

Market Research Basics

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Market research is a vast subject all its own. There is a broad universe of market research methods that can be helpful to new ventures and existing enterprises. *This resource will offer a broad overview of different types of market research.*

Types of Market Research

Primary research involves gathering original data. Secondary research involves finding information developed by others. In both cases, researchers review the data to determine key findings.

Secondary research - reviewing existing media reports, research data and technical information - can be extremely valuable. Skilled researchers can develop highly-valuable insights using publicly-available data.

Primary research entails gathering original data that can yield important insights.

Primary Market Research Methods				
Type of Primary Research		Description	Advantages	Disadvantages
Electronic	Telephone Surveys	Contacting customers via phone to ask a series of questions	Can collect many responses quickly	Expensive; laws restricting survey calls to cellphones
	Online Surveys	Collecting customer responses via online surveys	Ultra-low cost, can collect many responses quickly	Tendency to yield "unscientific responses" ¹
In-Person	Intercept Interviews	Collecting customer responses after a commercial interaction	Gets customer response "in the moment"	Expensive, difficult to implement effectively
	Focus Groups	Moderating a panel to collect reactions to product concepts	Detailed responses; quick; moderately inexpensive	Unscientific responses
	Expert Panels	Moderating a panel of experts for input on specific concepts	Actionable input; possible contact with future allies	Difficult to recruit experts; expensive
	Observation	Viewing customer behavior during a commercial interaction	Highly detailed data without intervention bias ²	Difficult to gather large sets of uniform data
Experiential	Field Trials	Providing customers sample product, then asking them to respond to surveys about their usage / reaction to the product	Extensive data on actual product use	Difficult to recruit the panel; expensive to provide product; long-timeframe
	Customer Diaries	Providing customers sample product, then asking them to keep detailed diaries of their usage experiences / preferences	Ultra-extensive data on actual product use over an extended period of time	Same as Field Trials, <i>plus</i> number of customers who fail to maintain accurate diaries

1 - "unscientific responses" means that a non-representative sample responded to a survey, "skewing" the data and making the survey results unreliable. This happens, for example, when individuals can submit multiple responses, biasing the survey results to their point of view

2 - "intervention bias" means that research data can be skewed by the actions of the interviewer or the way survey questions are phrased

Primary research data gathered using one of the methods above can yield "propriety results" ("proprietary" meaning: results available only to the owners of the data) that may become part of the defensible differentiation of an enterprise.

Why Use Market Research? Cost / Benefit

Market research provides insights that companies can use to shape product features, price products and services, determine advertising messages, develop new marketing campaigns, develop new features and measure how well the company is doing versus its key competitors.

Like everything else in running an enterprise, whether or not to implement market research depends on a cost / benefit analysis: *Are the costs of implementing market research a good investment given the quality and importance of the insights the market research might yield?*

The best way for market research to be cost-effective is to select the right type of research method to use.

Market research is especially useful in three circumstances:

- 1) Before a new venture is launched to determine prospective customer reaction to critical product / service and marketing / advertising concepts;
- 2) During planning cycles to include objective data into the development of strategies and tactics; and
- 3) Prior to the launch of a new venture or a major repositioning, again to determine prospective customer reactions.

(Or, it could be that you're competing in a national business plan competition, where they are more likely to insist on plans that cover a broader range of topics.)

Common Market Research Mistakes

"Good" market research - the right market research method implemented in an effective way - can provide data and insights that create tremendous value for an enterprise.

Of course, flawed market research can do the exact opposite, providing "skewed" (i.e., inaccurate and/or biased) data that leads to inappropriate conclusions and tragic recommendations.

Common mistakes that can lead to inaccurate (even damaging) market research results include:

- 1) poorly developed survey questionnaires, including questions that are unclear and/or combine two or more topics into a single question;
- 2) unhelpful rankings, which often happens when a survey asks respondents to rate the importance of some factor from 1 to 10. What typically happens is that many / all factors are rated at 9s or above, meaning "everything is almost equally important." This is almost never the case - better designed survey questionnaires would have asked the respondent to indicate the *relative importance* of key factors to arrive at more actionable findings;
- 3) surveying only people you know, so you're gathering input only from individuals who likely think like you do; and
- 4) accepting the data from qualitative research methods (like focus groups) as statistically valid for large numbers of targeted customers. Focus groups can be dominated by one or two individuals who horribly skew results.

Focus Groups vs Expert Panels

Focus groups are relatively inexpensive, easy to arrange quickly, and provide a wealth of data.

Because of these benefits, focus groups can be overused. *For all their advantages, focus groups do not provide statistically valid data.*

One potential alternative is the expert panel. *Expert panels operate like focus groups, with the added benefit of providing extensive input from content experts.*

Experts are difficult to recruit for an expert panel, since many might be current or future competitors. Expert panels are also expensive, since experts are typically paid attractive stipends.

Expert panels may be worth the investment if they create relationships that lead to future business opportunities.

Common Market Research Mistakes

- 1) Developing ineffective survey questionnaires
- 2) Unhelpful rankings
- 3) Surveying only people you know
- 4) Accepting qualitative data from focus groups as statistically-valid customer input