

# Market Research: A Guide to Progress

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By Roy Herr

Does the term *market research* sound sophisticated and expensive? What is market research? Is it necessary for a small business? Let's learn about market research for small businesses!

## Farmco: A Case Study

Mike at Farmco set out to create a new set of sell sheets for his product lines of cattle feeders, hay wagons, and horse feeders. He was looking not only for a fresh design theme, but also for a more organized presentation of his products and product options. During the project planning process, a few questions came up for which we did not have answers.

- Do we have good customer testimonials to use?
- How do the products compare to others in the market?
- Should the sell sheets be printed individually per product line, or should they be combined into a multi-page catalog?
- What is important to the farmers who buy these products?
- Why do customers choose the Farmco brand?

Because the printed items needed to be useful for Farmco's dealers in addition to selling farmers on Farmco products, these questions had to be answered correctly. Mike agreed that market research was necessary.

We developed a survey for Farmco dealers, and Mike gave us a list of dealers that included both large and

small dealers from scattered locations across Farmco's market area. Some sold all of Farmco's lines, while others sold primarily one line or another. We called these dealers and walked them through the questions.

Of course we collected testimonials in the process. The dealers willingly shared their time to help us make a better catalog. They appreciated the opportunity to influence the development of the marketing materials they use to sell Farmco's products.

We also surveyed farmers who bought Farmco products. We learned a lot about the industry, Farmco's strengths and weaknesses, and how farmers like to do business. Answering the survey questions took about twelve minutes, but some dealers spent half an hour giving us insights into their sales challenges. After we finished the survey calls, we sorted the information into meaningful categories, wrote a summary of important points, and expressed the general consensus in a few sentences.

It surprised Mike to learn that the dealers strongly preferred a complete catalog instead of separate sell sheets for each line. That was good news because catalogs cost less in the long run and help cross-sell product lines.

We used the information to make improvements to the catalog. We added product and delivery schedule information to answer common questions. We put all the products into one catalog and included farmer testimonials. This resulted in a marketing piece that saves time for everyone, sells more product, and lowers marketing expense. Did the research cost something? Yes, several

thousand dollars. But cost is not the most important issue. The most important issue is the value that market research brought to Farmco.

### What is Market Research?

Market research is the process of collecting and analyzing information that will help you make better marketing decisions. This includes information about your customers, your competitors, your industry, and even your own company.

### Is Market Research Important?

Businessmen often make assumptions based on their personal frame of reference. This can lead them to believe things that are far from reality. Market research provides a more realistic picture of the situation.

Market research can help you understand your customers, your competition, and your own company. It can help you understand which products or services are in demand, learn how to provide superior value to your customers, and find out how much people are willing to pay for your product or service. Market research can also help you reduce risks, spot upcoming problems, and identify sales opportunities.

### When Should Market Research Be Done?

There is hardly a bad time to do market research. Your market is constantly changing. Some important times to consider doing market research are when starting a new business, when you have problems with a product or service, when developing a new product or service, when setting prices, when planning your marketing strategy, when sales are falling off, and even when sales are going strong. Market research should be considered whenever you could make a better business decision if you knew what others know.

### How is Market Research Carried Out?

You can hire a company to perform market research for you, but it can often be done in-house by either you or your employees, sometimes with very little additional time investment. Market research does require careful

thinking, however. To get the greatest benefit from your research, follow the basic process outlined below.

#### FOUR BASIC STEPS OF MARKET RESEARCH

1. Determine what information you need and how you will use it to improve your business (identify market potential, set prices, solve a problem).
2. Create a plan to collect the information.
3. Execute your collection plan.
4. Analyze the information and write a meaningful summary.

Let's take a step-by-step journey through these points.

**The first step is to determine the information you need and how you will use it to improve your business.** This may take careful thought. In the Farmco example, we knew we wanted more effective literature. We carefully crafted some open-ended questions that allowed for a wide variety of answers. We also needed to make a specific decision either to print individual-line brochures or combine all the lines into one catalog. We asked a very specific question to get a specific answer.

