

# 3.1

## CONDUCTING MARKET RESEARCH; DRAWING THE RIGHT CONCLUSIONS

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# DOING MARKET RESEARCH

Market research means you collect and analyse information about the market, your customers and competitors, then draw up or change plans accordingly. You can do desk research and/or field research.

## Desk Research

This makes use of information already collected ('secondary information'). It can use information from inside the organisation (the 'Internal Market Audit') or information from outside (the 'External Market Audit') using the following sources:

- Yellow Pages, Thomson Local, Kelly's Directory, or other company information
- Trade association yearbooks, trade directories, trade press and newspapers
- Market surveys, MINTEL reports and market reviews
- Local authority, Chamber of Commerce and TEC surveys
- Government statistics, including census, social surveys and purchasing information
- Competitor literature and publicity
- Books on marketing, selling and customer behaviour

## Field Research

Going out and talking to people (customers and competition), counting them or watching what they are doing via:

- **Observation** of peoples' reactions to your product or competitor
- **Interviews** on the street or at home, using written questions
- **Phone interviews**, short and to the point
- **Postal surveys** fill-in questionnaires, best used with existing customers
- **Omnibus surveys** by commercial market surveyors, pay per question asked
- **Focus groups** of typical customers, cheap and effective

## Plan Of Action

No market research can occur until a plan of action has been drawn up. Note this is different from the Marketing Plan. For each item decide:

- How will the information be obtained?
- Who will do the research?
- What can you do yourself and what will you need help with?
- Where will you obtain the information?
- How much will it cost (in time and money)?
- When will it get done (draw up a timetable and deadlines)?

Remember to make these decisions according to what you are trying to decide or achieve. Will the information arrive in time to be used? Will you have to change plans as a result?

Random and informal opportunities to acquire information are also useful: chatting with customers, suggestions for changes to a product or service and conversations with suppliers. Look out for changes, patterns and trends.

# MARKET RESEARCH; EXAMPLES OF INFORMATION NEEDED

## Size of Market

What is the total market - industrial, consumer, home and overseas?

Is it growing or shrinking?

Are there any regional biases or preferences?

What are the seasonal influences?

Where are the big users?

Is it a well developed, saturated market or are new products entering it?

Is it prone to fashions, short runs, cyclical changes?

Is new technology likely to alter the market?

What changes may affect demand?

## The Product

Who uses the product?

Frequency of purchase?

Who else could use the product?

How can it be improved?

What do customers think of it?

Is it branded?

Is the price right?

Are specials produced?

Can it be personalised?

What are the returns?

What new products are envisaged and how will they tie in with existing lines?

## The Competition

Who are the main competitors and what market share do they enjoy?

What is their product range and what do customers like?

What are their strengths and weaknesses?

Where do you have a competitive edge?

## The Customer

How can you reach them?

What is the customer profile?

What are their needs?

## Your Own Performance

Where do you make the most profit and where is the potential growth?

What extra lines or service could be sold?

How do you promote yourself and compare with your competition?

# MARKET RESEARCH 1

Any organisation intending to introduce a new product or service, for instance a group of people starting out in business, needs to establish that there is both a demand for the product or service and that conditions exist for it to be provided. Market research provides the necessary information. There are four stages to any market research.

## 1 : Deciding What Questions Need To Be Asked

The most useful questions that could be asked are: 'how often?', 'how much?', 'when?', 'where?', and 'why?'. A group setting up a restaurant might ask:

- **How often** do people eat out at restaurants?
- **How much** do they spend/are they willing to pay?
- **When** do people eat out?
- **Where** do they go to eat out?
- **Why** do people eat out/**why** would they buy our meals?

In getting this information, it may be useful to know who you are getting the information from. In this way you can decide if particular kinds of people act in particular kinds of ways: 'Young people seem to like fast food', 'older people spend more money', 'people with low incomes only eat out on special occasions' etc. Your marketing strategy may try to make use of these patterns of behaviour.

