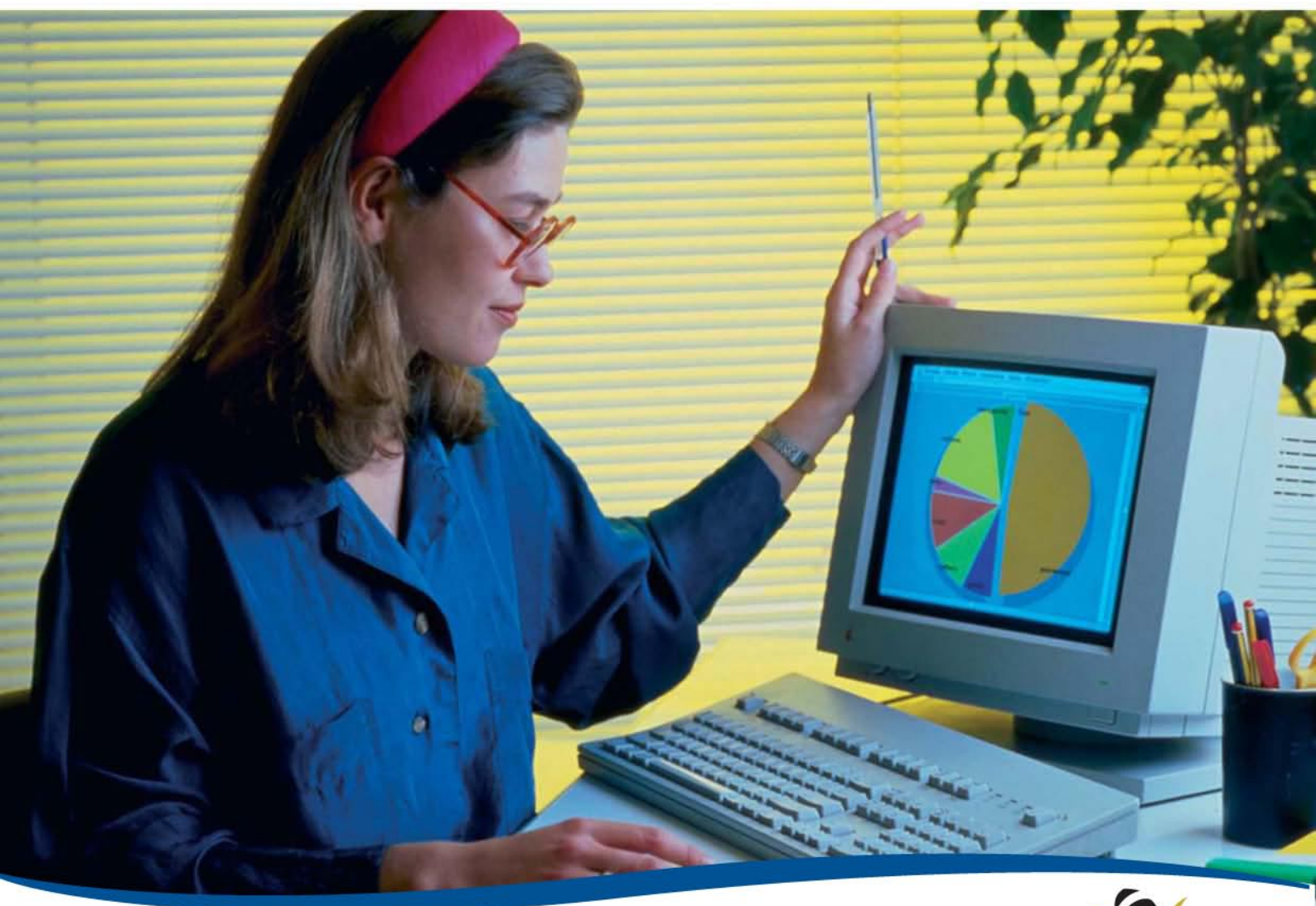




Researching your market

A guide for small business operators and those thinking about starting their own business in Tasmania.





