

Marketing Research

What is Marketing Research?

According to the American Marketing Association, marketing research is the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services.

Every small business owner-manager must ask the following questions to devise effective marketing strategies:

- Who are my customers and potential customers?
- What kind of people are they?
- Where do they live?
- Can and will they buy?

- Am I offering the kinds of goods or services they want - at the best place, at the best time and in the right amounts?
- Are my prices consistent with what buyers view as the product's value?
- Are my promotional programs working?
- What do customers think of my business?
- How does my business compare with my competitors?

Marketing research is not a perfect science. It deals with people and their constantly changing feelings and behaviors, which are influenced by countless subjective factors. To conduct marketing research you must gather facts and opinions in an orderly, objective way to find out what people want to buy, not just what you want to sell them.

Why do it?

It is impossible to sell products or services that customers do not want. Learning what customers want, and how to present it attractively, drives the need for marketing research. Small business has an edge over larger concerns in this regard. Large businesses must hire experts to study the mass market, while small-scale entrepreneurs are close to their customers and can learn much more quickly about their buying habits. Small business owners have a sense their customers' needs from years of experience, but this informal information may not be timely or relevant to the current market.

Marketing research focuses and organizes marketing information. It ensures that such information is timely and permits entrepreneurs to:

- Reduce business risks
- Spot current and upcoming problems in the current market
- Identify sales opportunities
- Develop plans of action

How to do it

Without being aware of it, most business owners do market research every day. Analyzing returned items, asking former customers why they've switched, and looking at competitor's prices are all examples of such research. Formal marketing research simply makes this familiar process orderly. It provides a framework to organize market information.

Market Research - The Process

[Step One: Define Marketing Problems and Opportunities](#)

[Step Two: Set Objectives, Budget, and Timetables](#)

Step Three: Select Research Types, Methods, and Techniques

Step Four: Design Research Instruments

Step Five: Collect Data

Step Six: Organize and Analyze the Data

Step Seven: Present and Use Market Research Findings

Define the Problem or Opportunity

The first step of the research process, defining the problem or opportunity, is often overlooked - but it is crucial. The root cause of the problem is harder to identify than its obvious manifestations; for example, a decline in sales is a problem, but its underlying cause is what must be corrected. To define the problem, list every factor that may have influenced it, then eliminate any that cannot be measured. Examine this list while conducting research to see if any factors ought to be added, but don't let it unduly influence data collection.

Assess Available Information

Assess the information that is immediately available. It may be that current knowledge supports one or more hypotheses, and solutions to the problem may become obvious through the process of defining it. Weigh the cost of gathering more information against its potential usefulness.

Gather Additional Information

Before considering surveys or field experiments, look at currently held information: sales records, complaints, receipts, and any other records that can show where customers live and work, and how and what they buy. One small business owner found that addresses on cash receipts allowed him to pinpoint customers in his market area. With this kind of information he could cross-reference his customers' addresses and the products they purchased to check the effectiveness of his advertising.

Customers' addresses tell much about them. Lifestyles - and buying habits - are often correlated with neighborhoods.

Credit records are an excellent source of information, giving information about customers' jobs, income levels, and marital status. Offering credit is a multifaceted marketing tool with well-known costs and risks.

Employees may be the best source of information about customer likes and dislikes. They hear customers' minor gripes about the store or service - the ones customers don't think important enough to take to the owner. Employees are aware of the items customers request that you do not stock. They can often supply good customer profiles from their day-to-day contacts.

Outside Data

Secondary Research

Secondary research exploits published sources like surveys, books, and magazines, applying or rearranging the information in them to bear on the problem or opportunity at hand. A tire sales business owner might guess that present retail sales of tires is strongly correlated with sales of new cars three years ago. To test this idea, it's easy to compare new car sales records with replacement tire sales three years later. Done over a range of recent years, this should prove or disprove the hypothesis and help marketing efforts tremendously.

Localized figures tend to provide better information as local conditions might buck national trends. Newspapers and other local media are often quite helpful.

There are many sources of secondary research material. It can be found in libraries, colleges, trade and general business publications, and newspapers. Trade associations and government agencies are rich sources of information - GALES' Directory is available at any public library.

Sources of Secondary Research

[ASAE Directory of Associations Online](#)
[Ask a Librarian - U.S. Library of Congress](#)
[Bureau of Labor Statistics](#)
[Business Research Lab](#)
[Center for Business Women's Research](#)
[Economic Statistics & Research](#)
[Fedstats.gov](#)
[Internet Public Library](#)
[Population & Demography Resources](#)

Primary Research

Primary research can be as simple as asking customers or suppliers how they feel about a business or as complex as surveys conducted by professional marketing research firms. Direct mail questionnaires, telephone surveys, experiments, panel studies, test marketing, and behavior observation are all examples of primary research.

Primary research is often divided into reactive and non-reactive research. Non-reactive primary research observes how real people behave in real market situations without influencing that behavior even accidentally. Reactive research, including surveys, interviews, and questionnaires, is best left to marketing professionals, as they can usually get more objective and sophisticated results.

Those who can't afford high-priced marketing research services should consider asking nearby college or university business schools for help.

