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Supported by:



Guide to Market Research and Analysis

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Guide to Market Research and Analysis

Successful businesses have extensive knowledge about their customers and their competitors. Acquiring **accurate** and **specific** information about your customers and competitors is a critical first step in market investigation and development of a marketing plan. Accurate market assessment and development of an effective plan is critical to the success of both new and existing businesses. The market impacts and directs all aspects of the company's activities and ultimately will lead to success or failure of the business. In developing a market plan, your primary functions are to understand the needs and desires of your customer, select or develop a product or service that will meet customer needs, develop promotional material that will make the customer aware and ensure product or service delivery.

Market Analysis

Who is your customer?

Knowledge of the customer enables you to determine the market size and what determines their buying decision. It provides information that will assist in choosing a location, determining product or services to be offered, establishing pricing and planning a selling strategy.

Key issues to consider are:

- Who are they? Age, sex, income?
- Where do they live, play, shop?
- How often do they buy? Seasonal?
- Who will buy your product? Primary *and* secondary target groups.
- Where does the buyer live and what is their profile?
- What factors influence the decision to buy?
- Who is involved in the purchase decision?
- How often will buyers buy?
- Where do they buy, when, and how much do they buy?
- What are the buyer's preferences and needs?
- Are customers loyal? Can long term relationships be built?

What product or service are you selling?

An important aspect of market analysis is to ensure that the product or service meets the market (customer) needs. Product or service focus must be the customer.

Issues to address are:

Your Products:

- Are they unique, eye appealing?
- Better designed, higher quality?
- What sizes, any special packaging?

- Is there a need for your products?
- Must you offer a guarantee?
- What will your return policy be?
- Must you stock parts for service?
- Specifications of all your products and or services and key features relative to what prospective buyers in your target market are saying they need.
- Comparison with competitors and how customers perceive your product relative to others available.
- What are the current trends, what stage of maturity is the product life cycle at?
- What regulations apply to your product or service?
- What packaging is required?

Who is your competition?

Are there competitors that exist now and what new competitors are likely to enter the market? How will your product or service compare and what is the probable reaction of your competitors once you enter the market?

Issues to consider are:

- Who are your major competitors?
- What share of the market do they have?
- What are their strengths and weaknesses (e.g. quality, price, service, payment terms, location, reputation, etc.)?
- How do you compare to your competitors and how will they react to your entry into the market?
- What factors is there that could increase or reduce your competition?

What is your target market?

Accurate identification and analysis of the target market enables you to develop an effective overall marketing strategy. The information will assist in determining business size (output requirements), distribution channels, pricing, promotion strategy and other marketing decisions.

Target market issues include:

- What is the overall market size? Number of potential customers and physical boundaries?
- Which segment of the market is the most attractive in terms of future growth potential, ease of entry, competition, profit potential and overall risk?
- How do products generally get to the customer?
- What is the current dollar value or quantity of product/service being sold into each segment of the market?
- What social, technical, environmental or economic changes are taking place within the market and how will they impact sales?

What are your distribution channels?

There may be many options for moving your product to the customer such as direct retail, wholesale, consignment, broker, etc. The method of distribution has important implications affecting your pricing structure, advertising message, cash flow, etc. You will want to choose the distribution method best suited for your product and where you want to be positioned in the marketplace.

Key issues are:

- What methods of distribution are best suited for your product?
- What methods of distribution do your competitors use?
- What are the costs relative to market coverage?
- Does your level of available capital or production capacities restrict your choice of distribution methods?
- Are there ownership opportunities in the supply chain?

Pricing

The objective is to maximize profits while remaining competitive in the market place. Pricing can be based on either the cost price or market price (What will the market pay?). Regardless of the pricing method used, it is critical to know all of your cost involved in delivery of your product or service to avoid possible under pricing and operating losses. If the market will not support a price level sufficient to cover cost, it will be necessary to investigate whether cost can be lowered or alternatively, it may be necessary to abandon your plans to proceed.

Issues to consider are:

- What control do you have over the product price (e.g. exclusive product, no competition, high market demand, etc.)?
- What are competitor prices and how do they price their products?
- What price and sales volume are needed to achieve profit objectives?
- Can you sell your product at different prices into different markets?
- Can you maintain your prices over time and what do you expect to happen to competitors prices?
- Are your prices quantity-sensitive?

Promotion and Selling

Promotion of your product or service and development of a promotion strategy is part of the market analysis. It is important to analyze what are the best methods of making your customer aware and what message will motivate them to buy. From the promotion strategy the advertising budget and overall sales plan are then developed.

