

## **Market Research**

### ***1.1 Introduction***

The SBA Learning Center presents: Market Research.

Produced by the SBA's Office of Entrepreneurship Education, this self-paced course provides an introduction to market research and how it impacts your business. The subject matter is indexed for quick reference and easy access.

It will take about 30 minutes to complete the course. Additional time may be needed to review included resource materials and to complete the "Next Steps" suggested at the end of the course.

Audio is used throughout the training, so please adjust your speaker volume accordingly. A transcript and keyboard shortcuts are available to assist further with user accessibility.

When you complete the course, you will have the option of receiving a course completion confirmation from the SBA.

### ***1.2 Course Objectives***

The course has eight key objectives:

1. Define market research.
2. Describe the benefits of market research.
3. Outline the difference between market research and marketing research.
4. Explain the purpose of market research questions.
5. Describe the two main types of market research.
6. Describe the steps to collect data in market research.
7. Describe the different methods of data analysis.
8. Identify the common mistakes to avoid in market research.

### ***1.3 Course Topics***

You need information about your customers, the market, and your competitors in order to succeed. To get the information you require, you need to conduct market research. This course will cover the following topics:

- What is market research?
- What are the benefits of market research?
- How is market research different from marketing research?
- What is the purpose of market research questions?
- What are the two main types of market research?
- How do you collect the required data in market research?
- What are the different methods of data analysis?
- What are the common mistakes to avoid in market research?

Let's begin.

### ***1.4 What is Market Research?***

Market research is the process of collecting and analyzing data or information on a product or service. The results serve as an input to identify which products or services are in demand in the market, how big the market is for those products or services, and who is buying them. It will also tell you who the current competitors are in that market.

Thus, market research helps identify your target market, set realistic expectations about that market, and consequently can reduce business risks.

### ***1.5 Benefits of Market Research***

Market research is generally performed when a business intends to introduce or enhance a product or service. It can also be used when a business intends to expand geographically or when trying to identify a new or different target market.

Market research is beneficial to:

- Existing and new business owners,
- Corporate executives,
- Senior managers, and
- Investors.

Market research helps to:

- Recognize and understand the target market (potential customers) for a product,
- Identify the best place for the product,
- Analyze competitors,
- Identify existing and future threats and opportunities in the market,
- Set realistic targets and expectations for sales and growth, and
- Identify the methods to reduce business risks.

### ***1.6 Question 1***

Knowledge Review. It's time for a quick review. For the following questions, select all that apply, and then click Submit.

Generally speaking, when should you perform market research?

- A. When you are introducing or enhancing a product or service
- B. When you are trying to identify a new or different target market
- C. When you are experiencing a decline in sales
- D. When you intend to expand geographically

Generally, you should conduct market research when introducing a new or enhance product or service; identifying a new or different target market; or expanding geographically.

### ***1.7 Marketing Research vs Market Research***

In the following table, the two-columns compare Marketing Research and Market Research.

- *Marketing Research* focuses on a broader level; whereas, *Market Research* focuses on a specific market
- In addition, *Marketing Research* seeks information about specific marketing aspects of your product or service, such as price and promotion. It will also use market research to inform this decision. *Market Research*, on the other hand, will collect information about customers, competition, and the industry in general.
- Finally, *Marketing Research* will influence your day-to-day operations; whereas, *Market Research* will be included in your business plan.

Though the two processes have different purposes, both involve gathering the required information by asking questions.

### ***1.8 Market Research Questions***

The purpose of market research is to find information you need to inform your decisions to reach a goal or address a problem. To guide your research, identify your research objective (i.e., achieve a goal or address a problem) in the form of a research question.

Some examples of market research questions for a beauty salon would be, "How much money does my target customer spend on beauty related products each year?" or "What makes my target customer want to buy my product?"

Do not confuse research questions with questions posed on a survey instrument such as a questionnaire or interview. The research question is what drives the research. Put another way, it's the foundation for the research. The survey questions are used to solicit the information needed to answer the research questions. Writing questionnaires is covered later in this lesson.

After you've developed your research questions, you're ready to conduct primary and/or secondary market research to find the answers to your research questions.

