

The Marketing Plan - Conducting Market Research for a New Business

“Every idea that every man ever had is the best idea in the world according to that man!”

Market research is probably the most important activity any potential new business will ever undertake. The business plan is a basic requirement of any new business with its foremost importance being to the business and the business owner. Secondly though, the business plan is often used to gain further funding from banks, loan funds and grant schemes.

The market research in the business plan can make a better case for the funding application as it shows the potential business owner has “done the homework” before applying for the funding. Even in cases where funding is not required any potential business owner who does not do any research runs the risk of business failure due to lack of demand or the end product or service being “not quite” what the customer actually wants!

What is the aim of Market Research?

The aim of conducting market research is to:

- uncover the buying habits of the potential customer base
- check out the competition
- gain an overall view of the market
- ascertain how much of that market the new business is likely to take (market share)
- convert that “market share” into a monetary value

What is Market Research exactly?

Market research falls into two categories:

- Primary research (sometimes called field research) this is where you conduct direct research with potential customers, eg questionnaire
- Secondary research (sometimes called desk research) this is where you obtain existing data from existing sources eg journals, reports, newspapers etc

Primary Research

A point to remember about conducting primary research on a new business idea is that you should avoid asking potential customers if they would buy from you if you started this business. The answer you will get will always be “yes” because people, in general, like to be nice and they would not want to upset you by being negative.

A common method of Primary Research is the questionnaire; but think about it, if you have ever been stopped on a street corner by a researcher, they never tell you who they are or what they are researching! This is by far the best way to find out the truth about what people buy and when and where they buy it.

The Questionnaire

Rudyard Kipling wrote a poem in the year of 1902 it was part of a “just so” story entitled “The Elephants Child”. The poem illustrates very well the type of questions you should be asking your potential customers:

**I keep six honest serving men,
(They taught me all I knew),
Their names were what and why and when,
And how and where and who**

These six words will lead you to the questions you need to ask. You need to know:

- What customers want to buy
- Why they buy where they do
- When they buy (time of day)
- How often they buy
- How they buy
- How they like to pay
- How much they are willing to pay
- Where they buy
- Who they buy from/for
- Who they are

The information you collect should be formatted in such a way that you can “extract data” from your results. Hence the “multiple choice” approach, if you ask 100 people a question you will get 100 different answers, by using multiple choice you are able to narrow that down so that it is possible to “extract data”.

Example: We are considering offering a door-to-door service selling pet food, we may decide that we firstly need an eliminator question, this could be:

- Do you own a pet?

If a person does not own a pet it would be pointless asking them about buying pet food (unless you want to ask them if they have ever owned a pet and go from there).

Our further questions could look something like this:

What kind of pet?	Dog	Cat	Bird	Rabbit	Horse	Other
Where do you buy the food?	Supermarket	Cash & Carry	Mail order	At your door	Pet shop	Other
How often do you buy?	Daily	Weekly	Twice weekly	Monthly	Twice monthly	Other
What do you buy?	Canned	Fresh	Dried	Other	-	-
How much do you pay?	Less than 50p	51p to 70p	71p to £1	£1.01 to £1.50	Over £1.50	-

With these types of questions you can quickly calculate the type of data that we are used to hearing about, if you ask your questionnaires in multiples of 100 it is even easier! Your results could include:

- 90% of the dog owners we asked buy canned dog food
- 85% of all pet owners buy their pet food in the supermarket
- 76% of pet owner like to pay for the pet food by credit card

These results would tell us that our main competitors are the supermarkets; that we should ensure that we stock a wide variety of canned dog food and that we should seriously consider accepting credit cards.

Secondary Research

There are many sources of information that will help you plan your business, these are just a few examples:

Existing Research Reports

- Many companies simply do not realise this information exists
- This can be very expensive
- Information tailored exactly to your needs is difficult to find, you may find you have purchased something too general in nature
- If the work has already been done, why do it again
- This type of information can be obtained by contacting market research companies

Information from Non-Competitors in the same Business

You may be able to find information about your potential business from existing businesses outside of your own area. Many business owners like to talk about their business and providing they don't see you as a direct threat they are often willing to share their experience and knowledge with you.