## 2 : Drawing Up A Research Plan

You must first determine what you are trying to find out, who you are finding this information out from, where the information can be obtained and how best to obtain it. Then tasks must be drawn up matching these aims, responsibility assigned, a timetable set and a method for analysing and reporting the information (if necessary) agreed.

## 3 : Collecting The Information

This depends on information, either **primary information** (that you obtain directly) or **secondary information** (that other people have found out).

**Primary information** can be collected by personal interviews, telephone interviews, or postal questionnaires. It can include street surveys, talking to groups of potential customers, observation (especially of competitors), talking to similar organisations in other areas and talking to suppliers or other people in the industry or sector.

**Secondary information** includes statistics on the product or service area, socio-demographic information, competitor analysis, trade directories and journals, government statistics e.g. the census. All of these should be in or available from the reference library. The Yellow Pages or Thomsons, trade associations, the local Council, research organisations, competitor brochures, the Chamber of Commerce and local enterprise agencies may all provide useful information.

The starting point for market research should be **secondary information** since this has already been gathered, organised and analysed. But **secondary information** may not be enough. **Primary information** is obtained in the following ways:

### **The Questionnaire**

The most common method but usually is disappointing. People see it as a waste of time and intrusive. Postal questionnaires have response rates of 1-5%. The questionnaire works best when it is either face-to-face or the questionnaire has been targeted on key individuals who, perhaps through a letter or telephone call, have been informed about the proposed product or service and see some advantage to them (e.g. saving money) through 'being sold' on it.

### **The Focus Group**

A group of 'ideal' customers or users who represent the kinds of people you are trying to reach give their views on the quality of the product/service, the price, the publicity material, the product's usability and its acceptability. This can be a relatively cheap method (especially where customers or users exist already) of finding out consumer attitudes to a product or service.

### **The Personal Interview**

Very time consuming and not much use unless, used with a questionnaire, it provides an opportunity to market or sell the product/service to the interviewee. The interviewee is made aware of the product or service, interest is created and they may be persuaded to buy or use the product/service.

### **The Telephone Interview**

Perceived as low cost and effective but needs careful preparation to reach the target group. Can be used to obtain sales or users but people called may be hostile or deflationary.

### **Observation**

Just looking can tell you, for instance, what people are doing, how they are buying, who they buy from, where they buy and how often.

## **4 : Analysing And Reporting The Information**

Analysis must begin by returning to the original question of what you were trying to find out. The information must be organised in an understandable way. You must be able to present this information to others so they can understand it and draw the same conclusions. Your analysis must be honest.

# MARKET RESEARCH 2

The Chartered Institute of Marketing's definition talks about satisfying needs /requirements. This definition is expanded to include profits.

## In simple terms:

### 1 : Identifying

Finding out what potential and current customers want now.

### 2 : Anticipating

Finding out and forecasting what they will want in the future.

### 3 : Satisfying

Providing products or services that meet customers needs, and ensuring this is being done to a satisfactory standard.

## Customer-Focused Marketing

Marketing is about serving the customer, placing them first and recognising that customers have many product and service providers from which to choose.

As potential business owners you will be asking yourself, 'where are we now?', 'where do we want to get to?' and 'how do we get there?'. You might approach the same questions from the customer's point of view.

- Who are our existing/potential customers?
- What are their current and future needs and wants?
- How can we satisfy these needs and wants?
- Can we provide a service or product our customers will value?
- Do we have good communication channels to talk to our customers?
- Can we deliver a competitive service/product?
- Why should our customers buy and continue buying from us?

Within the limits of your budgets and resources, you must try to find the answers to these questions.

## The Purpose Of Market Research

The purpose of market research is to provide you with basic information about your potential market to enable you to make informed decisions.

Ask yourself whether you have enough information about your customers, competitors, and trends in the industry in which you intend to trade.

Market research will help you to establish the following:

- Who will buy your products/services?
- Who buys your competitor's products/services?
- What sales level you can realistically forecast?
- What are people prepared to pay for the products/services?
- What is the size of your potential market?
- What the reaction would be to the introduction of new products/services?
- Where the products/services are bought currently?
- Where you should sell your products/services?
- Why people buy specific products/services?