Researching your market

DISCLAIMER

The information in this guide has been prepared with care, but no warranty, express or implied, is given as to the accuracy, correctness or completeness of the information, or for any advice given, or omissions from this guide. Therefore, readers relying on the contents of this guide do so entirely at their own risk and they should seek their own independent legal and financial advice. The information is provided to intended parties solely on the basis that they will be responsible for making their own assessment and undertaking such investigations as they see fit to verify all relevant information to enable them to come to their own conclusions.

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*“Everything has been thought of before,
but the trick is to think of it again.”*

Goethe

Overview

You might have a brilliant idea for a product or service, but an idea alone is not enough. You must clearly identify your target market - the people who will purchase your product or service to satisfy their needs.

Constantly studying the market, and your target market in particular, is essential for business success. This involves getting to know who your customers are, where your product or service fits into the market, what your competitors offer and what the needs of your target market are.

Market research is the way to get answers to these questions. Don't let the term frighten you. Market research can be low-cost and much of it can be undertaken yourself if you follow an orderly process. This guide outlines the benefits of market research, describes the steps involved and offers practical tips to get you started.



Readers are advised:

- *The purpose of this guide is to provide general introductory information.*
- *The guide does not purport to contain all the information that would be relevant to any particular business opportunity.*
- *The guide is provided to interested persons on the basis that they will be responsible for making their own assessment of that opportunity with the assistance of the information provided.*
- *All figures contained in the guide should be regarded as estimates only based on general samples and may be subject to error.*
- *The information in the guide should not be relied upon in substitution for professional advice and individual investigation.*
- *Persons interested in pursuing any particular business opportunity are strongly advised to fully inform themselves by taking professional advice as to the extent of their rights and obligations – particularly in relation to any proposed investment.*
- *The guide is provided subject to the terms of the formal disclaimer, which appears on page 2.*

What is market research?

Market research describes the method you use to determine the size, characteristics and nature of your market. It tells you about the market and its preferences, opinions, habits and trends. It can also indicate where the market is, its geography, its demographics (statistical characteristics) and information about the psychology of the market.

As a small business owner, you cannot afford to make a large investment in something that may not work. While you naturally want your business to be a success, this cannot be guaranteed. However, the results of market research can help to reduce some of the risks you will take.

One of your greatest thrills could be to learn something about your market, for example finding an unsatisfied need that gives you a vital competitive edge. Market research also enables you to attach numbers to your plans and verify your marketing strategy.



"Market research is any activity which provides you with a better understanding of what is happening within your market"

Martin Farley, Business Consultant,
Farley Consulting Group, Hobart



Questions that market research can answer

If you are thinking about going into business, develop a checklist of questions that you would like answered by market research. Your checklist may look like this:

Checkpoint

-
- What are the long-term trends that will affect my business?
- Where should I locate my business?
- How much business can I expect if I open at a certain location?
- Will people purchase my products or services?
- Who are my competitors?
- What range of products or services do my competitors offer?
- What level of sales do my competitors generate?
- Who are my customers likely to be?
- What types of products or services do my prospective customers want?
- What types of products or services do my customers not want?
- What type of advertising will attract customers to my business?

If you are already in business, your business records will offer a wealth of information that should be assessed before you seek additional data. Customers' names and addresses, for example, will give you a sense of your market area. They will also tell you where your customers are located. You may be able to direct your advertising dollars to these areas. By talking regularly to your customers, you will learn about their attitudes, occupations, interests and buying habits.

Market research conducted by an established business is likely to have different aims. Again, develop a checklist, tailored to the needs of your business, of what you would like to know. Your checklist may look like this:

Checkpoint

-
- To whom is my advertising directed? Is it reaching them?
- Is there a change in my customers' spending habits?
- Have my competitors made any recent changes?
- What services should I offer my customers?
- Should I be offering more than I offer now?
- Should I vary my trading hours?
- Should I establish another outlet?
- What changes have occurred in the market?
- What scope exists to increase my prices?

