

## Market Research – An essential step for success

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Marketing research is probably the single most important factor to the overall success of any business. It is also probably the least understood, and feared portion of a business plan. A case could be made that some aspect of your marketing plan should be a primary consideration in every business decision that is made, for without customers, there would be no business. It is critical that you understand your customers, what they want, how they want it, what they are willing to do or pay to get it, and then make sure you meet those criteria.

Not to promote a misperception, but I know that farmers are notorious for producing something and then wanting to find a place to sell or market it. Talk to anyone in any type of office that assists farmers, and I bet that everyone has received a call that starts with; I need you to find me a market for .....(You can fill in the blank with just about anything imaginable). The point here is not to make fun of farmers, my dad is a farmer, and folks tell me it also happens in other places with different types of products. It is just to point out that since we are focusing on agricultural commodities, it is just as important to secure a market for your products as it is if you were producing computers, buses, or waffle irons. In fact it may be more important with agricultural commodities, because they are often perishable and require special handling to maintain quality and marketability.

The critical components of good market research should include

- ◆ Evaluation of the customer
- ◆ Does the product fit the customer's needs, wants, desires
- ◆ Where are the target markets or customers located
- ◆ How to promote the product to the customers that need it.

Furthermore, these components should be investigated prior to starting the business.

Some large companies spend millions of dollars on determining the answers to the above questions. In *Marketing Management*, Philip Kohler writes that "Coke knows that we put 3.2 ice cubes in a glass, see 69 of its commercials every year, and prefer cans to pop out of vending machines at a temperature of 35 degrees.... We spend \$20 per year on flowers; Arkansas has the lowest consumption of peanut butter in the U.S.; 51 percent of all males put their left pants leg on first, whereas 65 percent of women start with the right leg; and...P&G once conducted a study to find out whether most of us fold or crumple our toilet paper...." (CCH Business Owners Toolkit)

While I'm not advocating that type of in-depth research is necessary, or even warranted, what is important is that the business owner knows their market, their competitors, their customers, and what it takes to be competitive.

Market research involves asking questions, taking time to learn about the various factors that can impact your business, both externally and internally. Watching your customers, how do they make decisions, are there enough customers to thrive or just survive. Who are your competitors? What are their capabilities, weaknesses?

While these ideas may seem a little overstated and irrelevant because you are planning to start small and grow, I would caution you that at some point you will have to make a decision that insight into the above information will be critical. All businesses face decisions about investment, time, resource allocation, decisions that can ultimately make or break a business based on how good a decision it was at the time.

Several components of market research can get at the points that were discussed above. A typical starting point for market research is oddly called secondary research, but is where most market research starts.

Secondary research involves the collection of demographic information, about who your customers are, their ages, income levels, race, marital status, education level, and gender. In most instances, this information can be located in libraries, obtained from state agencies, or accessed on the internet. Other good sources include trade publications, planning agencies, banks, real estate, and insurance companies.

Secondary research also involves an assessment of the competition, their products and services, prices, and customer focus. In some cases, publicly traded companies will produce annual reports that they will send to you for the asking. In some cases you may have to pose as a customer, walk into the business, and ask questions to get some information. The Small Business Administration office in your region or state may also have information about the types of business you are researching.

The next step is primary research and involves further defining your customer and the size of the potential market. Unlike most secondary research, primary research involves more hands-on, active participation in actual data collection. Primary research can involve the use of questionnaires, focus groups, personal interviews, and simple observation. It is also the most critical to defining how well you hit your target market.

For most small businesses, focus groups are not a viable research technique, due to the cost of assembling a group of potential customers, having a trained facilitator to get at the proper questions, recording the responses, and analyzing the data. Most small businesses use personal interviews, surveys, and simple observation to gather data. Simple observation of customers in a store is probably one of the best techniques and usually gives farmers the best insight to potential customers. Time spent simply browsing grocery stores and observing how people make purchasing decisions can be very enlightening.

Farmers are used to being the boss, knowing what needs to be done, and doing it. The problem is that most farmers do not know consumers very well. How many of us would have imagined that the Dean's milk chug, a small, decorated, 16oz. plastic bottle, sometimes flavored, and sold for about buck would be successful? It also involves the ambition to sell milk at a price that is 250% higher than if it came in the less glamorous, gallon jug. Don't you think market research was critical to making the correct decision on that product? Farmers need to remember that they are but a single consumer in the marketplace and just because they like a product does not mean thousands of other customers will like the same thing. One of the more dangerous things I see farmers seeking to move up the ladder toward the consumer make, is to blindly assume that they know what the customer wants.

It is important to get good responses to surveys and questionnaires from potential customers. You may want to solicit the assistance from a professional marketing person to ensure that you are asking the correct questions without leading the respondent. We know what we would like to hear, but will the customer give us that answer without being prompted or guided in some way? Will the responses be meaningful and help us guide product development? Do we get an indication of quantity, and what price folks would be willing to buy a certain product? What characteristics are customers looking for?

