

Introduction to market research

To run a successful business, it is essential that you know who your customers are, what they need, and how to reach them. Market research can help you get accurate and specific information about your customers and competitors, which is a critical part of starting or expanding your business. Consumer demands impact and direct all aspects of your company's activities and can determine the success or failure of your business.

Market research and **marketing research** are often confused. 'Market' research is simply research into a specific market. It is a very narrow concept. 'Marketing' research is much broader. It not only includes 'market' research, but also areas such as research into new products, or modes of distribution.

"Marketing research is the function that links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the methods for collecting information, manages and implements the data collection process, analyzes, and communicates the findings and their implications.

The Marketing research Process.

Marketing research is gathered using a systematic approach. An example of one follows:

1. Define the problem. Never conduct research for things that you would 'like' to know. Make sure that you really 'need' to know something. The problem then becomes the focus of the research. For example, why are sales falling in New Zealand?
2. How will you collect the data that you will analyze to solve your problem? Do we conduct a telephone survey, or do we arrange a focus group? The methods of data collection will be discussed in more detail later.
3. Select a sampling method. Do we use a random sample, stratified sample, or cluster sample?
4. How will we analyze any data collected? What software will we use? What degree of accuracy is required?
5. Decide upon a budget and a timeframe.

6. Go back and speak to the managers or clients requesting the research. Make sure that you agree on the problem! If you gain approval, then move on to step seven. 7. Go ahead and collect the data.

8. Conduct the analysis of the data.

9. Check for errors. It is not uncommon to find errors in sampling, data collection method, or analytic mistakes.

10. Write your final report. This will contain charts, tables, and diagrams that will communicate the results of the research, and hopefully lead to a solution to your problem. Watch out for errors in interpretation.

WHY CONDUCT MARKET RESEARCH?

The environment that your business operates in can be very dynamic. Shifts in economic conditions, demographic changes, new regulations and changes in technology can all affect the way you do business.

Market research can help you:

- better understand the characteristics and preferences of your customers
- identify opportunities to increase sales and grow your business
- monitor the level of competition in your market
- reduce the risk in your business decisions
- develop and complete your business plan

Established businesses thinking about making significant changes, like business expansion or relocation, can also use market research to support their decisions. Some other common situations that might call for market research include:

- launching a new advertising campaign
- increasing production or stock levels
- introducing new lines of products or services

Sources of Data –

Primary and Secondary

There are two main sources of data – *primary* and *secondary*. primary research is conducted from scratch. It is original and collected to solve the problem in hand. secondary research, also known as desk research, already exists since it has been collected for other purposes.

HOW TO CONDUCT MARKET RESEARCH

Before you start, establish clear goals for the market research activity you will undertake. You should define what you need to know and why.

Once you have established your goals, develop a strategy and select the techniques you will use to gather data. The two broad types of research you can use are primary and secondary research:

- **Primary research** consists of data collected directly from potential customers through surveys, focus groups, field testing, etc. You can do the research yourself or hire a company to do it for you. If you complete the research yourself, you keep the costs down and have the added benefit of getting to know the market for your business.

A drawback of primary research is that it can be time consuming and expensive, particularly if you are hiring a marketing firm to conduct the research. The benefits are that you can target specific groups (such as your customers or the geographic market for your business) and tailor the study to answer specific questions.

- **Secondary research** involves searching existing information that has already been collected, such as demographic data and industry statistics, and using it in your own business or marketing plan. Secondary research uses existing resources like company records, surveys, research studies and books. It is normally less time consuming than primary research, and can be less expensive.

While secondary research is less targeted than primary research, it can still yield valuable information.

The following are examples of questions that can be addressed through secondary research:

- What are the current economic conditions, and are they changing?
- What are the industry trends?
- Are there international markets for my product or service?
- Who are my customers? (Population, age group, income levels, where they live, etc.)
- What is the state of the labour market?

Another key secondary resource is statistical data from official statistics providers, associations and private organizations.

WHAT DO I NEED TO KNOW?

When conducting research there are some questions you may want to answer, and primary or secondary research will help you find the answers. Some of the questions you can consider include:

- **Who is My Customer?**
Knowing who your customer is will help you choose a location, establish pricing, and plan a selling strategy. Ask yourself: Who will buy my product? What are my customer's habits and preferences?
- **Is There a Demand for My Product/Service?**
Make sure that your product or service is meeting the needs of your customers.
- **Who is My Competition?**
Determine who your major competitors are, try to locate their strengths and weaknesses, and see how your business compares.
- **Where Are My Customers Located?**
Knowing where your potential customers are located will help you choose a location, what kind of promotions to use, and other marketing strategies. It can also help you learn about changes in your industry and how those changes could impact sales.
- **What Will I Charge?**
The goal for your business is to maximize your profits while remaining competitive. Pricing can play a large part in the success of your business, so you will want to consider what your

competitors are charging for similar products and services and if you can maintain your prices over time.

- **How Should I Promote My Product/Service?**

Ensure that you are using the most effective methods to promote your business. When deciding on a promotional strategy consider what your competitors are doing and what kind of media would best suit your customer (for example, online media for a teen market).

Finding the data that can help you with your business decisions can be difficult, and some of the data can be expensive to purchase. There are, however, a number of affordable statistical and analytical resources available to you, as well as guidance to help you make sense of all the materials available.

The Research and Statistics section of the Canada Business website offers a number of categorized links to data and analytical resources, many of which are free to access. Other sources of secondary research materials include libraries, universities, industry associations and government departments.