



SMALL BUSINESS **STARTUP**

Conducting Market Research

After creating a business plan, it is time to conduct market research for your new small business. Conducting market research is essential for success—without it, you won't know if there is actually a market for your product or service. Market research helps you understand your marketplace, find out who will buy your product or service and discover your unique selling point, which sets your product or service apart from the competition.

Although this process may sound daunting and complicated, by focusing on three main areas, you will be able to analyse your potential market and determine whether people will actually buy your product or service.

1. Know Your Potential Customers

You cannot hope to sell to customers if you do not know them. If you are an established business, you can do this by asking existing customers for their opinions on your product or service. If you do not have any customers yet, you should formulate an idea of what type of customers you want to target. For example, ask yourself:

- Is your product or service for consumers or other businesses?
- Is it meant for a certain demographic, such as people of a certain age or gender?

Look at your competitors' customers and the customers who buy a product or service similar to yours. These customers will most likely make up a large part of your target market. Once you have identified your target market, you can start planning how to best conduct your research and what type of information you want to gather.

The Value of Market Research

One of the biggest mistakes entrepreneurs make when starting a business is not spending adequate time and resources conducting market research. Proper market research can give you an advantage over the competition and helps you gauge how to best position your product or service.

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The most important thing to know is whether potential customers are actually interested in buying your product or service. Ask whether they have concerns about your idea; specifically, are they sceptical of its quality or its ability to compete against your competitor?

Conducting customer research is also an opportunity to investigate pricing. Weigh your costs against your competitors' to establish your pricing structure, and get feedback on from potential customers to find out how much they are willing to pay. Judge your product or service against your competitors' and ask potential customers what they think about your competition. This can help you identify deficiencies in your competitors' product or service, which you can fill in.

2. Research Your Competitors

In addition to soliciting customer feedback, you should also research your competitors. This will give you a more comprehensive view of your competitors' place in the marketplace and your potential niche. Start by seeking out information on your competitors' turnover, profit and sales patterns. You can get this information from:

- Local business reference libraries
- Trade associations
- Local chambers of commerce
- Commercial publishers of market reports

You can also go straight to your competitors for information or look at their promotional materials to understand how they market themselves. Use this information to challenge your competitors in areas like price, quality and service.

3. Explore Different Types of Research

There are several different types of market research you can use to learn about customers, competitors and the market, including the following:

- **Focus groups:** getting together a small selection of potential customers to use and talk about the product
- **Prototype testing:** providing potential customers with an early version of your product and recording feedback (this is best for new products)
- **Questionnaires:** sending out a list of questions for current or potential customers to answer via post, online or in person
 - Structure the questions as multiple choice or according to a rating scale. Try to elicit opinions rather than just yes-or-no responses.

- **Market report and trend analyses:** getting information on competitors' market popularity and trends your customers are following

The best research method for your business will depend on your product or service, your finances and the market.

No matter which types of research you ultimately use, you will need to receive both quantitative and qualitative feedback to ensure you are fully informed. Quantitative feedback consists of facts and figures, such as how many people are likely to buy your product, or how much your potential customers earn. Qualitative feedback consists of thoughts and feelings about your product or service.

It is important to take into account both positive and negative reactions. Negative reactions can often be more helpful for coming up with improvements to your product or service.

Top Tips

Consider these five top tips to make the most of your market research.

- Ask specific questions. Misleading or badly worded questions produce unusable information.
- Talk to the right people. Talking to a full range of potential customers will help ensure you get opinions from people who would buy your product.
- Ask enough people. Asking only a handful of people will not give you enough information. You need to ask at least 150 people from every segment of your target market.
- Keep research impartial. Encouraging the answers you want to hear will skew your results and ultimately inhibit your success.
- Be realistic. Interpreting results as definitive proof of your product or service's eventual success is unwise. Remember that interviewees do not always say what they think

For more information regarding how to grow your small business, contact **Crendon Insurance Brokers Ltd.**