

# Market Research Matters

Cinderella stories often tell an incredible tale of success from hard work, timing, and Genius. It's less common to hear amazing stories of companies that never seem to make a mistake. The heart of the evolution from a one-hit wonder to a hit machine is a market research regimen that informs strategy. And while the research process is straight forward, achieving outstanding outcomes is not. This guide will help you understand the keys to a predictable market research outcome.

## Market Research - An Evolving Discipline

There are 3 aspects of market research: the goal, the process, and the technique. The goal of market research has not changed since the 1920s. However, the process of collecting data is constantly evolving. And technology has initiated a renaissance that is providing faster, more accurate and less subjective results.

## The Market Research Process

No two markets are identical, and so no two research engagements can be the same. Spending time defining what is needed helps determine how information is collected and improves the results while saving time and money.

Research begins with thinking about what you want to collect – or, more specifically, what you want to find out. Use the below research process outline to help define the process that will work best for you.

1. **Target identification:** Clearly define the target and goals of your research.
2. **Opportunity Size:** Before going further spend some time to identify the size of the opportunity to ensure continuing is worthwhile.
3. **Secondary Research:** Use available studies to better understand the market and competitors.
4. **Interviews/Focus Groups:** Conduct interviews and focus groups with the potential target customers to identify the major needs.
5. **Surveys:** Conduct quantitative research to rank product and service attributes.
6. **Launch Research:** An iterative process that provides program checkpoints during product launch.
7. **Process Monitoring:** Ongoing monitoring of ongoing operations, biometrics data and customer support calls to identify opportunities and issues.
8. **Ongoing Research:** Conduct ongoing third-party research to expose blind spots from process monitoring.

## Market Research Checklist

The best way to collect quality data is to spend some time to create a plan. Spending a few minutes to review the checklist below will greatly increase your preparedness and help your odds for success.

1. **Establish Goals:** The first step in a market research study is to identify what you need. A focused plan helps build a solid **road map**, while a bad plan can lead to a lot of expense and bad results.

2. **Define the Research Process:** Spend some time reviewing the research process. In some cases, a couple interviews are all that's required. In other cases, a full research study may be in order.
3. **Be Open Minded:** Research is to confirm or reject your hypothesis. Be prepared for research to tell you to abandon an idea.
4. **Use a Balanced Approach:** Survey construction and technique both matter. Spend money on both or you risk collecting bad data.
5. **Vary Your Respondents:** Talk to different people every time you do research to ensure you get quality results.
6. **Watch for Bad Data:** Shocking new results often **come from** bad survey methodology. Confirm sudden shifts in perception to ensure the results are accurate and actionable.
7. **Prepare to Spend Money:** Free information is useful, but generally not actionable. Prepare to spend money to get good, quality, and specific results.
8. **Outsource the Project:** Get rid of survey bias by hiring a firm that is not invested in the specifics of the outcome.
9. **Find Good Off the Shelf Data:** Compiling off the shelf data can get you very far down the research **path**. Check sample sizes and research methodologies to verify the quality of the data.
10. **Go out to Bid:** Talk to several research companies to ensure they have the right data.
11. **Keep your Data Current:** Changing perceptions will cause your data to get stale. Perform small, periodic refreshes on your studies to ensure quality results.
12. **Hire an Expert:** Make sure you are getting quality results by finding an experienced market researcher. And avoid internal study constructions unless you have a seasoned market research professional on staff.

## Establishing Market Research Goals

Never presume that Market Research will completely support an idea. The results should define your actions, not vice versa. Goals must be set for Market Research to provide answers.

## Define the Market Research process

Learning requires that you use the right tool for the job. There are many companies and many people who do not use the right tools and do not get the results they are looking for. In most cases, the root cause of this frustration is using the wrong data collection process. So, before you engage in market research, identify the data you need and use the methodology that matches those needs.

## Finding Secondary Market Research Data

One common research methodology is to build a market profile based upon readily available information. These studies tend to be focused on a specific product or market segments and can be an excellent way to inform market entrance strategies.

## Off-the Shelf Market Research Data

There are market research companies who conduct general surveys and sell off the shelf reports. These studies ask a wide range of high-level questions and are a great way of learning general purchase intent and habits. These act as a starting point for collecting targeted information.

## Trade Publication Market Research Surveys

Trade publications conduct regular reader surveys. Very often, these will include product and market information. These surveys are an excellent way of understanding general purchasing habits/ intents and the personal and attitude profiles of a marketplace. Combining the data from multiple publications can give you a good snapshot of an industry.

## Trade Association Market Research Data

Trade Associations often survey their participants. Like Publication Surveys, these data provide a good sense of the wants, needs and profiles of the association members. Be cautious when viewing the data, as association members tend to be the more proactive participants in a marketplace and will often define the profile of trendsetters rather than the entire population.

## Using Academic Market Research

University professors and graduate students often conduct in-depth market and industry research studies. Because they are peer reviewed and require a high standard of statistical validity, the data quality tends to be excellent. If the target of the research matches your needs, these studies provide an outstanding source of data. The downside is academic studies often provide academic insights which may not be actionable.

