

Module 2 - Market Research - What do you need to know?

Introduction

Before commencing on any new venture we all need to know what we are letting ourselves in for. After all, not many of us would be prepared to book a holiday by blindfolding our partner and asking them to stick a pin in a map of the world. Suppose the North or South Pole was where the pin was placed! Destinations not many of us would cope with travelling to even if we had the desire. Equally, when starting a business you need to know what you are up against. Who or what is the competition? Who are their customers, what is generally happening in the marketplace? How much competition is there? How big is the market?

Objectives

By the end of this module you will be able to:

- Undertake market research
- Understand how much competition your business is up against
- Identify how the competition markets their proposition
- Define the size of the market
- Gather customer intelligence
- Understand the strengths and weaknesses of your business
- Compile an effective marketing campaign and strategy
- Implement your own marketing action plan

What is Market Research?

Market research is a method of collecting data. Once collated, it should allow you to analyse it, which in turn will make you more aware of how the consumers you plan to sell to, will react to your products or services.

Market research will answer questions like:

- Whether your products or services are needed.
- Who might want to buy your products?
- What age, sex, income, occupation etc are the consumers you want to sell to?
- If there are changes taking place and how this might affect what you sell?
(there might be an up and coming decline in the demand for what you are about to sell)
- How well your products or services might sell? *(It could be better or worse than what you predicted)*
- How much demand there is for what you hope to sell? *(you may need to increase or decrease your production depending on the results)*
- Who will not buy what you hope to sell? *(this will help your promotional plan as it enables you to target the right people)*
- What price would people be prepared to pay? *(this will help when you set out your pricing policy)*

Where to Start?

The internet has to be an excellent initial avenue; your searches will no doubt identify a range of solutions similar to your business idea. What you have to do is undertake a systematic review of the information available to you as you will be overwhelmed with the amount of detail. Be sure when you are researching that you are comparing on an 'apples for apples' basis. Is the product or business solution like for like?



Consider the following against an existing product in the market:

- Does the product have the same technical specification?
- Does the supplier offer any additional services – supply and fit, free delivery, extended warranty, choice of colours, servicing, additional extras etc.
- How many suppliers are offering the same product in your area? Are they pricing similarly?
- What is their uniqueness?
- Can you purchase through the internet? Is it cheaper purchased this way? Don't forget to add on any shipping/postage fees
- Are there price comparison sites offering the product? If yes, what customer feedback is available about the product or suppliers?
- Can you find the product on auction sites such as eBay? What price range have you come across? How does it differ from either High Street retailers or online traders?

Consider the following against a completely new product to the market:

- How unique is the product? What makes it different?
- Is there something of a similar nature or style available?
- Who will purchase your product?
- How will you market your product?

If you are offering a service rather than a defined product or product range, consider the following:

- Does anyone else in your area offer the service that you intend to offer?
- What is their pitch? How do they market their service?
- How have they priced their service?
- How will you be different?

Conducting Telephone or Face to Face Research

Firstly you need to identify what you are hoping to find out e.g. I want to find out how much demand there will be for this product. Once you have identified your market research aim, you now need to look at:

- What questions need to be asked which would gather valid results? - *(questions which are ambiguous or misleading will give you false results)*
- How do I carry it out? - *(conducting your research in the wrong area or asking the wrong type of people will give you false results)*

The above points need to be thought through very carefully to ensure you are able to collect valuable data. If you ask questions which mislead or are confusing you will be collecting or conducting your research in the wrong area or ask the wrong type of people, your data results will be useless. Consider the type of people you intend to interview and then ask yourself the best method of interviewing them. This will help you to identify how best to carry out your research. All you have to do now is carefully consider the questions you intend to ask.

Conducting Market Research

There are number of ways in which you can carry out your research but you need to carefully consider why you made this choice and what you hope the evidence will suggest to you.

Questionnaires and personal interviews are one of the most common ways in which you can conduct market research, and there are many methods of gathering data this way: direct interview, mail survey and telephone interview. Depending on the type of data you hope to collect, this will have an impact on what you choose to use.

Direct Interview

This method involves approaching people directly and working through your questionnaire with them. This method is particularly useful if you are looking to launch a new product or are in the early stages of setting up in businesses as there is a low refusal rate. You can also use samples to demonstrate your products or illustrate your ideas. If you have a sales person working for you, you could use them to conduct your research with existing people known to you.

