



Market Research Methodology

JANUARY 12, 2008

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"No market research is ever complete."

Market Research Basics

Market research is the process of systematic gathering, recording and analyzing of data about customers, competitors and the market. Market research can help create a business plan, launch a new product or service, fine tune existing products and services, expand into new markets etc. It can be used to determine which portion of the population will purchase the product/service, based on variables like age, gender, location and income level. It can be found out what market characteristics your target market has. With market research companies can learn more about current and potential customers.

The purpose of market research is to help companies make better business decisions about the development and marketing of new products. Market research represents the voice of the consumer in a company.

A list of questions that can be answered through market research:

- What is happening in the market? What are the trends? Who are the competitors?
- How do consumers talk about the products in the market?
- Which needs are important? Are the needs being met by current products?

A simple example of what market research can do for a business is the following. At the company Chevrolet they brought several disciplines together in a cross-functional team to develop a concept for a completely new Corvette. This team enabled the marketers to come up with an alternative concept, one that balanced 4 attributes: comfort and convenience, quality, styling, and performance. This was considered radical because comfort and convenience were not traditional Corvette values. However, market research demonstrated that consumers supported the alternative concept. As a result the new Corvette was a huge success in the market.

With market research you can get some kind of confirmation that there is a market for your idea, and that a successful launch and growth are possible.

Market Research for Business Planning

Market research is discovering what people want, need, or believe. It can also involve discovering how they act. Once that research is complete it can be used to determine how to market your specific product. Whenever possible, try to reduce risks at the earliest possible stage. For example you could carry out market research early on and not wait until you are almost ready to enter the market. If early market research reveals that your business idea has real potential, you can use this information in planning the build-up of your business.

For starting up a business there are a few things should be found out through

market research in order to know if your business is feasible.

Market Information

Market information is making known the prices of the different commodities in the market, the supply and the demand. Information about the markets can be obtained in several different varieties and formats. The most basic form of market information is the best quotation and last sale data, including the number of shares, with respect to a particular security at a given time.

Examples of market information questions are:

- Who are the customers?
- Where are they located and how can they be contacted?
- What quantity and quality do they want?
- What is the best time to sell?
- What is the long-term or historical price data over a number of years?
- What is the expected production in the country?
- Is there more demand for one product or another?

Market Segmentation

Market segmentation is the division of the market or population into subgroups with similar motivations. Widely used bases for segmenting include geographic differences, personality differences, demographic differences, use of product differences, and psychographic differences.

Market Trends

The upward or downward movements of a market, during a period of time.

Market Size

The market size is more difficult to estimate if you are starting with something completely new. In this case, you will have to derive the figures from the number of potential customers or customer segments.

Market Analysis

But besides information about the target market you also need information about your competitor, your customers, products etc. A few techniques are:

- Customer analysis
- Competitor analysis
- Risk analysis
- Product research
- Advertising research

- E-mail survey

Using an e-mail survey can be an effective, low-cost method for staying in touch with your customers. It helps reduce churn and can easily generate more business from customers you've already spent a great deal of effort to win. Since there are no mailing and printing costs involved, it's also very gentle to your bottom-line. Another benefit is the almost instantaneous delivery that e-mail affords. You don't have to worry whether the Post Office will get the survey to your customers in time for them to take advantage of a special offer.

It's simple to create and send e-mail surveys. Customers will appreciate the regular communication and you could be rewarded with more business from your existing customer base.

Market Research Methodology

Before the following five steps are discussed it is important to make a few comments about these steps. First although the list does strongly imply an orderly step-by-step process, it is rare that a research project follows these steps in the exact order that they are presented in the figure. Market research is more of an interactive process whereby a researcher, by discovering something in a given step, may move backward in the process and begin again at another step [Market research 2006] Finding some new information while collecting data, may cause the researcher to establish different research objectives. In the following the different market research steps are described.

Defining the research problem

The step defining the research problem exists of 2 main steps: (1) formulating the problem and (2) establishing research objectives.

Defining the problem is the single most important step in the market research process. A clear statement of the problem is a key to a good research. A firm may spend hundreds or thousands of dollars doing market research, but if it has not correctly identified the problem, those dollars are wasted. In our case it is obvious that the problem here is setting up a business. But even if this is clear, you still need to know what exactly you need to know to make the new business a success and what specific related to the product is difficult to find out. Problems that may be encountered are: it is unknown what potential markets there are, what customer groups are interested in your products, who the competitors are? After formulating your problem, you need to formulate your research questions. What questions need to be answered and which possible sub-questions do you have.

