Market Research, pt.2: 
The Basics

There are a few basic steps associated with any market research project. They are:

1. Define the problem or opportunity
   What do you want to find out? If you own a downtown yogurt shop, you may want to know how many people in a one mile area eat yogurt or how many people walk by your store every day before lunch. And if they do eat yogurt, where do they buy it and at what price? To get the right answers, you must have a clear understanding of the issues you want to research.

2. Plan the project
   How will you collect your data, how much will it cost, and how long will it take? Market data is available in two very broad categories; primary and secondary. Primary is original data collected first-hand by the researcher. Obtaining primary data can be, but is not always, time-consuming and expensive. And the more sophisticated techniques of data collection can require a significant level of technical expertise beyond that normally found in a small business. However, the information revealed through primary research is usually quite specific and provides precise answers to the questions asked.

   Don’t be too afraid of the term “primary data.” Ask your customers about their opinions of products and services, about their preferences for making purchases, etc. Those answers are your primary data.

   Secondary data is information that has already been collected. It is more readily available and less expensive. It can be obtained from a variety of places, including government sources (frequently available on the internet), area libraries, and industry associations. Please note that secondary data is not as precise (remember, the research was not conducted just for you) and may not be as fresh as you would prefer.

3. Collect the data
   In most cases, data collection for a thorough market research process will combine secondary data with primary data. The yogurt shop example illustrates the point. To answer the questions posed (i.e., number of people in area who eat yogurt, people walking by the store, where do they buy and what do they pay?) a number of techniques could be used.

   **Socioeconomic data** - Population and income figures could be obtained from government sources for the area. That information could then be combined with data obtained from yogurt industry association and industry publications, such as percentage of persons eating yogurt in the general population, to provide an estimate of potential yogurt buyers in the area. Check online sources for census data, income data, and general information about how much money people spend on snack food outside the home. Perhaps not precise, but remember, the data was not created specifically for you.

   **Street intercepts** - Stand on the street near the store to count the persons walking by. Establish beforehand the number you would like to talk to and politely stop them and ask them a small number of questions. Do they eat yogurt, how often, and where? Also ask them, generally, where they live. You are not looking for an exact address, just a ballpark estimate. And if they don’t eat yogurt, ask them why not—you might learn something you can use to attract them for the first time.

   **Talk to customers** – Real people are the most precise and important source of market information. Your customers have proven they know where you are and what you sell. Talk to them. Ask them how they heard about you, check their license plates if they drove up or ask them to fill out a card making them eligible for a later prize drawing. Check online customer blogs. Success in business depends on information, so take every opportunity to obtain it easily.
Visit competitors - You should be your competitors' best customer. On a non-routine, but consistent basis, visit other yogurt shops, buy their product, chit-chat with other customers and keep abreast of their pricing and promotions. Maintain a notebook with information on each competitor and update it on a regular basis. Rest assured, they are keeping track of your activities. Through a combination of secondary (government data and industry publications) and primary (street interviews and visiting competitors) sources, you can gather valuable information at a relatively small cost.

4. Using the Information

Recall that market research is used to answer questions such as who your customers are, what they like, and how you reach them. The ideas outlined above can generate a large amount of information. That information needs to be organized and assessed, logically. We'll make up the following example for illustrative purposes only.

From information obtained from an industry association publication, you learn that the typical yogurt shop can expect the following:

- Attract customers from a 1.5 mile diameter.
- The average yogurt customer is 31 years old.
- The average purchase per customer, per visit, is $5.26.

Your own primary research uncovers this information:

- 60 percent of the customers, as indicated on the birthday surprise drawing cards, have telephone numbers over five miles away from the store location.
- The birthday surprise drawing card also shows that the average customer is 42 years old.
- By observing foot traffic in front of the store for 2-3 weeks, you know that 12:30 until 1:15 is the busiest time of day for your shop.

A number of decisions and choices, plus more questions, present themselves based on the information uncovered.

- Why does the store draw customers from such a distance—and how can you keep those customers, while also attracting nearer customers?
- Is the image of the store discouraging younger patrons?
- A study of store receipts shows that customers spend, on average, $4.56 per visit. Should prices be raised? Or should volume be increased by offering specials before noon and after 2:00 P.M.?

The information you have gathered in your market research doesn't automatically reveal the “right” answer. No decision could be made based only on the information presented—more would be needed.

The key point is the relative ease with which useful data can be obtained and used to guide the business.

Small businesses operate close to the ground. They can respond quickly to changes in customer attitudes and preferences, if they stay abreast of the market around them. Up-to-date market information plays a crucial role in their ability to respond. Timely and inexpensive market research ideas, like the ones outlined above, will help firms remain competitive. But it works only if they consistently gather new data, use the data in an intelligent manner, and follow up their actions to determine the success or failure of their decisions.