### ***1.9 Types of Market Research***

There are two main types of market research:

- Primary research, and
- Secondary research

Select each tab to learn more.

Primary research involves the collection of **original** data. Data are collected in different ways:

- Using questionnaire responses. For example, questionnaire sent via mail or telephone
- Through customer interviews. For example, face-to-face interview with a specific group
- Through customer observations. For example, determining the popular brand by observing sales in a store, and
- Analyzing your own business and sales data. If you are already in business and looking to expand in some way, your own business and sales data can be used to analyze the viability of the expansion.

Secondary research involves collecting data from existing data, which have been researched and shared by other sources. The researcher just collects the data from these outside sources and collates the required information.

A few sources of secondary data are:

- The Consumer Expenditure Survey
- U.S. Industry and Trade Outlook
- U.S. Census Bureau website
- U.S. Small Business Administration (SBA)
- Trade Associations and Trade Journals
- International Institutions (such as the World Bank, International Monetary Fund, and International Labor Organization)

An example of secondary research is a report generated from a Government office, such as Internet Sales Taxation and the Small Seller Exemption, which may be useful for a business looking to expand sales via the Internet. [Select the link to examine an example of secondary research.](#)

### 1.10 Question 2

It's time for a quick knowledge review. For the following question, match each description with the correct activity and then select Submit.

Description	Marketing Research	Market Research
Focuses on a wide range of activities		
Collected information is focused on a specific market		
Research results influences a company's daily operations		
Research results are included in the company's business plans		

Marketing research focuses on a wider range of activities-including market research-and will influence the day-to-day operations of a business. Market research, on the other hand, focuses on collecting information about a specific market alone. The results of market research are included in the business plan.

### 1.11 Question 3

And here's another knowledge review. For the following question, match each example description with the correct type of research method and then select Submit.

Description	Primary Research	Secondary Research
Reading a statistical analysis published in trade journal		
Gathering data from the U.S. Census Bureau		
Conducting a telephone interview		
Observing and recording customer's reactions during a taste test of a food sample		

Primary research involves collecting original information, such as customer interviews or observations of customer behavior. Secondary research involves collecting information from existing data, such as the U.S. Census Bureau, and trade associations and trade journals.

### 1.12 How to Create a Questionnaire?

Let's take a moment to review questionnaires.

A questionnaire should be prepared with simple or complex questions, depending on the business requirement. For example, if a business owner wishes to introduce a product in a new market, the business owner needs to follow the standard practices and prepare appropriate questions.

Standard practices involve three steps:

Select each tab to learn more.

First, define your research questions. Returning to our previous beauty salon example, "What makes my target customer want to buy my product?"

Then, develop the questions for the questionnaire to address the research questions. For example, you might include on your questionnaire the question, "I like to buy organic beauty products" with a rating scale.

Finally, distribute the questionnaire.

### 1.13 Define the Objectives of Research

As discussed earlier under Market Research Questions, your objective should identify a goal or define a problem. Clearly defining your objectives provides the framework for developing suitable questions that will provide feedback needed to form your decisions.

Some additional features to consider while preparing the questionnaire are the structure of the questionnaire, the respondents to your questionnaire, and how to group the respondents.

Select each tab to learn more.

Structure of the questionnaire

When building or designing your questionnaire, consider the following:

- Number of questions,
- Appropriate questions that match the research objectives,
- Logical group of questions,
- Flow of questions, and
- Layout of the questionnaire

Questionnaire Respondents

Select respondents based on your target market. If you do not have an idea of who your target market might be, try to get a wide range of respondents.

Create relevant questions based on the respondents' level of agreement or disagreement with the questions.

Grouping Respondents

Group the respondents based on age, occupation, and income.

### ***1.14 Develop Questions for the Questionnaire***

As you begin to develop your survey questions, keep the following key points in mind.

Begin your questionnaire with an introduction, stating the purpose, duration, contact information, and other details, and explain how the results would help to improve the business.

Organize your questions in a logical way. For example, from simple to complex questions, and general to specific questions.

Keep your questions short and succinct. Your goal is to request the primary information required for the research. While “nice to know” information may seem like a good idea, it should be avoided in the question list.

