



*Rural Women's
Network*

START YOUR OWN BUSINESS

WORK BOOK 2

MARKET RESEARCH

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What is Market Research?

Market Research is the process of gathering information that will help you assess whether there is a market for the business you are proposing to set up. It will provide the foundation for your business plan and will be essential if you are seeking funding to set up your business. The more information you can gather early on, the more confidence you will have in carrying your business idea forward – or conversely, the less time, effort and money you will waste on a business idea that is not going to be successful!

“It didn’t take me very long to realise that my idea was not a goer I’m so glad I did enough market research to find out before it was too late!”

This worksheet will answer some of your questions regarding market research including the following:

- What kind of information should I gather?
- When should I do my market research?
- How should I do my market research?
- What sources of information are available to help me?

What kind of information should I gather?

You will need to gather information on:

- Your customers
- Your customers’ needs and wants i.e. the demand
- Your competitors
- What you can charge for your product/service
- Why your customers should come to you rather than your competitors
- General trends in the marketplace for your service/product

Testimonials, letters of support and forward orders are all excellent ways of demonstrating to yourself and others that there is a real demand for your business.

When should I do my market research?

The earlier you start your market research the better and the more information you can gather on the above topics the better. It will all help you to build up a picture of the business and its potential for success.

However, market research is not just something that needs doing before you start up in business. It should be an ongoing process and should help to inform the future direction of your business. You will need to keep asking your customers what they want from you, and to ask those who use your competitors why they do so instead of coming to you – perhaps because of location, price, quality or even customer service. Market research should also be repeated before considering expansion into new markets or introducing new products.

How should I do my market research?

There is a wealth of information available to you if you know where and how to go about finding it. The more daring you are or imaginative in your thinking the better too! It's not easy to run your own business and shrinking violets don't fair well (Personal Development Workshops can help here). You will find that, once you get out there and start talking to people it gets a lot easier.

You can start your market research by thinking about who your potential customers are – the answer to this is not “everyone”! Discuss ideas around potential customers with friends, family etc. Examples of potential customers may be parents of children under 5 living within a 10 mile radius, or elderly people with mobility problems, or even a few different sectors for different products or different aspects of a service.

Once you have identified potential customers you will then need to collect factual information about your competitors. Where they are, how many of them there are, exactly what do they offer (compare this with what you plan to offer and look for gaps in the market), how much do they charge, what geographical area do they cover and what (in your own and other people's opinion) are their strengths and weaknesses?

You will also need to gather general information about the industry that you are planning to be a part of, demographics, statistics, trends etc.

How do I find this information?

A lot of this information can be found by getting out and about, by using the Internet (if you have a computer or access to one) and making some telephone calls. You will find a list of sources of information at the end of this worksheet to provide a starting point for you.

Check out the Yellow Pages, go into a newsagent's and look at or buy magazines relevant to your area of interest. Collect competitors' promotional materials, talk to competitors as a customer, talk to their customers. Try to develop an awareness of the product or service market place generally – what do you like, what don't you like? Ask your family and/or friends to brainstorm ideas with you about where information might exist that would be useful to you. Make a list. Make time to do each of these things. And always remember to make good notes about your findings at the time ... your memory may let you down if you do not!

If you have never worked in the field you are proposing to set up in, or if your idea is completely new, you will need to do even more of this kind of fact finding before you can be confident that your idea is a good one. Think hard about what you need to know before you start gathering it. Try to be organised in recording your information.

The following pages provide a guide for your information gathering, but you may need to expand on certain areas (and you may find that some are not so relevant to your business idea). By filling in as much as you can you should identify gaps in your knowledge which you can then try to fill.

YOUR CUSTOMERS

Who are your most likely customers? e.g. Male/female, young/older, rural/urban, health conscious, new-age, musical, wealthy or less so. Remember, you may have different customers for different products or services:

What are their buying habits and interests?

Will they come to you or you to them? How far will you go / how far will they come?

Can you estimate the size of your market? Having identified your business radius and your ideal customer groups this should be possible e.g. how many primary schools are there within this area and how many pupils does each have?

THE DEMAND

In this section you can record the feedback you have received from potential customers:

| Date of contact | Contacted by: (phone, email etc) | Likely to use/buy? (Yes/No) | Other comments: |
|-----------------|-------------------------------------|--------------------------------|-----------------|
| | | | |

.... and competitors (you may need to come back to this section when you have identified who your competitors are in the next section!):

You may also find it useful to investigate demand by writing a questionnaire which you can distribute to potential users/purchasers of your service/product (see later notes on how to do this).

YOUR COMPETITORS

It is really important that you understand who you are in competition with if you are to be able to establish your own place in the market. You may feel you have a good idea about who else is out there, but try to think about the less obvious competitors as well as the ones you know about already. Fill in the table on the next two pages but think also about some of the questions below:

Who is their target market? (perhaps it is slightly different from yours)

How many customers do they have per day/week/month/year? Which products/services do they sell most of?

How do they advertise?

Where do they operate from? What do you see as the benefits/drawbacks of this location?

What facilities do they have and what capacity?

