

2.6: Evaluating the Market

Evaluating the Market

It only sounds scary

Market research sounds like something reserved for the Coca-Colas of the world—corporate giants trying to learn whether a new product will make them millions overnight. In fact, good market research is not only accessible to you, but critical to your product's success. So what is it? Market research takes on many different forms, but a standard, broad definition is the following: market research is the systematic collection, analysis, and reporting of data about the market and its preferences, opinions, trends, and plans.

There are a wide variety of affordable market research techniques for you to choose from.

Secondary research

Although the name might lead you to think otherwise, most people begin with secondary research. Secondary research involves consulting published reports to find out:

- Who makes up your target market
- The needs of your market
- The size of the potential market

The information needed to perform secondary research is easily available, and it's often free. The most accessible sources include:

- Web-based directories and resources
- Nonprofit agencies
- Government agencies
- Back issues of magazines and newspapers

Secondary research can sometimes lead you to contradictory or inaccurate conclusions. It can be helpful, however, in forming a preliminary research strategy.

Primary research

Primary research is more expensive than secondary research, but the results are more accurate and conclusive. Primary research helps you get up close with your customers, finding out who they are and what they want. There are two broad categories of primary research: qualitative and quantitative.

Using small groups of people, qualitative research helps answer a specific question about your product or your customers, and may include one-on-one interviews or focus groups. Focus groups typically gather about ten people together to discuss or react to a product. The session may be moderated by a professional facilitator who can ask probing questions and help stimulate rich data. Holding more than one session is useful; focus group participants are usually paid.

While qualitative research isn't particularly useful for predicting sales, it is a very effective tool in getting to know your customer.

Quantitative research involves surveys of large numbers of people, and can be statistically validated. It makes a better tool than qualitative research for predicting sales.

A survey targets customers or potential customers, and can be administered via phone, mail, e-mail, or the Web. Surveys get the best response when there is some kind of reward for participating. It may be worthwhile to hire a professional firm to both administer the survey and analyze the data. Phone and mail surveys are expensive and are not cost-effective unless a significant number of people are motivated to respond. E-mail and online surveys are much cheaper, but they limit the target population to computer users (which may or may not be problematic, depending on the nature of your product).

Beyond tradition

Sometimes traditional market research doesn't meet the mark. Some of the most successful companies opt for creative market research methods that bring them face-to-face with consumers on their own turf. Focus groups and surveys create a laboratory-like environment where people may have trouble expressing their true feelings (for example, says Growing Healthy baby food founder Julia Knight, "What mother, especially in front of other mothers, would really tell you that she spent more on cat food than on baby

food?”); using newer methods, companies watch customers in stores and in their homes to observe how they purchase and use products.

Data and more data

No matter how you go about it, performing market research is not a one-time activity. There will be a back-and-forth between modes of research: you'll do a bit of secondary research so you can talk to people, then do primary, then go back to secondary. The primary helps orient you and allows you to pick up key concepts and words for searching.

Above all, you need to keep a steady flow of data coming in to help you make decisions about next steps. The type of data you collect depends on exactly what you need to learn about the market. Market research is a worthwhile investment which, if you do it right, will enable you to avoid fatal missteps.

Research Tips and Techniques

I can't afford formal market research

Looking for a cheap and easy way to do market research? Contact would-be customers for advice.

When Karen Scott got started in the mail-order baby products business, she put together her own focus group -- using the local newspaper. After clipping 250 birth announcements, Scott contacted the new moms. She sent them surveys and conducted phone interviews, asking what products they would find interesting or useful. Based on the responses, Scott added more travel products at her company, Chelsea & Scott, in Lake Bluff, Ill. Ten years later, travel products are top sellers at the \$28 million business.

Research tips

For good secondary research resources, visit your school library. There you can access online fee-for-service data sets, including referred literature, trade literature, and large data bases of newspapers from around the globe. Government sites like the Census, USDA (for food and agriculture), DoE (energy), EPA (environment), and CDC and NIH (medical) are all very helpful as well.

Innovative market research techniques

The following are examples of ways that companies are breaking away from traditional market research techniques by getting out of the laboratory and into the space where people live.

No babies in frozen foods

Julia Knight, founder of frozen baby food company Growing Healthy, dressed like a shopper and cruised the frozen food aisle to watch parents at work. She discovered that children didn't like that cold area of the store, and pressured their parents to move on before the parents had a chance to carefully observe and consider the product. Knight lobbied supermarkets to place cutaway freezers in the baby food section, thus creating a more hospitable market for her product.

The truth about toys

Brendan Boyle and Fern Mandelbaum of Skyline Products, Inc. set up focus play groups for 6-8 children. With the kids, they got down on the ground and learned firsthand what was appealing or not appealing about the toys they planned to market. Although they found that the children were pretty frank in their responses, the pair learned even more by asking parents what the children said in the car on the ride home. In some cases, the children revealed more about their true likes and dislikes to their parents than they would to strangers.

Creating a native habitat

Judy George, CEO and founder of furniture chain Domain Stores, placed a video camera in one of her stores to observe customer behavior. Her tapes revealed that nearly all of the customers arrived in pairs. The male partners seemed uncomfortable in the environment, creating pressure on the females to leave the store before they had an opportunity to make purchasing decisions. George was able to combat this situation by creating comfortable spaces for men to sit and watch sports on television while the women explored.

From “The New Market Research,” by Joshua D. Macht, Inc. Magazine, July 1, 1998.

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