Another concern with surveys and questionnaires, are you conducting them in the proper place? Is the environment the same as where you would be marketing your product? Are the folks you are surveying going to be the same folks shopping in your target market? For example, if you are going to market a product in a health food store, you may not want to interview folks in front of a fast food restaurant. The customers may not be similar enough to get valid information. This is where some of the information from your secondary research comes into play. If you are targeting a certain demographic, due to price, inherent properties, uses, etc, make sure that you survey those same types of persons. I have seen a complete disconnect at times with who is the target market and who actually gets surveyed. Often folks select a survey site based on the number of folks that they might potentially access in a short amount of time, and in some cases, this may not give valid results depending on the questions that are asked.

What you hope to accomplish with primary research is to develop a customer profile. A publication from The Ohio State University would suggest that it is important to ask these questions when assembling a customer profile

- ◆ Who buys the product and service?
- ◆ What are the similarities and differences between my products and customers and my competitors' products and customers?
- ◆ When do customers buy? Are there seasonal factors?
- ◆ What do customers buy? Can complimentary products or services be offered?
- ◆ Where do customers buy? If not here, then where?
- ◆ How do customers buy? Cash, credit, etc.?

- ◆ Why do customers buy? Convenience, price, quality, reputation, location, selection, brands, impulse, etc.?

Let's look at an example sourced from the *Marketing Research...Basics 101*: article from the SBA Women's Business Center website.

### **Mindy's Deli**

Mindy Simonson is considering opening a deli in the booming downtown Dallas area. Mindy has been in the restaurant business for over five years and knows a lot about managing and running this type of business. With the recent growth in the downtown area, she is thinking that this may be a good time to strike out on her own and open up her own deli, catering to all of the new businesses in that area.

However, she has noticed that some of the new restaurants in the downtown area have been failing. She does not want to quit her job and invest all of her money in something that may not work. The answer? She decides to research the market carefully, both formally and informally, before making a final decision.

The first thing Mindy needs to do is decide who she really wants to cater to. In other words, who will her Primary Market be? Will it be the lunch crowds that work in the surrounding business offices or the dinner crowds that drive from all over town to come to the Arts District and have dessert after going to the orchestra? Does she want to attract the upscale, health-conscious type or cater more to the hearty, self-indulgent type? Does she want to cater more to men or women?

In order to find the best answers to these questions, Mindy began contacting local companies and universities who had conducted research on these topics. She also read everything she could find on what type of people live and work in the downtown area as well as what their lifestyles and eating preferences are. She also spoke with local restaurants in the area. After compiling her information, Mindy put together a group description of what she thought her primary and secondary customer groups would look like.

### **Getting to know your customers**

Once you have done your homework and have an idea of who your primary customers are, the best thing you can do is go directly to the source to find out what your customers buying habits really are. You can gather information about your primary market in one of three ways:

1. **Open-ended interviews.** Open-ended interviews are composed of open-ended questions that can not be answered with a simple yes or no. This type of interview gives you a lot of information, but is time consuming for both you and the person you are interviewing. The greatest benefit to you is that you will learn

a lot about the group you are studying including common trends, emotional motivators, and general likes and dislikes of your primary market.

2. **Surveys.** Surveys take longer to develop, but are generally easier to administer than other types of market research. Since they take less time to complete, people are usually more willing to answer them. In addition, surveys provide excellent information if they are well-constructed with thoughtful questions. The easiest and most cost effective way to conduct surveys is either by telephone or on-site.
3. **Focus groups.** Focus groups should be lead by professionals skilled in leading small groups of 6 to 12 people through a series of questions ranging from specific to general in nature. Usually, focus group sessions last for at least an hour. Since focus groups must be lead by trained professionals to be most effective, they are the most expensive form of market research.

To learn more about her primary customers, Mindy contacted the business school of a local university to help with her research. First, she hired the services of one of the school's professors to help her create a comprehensive survey. Then, she hired 4 marketing students from the business department. Each student was given a stack of surveys along with a basket of cookies with which to entice business people on their way to lunch. As people munched on their cookies, the student would ask them the questions from the survey. In addition to noting the answers, each student would also list the sex and approximate age of the person they interviewed.

Mindy worked with the university professor to analyze the results of the survey. Based on what they found, Mindy decided to offer more low-calorie food items than she had originally considered. She also decided to forego cold soups and add gourmet pizzas to her menu.

Overall, Mindy's survey helped her fine tune her ideas by focusing on the needs and wants of her primary customers. As a result, she greatly increased her chances for success.

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Marketing research involves time, commitment, and sometimes cash to obtain the information. The information in some cases is so valuable that one can not imagine its importance. To those whom market research may be of the most value are those entrepreneurs who after the research, decided not to get into that particular business or product line. The research indicated that there was not a viable market, too much competition, not enough profit. In many cases, we believe so positively about our idea, that it can't possibly be wrong, we are conducting the market research to simply fine tune our idea before it becomes the next Milk Chug, Palm Pilot, or Post-it Note. While I wish it were true, market research has positives on both sides, the results can tell us where to go, but it can also tell us where not to go. Moreover, with some farmers, I believe that information on where not to go make be one of the best investments we could make.

I have included a lengthy list of resources, mostly web accessible that can be a good point from which to start some of the secondary research, ideas on primary research, business plans, market strategy, and case studies of how folks were successful and a few that were not so successful. All present learning opportunities, and I hope you find the information useful in your future or present business.

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