

# Introduction to Market Research

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If you grew up reading detective fiction, you'll remember the thrill that comes with unlocking a secret or uncovering a truth. In that moment, the disconnected pieces of the world of the novel all fell into place: There was a return to order, a new ease born of knowledge (for both the characters *and* the reader), and a sense that the mechanisms of the fictional world would now operate smoothly, as life—and business—went on for all the characters involved.

We think of market research as a bit like detective fiction. It's a goldmine for endlessly curious minds, an ongoing mental challenge about your business and the industry it's a part of. You're in it to understand the mysteries of the “characters” (your target market and your competitors) in your story. You're in it to know what makes them tick; what motivates, encourages, and frustrates them; and—in the case of your competitors—what steps they're taking to get a leg up in your market, and what their game plan *appears* to be.

It's a science of subtleties. And when carried out successfully, market research can, indeed, result in a sense that the pieces of the puzzle have fallen into place. You'll see the big picture all at once, as well as the place you occupy in that picture. And because so much of market research is based on hard data, you'll be sure that you've uncovered the *right* explanations for the “mysteries” of your market. In other words, you won't have forced any puzzle pieces together that don't *actually* fit.

Despite our opening reference to fictional worlds, we bet you've been conducting market research in the *real* world—probably in unintentional, informal ways—for as long as you've been in business. So for these next pages, we're challenging you to put your detective hat on (or *keep* it on). This is a system with a lot of moving parts, and we want to make sure you grasp *all* of them, so you can choose the right methods for your business.

## What *is* Market Research?

While some of the strategies in market research *can* be elaborate, the concept itself is simple: Market research is the assemblage of techniques you use to gather information about *your target market* and take the pulse of *your industry*. As such, it answers these fundamental questions (as well as many other more specific questions):

Who are your potential customers? How many of them are out there? What are their interests,

needs, and pain points? How do they research solutions to their problems? What solutions does the market currently offer them? What are they prepared to *pay* for these solutions? What are their buying habits and what influences their purchase decisions? Why do the ones who purchase *your* product do so? *How* do they use it once they have it? What about the ones who *don't* choose your solution? What motivates them to go elsewhere? And what could you do to persuade them to come to *you* next time?

In short, market research allows you to step back and view the big picture—locating yourself in the broader business landscape. And because it makes use of data—rather than some combination of intuition, experience, and guesswork—it allows you to make more informed decisions about literally *every* aspect of your business. After all, the current facts paint a more accurate picture than gut feel does. They *also* paint a more accurate picture than historical outcomes of your past business decisions do. (Just because that feature was so popular in your *last* product doesn't mean it will be in *this* one... *unless*, of course, your [customer surveys](#), [focus groups](#), and [social listening](#) collectively contend that it *will*.)

If you've been in business for a while, we don't have to tell you that competition is getting tougher by the day. As recently as fifteen years ago, your competition was likely a handful of small, local businesses; and you probably knew your customers through face-to-face interactions and real-time encounters. Today, however—thanks to the internet and the advent of eCommerce—you're competing in a vast field of both local *and* international companies. The web is inundated with products similar to yours—perhaps with cheaper price points, and possibly sold on more professionally-designed [websites](#).

This is why market research should no longer be a luxury reserved for the corporate big dogs with their deep pockets (if it ever *was*). If you run a business of *any* size, market research is a means of survival.

The more thorough your answers are to the questions we posed above, the better you'll be able to meet your target market *right where they are*—and the more likely they'll be to choose *your* business. As a rule, consumer research—and the consumer insights you *derive* from that research—should drive your business decisions. Your customers are the cornerstone, the backbone, the foundation of your business. Knowing them intimately is the most important thing you can do.

## The Uses and Benefits of Market Research

As we mentioned, you're probably already "conducting" informal market research on a daily basis: Every time you chat with one of your sales reps about customer complaints, or check out your competitors' prices, or take a phone call with a prospect who has questions about product features, *that's* market research. (*Listening*, by the way, is a radically underappreciated market research method.)