If possible, write your questions in simple and understandable language.

Use varying types of questions to keep your audience engaged, while ensuring the question will capture your choices. For instance, don't use a True/False question if the question does not lend itself to that type of answer.

### ***1.15 Distribute the Developed Questionnaire***

After your survey is developed, share it with friends, family, coworkers or other trustworthy people, whose opinion and feedback you trust. Then, based on their feedback, edit the questionnaire.

Identify and select a sample of your respondents or target audience.

Share your edited questionnaire with a sample of your ideal respondents to get their comments. Based on their comments, adjust the questionnaire until you have refined it for your audience.

Distribute the improved questionnaire to the actual respondents. Consider your audience needs and determine whether providing a paper-based or Internet-based questionnaire would provide opinions from a different segment of your audience. Or, is this survey better delivered by conversation by phone or in person? Finally, don't forget the option of delivering the questionnaire by focus group.

Provide enough time for the respondents to deliver their responses. There are many variables that affect survey responses-vacations, holidays, seasons, etc. Considering all possible variables surrounding your survey distribution date, allow at least one week for respondents to submit answers.

Survey Monkey conducted a survey analysis to determine how long it took participants to respond to a survey. Survey Monkey examined those surveys that received between 50 and 500 returns. Surveys were sent and received via email. The study yielded these response rates and corresponding response times.

- A 1-day response period resulted in a 41% response rate,
- A 3-day response period resulted in a 66% response rate, and
- A 7-day response period resulted in an 80% response rate.

### ***1.16 Collecting Data: Quantitative and Qualitative***

The type of data you collect is categorized as either quantitative or qualitative. You will likely use both quantitative and qualitative data in your final analysis.

Select each tab to learn more.

Quantitative Research:

- Is used to numerically explain, understand or answer questions
- Answers close-ended questions such as When?, Where?, Who?, and How many?

The results of quantitative research are displayed in numerical form. For example:

- Your store sells 60% more of the chocolate flavor than the other flavors
- The average individual sale at your store is \$20
- There are four other companies that offer your product and have joined the market over the last year. These companies have garnered a total of 50% of your previous market share.

Methods of collecting quantitative data include analyzing survey responses, reviewing data from the U.S. Census Bureau, or by reviewing your own business data.

Qualitative Research:

- Is used to describe data that cannot be summed up numerically
- Answers open-ended questions such as Why, Would, and How regarding customers' behavior

The results of qualitative research highlight the important issues about a product or service. Continuing the same example of the store used to explain the results of quantitative research, the results of qualitative research could be stated as:

- Most of the customers describe the chocolate flavor as richer than the other available flavors
- Customers who spend more than \$20 at your store are usually there with their children
- The four new competitors in your market are offering online sales and better return policies

Methods of collecting qualitative data include conducting research with individuals and target groups or by observing customers.

### ***1.17 Question 3***

It's time for a quick knowledge review. For the following question, select the correct answer, and then click Submit.

Generally speaking, what is the minimum time should you allow for respondents to submit their responses to your questionnaire?

- A. 5 days
- B. 7 days
- C. 10 days
- D. 14 days

Generally speaking, you should allow at least 7 days for respondents to respond to your questionnaire.

### ***1.18 Implementation of Research Results***



Once you've collected the responses to your questionnaire, you're ready to analyze the results.

Choose the method or methods of analysis based on your research objectives.

### ***1.19 Different Methods of Data Analysis***

Once data are collected, the researcher should analyze them to arrive at a conclusion.

The method used to analyze the data depends on the type of market research employed to collect information.

The methods most commonly used to analyze the data based on quantitative research are charts, tables, average values, and statistical techniques.

For qualitative research, the method most commonly used to analyze the data is the researchers' interpretation of the results. The researcher can analyze the results and categorize them into different groups, create a Venn diagram, or otherwise write down the findings.

### ***1.20 Different Methods of Data Analysis, cont.***

You can use your market research findings to conduct a strengths, weaknesses, opportunities, and threats (SWOT) analysis of your business. This can help you map out areas for improvement, find opportunities to capitalize, and manage risk.