The results of this market research will enable you to make informal decisions, react to changes in the market place (e.g. legislation or technological advances) and confirm or disprove any assumptions you may have.

## Kinds Of Market Research

There are two categories of market research - quantitative or qualitative.

### Quantitative Research

Any information which can be expressed using numbers as a measure is considered quantitative e.g. sales information, accounting details and statistics.

### Qualitative research

This is concerned with information that is based on description e.g. description of consumer behaviour, market segments and product performance.

Market research is not a one-off exercise undertaken before trading. You should undertake market research:

- Before entering the market
- When expanding into new markets
  - either product or geographical
- Continually when operating the business

## Doing Market Research

In order to obtain information you will have to consider two areas:

**1 : Desk Research**

**2 : Field Research**

### Desk Research

Desk Research is the analysis of published material. It is usually the starting point of any research. Its main benefits are that it is quick and inexpensive. Its main failing is that the material is often dated and not comprehensive.



Information for desk research can be obtained from external or internal business data. Examples include:

- Sales information
- Competitor information
- Communication with customers (face-to-face, mailshots, telephones etc.)
- Reference libraries
- Chamber of Commerce, Business Links /Business Eye etc.

Internal business data, however, is mostly applicable to existing businesses as new businesses will not have data to base their work on.

### Information You Need To Gather

You will need information on:

- The market size (how big is the market?)
- The market scope (how wide is the market?)
- The market share (both yours and your competitors')
- Selling methods
- Prices and discounts
- Channels of distribution (how to distribute?)
- The future of the market (what might happen?)
- The factors which influence buying decisions (why the buyer decides to buy?)
- Who makes buying decisions?

In addition you need to profile your potential customers, regarding age, location, income etc. There is a vast array of published information available. This information may be specific or general. Some may carry a cost for purchasing.

Alternatively, try to access the information through libraries.

Sources of published data include:

Trade information produced by trade associations, in **trade press reports and surveys**. There are also specialist publishers who compile **reports and undertake surveys** in specific markets.

Limited companies produce **annual company reports and accounts** that can be obtained through Companies House. **Shareholder reports** are also useful.

Useful information can be gained from **government publications** such as:

- Census data
- Family expenditure surveys
- National income statistics
- Trade and manufacturing trends (in 'trade magazines')

**Competitors' literature** can also be a valuable source of information.

It is worthwhile trying to identify someone in the same line of business in another area who may be prepared to give you information and advice. Try contacting trade and professional associations, banks, business clubs etc. that are related to your business field. Do they have a directory or have local or national support groups? What other services and resources can they offer and at what cost? Obtain as much information as possible - in particular concerning:

- Your existing/potential customers
- Your competition
- Your suppliers
- The sector in which you intend to compete

## Field Research

Field Research is the collection of new or additional data. This involves using one of the following research techniques:

- Surveys
- Observation

To be of value the information must be accurate, current, sufficient and relevant.

### Surveys

Surveys can be divided into three types:

1 : **Postal surveys** are useful in obtaining quantitative information. The main drawback of this method is that there is often a poor response rate and there are few opportunities to follow them up.

2 : **Telephone surveys** are a good way of interviewing people. The main advantage of telephone interviewing is that it is relatively cheap and fast. Their success depends on speaking to the right person and on them being willing to co-operate. The main drawbacks to this type of interview are:

- The interviewee can get interrupted
  - this may be inconvenient
- The interviewee has no proof of who you are - they may think you are a competitor
- Details sought on the phone may not be to hand

However, phoning up competitors and posing as a customer to get information about prices, service details, delivery times and payment terms can be highly useful and effective in helping you design products and services that can compete in the market.

3 : **Personal interviews** are more expensive than either postal or telephone interviews due to the time involved but, on the basis of information obtained, they can be the most useful.