"The information gained from well-planned market research will give you increased confidence in relation to your future business decisions."

Martin Farley, Business Consultant,
Farley Consulting Group, Hobart

Finding relevant information

Although you can gather data from a wide range of media, information sources can be classified into two main categories – primary sources and secondary sources.

Checkpoint



Use the following checklist to determine what sources you should tap to obtain the information required to address your research needs.

Category	Source	Applicable to my research needs?	
		Yes	No
PRIMARY	Customers	<input type="checkbox"/>	<input type="checkbox"/>
	Employees	<input type="checkbox"/>	<input type="checkbox"/>
	Field studies	<input type="checkbox"/>	<input type="checkbox"/>
	Focus groups	<input type="checkbox"/>	<input type="checkbox"/>
	Friends and relatives	<input type="checkbox"/>	<input type="checkbox"/>
	Personal experience	<input type="checkbox"/>	<input type="checkbox"/>
	Personal interviews	<input type="checkbox"/>	<input type="checkbox"/>
	Postal surveys	<input type="checkbox"/>	<input type="checkbox"/>
	Questionnaires	<input type="checkbox"/>	<input type="checkbox"/>
	Suppliers	<input type="checkbox"/>	<input type="checkbox"/>
	Telephone surveys	<input type="checkbox"/>	<input type="checkbox"/>

Category	Source	Applicable to my research needs?	
		Yes	No
SECONDARY	Accountants	<input type="checkbox"/>	<input type="checkbox"/>
	Advertising agencies	<input type="checkbox"/>	<input type="checkbox"/>
	Austrade	<input type="checkbox"/>	<input type="checkbox"/>
	Australian Bureau of Statistics	<input type="checkbox"/>	<input type="checkbox"/>
	Bankers	<input type="checkbox"/>	<input type="checkbox"/>
	Business Enterprise Centres	<input type="checkbox"/>	<input type="checkbox"/>
	Chambers of Commerce	<input type="checkbox"/>	<input type="checkbox"/>
	Conferences and seminars	<input type="checkbox"/>	<input type="checkbox"/>
	Consultants (management and marketing)	<input type="checkbox"/>	<input type="checkbox"/>
	Federal government departments and agencies	<input type="checkbox"/>	<input type="checkbox"/>
	Industry sources	<input type="checkbox"/>	<input type="checkbox"/>
	Internet	<input type="checkbox"/>	<input type="checkbox"/>
	Libraries	<input type="checkbox"/>	<input type="checkbox"/>
	Local government	<input type="checkbox"/>	<input type="checkbox"/>
	Newspapers	<input type="checkbox"/>	<input type="checkbox"/>
	Professional associations	<input type="checkbox"/>	<input type="checkbox"/>
	Professional forecasters (BIS Shrapnel, IBIS)	<input type="checkbox"/>	<input type="checkbox"/>
	Shopping centre management	<input type="checkbox"/>	<input type="checkbox"/>
	State government departments and agencies	<input type="checkbox"/>	<input type="checkbox"/>
	TAFE Tasmania	<input type="checkbox"/>	<input type="checkbox"/>
	Trade journals	<input type="checkbox"/>	<input type="checkbox"/>
	University research organisations	<input type="checkbox"/>	<input type="checkbox"/>
	Yellow Pages	<input type="checkbox"/>	<input type="checkbox"/>

How to conduct your market research

It is important that your research is undertaken in an orderly manner. The five steps that you should take are described in the following checklist. Practical tips have been included to guide you with their implementation.

“Float like a butterfly, sting like a bee, you can’t hit what you can’t see.”

