minimum turnover to be able to pay the costs and expenses.