The main advantage of face-to-face conversation compared to telephone conversation is the scope for personal interaction: it gives you the chance to strike up a relationship which can lead to an open question and answer discussion.

### Observation

Observation is another method of conducting field research. Observation can be where customers are observed, or it may involve visiting exhibitions or counting heads. As a research method it can be useful in obtaining quantitative data. It is also possible to pose as a customer to obtain information from your competitors. Getting out and about in the car to find potential customers and competitors comes under this heading.

**Test marketing** is a technique more often used in product research. It literally means testing out the product or service with a group of people and noting what they think about it.

Whichever method of obtaining information you choose you will have to produce a questionnaire. Questionnaires are used to find out all types of information and to make sure that you are asking for the same information from all the people that you deal with:

- Facts
- Knowledge
- Intentions
- Opinions
- Attitudes
- Motivation
- Lifestyle

You will need to 'sell' the idea of completing the questionnaire, to get people to participate.

# SOME MARKET RESEARCH INFORMATION SOURCES

A lot of these sources can be found on the Web or in your local reference or business library.

## The A-Z Of UK Marketing Data

This provides basic marketing data for several hundred UK markets, from adhesives to zip fasteners. It is arranged by product area, size, production, imports and exports.

## Annual Abstract Of Statistics

This is a good source of all UK statistics. Figures are given for each of the preceding ten years, so trends can be recognised.

## BBC Data Enquiry Service

This is a personal information service drawing on the world-wide resources of the BBC. It is an inexpensive and easy way of checking facts and drawing on a statistical data bank which covers people, products, countries and events. You will be charged for enquiries.

## British Rate & Data (BRAD)

This lists all the newspapers and periodicals in the UK and Eire which carry advertising. It gives their frequency, circulation volume, price, executive names, advertising rates and readership classification.

## Business Monitors

This is the medium through which the Government publishes the business statistics it collects from UK firms. The Monitors can

help by indicating trends and tracing the progress of many individual products manufactured by firms in many industries. They are published in three main series: The Production Monitors, The Service and Distribution Monitors and Miscellaneous Monitors.

## Annual Census Of Production Monitors

These cover virtually every sector of industry and include a variety of quite detailed information on UK production.

## Guide To Official Statistics

This is the main guide to all Government produced statistics, including ad hoc reports.

## Key Note Publications

Over 100 market sectors are covered. These are comprehensive reports containing a detailed examination of the structure of an industry, its distribution network and its major companies. They include an in-depth analysis of the market covering products by volume and value; market shares; foreign trade; an appraisal of trends within the market; a review of recent developments within the industry; a financial analysis of named major companies; and an appendix listing further sources of information, recent press articles, other reports and journals.

### **Kelly's Manufacturers And Merchants Directory**

This directory has an alphabetical list of manufacturers, merchants, wholesalers and firms. It gives basic information on each. In addition, entries are listed by trade classification and it has a section listing British importers and what they import. Exporters are listed by the products they export and the countries in which they sell.

### **Kelly's Regional Directory Of British Industry**

This is published in eight volumes and provides a town by town guide to industry and the products and services offered.

### **Key British Enterprise**

This contains information on the key UK companies that are responsible for 90% of industrial expenditure. Each entry gives basic information on the company, but also branch addresses, products by SIC codes (Standard Industrial Classification code), sales turnover and directors names etc.

### **Kompass**

This is published in two volumes. Volume 1 is indexed by product or service to help you find suppliers and indicates whether they are manufacturers, wholesalers, or distributors. Volume 2 gives basic company information on the companies identified in Volume 1.

### **Office Of Population, Census And Surveys**

This office produces demographic statistics for each county in England and Wales from the census. They provide data not only on total populations in each area, but also on occupations, economic groups etc.

### **Overseas Trade Statistics**

Published by the Department of Industry & Trade, these provide a monthly statement of UK imports and exports by volume and value for each product group and individual country.

### **Reports Index**

This is an index of reports in every field published and available for sale. Its sources include Government publications, HMSO and other market research organisations, education establishments etc.