Muhammad Ali

Checkpoint

Step (what to do)	Practical tips (how to do it)
1. Establish the aims of the intended research	<p>Decide exactly what you wish to know. E.g. Is there demand for my product or service? Will the market continue to purchase my product or service if prices are increased?</p> <p>Determine what issues are involved in the research.</p> <p>Establish the scope of the research.</p> <p>Identify what constraints (time, money etc) may limit the scope of the research.</p> <p>Set some measures of success that will help you to evaluate the outcomes of your research.</p>
2. Plan your research	<p>Identify potential sources of information – these may be primary or secondary.</p> <p>Determine what research methods (observation, surveys, focus groups etc) will achieve the best outcomes.</p> <p>Consider your sample size and how respondents will be chosen.</p>
3. Collect information	<p>Keep a constant eye on your budget during this phase as this is where costs can be incurred quickly.</p> <p>Use the primary and secondary sources that you determined in the planning phase.</p> <p>Be flexible in overcoming practical setbacks e.g. respondents not wishing to participate, others not at home when you call etc.</p>
4. Analyse and interpret the information you have gathered	<p>Tabulate and categorise the information.</p> <p>Analyse and interpret information with a view to determining what choices you may have.</p> <p>Assess and rank the alternatives which emerge through this process.</p>
5. Reach a conclusion	<p>Decide on the option which will best satisfy your objective(s).</p> <p>Be wary of any gaps in the information.</p> <p>Implement your decision.</p> <p>Evaluate the alternative you have chosen against the success factors you established.</p>

Designing and using a survey questionnaire ... dos and don'ts

The quality of information gained through market research is often influenced by how well the survey questions are constructed. A significant number of research tools have a set of questions at their heart, so it is worthwhile making sure you follow some tried and proven methods.

The dos

- Pilot test your survey questions before you use them in the wider market:
 - do the people being surveyed understand the questions?
 - are their responses specific?
 - do they have the opportunity to expand on their answers?
- Design questions to obtain the essential information you need.
- Apply this test to each question you compile
 - can the answer be measured? Exercise care if the answers cannot be counted or categorised in some way.
- Keep your questions brief and clear.
- Keep your questionnaire as brief as possible, especially where it is intended to conduct interviews by telephone.
- Ask all general questions (age group, gender, location etc) first to determine whether the respondent forms part of your sample group.
- Follow up yes or no responses, where appropriate, with a why.
- Ask questions which you will be able to interpret easily. Complex questions can lead to long, complex answers.
- Ensure the questions you intend to use are readily understood by a wide range of people.

- Be honest with the intent of the questionnaire.
- Be considerate of each respondent's commitment of time.
- Treat the people you are interviewing in the way that you would like to be treated.

and the don'ts

- Don't ask questions that are likely to offend.
- Don't answer the questions for respondents.
- Don't be alarmed or upset by any answers you receive. E.g. If a respondent says that he or she has never heard of your product or service or business name.
- Do not argue about an answer to a question.

"Everything should be made as simple as possible, but not simpler."

Michael Steele,
Business Adviser, Launceston



Summary

- Market research is about gathering, analysing and interpreting information for decision-making purposes and being better informed than your competition.
- One of the keys to successful market research is to have a clear purpose in mind before you begin.
- Market research will enable you to answer such questions as what products or services to sell, where, in what quantities and at what prices, what competitors are selling, where they are and how strong they are.
- Primary and secondary sources can be used as part of the process of gathering research information.
- Provided you follow an orderly process, there is a lot of market research that you can do yourself. Professional assistance should be sought where necessary.
- The design of an effective survey questionnaire is important in getting the right information for your business.



Resources and contacts

- Refer to listings under 'business consultants', 'management consultants', 'market research' and 'marketing services and consultants' in the Yellow Pages.
- The Australian Marketing Institute,
www.ami.org.au
Telephone 1800 240 264
- Department of Economic Development,
Tourism and the Arts
Business Point
1800 440 026
www.development.tas.gov.au