

Market Research: Driving Your Decision Making with Facts

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The foundation of a sound marketing strategy is market research. To be effective, your marketing strategy and tactics and all your other business decisions should be driven by facts about your market: your business environment, trends in your industry, your competition, and your target customers.

Researching your business environment and industry: "The next big idea" or the unexpected pitfall

You probably devote the bulk of your time to the operational issues of running your business: meeting customers, supervising or overseeing operations, and monitoring the bottom line. That may leave little time to take a step back to delve into literature of your industry and assess the impact of upcoming regulations, technological trends, "the next big idea," or the unexpected pitfall that could blindside your business.

Systematic, effective research of your business environment and industry can help you identify the crucial drivers for your business. Such research need not be costly, but it should be:

- Scheduled at regular intervals
- Treated as a key business priority
- Performed by someone with both the data gathering and analytical/insightful skills to take research from the raw data level to the "so what?" stage

What are sources of business environment and industry information? Secondary sources are abundant; the challenge most often is not finding the information, but **synthesizing it and crystallizing the findings** into elements that will drive your business to make the best decisions.

Following are just a few free or low cost sources of industry and business trend information:

- **Periodicals specific to your industry.** Many of these also offer studies and reports to subscribers for a reasonable cost. Many of these also provide their periodicals online via the Internet, making them easier to search
- **Governmental agencies,** including the US Bureau of the Census (www.census.gov), Bureau of Labor Statistics, and the Internal Revenue Service.
- **Industry organizations.** You probably belong to a least one organization that advances issues of your industry. Be sure to mine the organization for reports, newsletters, bulletins, and other information.
- **Your local library.** Libraries often subscribe to online services that provide access to a multitude of business sources. The library databases can usually be accessed through the Internet.

Researching your competitors: Getting the facts to get ahead of the curve

More than 2,000 years ago, Sun Tzu, Chinese military strategist and author of "Art of War," observed: "If you know the enemy and know yourself you need not fear the results of a hundred battles." When it comes to business competition, Sun Tzu's words are as applicable today as they were in 400 BC.

Some key questions to ask about your own competition include:

- **Who are your top five competitors?** What are their capabilities and how do they compare to yours? What strategies do they use to approach the market? What changes have they made in last year in their product line, pricing, and promotions?
- Are your competitors **nibbling away at your share of the market?**
- What are the **competitive alternatives** for your product or service? Even when you have an in depth understanding of competitors compete directly with you, both you and your competitors can

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be blindsided by a competitive alternative that eliminates the demand for your product or service. The classic example is that of the cellular phone, which over a period of about five years has nearly eliminated the need for pay telephones.

Researching your target customers: What do they want, what DO they want?

Whether your business sells to other businesses or to consumers, knowing the profile of your best **current** customer and your best **potential** customer is essential. Do you need to acquire new customers or can you sell more to existing customers?

For example, if you sell to consumers and you currently target “early adopters” with a cutting edge product, is your product now in a more mature stage in which you could begin to expand your customer base to include more mature buyers? Or should you sell other products to the same market?

Following are just a few of the important questions:

- **Size.** How many current and potential customers are there in your target customer groups? Is your total market size changing?
- **Change.** How is the target group changing?
- **Characteristics.** What are their attitudes and characteristics with respect to your products and services?
- **Buying behavior.** Do customers buy for function, price, convenience, emotion, or a combination of reasons?
- **Promotions effectiveness.** How do your target customers respond to your promotions techniques? For example, if you currently employ many direct mail campaigns, how receptive might your customers or potential customers be to email marketing?

If you sell to businesses:

- **Decision making.** What is the decision making process of your current and potential customers? Who is typically the decision maker? Purchasing manager? CEO? IT director?
- **Purchasing schedules.** What fiscal year do your customers operate under? What are their peak purchasing periods?

Formulating marketing strategy is both an art and a science, but business risk is certainly minimized when you begin with a base of market intelligence about your market and industry, competitors, and customers. Taking the time today to perform a thorough market assessment should pay off with increased profitability in the future.



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