With the problem or opportunity defined, the next step is to set objectives for your market research operations. Research objectives, related to and determined by the problem formulation, are set so that when achieved they provide the necessary information to solve the problem. A good way of setting research objectives is to ask, "What information is needed in order to solve the problem?" Your objective might be to explore the nature of a problem so you may further define it, or perhaps it is to determine how many people will buy your product packaged in a certain way and offered at a certain price. Your objective might even be to test possible cause and effect relationships. For example, if you lower your price, how much will it increase your sales volume? And what impact will it have on your profit?

Clear objectives can lead to clear results. An example of this is a situation at Camaro/Firebird. Auto manufacturers are sometimes criticized for creating expensive vehicles with unwanted features and technologies that do not meet the needs of the target market. To avoid this trap engineering team of this company

turned to market research to evaluate how changes in performance and fuel economy would affect sales volume and customer satisfaction. It turned out that customers were willing to pay more for greater performance if the car also offered simultaneous increases in fuel economy.

The problem description, the research question, sub questions and the research objectives are part of an overall document problem description.

After describing and formulating the problem and the objectives, the next step is to prepare a detailed and realistic time frame to complete all steps of the market research process. If your business operates in cycles, establish target dates that will allow the best accessibility to your market. For example, a holiday greeting card business may want to conduct research before or around the holiday season buying period, when their customers are most likely to be thinking about their purchases.

Selecting and establishing research design

The step selecting and establishing research design consists of 3 main steps: (1) select the research design, (2) identify information types and sources and (3) determine and design research instrument.

As stated earlier, every research project and every business is different. Still, there are enough commonalities among research projects to categorize them by research methods and procedures used to collect and analyze data. There are three types of research design:

- Exploratory research design
- Descriptive research
- Causal research

Exploratory research is defined as collecting information in an unstructured and informal way. For example if the owners of a new restaurant often eat out at competitor's restaurants in order to gather information about menu selections, prices and service quality.

Descriptive research refers to a set of methods and procedures that describe marketing variables. Descriptive studies portray these variables by answering who, what, why and how questions. These types of research studies may describe such things as consumers' attitudes, intentions, and behaviors, or the number of competitors and their strategies.

Causal research design is conducted by controlling various factors to determine which factor is causing the problem. It allows you to isolate causes and effects. By changing one factor, say price you can monitor its effects on a key consequence such as sales. Although causal research can give you a high level of understanding of the variable you are studying, the designs often require experiments that are complex and expensive.

Identify information types and sources

There are two types of information available to a market researcher: primary data and secondary data. Primary data is original information gathered for a specific purpose. Secondary data refers to information that already exists somewhere and has been collected for some other purpose. Both types of research have a number of activities and methods of conducting associated with them. Secondary research is usually faster and less expensive to obtain than primary research. Gathering secondary research may be as simple as making a trip to a local library or business information center or browsing the Internet. There is already a lot of statistics about

different businesses that can be used for this research.

After determining which type(s) of information are needed, the methods of accessing data must be determined. There are several different methods of collecting data. These methods include telephone surveys, mail surveys, personal interviews or group surveys.

The actual design of the research instrument, the data collection form that is used to ask and record the information is critical to the success of the project. There are two basic methods to collect information: by asking questions or by observing. The most common research instrument is the questionnaire. There are two types of forms: structured and unstructured. Structured questionnaires list close-end questions. These include multiple choice questions which offer respondents the ability to answer "yes" or "no" or choose from a list of several answer choices. Close-end questions also include scales refer to questions that ask respondents to rank their answers at a particular point on a scale. Unstructured questionnaires have open-ended questions. Respondents can answer in their own words.

Collecting and analyzing data

Data collection is usually done by trained interviewers who are employed by field data collection companies to collect primary data. A choice has to be made between collecting the data yourself or hiring an external office who are specialized in interviews.

Data analysis is needed to give the raw data any meaning. The first step in analyzing the data is cleaning the data. This is the process of checking the raw data to verify that the data has been correctly entered into the files from the data collection form. After that the data have to be coded. This is the process of assigning all response categories a numerical value. For example males = 1, females = 2. After that the data can be tabulated, which refers to the actual counting of the number of observations that fall in to each possible response category.

Formulate findings

After analyzing the data you can make your findings based on this data. Once the findings about the target market, competition and environment are finished, present it in an organized manner to the decision makers of the business. In this case report the findings in the market analysis section of your business plan. In summary, the resulting data was created to help guide your business decisions, so it needs to be readily accessible to the decision makers.