However, for the one man band, this type of research can be tedious and terribly time consuming, and as direct interviewing is a skilled technique, it could reap incorrect, false or misleading results. You could, of course, bring in a specialist company to conduct the research; this would certainly help to achieve better results, but for a small business this could prove quite expensive.

Mail Surveys

This method allows you to reach a lot further than the direct interview as you don't have to physically be there, and it is a relatively low cost way of conducting your research. However, it has a low response rate as most people are not motivated in any way to respond; they don't know you, your company, and care little as to its success or failure. In addition, you will also need to have a mailing list which may take you quite some time to compile unless you buy a readymade list from a bulk mail agency.

The key to increasing your chances of responses is to make your questionnaire easy to complete and return to you. Allow them to fax it back if you are sending to a business; include a pre-paid envelope if asking the home owner to respond.

Try to be inventive in order to motivate your target group by having an automatic prize draw for all people who respond to your questionnaire.

Telephone Survey

To get the best results possible your questions need to be highly targeted to your potential consumers.

Again, the telephone survey is an excellent method of surveying people at greater distances. However, you may find that your calls are received negatively; you may even find the phone being slammed down on you or worse! For those who are willing to be interviewed over the telephone, you need to make your call as short as possible. Stick to the brief.



Whatever method you choose to use, the fact is that market research cannot be ignored no matter how small or large your business is. Also once you have conducted your research you should begin to plan your next onslaught. Market research should be a part of your marketing strategy.

However, market research is only a small part of the research you may consider conducting. True marketing research also encompasses research such as:

- Product research
- Sales research
- Advertising research

How to Manage Data

Having undertaken some research you will need to collate and analyse the information gathered. Given that you may have qualitative (facts and figures) and quantitative data (people's views and opinions), it is important to apply a process which provides clarity rather than confusion. It may be appropriate to manage your data by use of a Customer Relationship Management tool (CRM) which are widely available and cost anywhere between nothing to many thousands of pounds. Some are off the shelf packages and some provided on a licence basis, either per user or per organisation. Review what software is available and take advice before choosing and also before constructing databases or spreadsheets. Whether you use paper based records or computer based records you need to ensure that when you want to refer to it, it is easily to hand.

Think also about how many uses each item of information has and try to organise your records to minimise or avoid duplication.

The Data Protection Act 1999

The Data Protection Act provides strict guidelines on how organisations handle, use, and store information about people. The law covers personal information from many sources which is stored in a variety of ways. It covers employees, suppliers, customers and indeed anyone about whom you keep information.

What is Covered?

Any information that relates to an individual is covered, irrespective of whether it is processed manually or by computer (Processing basically means holding, storing, retrieving, erasing or destroying data). This may include customer names and addresses, employment details, accounts details and even photos and video pictures. The keeping of data must comply with eight principles that are described briefly below:

- Information must be processed fairly and lawfully
- Information must be processed for limited purposes
- It must be adequate, relevant but not excessive
- It must be accurate and current
- It should be held for no longer than necessary
- It has to be processed in accordance with the individual's rights
- It must be secure
- There must be adequate protection when transferring data to another country

In addition, certain sensitive information must be processed only if the individual has given their consent, if it is legally required or if it is needed for ethnic or discriminatory monitoring. Sensitive information includes – racial or ethnic origin, political opinion, religious belief, trade union membership, medical conditions, sexual orientation and criminal convictions.

Analysing your Strengths and Weaknesses

The SWOT analysis, (short for Strengths, Weaknesses, Opportunities and Threats Analysis) is a tool that allows you to examine the strengths and weaknesses of your business and take action over the opportunities and threats to your business.



A SWOT analysis will identify the critical factors that will make any business a success such as personal service, experience, contacts, product range, location etc. To undertake your analysis, give each factor a weighting out of ten according to its importance to your business – personal service is very important and should carry a factor of ten – it maybe that location of your business is not that critical to success as a lot of work will be done with clients via the telephone and email, therefore the importance given to location of your business could be given a score of three. Then score your business for each factor, multiplying the score by its weighting. Then repeat the process for each of your competitors. By listing these results, perhaps in a table, you will get a clear picture of your strengths and weaknesses.

Essentially, consider what you are good at and not so good at. You then need to turn any weaknesses into strengths otherwise this will provide your business with problems as you develop.