Example: You want to open a tearoom in Lincolnshire, whilst you are on holiday in Scotland you see the very ideal place that you would like your business to be. Call in to the tea room and explain to the owner that you want to start this type of business in Lincolnshire and that you really admire the way they have set up their business and would they mind giving you a few pointers (do make sure they are not rushed off their feet at the time of asking)!

You may be very surprised at the result of this type of research! Owners in the past have told clients of mine everything from how much it cost them to set up to what they take every week and where to buy their stock, I even have some clients who have kept in touch with the people for years afterwards!

Trade magazines and journals: These can be especially valuable if you are entering a specialist field. Look at what the competition are advertising, see the latest products of offer!

Newspapers: Money section, Financial Times, business-to-business sections etc

These may seem too general, but quite often you find articles about existing businesses that are doing exactly what you want to do. Editorial articles often tell of how the business started and how quickly it grew as well as whether they made any changes to their original idea or not.

Libraries: They usually hold relevant local information as well as reference books etc

Libraries are a mine of information, they not only keep local information about the population etc but they have all the latest business directories and manuals. Another plus in using the library is that you also get help to find what you are looking for!

Your local council: This is usually free of charge

Many local councils offer help and support to new business start ups, they collate business directories, land sales, property registers etc, and most of this is free!

Advertising: See what the competition are promoting

Take a look at what the competition are promoting, great ideas are not always born, they are sometimes adapted!

Competitor's literature, brochures etc: A little light industrial espionage never did anyone any harm! Call your competitors and ask them to send you a brochure. Have some work done by them; find out if they are any good; know your enemy; see what you are up against.

Yellow pages, Business Directories: See who is advertising what; see where they are and what they are doing

Trade associations: Find out about your particular trade from the experts; join the association; use their web sites and their on-line libraries

Your potential or existing suppliers: Suppliers often know a lot about your business, example: what is selling well this season and what price it will stand but do be careful that they are not trying to sell you something they have been trying to get rid of for months!

The Internet: If you are an Internet wizard you can find all kinds of information. If you are not, then contact us; we may be able to help!

DTI (Department of Trade and Industry): The DTI have dozens of leaflets and reports available to businesses

Business Link: Your local Business Link have qualified information officers who have mountains of information at their fingertips and know how to find it quickly and efficiently, please note though, they may charge for this service.

Your Competition: When you are researching your competition use the strengths and weaknesses test. Identify each individual competitor and make a list of all the things they are really good at and a list of all the things they seem to be failing in. When you have done these lists you will know a lot more about your competition, what's more you can set your aim to adapt some of their good points for your business and take their weaknesses and make sure you do it better!

Conclusion: In conclusion, don't skimp on the research, it may save you many headaches in the future! You will find that once you have worked through this process you not only know your competition better than ever but you understand your own business better also!

Remember: You have to understand what you are selling and whom you are selling it to before you can advertise its availability!

Other information

British Market Research Association

Devonshire House, 60 Goswell Road, LONDON, EC1M 7AD

Tel: 020 7566 3636, Web: www.bmra.org.uk Email: admin@bmra.org.uk

Research Buyers Guide

Market Research Society, 15 Northburgh Street, LONDON, EC1V 0JR

Tel: 020 7490 4911, Web: www.mrs.org.uk, mail: info@marketreserch.org.uk

Books:

“Conducting a Survey”

by Brenda McCormack and Liz Hill
International Thomson Business Press (1997)

“The Marketing Research Process”

by Len Tui Wright and Margaret Crimp
Longman Higher Education (1999)

“Marketing Research Essentials”

by Carl McDanial and Roger Gates
Southern Western College Publishing (2000)

Useful Websites:

www.mintel.co.uk

www.neighbourhoodstatistics.gov.uk

www.nationalstatistics.gov.uk

www.businessballs.co.uk

www.bmra.org.uk (British Market Research Association)

www.theobservatory.org.uk