But there are countless reasons why it's worth formalizing the process. Market research processes can help you:

- **Segment your target market and identify which segment/s are most likely to do business with you.** Market research reveals the socioeconomic, sociocultural, geographical, and personal makeup of your target market. It helps you home in on specific segments so you can adjust your marketing, advertising, and promotion strategies accordingly. This means more effective campaigns and more compelling marketing materials that resonate strongly with your niche audience, saving you money on fruitless advertising in the long run: You'll *know* which email subject line or ad image works best for which segments. (It's worth considering that [34% of consumers have admitted to "breaking up" with a brand](#) because of "poor, disruptive, or irrelevant marketing messages.")
- **Identify new business opportunities.** Market research can help you discover segments out there that are under-served, or whose needs aren't being met *at all* (pain points no business has considered, for instance). Is there a gap in the market that you can fill, by adding new features to your product?
- **Determine if your *current* product is fully meeting your customers' needs and expectations.** Market research reveals current customer sentiment, giving you insights on your offering that might drive future innovations and product improvements (which will ultimately drive more sales). What more do your current customers want from you? What are you doing *right*? What could you be doing *better*?
- **Discern how you compare with your competition.** Through market research, you'll learn about your competitors' products, services, pricing and marketing strategies, and *their* customers' sentiments. How are they attracting and retaining customers? What are their customers saying about them? What does their content marketing entail? How often are they running ads, and where? Where are they flourishing? Where are they *unsuccessful*?
- **Clarify your unique selling proposition (USP), value proposition, and brand position.** The more thorough your knowledge of your competition, the more clarity you'll have on how *your* offering stands out. This will be crucial when it comes to differentiation statements (like your USP) and strategies (like your product differentiation strategy).
- **Determine whether a new business idea, product, or service will succeed.** Clay Christensen, professor at Harvard Business School, has observed that [95% of new products fail](#) because businesses neglect to "crawl into the skin of [their] customer[s]" and empathize with them. Thanks to market research, you don't even *have* to have the strongest of empathy muscles: You can test new product features on your target audience and gather feedback *directly from them*—which can mean the difference between success and failure when it's time to go to market.

- **Mitigate risks.** We just mentioned one risk that can be mitigated by market research (launching a product dud). Other risks include bad brand positioning; poor pricing strategies; failures to perceive and plan for economic and industry shifts; and running ad campaigns without testing them, and having them fall flat with your audience. In short, market research helps you avoid unpleasant surprises by taking the temperature of the waters before you dive in fully.

The above is a shortlist; but it should give you an idea of the range of benefits market research can offer your business.

## **When Should You Do Market Research?**

We could make this section easy on ourselves and simply answer: "At every stage of the business game." But it might be useful for you to have examples... maybe you'll see your business reflected in one of the below stages and realize: *Now's your moment.*

In the first place, it's *crucial* to do market research prior to launching your business. It will help you answer the most fundamental questions: Is there even a market *out there* for that new product you're so set on building? If there *is*, is it big enough to sustain your business over the long haul? Doing market research in the early stages also helps you establish "the four P's":

- **Product.** Hard data about pain points, needs, and buying habits will help you produce the *right* (most valuable and desirable) products or services for your target market—taking into account functionality, features, benefits, appearance, look and feel, customer service, warranties, and more.
- **Price.** We mean more than the price point of your product or service here. Through market research, you'll use a combination of competitors' prices, common profit margins, and knowledge of what your market is willing to pay to determine fees for things like shipping and handling, returns, and financing options. You'll discover how much your target market is willing to pay for a new feature or service. And so on.
- **Place.** This one encompasses a lot: where your product will be manufactured, where it'll be stored before it sells, how you'll deliver it to the market, points of sale (online, retail, wholesale), what channels you'll advertise in (this overlaps with the final P, "promotion"), and even where the product will be placed in a store display or positioned on a webpage. Market research will help you decide each of these things.
- **Promotion.** Finally, market research will help you determine the most effective advertising, marketing, and sales strategies to drive traffic to your business. It will clarify, for instance, whether your best bet is to promote your products through organic or paid promotions. It will give you insight into which channels to utilize to reach your market segments (social, email,

Google Ads, etc), and what language to use in your promotions.

