

SCORE SouthEast Wisconsin

DO IT YOURSELF MARKET RESEARCH

by Ralph J. Schroeder

INTRODUCTION

People going into business think their idea is great and bound to succeed. Unfortunately many, often over 75%, don't. One of the main reasons is the marketability of their product or service. Their idea really isn't great, practical or economical and, therefore, not marketable. No one wants to buy it. You can't know this without checking the market.

The step necessary to see whether the idea can survive the transition from concept to viable business is the MRS, "Market Research Study". The MRS can be as simple or complicated as you care to make it. It usually consists of a series of questions relating to the use or opinion of the potential product or service by the interviewee. It may be presented in either a written questionnaire or given in a verbal interview. Unfortunately, many budding entrepreneurs think of the MRS as being too much work, complicated, overwhelming, or just unnecessary since their idea is such a sure thing. This could be a fatal business mistake. Without checking the market, no one really knows if the concept is marketable.

The MRS doesn't have to be complicated or overwhelming. It is, however, work that should be done to make sure your idea is what the customer wants. "Market research" doesn't have to be expensive, complicated or done by a consultant. In fact, it may best be done by the person attempting to start the business since he/she has much of the required information needed to conduct the research.

ATTITUDE

First, let's not think of market research as a task to be done but rather information needed to be gathered as part of your product development. Interviewees you will be contacting, are not people you *have* to talk to but rather a network of information and business opportunities. Competitors should not be thought of as rivals but future partners; and finally suppliers and shippers, not thought of as services you will need, but people who will want you as their customer. Also, don't think of your product or service in terms of its features but rather as how it benefits the customer or person you're trying to entice.

BENEFITS

Benefits of the MRS being done in the early stages of your process are:

- 1) to provide a reality check. Is the project viable? Should you proceed or are adjustments required?
- 2) confirmation of market focus. Are you targeting the right market segment?
- 3) adjustments to the product development process. The design might be fine tuned, price information determined, market trends read, etc.

ORGANIZATION

Critical to producing a report that will be useful and informative is the assembly of the data gathered and information developed during your research. You'll be gathering a lot of data which may be worthwhile now, later, or not at all. How you gather, record, and file the data will influence its future value. The following is a workable outline used for new product market assessment. Change this outline freely to fit your needs.

SCORE SouthEast Wisconsin

1) TECHNICAL FEASIBILITY

- a) Has the idea been proven; will it work?
- b) Will prototypes be needed or patents checked?
- c) Will performance standards and testing be required?
- d) How does the product or service compare to the competition's technically?
- e) Who are the technical experts?

2) COMPETITIVE SITUATION

- a) Who is the competition?
- b) How does the product compare to the competition in ways other than technically. characteristics such as appearance, price, sale-ability, etc.? How are they compared? What standards are used?
- c) Is it possible to reverse engineer the competition's product? (Buy the competition's product and disassemble it to see how it works.)
- d) Is the competition's product selling? Why or why not?
- e) Is the competition big, small, or non-existent?
- f) How entrenched is the competition?
- g) Are there markets that are not being served or will others have to be displaced?
- h) Are some competitors dropping out of the market? Why?
- i) How are competitor's products distributed and where? What are the incentives for those channels?
- j) How does the competition communicate with the market? What type of advertising is used?

3) MARKET NEED

- a) Describe, in as few words as possible, the problem your product or service will solve.
- b) To what extent will your solution solve the problem?
- c) What product or service, which is similar to the one you are proposing, already exists in the marketplace?
- d) How well does it solve the problem?
- e) Does it satisfy the customer's need from his/her perspective?
- f) How are similar products and services priced?
- g) What causes the price to vary?
- h) What is the implementation cost of your product to the customer in terms of time, effort, money, and resistance to change?
- i) What is the payback period for the customer?

4) INDUSTRY, DEMOGRAPHIC, AND SOCIETAL TRENDS

- a) Are there patents similar to your idea that are not being pursued? Why or why not? Patents are not necessarily a good indication of marketability.
- b) Is there any pending legislation that would affect your products marketability?
- c) How is the economy? It's easier to sell a product when people have money.
- d) Are you secure with your market segment? Are you certain of your target demographic? i.e. age, economic, societal, etc. group.
- e) Have you checked the technical horizon to make sure there isn't some new technology or service coming that will make your product or service antiquated?
i.e. Picture taking, copying, cell phones, etc.

SCORE SouthEast Wisconsin

PREPARING FOR THE INTERVIEW, EITHER BY PHONE OR IN PERSON

Develop a list of questions to complete as much of the previous outline as you feel is necessary. You most likely will use different questions for customers, competitors, suppliers, etc.

Think of the whole process as a network-building effort. Any person you communicate with during this process may be a future customer, partner, associate, or someone you will require service from. Before making that first call, be prepared and organized. Adjust your attitude to be friendly, respectful of the person's time, and appreciative of the information about to be acquired. Remember all these conversations may be laying the groundwork for future conversations.

In your opening remarks prepare to describe your product or service in terms of benefits to the customer rather than its features. Verbalize the problem your product or service will solve. This will establish a reason for the person to want to talk with you.

WHO WILL BE THE INTERVIEWEES

Establish a list of people to be researched before you start. The list will most likely include:

- a) Potential customers -- decide their demographic groups and locations.
- b) Competitors -- think of them as future partners or purchasers of your business. (hint for getting them to talk with you, "ask their advice", "play the new kid on the block game". Remember, ask anything you want, all they can do is not answer.
- c) Distributors and suppliers --, you'll need these people later to carry out your business.

To obtain the names of people to research you can: approach patrons of businesses that provide similar products or services to what you're intending; attend trade shows for similar or parallel products or services; review articles in technical magazines for authors or people quoted or mentioned; check the yellow pages; visit with the local university teaching staff and student body; research the subject at the local library; purchase the time of experts in the field.

After you've got a list of potential interviewees, arrange them in ascending order of importance, most important last. This will enable you to have your interviewing technique and questions down solid before approaching your most important or valuable interview.

CONCLUSION

You can have a MRS done for you by the University of Wisconsin Business School at Whitewater. They'll do a patent review, overview trends and generally give you what you need to make a go or no-go decision for about \$595 (as of 2005). You can have a consultant do it for you for \$5000 - \$6000. Considering the up-front information you'll have to get, the information you will gather from the interviewing that wouldn't get into the report, and the networking you can accomplish by doing it yourself, why wouldn't you?

This has been a very basic discussion of the "Market Research Study". Its intention has been to promote the need for the MRS by anyone contemplating going into business, not provide a complete instruction on how to do one. There are many well-written books on the subject at local bookstores and on file in all libraries. It is strongly suggested that anyone contemplating doing a MRS spend the time and effort necessary to complete this most important step in business development correctly.
