

Market Research Basics for Small Businesses

Before selling a product or service, it's important to know the market that you will be entering into. Research includes finding out what potential customers need, want and don't want, and why. Your goal is to build a demographic profile of your customers. A research or business library can prove helpful for studying the manners in which other small businesses have approached their target audiences. You can then take a similar approach, adding your own creativity and the particular benefits of your products or services.

Surveys, questionnaires, and focus groups are three among the many ways to obtain original data on potential customers. You can also get basic information when a customer calls for your services, visits your facility, or browses your web site. When customers make a purchase, or any kind of inquiry, you can find out where they heard about your business. In this manner you can better plan, and track, your marketing efforts.

Your marketing plan should be the result of your market research. You can then proceed to use the most viable means to promote and advertise your products or services.

There are many factors that will impact on your marketing plan including:

- Your budget
- The type of products or services you are selling
- Your geographic region (Are you selling locally? Nationally? Globally?)
- The amount of sales volume you can handle
- Your methods of distribution
- The amount of personal service you can or cannot provide
- Your personnel

From market research you can also learn about pricing, trends, and competition. Typically, you will want to structure your pricing to be competitive. Depending on your position in the market, you may opt to undersell the competition and offer discounted items, or you may price items on the higher end and offer personalized attention and strong customer service. Pricing strategies are important and you'll adjust as your business grows.

Market research will also help you gain a greater understanding of the actual value of your product or service in the marketplace. By continuing to do market research as your business evolves, you will see what changes occur within your particular market.

Means of researching the market include:

- Trade magazines
- Trade associations or organizations specific to your type of business
- Industry Web sites and email newsletters

- Visiting competing businesses and/or reading the annual reports of competitors
- The local Chamber of Commerce

When gathering market data you can use either primary or secondary research. Primary research means gathering your own data based on surveys, focus groups, and through other means. Secondary research means using other sources such as the United States Census Report, books, or trade magazines. Many businesses use a combination of both primary and secondary research.

Web-based surveys give the researcher so much more control over data quality, it is staggering. Logic checks can be built into the survey so that contradictory or non-sensical answers are not allowed. This eliminates the need for data cleaning and editing. Further, brands and attributes can be randomized to eliminate order bias. Literally, every respondent can have his or her own uniquely customized survey, with the end result being higher quality data than ever before possible.

With a Web-based survey, the questionnaire is posted on a secure Web site. Respondents are generated either from banner ads on other Web sites or personal e-mail invitation. Respondents drop by the survey site whenever they want to (even at 3 a.m.) and send in their surveys. Often, a sufficiently large sample, say 300 or 400 respondents, can be completed over a weekend. There is no interviewer briefing (no interviewer error, either), no data cleaning, no keypunch. Results can be automatically posted to a separate, secure Web site for instantaneous client viewing as soon as any respondent has completed the interview. We have done studies in four or five days on the Web that would have taken six or seven weeks using paper and pencil.

With Web-based marketing research, the cost is often reduced to almost zero. For example, we have a software client that wanted to test a new package before committing to a product relaunch. The client was able to post invitation banners on Web sites that received a large amount of traffic from their target customers. These Web site visitors would click on the banner and be immediately sent to a secure Web site to conduct a very brief interview. At the completion of the interview, respondents were thanked and automatically returned to their point of departure. No incentives were needed.

The bad news is that we are not all the way there. Not just yet. The central weakness right now with Web-based surveys is sample. Is the sample that is generated for your Web-based survey representative of your target market? If not, your results could be misleading. Another issue to recognize is the two-dimensional limitation to computer monitors. Web-based survey respondents can't currently hold a new product in their hands, feel its weight and texture, taste it or smell it.

Web-based surveys offer tremendous potential to the marketing research industry. Web-based surveys are potentially faster to conduct, generate more accurate information and cheaper by several magnitudes. Used properly, Web-based market research will, in the near future, vastly increase the amount of customer feedback on which managers in all industries base critical business decisions. Good, fast, cheap. Pick three.