Example:

Strengths	Weaknesses
Opportunities	Threats

Identifying opportunities and threats is less scientific. You should brainstorm for ideas under two main headings:

- 1) Companies and people that can directly benefit or damage your business.
- 2) The broader environment such as new laws, taxes, technology.

Developing a Marketing Campaign

For your business to succeed you will need to focus on getting the basics of marketing correct. Marketing is based on identifying customer needs, designing a product or service that satisfies those needs and then promoting to those customers you have identified.

There are four core principles that form the marketing mix:

- 1) The product or service that you provide
- 2) The price you charge
- 3) The place where your product or service is sold
- 4) How you promote your product or service.

Each principle should be examined to give you a thorough understanding of your product or service and the market it operates in.

When considering any marketing activity you should ensure it will achieve at least one of the three results listed below:

- Result One: You achieve new sales directly from your marketing campaign. An excellent result.
- Result Two: You achieve prospects/interest rather than sales. This is equally a good result. You will have further opportunity to warm up these leads at a later date.
- Result Three: You receive acknowledgement. Not interested at the moment but keep me informed of developments. Again, a good result

If you get no interest at all then you will need to refine your marketing approach against subsequent campaigns.

Marketing Strategy

You should also consider compiling a Marketing Strategy that will cover the range of products or services you will offer, such as:

- How you will contact your customers
- Frequency of contact and by which medium
- A schedule of events to keep customers updated with developments
- How will you promote/ market your product or service
- How will you follow-up potential interest.

How will you price your products or services? You need to ensure that your pricing is competitive; you must also avoid being a busy fool where you are working hard for little return.

How will you promote your services? You may choose to use local or national trade directories such as Yellow Pages or create your own website. Advertising in glossy magazines is very expensive but can be worthwhile. You may decide you want to attend trade fairs. There are lots of ways that you could promote your business, the key is to look at the number of enquires and good contacts that you can directly link to a particular promotion, allowing you to evaluate the success of the promotion, allowing you to decide if you would undertake it again. Always start on a small scale to see what works; if the promotion is successful you can repeat it on a bigger scale, if it doesn't work you haven't wasted too much money.

How will you fulfil your contracts? You need to consider how many contracts you can successfully take on; if you decide to run an advert in a glossy magazine for four months, as well as attending four trade fairs in the same period you may end up with more enquiries that you can follow up or service, leading to a poor level of satisfaction from your clients which could potentially harm your business in the long run. It is wise to spread your promotion budget over the year and allow a constant stream of enquiries so that you have a consistent stream of business.

Marketing Action Plan

From your Marketing Strategy you can draw out some points for a Marketing Action Plan and allocate costs and some targets.

- Include a calendar that prompts you to contact your clients on a regular basis
- You or your business must be contactable most of the time
- Get to know key purchasing cycles
- Plan your promotions for the year

In your plan you should try and allocate time for sourcing future business as well as working on present projects or contracts. Activities that you should consider on a quarterly basis are:

- Booking, planning and completing preparations for future marketing
- Sending out brochures in response to advertisements or website enquiries
- Writing a quarterly newsletter
- Writing any press releases
- Reviewing prices with a view to improving margins.

Using a year planner you can schedule in all activities and associated costs. Once this is completed you are then able to look at forecasting sales. These forecasts are often based on intelligent assumptions. It is wise, when forecasting, to do three forecasts – pessimistic, realistic and optimistic. This allows you to consider how you would handle each scenario.



Marketing Plan checklist:

- Describe your market in as much detail as you can
- Research what customers want, and therefore what they value
- Profile your competitors and what they are offering
- Carry out a SWOT analysis for your business
- Decide how you will price your product or services
- Decide how you will promote and sell your product or services
- Plan your marketing activities and promotions
- Prepare a forecast of costs of these activities and promotions and the income that they will hopefully generate.

Conclusion

We have now undertaken a review of marketing in the context of business start-up. Reflect on what you have learnt in this module before completing the assignments and questions. When reviewing the aspects of marketing you will note the importance of research to ensure that you are well aware of market forces and trends. Equally, you must research where you will place your product or service. If you do not establish opportunity you will not sell sufficient to make a success. Once you have completed your assignment and answered your questions, forward to your tutor for comment. You can carry on with the next module whilst awaiting feedback.

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