Do not collect information on which you do not plan to take action. You might like to know what colors each of your competitors offers, but if you do not have a decision hinging on that information, do not waste time to find out. Market research is for cases where you have a decision to make, but lack enough information on which to base the decision. Always ask yourself, "If I would have that information, what decision would it help me to make?"

**The second step is to create a plan to collect the information.** Who has the information that you want? What is the easiest way to acquire it? Choose as simple a plan as possible to get what you need. Your plan must be doable or it will never be carried out. Finding accurate information on a few key points is more valuable than getting a wide spectrum of information on many minor issues. Boil your survey down to the basic information you really need to make the big decisions.

You have many resources to consider. If you are looking for general information, you might be able to obtain it from trade groups, business magazines, university studies, your local chamber of commerce, or data that the government opens to the public, such as [www.census.gov](http://www.census.gov).

If you want to learn about your competitors' pricing, products, and services, you might collect their advertising literature and visit their retail stores. You could search online for brand names in order to examine websites. Research similar products on Amazon and eBay. Conduct online searches for reviews about your competitors. Being involved with industry trade associations and subscribing to industry publications can inform you about industry trends and competitors' actions.

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### Your customers will tell you a lot if you just ask them.

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Your customers will tell you a lot if you just ask them. Telephone or face-to-face meetings are best. Written surveys can also be effective, but be careful to craft your questions so they do not influence the answers. Do not be surprised if only a fraction of the surveys are returned. If you are making mission-critical decisions, it is best to have a conversation with at least a few customers.

You can do a lot of research on the Internet, but talking to people remains the best way to gather intelligence. Ask your employees to be your eyes and ears in the marketplace, in your industry, and even in your company's reception area.

Outsiders to your industry can provide a new perspective, but remember that friends and family will be biased.

Let's say you want to assess the strengths and weaknesses of a product. Here are some ways you can learn a lot with very little cost.

- Ask current customers for their opinions on specific issues you are considering. This could be chatting in a retail store or calling up repeat customers.
- Send a sample of your new product to influencers in your industry for their feedback.
- Get advice from an experienced mentor who knows your industry.
- Give a sample product to people with the understanding that they will fill out a questionnaire when they have tried it.
- Participate in shows or expos to get a feel for how your product or service is received.
- Ask anyone for opinions.

Planning what to do is not enough. You must also plan who will do it and when. Make sure you schedule the time and budget the dollars to complete this work without jeopardizing your regular operations. Consider what it is worth for you to get this information. How much time and money should you invest to obtain it?

**The third step is to execute your collection plan.**

This usually requires some discipline to follow through. You may hit some dead ends. Do not give up. It might be necessary to create Plan B, or even Plans C and D to find the information you need.


**The fourth step is to analyze the information and write a meaningful summary.**

You will likely find one or two recurring themes in your research. It is helpful to group similar findings together. This allows you to see the relative weight of each finding. Summarize these main points. Writing it out helps you to internalize the message and understand it at a deeper level. There may be some isolated information that is very negative or very positive. This may merit some follow-up to understand what it means.

**Once your research is finished, apply the findings to improve your business.**

You went to a lot of hard work to get this information, so put it to good use.

Review the decisions you need to make. Armed with the truth of reality, you can confidently make informed choices about how to move your business forward. Do not discount the research findings if you find them hard to believe or difficult to accept. If you conducted your research properly, it is much more trustworthy

than your own biased opinion. Don't be "wise in your own conceit."<sup>1</sup> Rather, act on your research, and see if it doesn't prove itself. 

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<sup>1</sup> Proverbs 26:12 "Seest thou a man wise in his own conceit? there is more hope of a fool than of him."

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*Roy is the cofounder and a marketing consultant for Rosewood Marketing located in Myerstown, Pennsylvania. Rosewood Marketing is a plain community business that specializes in serving other plain community businesses.*