## Commissioning Custom Market Research

Not all questions can be answered with off the shelf data. So, if you need more in-depth insights or information that is specific to your company, it might be time for some custom market research. Some of the topic areas for custom market research include customer quality surveys, targeted segment surveys, competitor profiles and customer the identification of specific customer needs.

## Market Research Interviews/ Focus Groups:

Interviews and focus groups are an important first step for nearly any research study and in some cases, constitute the entire study. To understand if you need just interviews or additional research, the following are good rules of thumb.

1. **What is the target audience?** Interviews work well for a small group of potential customers with varying needs. On the other hand, statistical research is called for if you are working to understand a large potential customer base.
2. **Are you building software?** Interviews and market testing are best for software research. This is because statistical research tends not to be reliable for abstract concepts like software.
3. **What are you trying to learn?** If the goal is a broad understanding of needs, interviews can be considered the complete study. On the other hand, quantified market segments and trends will require a process that also includes surveys.

## Market Research Surveys

Historically a combination of email/fax and telephone surveys were the research gold standard. As communication methods have changed, so have survey techniques. Now surveys employ multiple

research methods that match the media where your target audience focuses its attention. This includes text, social media, cell phones contacts, online communities, and mobile surveys. Also, for analyzing software design, there are new response techniques available, such as eye tracking, facial analysis, biometric tracking, and mouse tracking.

### Simple Market Research Surveys

Simple surveys are the most common statistical research and are excellent if used properly. Questions can be presented as scales (rate our performance on a scale of 1-5), forced selections (Pick 3 of the 9 things below that are most important to you) and open ended (tell me all the brands you've heard of that sell a product).

These surveys are relatively easy to construct and deliver and the results are easily understood by non-researchers. And the inclusion and filtering for personal traits and respondent interests provide highly actionable information.

### Advanced Market Research Survey Techniques

While simple surveys provide powerful data, advanced surveys can provide precise and actionable insights. For example, methods like conjoint analyses improve data quality by forcing respondents to rank their choices. Forcing a choice provides a higher level of certainty around customer preference.

### Customer Usage Results

The goal of market research is to collect the most accurate information possible. Surveys have an inherent error in that they measure perception of reality and intent. A good survey will make the impact of this error inconsequential, but this error will always exist. Usage results combined with surveys can provide additional insights and further reduce the impact of survey error. Some of the methods for doing this are biometric results and activity measurement

### Biometric Monitoring

Biometric Results use tools to measure activity to define usage behaviors. Monitoring mouse activity, eye tracking and facial expression while using software are some forms of biometric monitoring. Biometric monitoring is used to evaluate product designs, advertising placement and other visual presentations.

### Historical Data Tracking

There is no better predictor of performance than sales history. And while tracking sales data is easy, there are other measures that can **add value to your** analysis: Google Analytics to track web site activity, and sales defector tools to measure inquiries that do not **actually** result in a sale.

## Market Research Success - Be Open Minded

One of the best ways to keep moving in the right direction is to validate internal data with outside information. If are not actively listening to the market, there are important things that you don't know. This may sound costly but there are inexpensive and easy ways to get started. The information below will help you identify the best resources.

### SaaS Solutions and Market Research

Relying completely upon a traditional market research process to define software solutions can lead to wasted expense and time. This experience has made entrepreneurs rightfully dubious of market research. However, the problem is not with market research, but instead with the traditional process

applied incorrectly. Instead of a traditional process, properly following an IT specific process can provide great results. Every major IT project should start with the following research:

### Market Opportunity Research

Before you invest in a solution, make sure the opportunity exists. Disrupting a \$2M market with entrenched competitors may not provide a legitimate reward. Going after a \$1B market that is stale and ripe for change is probably a great opportunity. Spending a few thousand dollars to know the difference is money well spent.

### Customer Interviews

Software concepts are abstract, which makes statistical research less useful. So meaningful data is most likely to come from interviews and perceptions of similar solutions. And keep research separate from sales. Selling someone during a research engagement will cause them to close down and give you bad information. So mixing sales and market research will most often provide bad data.

### Competitor Profile Research

Learn from your competitors so you don't follow their mistakes. Specifically, learn what they've done that's failed and learn why. Obvious moves may not work so don't repeat your competitors mistakes.

### Ongoing Market Research

Tools such as "On Demand" research can help provide ongoing data and provide an excellent and economical way of measuring true customer satisfaction and spotting emerging customer trends.

## Spotting Bad Market Research Data

Market research provides a marketplace map that can help you avoid dead ends. And when collected and applied properly, high quality data can both reduce costs and increase revenue.

### Market Research Data Quality

The best place to start is by understanding the purpose of the study and reviewing the methodology. Take time to understand the target data, how the research was conducted, why it was commissioned, and who responded.

### Market Research Risks

#### Small sample sizes

Surveys with too few responses may not be reliable. Look for large response numbers and a published confidence interval to make sure the data is actionable.