This involves analysis of strengths, weaknesses, opportunities, and threats.

The Strengths and Weaknesses categories are reserved for internal analysis. Here, you put findings based on the strengths and weaknesses of your business or product. For example, your market research may reveal that the majority of your customers return to your business, but that your business does not attract many new customers.

The Opportunities and Threats categories are reserved for external analysis. Here, you put findings based on the opportunities and threats in the market surrounding your business. For example, your market research may show that your industry is growing, but that many potential customers are far from your geographic area.

### ***1.21 Implementation of the Analysis Data***

Analysis of the data will help you to identify whether your survey questions have met the objective of the market research.

If your questions have not been answered, you may have to conduct further research.

After the analysis is complete, you need to present your findings. For a small business, this may be quite informal. You may simply add your findings to your business plan.

For large-scale businesses, a detailed report may be presented and the findings added to an equally elaborate business plan.

Your results may prompt you to make changes in your business or marketing plans or change your product or service to meet your customer's wants or to better compete with your competition.

### ***1.22 Mistakes to Avoid in Market Research***

Results of market research help organizations to correctly position their business in the market, identify competition, identify new customers, and more. Before implementing these benefits in business, it is necessary to be aware of the common mistakes that small business owners or start-ups commit and should avoid.

Select each tab to learn more.

Secondary research may be a good starting point but primary research helps to meet the research objective and understand the customers' preferences.

Sometimes researchers use their friends and family members exclusively as respondents to answer their questionnaires.

Because this group may be partial to the researcher, feedback from some respondents would not provide valid results. They also may not be the target market for your business.

Hence, selection of research subjects is important.

Appropriate subjects will enable the researcher and the business owner to understand the preferences of actual customers.

Even though much information is available from the Internet, it may not provide a complete picture.

Find alternate ways to gather information, such as a local library. Local libraries often subscribe to research journals and magazines that may help improve your research.

Talking to potential customers and observing them in action is crucial. If possible, visit your competitors in person as well.

Many local, regional, state, and Federal Government agencies conduct research. For example, the SBA's Office of Advocacy examines the contributions and challenges of small businesses in the U.S. economy and is constantly looking for answers to small business questions. The agency conducts economic research and produce reports relevant to various small business markets.

Due to the seeming complexity of market research, there are some exploitative agencies that will charge a high fee for simple research that a business could have conducted easily on its own.

So, if you plan to hire a company to conduct market research for you, be careful when shopping for and identifying agencies to do your market research and ensure you are going with a reputable company and paying a fair price.

#### ***1.23 Question 4***

Now it's time for a quick knowledge review. For the following question, select the correct answer, and then select Submit.

You recently opened a store in a high tourist location. You want to determine how much foot traffic your store gets throughout the hours of operation so that you can staff accordingly and determine whether you need to change the hours of operation. What type of data would best provide the information you need to make these decisions?

- A. Qualitative
- B. Quantitative
- C. Internal SWOT Analysis
- D. External SWOT Analysis

Use quantitative data to answer close-ended questions such as Who? When? and How many?

#### ***1.24 Question 5***

It's time for another quick knowledge review. For the following question, type your response in the space provided, and then click Submit.

List some common mistakes you should avoid when you are conducting market research.

Common Mistakes to Avoid

During market research, small business owners and start-ups typically commit mistakes by using:

- Secondary research only
- Family members as respondents
- Web search only
- Exploitative market research services

### ***1.25 Summary***

Let's take a moment to recap what we've covered.

Market research is the process of collecting and analyzing data or information on a product or service.

Market research is performed to identify the desires of potential customers. It locates the existing issues faced by customers.

Market research helps to:

- Recognize the potential customers for a product
- Identify the best place for the product
- Locate the competitors in the identified place
- Identify the existing and future issues in the market
- Identify the methods to reduce business risks

Marketing research focuses on a wider range of activities-including market research-while market research focuses on collecting information about the market alone.

Developing market research questions helps you define your objective and focus your research efforts.