What makes you different from / better than them?

Ways of finding these things out include:

- Sitting outside competitors' premises and counting people coming and going.
- Using the Internet, Yellow Pages, business directories, trade journals, the library etc.
- Speaking to competitors as a customer.
- Buying a sample of product or trying out their service.
- Picking up promotional literature.
- Plotting position of competitors on a local map and identifying your own catchment area.
- Visiting exhibitions/shows etc.
- Contacting associated businesses e.g. suppliers.
- Asking as many people as possible!

COMPETITOR RESEARCH

| Name and Location (no. miles away etc.) | No. of years trading | What they sell | Price | Their Strengths | Their Weaknesses |
|---|-------------------------|----------------|-------|-----------------|------------------|
| | | | | | |
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COMPETITOR RESEARCH (continued)

| Name and Location (no. miles away etc.) | No. of years trading | What they sell | Price | Their Strengths | Their Weaknesses |
|---|-------------------------|----------------|-------|-----------------|------------------|
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What can you charge for your product/service?

Pricing is covered in detail in our Finance Workbook but you will probably have some idea (having carried out your customer and competitor research) whether you are hoping to compete on price or on some other aspect. Clearly, if you are the only person offering a particular product or service you will have more freedom to dictate the price you ask but you may still have to consider what people are prepared to pay and how available you want your product/service to be to customers with varied disposable incomes. Please see the Finance Workbook for more detail on prices and costings.

Why your customers should come to you rather than your competitors.

Summarise the information you have gathered above so that you are really clear about what it is that sets you apart from the other businesses around you (price, quality, location, customer service, speed of delivery etc):

General trends in the market place.

In order to protect the future viability of your business it is important that you try to look ahead (and also behind) to understand general trends that might affect the ongoing demand for your product/service. For example, is the business you are planning to enter a completely new concept? If so, might it be just a passing trend? (this may not be sufficient to prevent you going ahead with your idea but you will need to plan accordingly). If it is an established market place, is it expanding or shrinking?

Think about the following:

PEST – Political (e.g. changing governmental policy), Economic (e.g. moving into recession), Social (e.g. baby boom, fashion, health or sport trends) and Technical (e.g. more people using the internet/mobile phones etc) factors.

Projected growth, decline or stagnation of the industry (local, national and maybe even international) based on the PEST factors above.

Legal factors – governing or membership bodies.

Is the market likely to change quickly (for the better or the worse)? Will you be able to withstand such changes?

Some of the sources of this information are the same as above (the Internet, Yellow Pages, business directories, trade journals, the library etc.) but in addition you may find valuable information in newspapers, on television, through your bank, the local Chamber of Commerce, governing body or association, Citizens' Advice Bureaux and the local Council offices.

Make a note of your findings below:

| Factor: | Likely effect on business: |
|---------|----------------------------|
| | |

Summary of potential sources of information (see also list of useful website addresses and phone numbers):

- Yourself!
- Family and friends
- The Internet
- Yellow Pages
- Business directories
- Trade journals and magazines
- Competitors' literature
- Trade Associations
- The library
- Newspapers (local and national)
- Television
- Bank
- Chamber of Commerce
- Local colleges and enterprise centres
- Governing body or association
- Citizens' Advice Bureaux
- Tourist Information offices
- Council offices
- Government publications
- Market Reports e.g. Mintel.

Web sites to help you with market research

www.upmystreet.co.uk

Type in a post code, click on ACORN profile, click on full profile. This will give detail on consumer preference and buying behaviour in that particular area.

www.mintel.co.uk

Click on Reports, type in what you are looking for in the search box e.g. "activity holidays", click on the text "click here to enter the about document". This will give you a summary report on the industry you have searched on.

www.keynote.co.uk

Click on the visitor section, search the report gallery for executive summaries.

Writing a Market Research Questionnaire:

A questionnaire can be a really good way of gathering information from your potential customers but unless it is carefully constructed it can provide you with some very misleading information. If your questionnaire is well thought out and asks the right questions in the right way it can be an extremely useful tool.

Here are some tips to help you:

- Keep the number of questions to 6 or 7 – people get bored or annoyed if you take up too much of their time!
- Keep the wording simple and avoid using jargon
- Don't ask more than one question at a time
- Make sure that every question is going to tell you something that you really need to know
- Don't use biased or leading questions
- Put questions in a logical order
- Test your questionnaire on a few people before using it on a larger sample (this should allow you to identify any problems in time to correct them)

Once you have produced and tested your questionnaire, think carefully about where you might find the right people to answer it e.g. if you are thinking about providing a transport service for tourists, contact the local tourist information office and ask if they would mind you interviewing people as they leave the office. Similarly, contact a few local B & Bs and ask if you can leave some questionnaires for guests to complete. Try to make sure that you get answers from a good cross section of your potential customers and remember, the more people you can get to complete your questionnaire the more representative the results will be. It may even be possible for you to gather together some of your potential customers into a 'focus group' where you can discuss the questions and get additional feedback on your idea.

Finally, good luck with your information gathering and try to enjoy it!