

## Market Research

### It's the Way to Discover If Your Business Proposal Is Viable

There are many reasons why we go into business – we want a job, more time for our families, to be our own boss, and so on. However, the primary reason for going into business must be to make a profit.

There are also many reasons why we have chosen the particular business we have – we're good at it, we can operate from home, it's something we want to do, etc. The primary reason though for choosing a particular business, must be because there is a need for our product or service.

Before you invest your money in a new venture it pays to invest your time to find out some valuable information. Market Research can help you get answers to the following questions:

- Is there a need for my product/service
- Who are the people that will buy my products or services
- Are there enough customers to make it worth my while
- How am I going to find these customers
- Is there already someone meeting their needs
- What can I offer that my competitor cannot
- How much are customers willing to pay for my product/service
- Is the timing right to start my business
- Do I have enough equity to start my business
- Can I make a profit
- Is this a viable business with potential future growth

Market research and evaluation is probably the most challenging part of business planning. Having quality information and a thorough understanding of your market, customers, and competitors is critical to your potential success, but too often market research is poorly conducted, with the consequence of a business that does not generate expected revenue. All business involves some risk, good research will help you manage and minimize these risks.

### Types of Research

There are two sources of research data available to help you answer your market questions; primary and secondary, you will conduct your research using secondary sources first.

#### *Secondary Research*

Secondary research provides information from reports, articles or surveys created by other people or organizations, and for some questions this may be the only way you can get an answer. The advantages of secondary research are:

- It's fast, less labour-intensive, and relatively inexpensive
- It provides an education in the structure, trends, language and standards of the target industry
- It will provide information you would not have the resources to collect
- It will help you effectively identify the questions you need to answer with your primary research

- Generally the quality of the data is very high

The disadvantages of secondary research are:

- The research was possibly intended for a purpose different from how you will use the information
- The research might not directly address your needs
- You probably won't get information specific to your target market and customers

Secondary research will give you information about your industry, general consumer preferences and behaviour, and may provide insight into market segments. It will help you understand current economic conditions, and it may give you specific information about large companies in your industry. Sources for this type of information are industry/trade associations or organizations, research companies, and government agencies, such as Statistics Canada or BC Stats. The CFNF website lists some links for secondary research, and you can identify other sources through an internet search. For secondary research you might also check out your local library, Chamber of Commerce and Economic Development Office.

### *Primary Research*

Primary research is the data you collect yourself for your own purposes. It will provide information that is more specific to your needs and will answer questions you identified through your secondary research. The advantage of primary research is that you can collect information that will address exactly what you need to know, and by conducting your own research you'll have a better understanding of your customers, your competitors and your market. There are three general areas of primary research:

- Competitor analysis
- Peer or mentor research
- Consumer analysis

### *Competitor Analysis*

By analyzing competitors you can learn a great deal about customer expectations, market conditions, pricing, effective business strategies, and the viability of the business idea. To collect information about your competitors you can:

- Ask them directly
- Research them online, including social media
- Become a customer and use their products or services
- Observe their business, and their customers

You should note the things your competitors do well and the things they do poorly. You will use this to determine how consumers value the competitor's strengths and weaknesses, and to determine your business strategy.

Some questions to answer during your competitive analysis are:

- Who are your competitors – think about the key and secondary competitors, and also think about direct competitors and those who sell substitute products or services
- How many competitors are in your market area and how many can your market area support
- Are your competitors profitable
- What is their pricing, and what do they offer
- How do they get customers
- What is their marketing material like
- What level of customer service do they provide
- What special skills do your competitors have

A table is often a good way to summarise your competitor analysis, with headings such as: price, service level, strengths, weaknesses, size, perceived customer benefits, product or service mix.

Competitor Analysis Chart Sample						
Competitor's Name	Competitor's Products and/or Service	Competitor's Pricing	Competitor's Strength	Competitor's Weakness	Competitor's Value or Customer Benefit	My Opportunity

*Peer or Mentor Research*

Somewhere outside your competitive area are business people with a business similar to the one you are proposing. People you can talk with about your business, and learn things you cannot get from your competitors, or your potential customers. You can identify these companies through an internet search and phone them up, or visit their business. Some of the questions you can ask are:

- Where do you advertise
- What is your biggest source of customers
- What extra services do you perform
- How do you keep your customers
- How long were you open before you earned an acceptable wage
- Where do you get your supplies
- What is the smartest thing you have done in your business
- What business mistakes have you made
- Do you belong to any business organizations, or read any industry magazines
- What advice can you give me

Establishing a relationship with someone in your industry can be used as a onetime interview, or can potentially develop into a mentorship type relationship, if the other person is open to ongoing conversations about how your business is running.

### *Consumer Analysis*

One of the simplest and most cost-effective methods of conducting primary market research of your customers is the Market Survey or Questionnaire. The questionnaire can be created and delivered by the business owner – at relatively little expense – and can provide a great deal of information. It must be stressed, however, that the survey needs to be designed properly and delivered in an impartial manner so that the results are not skewed or biased. An alternative to a survey is a focus group, or sample or field testing.

To create a survey or questionnaire you should refer to the CFNF document *Conducting a Direct Market Survey*. For other techniques to collect primary consumer information talk with your CFNF business advisor. Community Futures can help you through the research process, and can help you interpret the information you gather.