



## TOOLBOX



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# Market Research

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## What is a Market?

### The Customers

A market includes all the people who ask for or may ask for products, goods or services that you will offer or that some other businesses are already proposing in order to meet the customers' needs.

Successful business people see opportunities where other people see problems:

*When people have a need, they have a problem.*

*You can satisfy their need that is your opportunity.*

Obviously not all the people, included in the market, will buy your products, goods or services. You must focus on a precise group of consumers. This is what is called *Target Market*.

To precisely identify your target market, you must know customers' characteristics, buying habits, expectations, needs and desires in order to be able to catch their attention and communicate with them.

You must be as sure as you can that you know:

- What they need,
- Where they are and
- How they are trying to satisfy the need right now.

### The Competitors

The competition includes all businesses offering products, goods and services that are similar to yours or that respond to the same needs.

You will share the same customers as your competitors; you must identify their strengths and their weaknesses.

## Market Study

The process for answering these questions is called market study or market research and you can also use market research to define the size of a target market, to learn about attitudes and opinions, to test a range of things you *think* you know and much more.

**The most important thing at the outset is to be clear on what questions you want answered. To really benefit from the results, keep an open mind.**

Market research is not a complicated expensive thing that only big companies can do, or that you only need to satisfy the bankers/financiers. It is a practical, economical way of reducing your risk and finding out how you can help people to satisfy their needs.

But there are two major problems:

- ✓ You cannot usually contact all customers and ask them about their needs and expectations because there are too many.
- ✓ When people are asked "Would they buy this or that?" they may not respond exactly as they would when they actually have to decide. It is easier to say yes than to actually pay.

1) Deal with the **first problem**:

- If you look at the group of participants in the seminar and try to find out how many are left-handed, the proportion is probably not very different from that of the population as a whole.
  - But if you ask how many are between the ages of 18 and 30, clearly the proportion you will find is not true for the population as a whole. On this aspect, the group is not typical or representative of the population as a whole, because they have been specially selected in this age range.
  - Conclusion: a small sample can give quite accurate information about the market so long as they are typical of the group to whom you want to sell your product/service,
- 2) Deal with the **second problem**:
- Try the business on a small scale
  - Study competitors (if there is no competitor, it *may* mean that there is not market):
    - ✓ Question those who are established far from your location and get information on their customers and on their annual sales volume.
    - ✓ Observe people who buy from them products, goods or services similar to those you want offer.
    - ✓ Question them in order to identify their buying habits, their preferences and how they evaluate what they buy.

## Sources of information

Here are a number of options for how to go about gathering information:

- 3) **Ask around**: not the most scientific method, but sometimes a few well-placed phone calls or interviews can set you on the right track. You may choose to take what you learn at face value or test the feedback with a wider audience.
- 4) **Research published data**: may be helpful for trends
- 5) **Conduct surveys**: written, telephone and in-person surveys can tell you a tremendous amount about people's opinions and attitudes. For a survey to produce reliable information, however, it must be well-designed – so if you use a questionnaire for instance, try it out first, do not try to get too much information and be sure *why* you want to know what you are trying to find out.
- 6) **Hold focus groups**: get a representative sample of your target group together and facilitate a discussion around a pre-determined set of important questions. The main attraction of focus group research is that it puts you directly in touch with people. This way, you can learn: what people value and why, the specific barriers to buying your product or service; ideas for changes to remove barriers; what people would do to market your product if they were you; how to speak the language of your audience.
- 7) **Observe**: assess the amount of traffic, watch the shoppers, and look at the advertisements.
- 8) **Assess your competitors**: how well are they doing, where are they, what do their customers think, what are their prices.
  - Remember:
    - If there are no competitors, maybe there is no market.
    - If there are very many competitors, the market must be very big, maybe you can find a "niche" where nobody else is selling
    - The business that everyone says you should go into today is probably the one where everyone will be losing money tomorrow.
- 9) **Look close to home**: even when your business is up and running, you will still be conducting market research. If your questions have to do with customer satisfaction, you can learn from the people you already know. Here are suggestions:
  - Regularly invite customers or participants to recommend how you could improve
  - Follow up with people who show initial interest but then fall away
  - Ask questions of people who stop using your services/buying your products

## Side Benefits of Market Research

Besides providing information you need, there are additional benefits to market research. When you go out into the community and ask questions, it is an opportunity to engage people in a positive way and to

build relationships. Most people enjoy the opportunity to express their opinions and will think well of you for asking. It may also add to their interest or enthusiasm for your product or service.

### **Tips to maximise the opportunities associated with market research**

- 10) Be well prepared, gracious and professional.
- 11) Make the ultimate findings of your research available to all participants and follow up on any individual questions or concerns.
- 12) Provide opportunities, when appropriate, for research participants to be involved further.
- 13) Be sure to give research participants the opportunity to buy the product or use the service when it is available.
- 14) Thanks and acknowledge participants directly and when warranted publicly.

# Training Session

## Objectives

At the end of this session, the participants should be able to:

- Explain the concept of Market Research
- Develop a Market Research for their own business project

## Participants

- 30

## Duration

- 120 minutes

## Resources

- Flip-charts and markers
- Handout CF046E01 Product-oriented or Customer-oriented
- Handout CF027E01 Market Research
- Handout CF072E01 Market Analysis Questionnaire

## Flow

### A. The Concept of Market (30 min)

- 1) Invite participants to form groups of 3-4 people
- 2) Distribute to participants the handout LDP2S3.b2 and ask them to respond to questions: are they A - **Customer orientated** or B - **Product orientated**? (10 min)
- 3) After 10 minutes, ask participants to share the results (10 min):
  - a) How many A? How many B?
  - b) Draw participants' attention on the diagram about marketing and explain it.
  - c) There are risks on both side: too much product-orientated: risk to produce out of the market; too much customer-orientated: risk of overwork, risk to not achieve the expected results.
  - d) Explain that, at the beginning, there is an advantage for entrepreneurs to be customer-orientated and to have an active marketing. They can enter in the market by responding to customers' needs. However, after some time, they should leave this extreme attitude because higher fix costs will appear and because they will need to focus on product to keep quality production. It's important to keep a good balance according to the situation of the enterprise.

- 4) Using the first part of the handout "ENT03.4 Market Research" (What is a Market?), introduce the concept of market (10 min):
  - a) Introduce the two main components: customers and competitors
  - b) Ask participants if they have identified their customers and their competitors; encourage them to give their experience.

### **B. Introduction to Market Analysis (55 min)**

- 5) Distribute the Market Analysis Questionnaire (ENT03.3) and ask participants to respond individually (10 min)
- 6) Invite participants to share and discuss their results in their group (10 min)
- 7) Ask each group to report on their conclusions and identify the problems they faced in identifying the customers and their needs (15 min)
- 8) Using the second part of the handout "ENT03.4 Market Research" (Market Study), explain how to make a Market Study (10 min)
  - a) How to collect information about the customers and their needs
  - b) What are the sources of information
  - c) What are the side benefits of market research

### **C. Preparing a Market Analysis (35 min)**

- 9) Ask Participants to prepare an action plan to implement a Market Analysis (30 min)
  - a) Distribute to participants the "LDP2S3.b3 Market Research" and ask them to write down on a paper, the various steps they should do to implement a Market Analysis for their project: individual work (10 min)
  - b) After 15 minutes, ask participants to share their work in each group in order to help each others improve their plan (15 min)
  - c) Ask each group to report briefly on the problems or difficulties they met in doing this work. Provide participants with some advices to overcome these difficulties (10 min)