There are two main types of market research:

- Primary research
- Secondary research

Standard practices to create a questionnaire involve three steps:

- Step 1: Define the objectives of research.
- Step 2: Develop the content for the questionnaire.
- Step 3: Distribute the developed questionnaire.

Quantitative and qualitative are two approaches to researching and collecting data.

Depending on the type of market research used to collect data/information, different methods will be used to analyze the data.

The following are common mistakes that you should avoid:

- Using secondary research only,
- Using family members only as primary research subjects,
- Using web search only, and
- Using exploitative market research services

### ***1.26 Next Steps***

Now what should you do? Follow these steps to begin applying your knowledge of market research in your business:

- Step 1: Evaluate your current market research strategies.
- Step 2: Evaluate the strategies that may have to be revised.
- Step 3: Create a game plan for revising strategies or coming up with new ones.
- Step 4: Identify whether the current strategies have any pitfalls that should be avoided.

### ***1.27 Resources***

SBA has a broad network of skilled counselors and business development specialists. Below is a short description of our resource partners:

- There are more than 1,000 **Small Business Development Centers (SBDCs)** located around the country. SBDCs provide management assistance to current and prospective small business owners.
- **SCORE** is a powerful source of free and confidential small business advice to help build your business. More than 10,000 SCORE volunteers are available to share their experience in lessons learned in small business.
- **Women's Business Centers (WBCs)** assist women and men in achieving their dreams by helping them start and run successful businesses. Over 90 WBCs are located around the country.
- The **SBA** has over 60 **District Offices** located throughout the country to help you start and grow your business.
- The **SBA Learning Center** is a powerful virtual campus with online training, videos, tools and links to local resources.
- The SBA's **Office of Women's Business Ownership (OWBO)** serves as an advocate for women-owned businesses. The office oversees a nationwide network of 110 Women's Business Centers that provide business training, counseling and mentoring geared specifically to women, especially those who are socially and economically disadvantaged. The program is a public-private partnership with locally based nonprofits.
- The **Veterans Business Outreach Program (VBOP)** is designed to provide entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business. The SBA has 15 organizations participating in this cooperative agreement and serving as Veterans Business Outreach Centers (VBOC).
- **Procurement Technical Assistance Centers (PTACs)** provide local, in-person counseling and training services for you, the small business owner. They are designed to provide technical assistance to businesses that want to sell products and services to federal, state, and/or local governments. PTAC services are available either free of charge, or at a nominal cost. PTACs are part of the Procurement Technical Assistance Program, which is administered by the Defense Logistics Agency.

Find your local resource using our handy [zip-code tool](#).

### ***1.28 Have a Question?***

- Call SBA at 1-800 U ASK SBA (1-800-827-5722)
- E-mail SBA at [answerdesk@sba.gov](mailto:answerdesk@sba.gov)
- Locate a SCORE counselor, SBA district office near you, or an SBDC office near you at [www.sba.gov/local-assistance](http://www.sba.gov/local-assistance).
- To provide feedback, comments or suggestions for other SBA online content, please email [learning@sba.gov](mailto:learning@sba.gov).

### ***1.29 Certificate***

Congratulations on completing this course. We hope it was helpful and provided an introduction to market research. Click the certificate to receive a course completion confirmation from the U.S. Small Business Administration.

## ***2.0 Recommendation***

### **A.C.T. NOW!**

The Article, Course and Tool below are related to the course you just completed. They are provided to help you take action on your path to entrepreneurial success. You can also get in-person assistance for all of your business needs through a local resource center. And if you liked the course, please help spread the word by sharing it with your friends!

[Click here to share on Twitter](#)

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### **Read an SBA Article**

The article, [Market Analysis](#), outlines what to include in your market analysis.

### **Take Another Course.**

SBA's course, [How to Write a Business Plan](#), explains the importance of business planning, defines and describes the components of a business plan, and provides access to sample plans and resources that can help you develop a very good business plan.

### **Try a Tool.**

The U.S. Census Bureau created the [American Fact Finder Tool](#), which is your source for population, housing, economic and geographic information about the United States, Puerto Rico and the Island Areas.

### **Find local assistance!**

[SBA has a broad network of skilled counselors and business development specialists.](#)