### **The Retail Directory**

This gives details of all UK department stores and private shops. It lists the names of executives and merchandise buyers as well as basic address information.

### **Specialist Libraries**

Apart from your local library, there are hundreds of libraries connected with Government departments, major industrial companies, trade organisations, research centres and academic institutes.

Two publications that list these specialist libraries are:

- ASLIB Economic And Business Information Group Membership Directory  
[www.freebizinfo.org](http://www.freebizinfo.org)
- Guide To Government Departments And Other Libraries

# ANALYSING THE COMPETITION

Do not assume you have no competition - somebody will possibly be offering similar products and services.

Be objective : acknowledge if a competitor is good.

Use this grid to analyse the competition

Name	Better Or Worse Location?	What Is The Main Selling Point?	How Is Their Service Or Product Better Than Yours?	Higher, Lower Or Comparable Prices?

Look at your findings.

What are your competitor's strengths and weaknesses compared with yours?

How will you compete with them in the market?

# THE SWOT ANALYSIS

A SWOT Analysis is a way of understanding and organising information about both your organisation and the environment. It focuses on what is important and excludes what is not. Unlike market research it requires you to make decisions about information: what is important and what is not, what affects you and what does not, what weight you will give to particular problems or situations, what you will do about them.

A SWOT Analysis is also used to assess information about competitors. What are their strengths and weaknesses? What opportunities are they able to make use of? What are the threats to your competitor's business and how would they be able to respond to these threats. What threats could you generate? The kinds of information you need to collect and analyse are:

## Strengths

- Product quality and customer appeal
- Product range
- Market mix: price, product, promotion and place
- Personnel: skills, costs and flexibility
- Location/accessibility
- Reputation and customer loyalty
- Market position
- Resources: money, skills, information and communication

## Weaknesses

- Can you exploit poor quality or low appeal? Why do these conditions exist? Is low quality a weakness (check quality-price relationship)?
- Is there demand for different products? Does the range match demand?
- Is the price too high or low? Is the pricing strategy per product correct? Does promotion strategy match the profile, product and price? Where is the product sold and is it an effective and accessible location?
- Is purchasing casual? Has poor availability, quality, or reliability affected customer loyalty?
- Is the competitor well-known? Does it dominate?
- Is it cash-rich, or have a strong asset-base? Can it raise money easily? How well does it use resources?

## Opportunities

- Can you introduce new products or remarket existing ones to seem new? Is there a gap in the market?
- Can you sell more cheaply? Can you offer a better product-price mix? Are your costs lower? Or production methods more efficient? Do you have spare capacity?
- Do you have resources that can be used or used more efficiently?
- Are there opportunities to co-operate? Or joint market?
- Is the political, economic, social, or technological environment changing to your advantage?

## Threats

- Can your competitor offer better quality, lower price, better marketing, or a higher 'added value'?
- Will legislative, political, economic, technological, commercial, personnel, resource level, or financial changes threaten your market?

## The SWOT Analysis

### S : Strengths

- The things you are good at  
e.g. marketing or teamwork
- The things on which the business relies  
e.g. good design skills or lower prices
- The advantage you have over competitors
- The resources available to you

### W : Weaknesses

- What you don't know or don't do well
- Things which hold you back  
e.g. lack of certain skills
- Poor marketing or sales techniques
- A poor or over-priced product
- Lack of experience in business or this field of business

### O : Opportunities

- Changes in the business environment giving you an advantage
- Market opportunities  
e.g. a rival business closing
- Untapped demand for a product or service
- A possible new business relationship

### T : Threats

- Sudden changes in the business environment e.g. price rises or new regulations
- Inability to respond to/cope with change
- New competitors or better products you can't compete with
- Relying on one or only a few customers for your income



## SWOT Analysis

Date: \_\_\_\_\_

Under each heading list the main things that apply to your proposed business today.

### S : Strengths

### W : Weaknesses

### O : Opportunities

### T : Threats