

Understanding Market Research

Market research had become one of the more popular services Tudog offers, and we suspect it is because everyone understands that it is better to have information about the market, competitors and the like. Still, we're not sure there is sufficient understanding of the types of market research or their applications. The information is only good to have if it is being analyzed and applied correctly.

This article will seek to explain various types of market research that exist and under what circumstances the research is helpful and necessary. Tudog supports the idea that you need to be informed and that your decisions – all your decisions – need to be based on verified data coming from the field. The world is too complex, and the market too competitive for managers and executives to be making decisions based on what they think is their understanding of the market. Certainly as a general rule strategy should also never be a function of what you had for lunch – so that basically eliminates “gut feeling” as a strategy development premise.

In other words, you need to know. Market research is one way to find out.

Understanding market research entails grasping the different types of research methods and what they are designed to teach you. There are, essentially, 5 types of research that most serve a companies needs. They are:

1. User Surveys – research designed to gain an understanding of what the users of your product think of its quality, purpose, branding, price and other parameters you wish to understand. At the same time you can also gain an understanding of your target consumers' thoughts and feelings regarding your competitors. User surveys are generally conducted on the telephone, online, or in the field at the site where purchases of the product are often made.

2. Demographic & Statistical Data – research designed to provide insight for the purpose of constructing a marketing plan and the positioning of a company or its products. The information gathered is typically profiles of various segments of the population based on a variety of factors such as age, income level, race, and others. The information is gathered from a variety of sources, some of which are government agencies, publications, and industry associations.

3. Competitive Data – research designed to provide you with the information you need about your competitors so that you are able to establish an effective competitive posture. The information captured generally includes their products, how they position their products, their benefit claims, their pricing and deal structures, their technical specifications, their distribution channels, their marketing strategies and tactics, the state of their finances, and (when possible) their plans for the future. There are a number of vehicles to be used to discover this information, including the press. Still, the source richest with information about a company is the company itself. Through their website, promotional materials and press releases you will be able to gather significant amounts of information. Further information can be garnered from within the industry and its dedicated publications.

4. Usability Studies – research designed to teach a company how their customers are using their products. This research is helpful for two reasons; (a) you may need to make product adjustments to meet the demands of the market and allow consumers to get maximum use of the product, and (b) consumers might be using the product for purposes unintended by the company, which may lead to either additional uses, a change of intended use, or new products. This information is gathered through observation of customers as they use the products.

5. Focus Groups – research designed for two critical purposes; (a) to ascertain consumer satisfaction or preferences with regard to a specific product or products, and (b) to try to gain insights into future consumer behavior. Focus groups are essentially face-to-face questionnaires, often in an environment designed to be conducive to gaining trust and eliciting honesty. Tudog does not love focus groups because we are not certain that people always tell the truth (they feel uncomfortable, seek to please, say what they think the moderator wishes to hear). When conducting a focus group we believe it is best to do so as close to the moment of activity associated with the product (such as food shopping if the product is a food item). We also try, when possible, to accompany targeted consumers as they engage in the activity we are exploring, which could be viewed as a mixture of a focus group and a usability study.

Essentially your research should provide you with answers to significant questions, among them are:

- What do the experts think about your sector?
- What are the trends and how do you fit into them?
- What are your competitors doing, how do you compare, and where are your advantages?
- What will funding sources think of your product?
- What will the industry media think of your product?
- Who are your primary customers?
- What will your primary customers think of your product?
- How do you need to position the company and its products within the market?
- What are your most logical price points and what deal structures should you use?

And any other question you seek the answer to and define prior to your research being designed and conducted.

Research provides the knowledge foundation you need to make critical decisions. In today's fast paced world it is recognized that knowledge is a key competitive advantage. If you are side stepping the market research phase to either save money or accelerate your entry into the market you are making an unwise decision. It is much more costly to go back and undo what you never would have done had you known not to do it before you did it. And that, dedicated readers, was an intentionally complicated sentence to demonstrate the absurdity of bypassing the gathering of crucial knowledge prior to critical making decisions.