3. Marketing

Marketing Analysis

A market analysis shows to your potential lenders (and yourself) that you have done your homework and that you really do know there is a need for your services in the place where you intend to establish your practice. Basically, you are creating a logical argument for the reasonableness of your assumptions about your business future. However, to be convincing, you have to cite real statistics and document the sources of your information.

Marketing analysis may consist of several different sections: 1) a description of the overall market, 2) changes in the market, 3) market segments, 4) target market & customers, 5) customer characteristics, 6) customer needs, and 7) customer buying decisions.

Description of the overall market

In terms of acupuncture and Chinese medicine, the overall market in the U.S. looks quite rosy. Our reputations among patients and the general public is basically good. Because of the aging population, more and more Americans are spending more on health care. At the same time alternative health care is growing in popularity and acceptance, with acupuncture being at the top of the list. Therefore, the overall market is a really good one for acupuncturists and practitioners of Chinese medicine.

Sample overall marketing analysis:

The total health care market in the U.S. is estimated to be (amount) per annum. Within that, the alternative health care market in the U.S. is estimated to be (amount) per annum, and, within this, acupuncture currently has a _____% share. That equals (amount) per annum. Because of the aging of the Baby Boom generation, it is estimated that health care costs will rise to (amount) by __________. Since Baby Boomers are the generation that currently makes the most use of alternative medicine in general and acupuncture and Chinese medicine in particular, it is assumed that the market for acupuncture and Chinese medicine will expand rapidly over the next 20 years. In addition, because of their generally good reputation, acupuncture and Chinese medicine are becoming more and more sought after in the health care marketplace.

*ACTION ITEM: Fill in the blanks with accurate information and write your market analysis.*

Changes in the market

This section describes any factors affecting the overall market that are or will be affecting your business. For instance, the aging of the Baby Boom is one change in the overall health care market that should drive more patients to acupuncturists. The spiraling cost of conventional Western medical care is another. Increasing dissatisfaction with conventional Western health care is yet another. However, you need to document any changes you cite.

Sample changes in market analysis:

The most significant development in the American health care marketplace in recent years has been the dominance of insurance companies through HMOs and PPOs. According to __________, many Americans are dissatisfied with the care they are receiving through these HMOs and PPOs. The impact of this dissatisfaction on acupuncture and Chinese medicine in this country is twofold. On the one hand, more and more Americans are willing to pay out of pocket for the quality of care and service they want. On the other hand, more and more HMOs and PPOs are including acupuncturists on their lists of approved providers. In either case, acupuncturists are winding up with an ever larger share of the health care market.
***ACTION ITEM Now write your own changes in market analysis.

Market segments analysis

Analysis of market segments helps in establishing your business strategy, the proper positioning of your service and products, and your marketing strategy. There are different ways of segmenting the health care market, and how you segment the market will very much affect your business and marketing strategy. Since most businesses can’t be all things to all people it is best to focus your efforts towards a “segment” of the market. By focusing in this way you can be more effective in reaching this smaller market with your message and making people aware of the services you offer.

Sample ways to segment your market

For instance, the market can be segmented by price. In other words, x percentage of patients are willing to pay x number of dollars per visit, x percentage are willing to another dollar amount per visit, and x percentage are willing to pay yet another dollar amount. However, if you choose to write your business plan primarily around pricing (and especially low pricing), keep in mind that, as Marilyn Allen has said, you will typically earn as much as the average of your target market. That means if you price low to attract low wage earners, the probability is that you too will earn a low wage, unless you can find a way to make a profit on high volume.

Another way to segment the health care market is by sex and/or age. For instance, according to __________, ________% of patients of acupuncturists are female, white collar workers, 35-55 years of age who suffer from a chronic complaint. Since this age group is aging and will, consequently, be using more and more health care services, the expenditures for health care by this segment will progressively expand for the next several decades.

Yet another way to segment is by medical specialty. According to __________, _____% of visits to acupuncturists are for general medicine, ______% are for gynecology, ______% are for pediatrics, ______% are for sports injury, ______% are for personal injury, and ______% are for geriatrics.

It is also possible to have a negative market segment analysis.

Sample negative market segment analysis:

While there are differences in the services and products different acupuncture clinics offer as well as differences in pricing and other attributes, the acupuncture and Chinese medical market has not yet become segmented. Each acupuncturist or acupuncture clinic is essentially competing for the same customer.

Still another approach to market segment analysis is what Bob Adams calls the “increasing segmentation” statement.