#### Review the Audience

Results are most useful if the audience closely matches your customers. So, if your target market is women over 45 and all the respondents are men under 20, look for another study that better matches your audience.

#### Check for Response Bias

Respondent profiles matters. So, watch out for bias created by the method used to collect surveys:

- Studies that call only home phone numbers tend to have older respondents.
- Responses solicited via social media match the profile for the selected social media outlet.

- Email surveys without an incentive are likely to bias the results toward people who are really interested in a topic. Look for surveys that offer an incentive to respond to the survey.

### Check for Quality Survey Construction

Results are only as good as the survey that created them. Questions that are unclear, offer too many options, or are off topic won't provide good results.

### Find the Right Detail level

If your company offers a single product and the study looks at the whole market, the data are not likely to be specific enough for your needs. Conversely if the study is about a single product and you are selling an entire line, then the study is probably too specific for your needs.

### Watch out for false trends

If a long series of credible studies show a consistent result and a new survey touts a sudden and unexplained perceptual shift, it may be survey error rather than a bold new discovery. So, conduct a follow up study to verify the data before using it to inform your decisions.

## When to Create an Internal Market Research Group?

Don't bring research onboard unless you have a large external budget and skilled people. Instead, it's best to start with a consultant or market research firm and grow that into an internal research team. And if you do start an internal research department, be prepared to provide autonomy to your research team so they are free to collect and report difficult information.

### External Data

Use external data to get a fresh perspective. Internal data is influenced by current practices and operational shortcomings. This creates blind spots that can hide opportunities and risks. Outside research can expose these blind spots and improve your response time.

### Outsource Survey Collection

Data that is collected by employees is not as reliable as data collected by outside firms. This is partially due to interviewer bias and partly because interviewers unconsciously signal respondents. So if you want accurate data hire external focus group moderators and market research companies to collect your data.

### Conduct Market Research or Sell, don't do Both

For small companies, selling is the key to survival. But you should avoid selling product during the data collection process. A research engagement where someone is putting up sales resistance will bias results. So, research first, then sell.

### Be Smart About Your Market Research Budget

Doing internal research is best for companies who are seeking to develop a large and consistent research process for repeated market entries. For example, automakers and consumer product companies have research teams to follow a proven process to ensure successful product launches. So, unless your company has a large budget for an internal research team, hire an external firm to collect the data.

## Market Research Reporting

To ensure quality results, make sure you keep your research vendor focused on the end result and the final report should provide measurable and actionable data. Achieving good results starts with research design and should be the primary focus of the research execution throughout the process.

## When to seek Custom Market Research

Custom research provides information that cannot be viewed through ongoing operational feedback and off-the-shelf studies.

Processes and procedures create a defined process. And while this is necessary critical for consistent performance it's not uncommon for unrecognized waste to enter the process. External research can identify this waste before it becomes problematic to your company. For an example of how organizational waste is created, watch the following episode of the American TV Show "Brain Games" <https://www.youtube.com/watch?v=-7iNOV-GbM0>

## Prevent "Group Think"

Companies need unity and a defined direction. However, this can become group think if the direction disincentivizes employees from pivoting to respond to a changing market. Ongoing research helps ensure good habits by continuously cross-checking assumptions and direction.

## Researching a New Market

Different markets and products have different needs and understanding these nuances are critical when entering a new market. Off the shelf studies offer a good opportunity to gain a high-level understanding of a market, and custom research helps identify strategies specific to your company and needs.

## Monitor your competitors

An internal focus helps make sure operations are solid but can cause companies to be blindsided by market changes and new competitors. Knowing the competitors helps improve awareness of new developments and strategies and gives companies a chance to move ahead of the competition.

## Know what your customers think of you

Customers will not tell you the whole truth about your business. People are simply too polite to give direct and negative feedback. Or worse, they will sign up with your competitor without telling you why they're leaving. Hiring an outside firm to conduct blind conversations with your customers will give you the whole picture so you can address customer frustrations before they become revenue losses.

## Market Research - Staying Current

Market research results are always surprising and enlightening.

No matter how expert you are, there is always additional information that can help you make quality decisions. And in a dynamic world, industry knowledge has a shelf-life.

## What your customers want

Customer needs and demands are dynamic and change all the time. Spotting these emerging trends can help keep you proactive instead of reactive. Periodic research to spot trends can provide these insights.

## Develop your Own Knowledge Base

Doing your own research will give you insights you can't get anywhere else. So creating a process that uses existing sales data, customer demand and ongoing market research data will provide insights that can give you a market advantage.

## What your customers think of you

Your customers are not as invested in your success as they are in theirs. And since your sales and support teams are motivated to solve transactional issues, they seldom provide a complete picture of your customer needs. Maintaining an independent customer interview process can expose major issues that your sales and customer support teams can't see.

## Where is the industry going?

Companies like Borders, Blockbuster, Tower Records and many others failed because they did not see and/or respond to market trends. Maintaining a research and consulting regimen to spot industry trends can greatly help you improve your market position.