Once you've *launched* your business, you'll want to do market research as frequently as possible—or as frequently, at least, *as is valuable*. Continual research will ensure you keep up with what's happening in your industry, so you can recognize shifts and changes before your competition does. Consumer demand isn't static; neither is the economy; neither are your competitors' marketing strategies, products, or financial numbers. Market research lets you keep your metaphorical finger on the pulses of your target market and your industry, keeping you agile and prepared for any changes.

It will also help you answer the questions that come up as your business matures: What is the perception of my customer service *right now*, and how could it be improved? How do I improve brand loyalty and earn repeat business from my current customers? What are my upsell opportunities with existing customers?

Finally, it's essential to conduct market research any time you're considering making a change in your business: introducing a new service or adding a new product to your line, opening an online store or a new brick-and-mortar location, changing your prices, launching a new ad campaign, redesigning your logo, increasing production levels, choosing new vendors for your shipping... the list goes on. You'll want to know whether each of these changes is truly a viable business opportunity for you. Market research will tell you as much.

## Market Research Phases and Methods

As we see it, there are four phases of market research. (You might get different numbers elsewhere, but they all follow the same trajectory):

- 1) Make a plan.** Establish the questions you need answers to, and form a hypothesis about the answers.
- 2) Decide on your data sources.** Determine what information you'll have to collect to answer those questions, and what the best sources of that information are.
- 3) Collect the data.**
- 4) Analyze the data...** and then act on it!

Of course, this is a cyclical process; and the questions you formulate in your market research plan *this* month might be very different from the ones you formulate six months down the road to optimize a different aspect of your business.

Step 3—data collection—will be the most time-consuming phase of your research. The methods of

data collection—and your data sources—are probably *many*, and we've got longer lists of both for you later in this content. There are hundreds of *types* of market research out there; but the most common methods fall into these categories:

- [secondary research](#) (including [competitor research](#))
- [surveys](#)
- [in-depth interviews](#)
- [focus groups](#)
- [observation](#)

The last four items on that list are all different forms of *primary* research; we'll dive into more detail about each of them in the following pages.

The complexity and depth of your own research campaigns will depend upon a variety of factors, including the nature of the questions you want answered, the type of business you run, your industry and how entrenched you already are *in it*, how risky your business model is, how much time you have (if you're conducting the research yourself), and what your budget is (if you're hiring a firm to do the research *for* you). If you own a restaurant, for example, you'll probably focus most of your efforts on your service and the quality of your food, and your initial market research will be limited to questions of location (and then maybe down the road, inquiries about hours, dishes, or catering services). A software company, on the other hand, will have a very different set of questions to answer over time.

In the following pages, we offer a guide to market research that should be insightful to you no matter *what* your business is, or *what* questions you're looking to answer in your research campaigns. It covers all four phases of the research plan we outlined above, as well as all five methods of data collection we listed.

Our final recommendation before diving in is that you don't *just* do market research because "you *have* to" or because an authority "*told* you to." Do it because it will help you refine your business strategies, maximize the potential of your current activities, and create a plausible, data-driven roadmap for future growth. But most of all, do it because you care about your prospects and customers—about discovering more about them, and learning them more intimately, so that you can better serve them.

And if you do your research well, with *both* kinds of care (*concern* for your prospects and *attention* to the process), your ROI will far surpass the expenses of the research itself.

*The most valuable thing you can do for your business before diving into market research is taking an honest look at where you are—where you're succeeding and where you could use some work—so*

*you can set your goals based on that candid assessment. In the next section, we'll show you [how to conduct a situation analysis](#) to prepare you for the first phase of your market research.*