



Briefing Note for CLA members

Business Planning (4)

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In order to assist members during the agricultural transition, the CLA has produced a series of briefing notes on business planning. These provide information on what members need to consider when they are either developing their existing business or are considering a new business venture.

The market place

Knowing the market

In theory, this may not look particularly difficult but knowing the market the business is about to enter is essential for the credibility of the business plan. Desk research, which means the use of secondary information from either publications or online, will yield a sizeable amount of information about a particular market as well as provide much-needed statistical information.

The bread industry in the UK provides a good example of the importance of knowing the market. In simple terms, the consumption of bread in the European Union is worth £10 billion per year.

The industry-wide definition of bread includes sliced and unsliced bread, rolls, bakery snacks and speciality breads. It covers plant baked products, in-store baked products and products sold through craft bakers, better known as the niche bakery market.

Assessing the relevant market involves refining global statistics to provide the real scope of the market. If the new business only operates in the UK, the market is worth about £2.7 billion or 12 million loaves a day and constitutes one of the biggest food sectors in the country. If the business is only operating in the niche market, the relevant market declines to £13.5 million. This in turn contracts further to £9.7 million if the business is only operating within the M25 area.

What this information shows is that, unless the new business can operate on a vast scale, access to the European market is pointless. Rather, the new business needs to concentrate on the much smaller local market which is both manageable and more focused. Any business plan that fails to take such information into account will lack all credibility.

Segmenting the market

It is very likely that each market can be sub-divided, or segmented, as different customers have different needs. Therefore, the marketing effort of the new business needs to be able to target a particular segment and cater for the needs and wishes of that customer base.

It should be stressed that not all market segments will either be attractive or suitable to the new business. In order to establish whether the market segment is viable there are four main rules that can be used.

Measurability

It is important for the new business to try and estimate how many customers are in each segment. The plan also needs to establish whether there is sufficient volume of the customer base to make the new business product or service worth buying.

Accessibility

The business has to be able to communicate with this customer base, preferably in a way that reaches customers on an individual basis. For example, if the research shows that there is a sizeable over-50s segment, it would be possible to reach these customers by advertising in a magazine targeted at older people. There is also the issue of image: if the marketing strategy fails to target the right segment, the product image could become confused.

Open to profitable development

The customers must have money to spend on the product offered by the business. For example, market research shows that occupants of retirement homes are one of the fastest growing market segments. However, there is little evidence that they have significant spending power and unless the product or service is particularly geared to this segment, this is not a relevant market.

Size

A segment has to be large enough to be worth the business attempting to exploit it but not so large as to attract larger competitors.

Segmentation is an important marketing process as it helps to bring the customer base more sharply into focus. Segmentation classifies customers into manageable groups and allows the business to focus its energies on one or more of these groups.

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