

How market research can help you find customers

Did you know?

Most marketing questions such as: Where should I advertise? How much should I charge? can be answered from research.

Main topics:

- What is market research?
- How does it help business?
- What to research?
- Market research methods
- Marketing strategy (the four P's)
- Six step approach in market research

What is market research?

Market research is the process of gathering and analysing information to help identify and define marketing opportunities and problems, as well as generate sales. Through it you can refine and evaluate all your marketing activities, monitor your marketing performance and continuously improve your marketing processes and efforts.

How does market research help business?

Market research can provide answers and guidance to many marketing questions such as:

- Is there a demand for your product and service?
- What are the preferences and needs of your potential customers?
- What is the size of your market or pool of potential customers?
- How many other businesses are offering similar products or services?

This information is important for your marketing strategy. The better you match your customers' needs the more likely they are to buy from your business.

What to research?

A market is a group of potential customers who have a need, want or desire for your product or service and the ability to pay for it.

Tip

Ibisworld offers market information and can be accessed for free at any VBC.

You can also get information on the people living in any location in Victoria using the Know Your Area tool on the DSE website (see resources on the last page)

To create or find a market for a new product or service you need to consider the following questions:

<p>1. Where are your potential customers?</p>	<ul style="list-style-type: none"> ■ Who will buy it? ■ What would they pay? ■ How do I reach them?
<p>2. What are the needs of my potential customers?</p>	<ul style="list-style-type: none"> ■ How would they like the product presented, including colours and quantities? ■ Where do they want to buy the product? ■ How would they like the service delivered? ■ Do different customers have different needs? ■ Who is my ideal customer?

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<p>3. What is the profile of my potential customer?</p>	<ul style="list-style-type: none"> ■ What is their average income? ■ What is their average disposable cash? ■ What are their spending habits? e.g. when do they spend ■ What are their educational standards? ■ Where are they geographically located? ■ If a business – what type of industry are they in? ■ What size is the business? ■ Who is the decision maker?
<p>4. Is the market big enough?</p>	<ul style="list-style-type: none"> ■ What are the current market trends? ■ How many similar businesses are competing in the market? ■ What are the government regulations that affect your market?

By knowing your market, you can develop a relationship with this group of people which can have substantial and long term benefits. You can change your offering to meet their needs and increase your chance of them buying from your business.

You can find out more about your marketplace by reading your market trade newsletters and journals, researching statistics at the State Library and Australian Bureau of Statistics; and using online tools.

Market research methods

Most commonly used market research methods are based on asking questions. The information gathered in this way can be categorised as follows:

- **qualitative information** is more investigative and involves a fewer number of people e.g. focus groups and in-depth interviews. It's purpose is to understand buyers' attitudes and beliefs
- **quantitative information** used to draw specific conclusions and involves a large number of respondents e.g. surveys and questionnaires

Marketing strategy (the four P's)

The marketing strategy sets out how you will achieve your marketing goals. This can be done by selecting and applying a combination of 'the four P's' also known as the marketing mix. The four Ps are a combination of **product**, **price**, **place** and **promotion** applied to a particular target market. The idea is to use all four components to create the best response in the target market.

Product (and/or service) having the right product for your target market (the people or businesses you want to sell to) requires knowing what they need and want. You will need to consider specifics such as function, appearance, packaging, service, warranty, branding etc.

Tip

Use the Business Victoria marketing plan template to set out your marketing strategy: business.vic.gov.au/marketing

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Price is the process of setting the right price for a product/service while considering what the customer might be willing to pay. Pricing decisions should take into account profit margins and the price your competitors charge. Pricing includes not only the list price, but also discounts, financing, and other options such as leasing. It also includes methods of payment.

Place is how the product gets to the customer. The place where the product/service can be bought and also the distribution channel. Placement/location decisions can include the point of sale e.g. retail vs. online. Distribution decisions include market coverage, logistics and levels of service.

Promotion is communicating and selling to potential customers (old and new). This includes advertising, sales promotion, publicity and personal selling.

Watch out!

Inexperienced market researchers can often struggle to make useful conclusions and recommendations.

The key to market research is not just gathering data but also knowing what to do with it.

Six step approach to market research

Money spent on professional market research of a high quality will rarely be wasted. It can mean the difference between success and the heartbreak of failure and bankruptcy.

However if you have to do your own market research there are six steps to follow:

1. Defining the problem Identify what information you are hoping to discover. This is best done by stating clearly and accurately what you are trying to find out such as:

- The size of the market
e.g. How many people are gluten intolerant in Victoria?
How many other businesses are selling what I'm selling?
- How much customers will buy
e.g. How many times a year will they use this service each year?
- The best place to sell your products
e.g. If your target market regularly goes to the Cardinia Farmer's Market, should you be setting up a stall there?

This is a crucial step and should not be rushed. Time and money spent on determining the exact nature of the problem often saves time and money in the long run.

2. Making an initial investigation You need to develop a clearer definition of the problem and where you may find information and answers. You can get the possible answers by:

- examining published data (such as journals, marketing magazines and government reports)
- talking with people who have some experience with the problem (e.g. consultants)

It is important at this stage to identify if information is available or if you need to conduct your own research to gather the information.

3. Planning the research Make a plan on how to gather the data. Some of the techniques to use include:

- surveys
- market measurements e.g. market share, size and growth

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- motivation research (what motivates the customer to buy)
- sales forecasting (how often people buy and when)

Don't forget

Researching your competitors can also give you valuable insight into your market, including what existing market gaps there are.

Make sure you consider strengths and weaknesses of your competitor's product, price, promotion, innovation and quality of service.

4. Gathering information Collect your data. For surveys and keyword research use inexpensive online services (See Resources on last page). The most commonly used methods of gathering information are:

- telephone polling
- mailed questionnaires
- personal interviews

The choice for the type of data gathering technique varies according to the type of enquiry and the depth of information required. A simple yes or no can be done on the phone, but personal choices such as colour preferences usually need to be face-to-face.

5. Interpreting the data (what does all the research tell you?) Your research findings must be interpreted to be made sense of and to determine what choices you have available. This information or data gathered is organised according to the problem you are trying to solve.

6. Reach a conclusion A conclusion can be drawn on what the next logical step to take is, once the data has been interpreted. However, in some cases, reaching a conclusion may not be easy because of gaps in the information. If you're lacking evidence it's important to say so when drawing a conclusion. A valid conclusion might be you need further information to be able to make a decision.

The key to market research success is a systematic approach and the completion of each step before the next starts.

Resources and tools

Marketing Template	Use the comprehensive Marketing Plan template on the Business Victoria website to gather information and work out your business marketing capabilities.	www.business.vic.gov.au
IBISWorld	Use IbisWorld for free at a Victorian Business Centre to research industry statistics.	www.business.vic.gov.au
Victoria Business Centre	Victorian Business Centres (VBCs) are based throughout the regional areas of Victoria so business owners and intenders can access State Government assistance and support.	www.business.vic.gov.au
Know Your Area	An online tool to provide data on employment, population and housing which can also compare different areas from the Department of Sustainability and Environment.	www.dse.vic.gov.au
Survey Monkey	Intelligent survey software that enables anyone to create professional online surveys quickly and easily.	www.surveymonkey.com

For more information:

- call Business Victoria on 13 22 15
- visit the Business Victoria website at www.business.vic.gov.au

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