Sample increasing segmentation analysis:

Until recently, acupuncture patients were thought to have relatively similar needs, and, while there were some differences from one acupuncturist’s services to another’s, there were not clearly defined segments, and all acupuncture purveyors tended to compete with each other head on. However, in the last few years, market segmentation has begun to appear. For instance, some acupuncturists are beginning to specialize in pediatrics, gynecology, personal injury, or sports medicine. In areas such as Florida and Arizona, some acupuncturists are specializing in geriatrics. Some acupuncturists are maintaining fee for service practices, while others are heavily engaged in third party payments. In addition, some acupuncturists only do acupuncture, some do both acupuncture and Chinese herbal medicine, and some provide other services such as homeopathy. However, most American consumers only learn about these differences after their first visit which ostensibly was for
acupuncture per se.

**Target market**

This section of your business plan defines your target market. These are the customers or patients you primarily intend to focus on in your business. This target market may be defined by location, demographics, medical specialty, or some combination of the above.

Sample target market statement based on location:

We intend to direct our marketing efforts to residents of the towns of _______, _______, and _______. This comprises an area of ________ square miles with a total population of ____________.

Sample target market statements based on services offered and location:

We intend to direct our marketing efforts to athletes who have suffered sports injuries and anyone else who has suffered any kind of traumatic injury.

We intend to direct our marketing efforts to women with gynecological problems living in a 20 mile radius of our clinic. Based on most recent census figures, there are (x number) of women in this area, and, according to ____________, ____% of women have a gynecological problem at any given time.

We intend to direct our marketing efforts primarily to those in the greater ________ area who work during the weekdays and find it inconvenient to receive treatment during such weekdays. Because we will be open x number of nights per week and all day Saturday, we believe we can capture a significant share of those people who have trouble taking work off during weekdays for medical care.

We are intending to direct the major portion of our marketing efforts to those people in the greater ______ area who earn $100,000 per year or more and are willing to pay a premium price for premium service and other features of our clinic.

*ACTION ITEM: Write your target market analysis once you have enough information.*

**Customer characteristics**

The more you know about your customers (and patients are customers!), the better able you will be to successfully market to those customers. In general, the majority of current American consumers of acupuncture are described by professional demographers as “cultural creatives,” “bourgeois bohemians,” and “the LOHAS market.” LOHAS is an acronym that stands for “lifestyles of health and sustainability” ________________. Characteristics of these customers are that they:

1. Are concerned with "authenticity," both theirs and others’
2. Are twice as likely to be on the leading edge of environmental & sustainability issues
3. Are twice as likely to have been involved in two of the following:
   A. Alternative health care
   B. Organic foods
   C. New spiritualities
   D. Personal growth psychologies
   E. Anti-nuclear energy
   F. Peace
   G. Women’s rights
   H. Civil rights
I. Job & social justice

4. Reject "culture wars" between conservatives & liberals, humanists & religionists, etc.

5. Are disenchanted with:
   A. "Owning more stuff" & materialism in general
   B. Greed
   C. Me-first-ism
   D. Status display
   E. Glaring social inequalities of race & class
   F. Hedonism
   G. Cynicism

However, depending on your location and the type of practice you intend to run, your customer characteristics may vary widely from the above “national average.”

Another description of your customers’ characteristics might be:

Our intended “average” patient or customer is a 35-60 year old female whose household earns at least $45,000 per annum and who has an interest in alternative health and preventive medicine. In general, she is willing to try new things and is willing to spend money on health care. She expects value for her money as well as professionalism, cleanliness, and care.

Customer needs

The key to successful business is identifying a need and then filling that need in such a way as to make a profit. The customer needs section of your business plan is where you identify and describe such a need or needs. Another way to describe customer needs is to think of all the benefits customers will derive from your business.

Sample customer needs statements:

The basic need of our target customers is to receive acupuncture and Chinese medicine services without having to drive three hours to get it. The closest other acupuncturist is in ___________, x number of miles away, and that person is really a chiropractor, not a licensed acupuncturist. Other needs that are relatively important to our target customers are sterile, disposable needles, a sliding scale fee schedule, week night and Saturday office hours, and a clean, professional-looking clinic.

Important needs of our target customers include compassionate, humane medical care provided by sympathetic care-givers which is free from side affects, cost-effective health, and the ability to see a health care provider on relatively short notice.

Some acupuncture cannot afford to pay out of pocket, and all the other acupuncturists in this vicinity run fee for service practices. Since we are set up to accept third party payments, we meet/will be meeting a definite and important need within our target market.

Our target customers are looking for a relaxing, pampering experience in pleasant, relatively up-scale surroundings. Because our clinic is beautifully decorated and we offer such amenities as massage, face packs, saunas, salt glows, and cellulite treatments in addition to weight loss, “face lift,” and breast augmentation acupuncture, we meet the needs of up-scale women interested in both health care and beauty.

*ACTION ITEM: Describe your target customers’ needs and how your clinic will satisfy them.*