Items to consider are:

- What media of advertising and sales do your competitors use?
- What media of advertising is best suited to reach your customer? Primary and secondary media. (e.g. Primary – newspaper and radio; Secondary – flyers and trade shows)

- What sales tools and training will your staff need?
- What image are you attempting to build through your promotion?
- Packaging?

Note: While customer service, in store display and merchandising are not part of the market analysis, they are an important part of the business image and promotion package. Ongoing attention should be given to these areas for maximum promotional benefit and so that the desired image is portrayed.

Primary/Secondary Data Sources

Primary data is the information you will obtain through your own efforts or by hiring someone and can include observation, surveying and experimentation.

Secondary data consists of information which has been gathered by someone else and is relevant to the venture you want to establish. Examples of sources and types include:

- **Canada Business Service Centre in your region** <http://www.canadabusiness.ca>
- **Statistics Canada 1-800-263-1136** <http://www.statcan.ca/start.html>
- **Canada Post 1-800-267-1177**
- **Local, Municipal, Provincial, and Federal Government Departments and Agencies**
- **Business and Industry Associations/Trade Publications/Periodicals**
- **Business and Industry Trade Shows and Exhibitions**
- **Local Public, Business, and Educational Institution Libraries**
- **Business and Popular Press**
- **Business Professional Services, e.g. Accountants, Lawyers, Consultants, Insurance Brokers, Financial Institutions**
- **Business and Education Seminars/Courses, etc.**
- **Other Business People/ Known Acquaintances/Competition/Internet**
- **Neighbouring Businesses**
- **Sales Representatives**
- **Trade Suppliers**
- **Chamber Of Commerce/Board Of Trade**
- **City Or Municipal Hall**
- **Downtown Business Associations**
- **Trade Associations**
- **Shopping Centre Developers**
- **Newspapers, Radio and T.V.**
- **Various Directories**
- **Bookstores**
- **Similar Businesses In Another City**
- **University Or Community College**
- **Business Schools**
- **Advertising Agencies**
- **Phone Book, Yellow Pages**

Observe Your Competition

Get out on the street and study your competitors. Visit their stores or the locations where their products are offered. Analyze the location, customer volumes, traffic patterns, hours of operation, busy periods, prices, quality of their goods and services, product lines carried, promotional techniques, positioning, product catalogues and other handouts. If feasible, talk to customers and sales staff.

Consider how well your competition satisfies the needs of potential customers in your trading area. Determine how you fit in to this picture and what niche you plan to fill. Will you offer a better location, convenience, a better price, later hours, better quality, and better service?

Talk to your Suppliers

Conversation with your suppliers can tell you a great deal about how your industry works and what trends are taking place in your market. They may be able to tell you valuable information about pricing techniques and mark ups, about the fastest moving lines and why they are selling, and why some competitors are successful. (They can also provide you with information about credit terms.)

Talk to your Customers

Conversation with your customers or potential customers can give you insight into what their needs are. They can indicate what they look for in your industry, what they think of your competition, what price they might pay and what level of service they like.

Surveys and Focus Groups

Surveys and Focus Groups represent more formal ways of getting insight from your customers. If you have a specific information requirement and a definable audience, it is likely that you can undertake a useful survey. Designing a non biased questionnaire requires attention to detail. There are many good books available on questionnaire design and initiating a survey. If you are depending on the survey to assist with a costly decision, you may want to consider hiring a professional marketing research firm.

A focus group involves getting feedback from a specially picked group using controlled interview techniques. The process usually allows the participants to provide their opinions, come up with new ideas and brainstorm.

This is valuable for generating new concepts, getting feedback on proposed advertising or gaining insight into attitudes and opinions about a new product. Focus groups require a skilled interviewer and handpicked participants. Professional firms can be hired to tackle the project for you.

Hire Students to do a Survey

Community colleges have marketing management programs where students can be hired on a confidential consulting basis as part of their curriculum. The students do not have the experience of professional firms, but will often do a reasonable job at little cost.

You will probably have to cover expenses incurred by the students and course objectives and timing may compromise your requirements.

For further information on market research and analysis, see the following Canada Business Service Centre Fact Sheets.

When researching your business idea, it is important to do as thorough a search for information as is possible. It is also recommended to do as much of it as you can on your own. This will help you to know the market for your idea better and can help to keep the cost down at the start. Once this initial research has been completed, you may then feel the need to contract professional services to collect additional information for you or to verify the information you have collected so far. The information you have gathered yourself can form an important base of information from which a consultant can work from, and as well, will allow you to identify more specifically what you want them to do for you, particularly when there will be cost associated with their services.

Sources: Saskatchewan Industry and Resources, Business and Co-operative Services and the Government of Canada –Canada Business Service Centres – September 2003

(<http://www.cbcs.org>)