



Business
LINK

Market research and market reports

A successful business needs a deep understanding of potential and existing customers and the marketplace they work in.

This understanding allows you to target customers, sell effectively, compete with other suppliers and identify new opportunities. Carrying out market research on potential customers and your competitors will help you to gain this vital knowledge.

You can build a picture of general trends using **published market information** - from free government statistics and data to paid-for market reports from commercial providers. Your own contacts and sales records can also be a great resource.

You can add to your knowledge by using **field research** - from surveys and discussions to product tests - to investigate customers' attitudes and examine questions specific to your business.

This guide explains what you need to know about market and customer research, how to build your knowledge and how using field research can fill in the gaps.

Customer research: what you need to know

Undertaking customer research on loyalty, satisfaction and service can make a big difference to your business. You should focus your efforts on finding out as much as you can about existing and potential customers. If you can work out how they make their buying decisions, you can adapt your sales methods and techniques to fit your customers' needs.

For business customers, you'll want to know how big their businesses are, what sectors they're in, and who would make the decision to buy your product or service.

If you're targeting individual consumers, it may be useful to know such things as their **gender, age, occupation, income, lifestyle, or attitudes**.

Existing customers

For your existing customers, try to find out:

- what they think about your products or services
- why they need your product or service - this may be different from what you believe
- why they buy from you and not your competitors
- what they think of your prices
- what they expect from you, eg reliable delivery
- how they rate your customer service
- how they think you could develop or refine your products or services

Potential customers

For your potential customers, try to find out:

- who your potential customers are and what groups they fall into
- how many potential customers there are
- how much of your kind of product or service they already buy from your competitors
- the criteria on which they make buying decisions
- what it would take to get them to buy from you
- what developments they expect in your product or service
- when and where they prefer to buy

See our guide on how to know your customers' needs.

Information on market trends and competitor intelligence

Understanding market trends is important if your business is to make the most of its opportunities and remain competitive. You also need to understand your competitors and be aware of what they are doing in order to predict their next moves and exploit any weaknesses.

Try to get answers on:

- Demand for your product or service - is it growing or shrinking?
 - What are the current general economic and market trends?
 - How customer requirements and buying behaviour could change in the future.
 - What new products are in your competitor's pipeline - could they make yours look outdated?
 - How competitors are changing - what are their plans?
 - What do competitors offer and what prices do they charge?
 - How do your competitors advertise and promote themselves?
 - Is there any forthcoming legislation which could affect your market?
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Using market reports and other data

Once you have identified the information you need, you can start to assemble it. Initially it's worth looking at information that's already been published, eg **market reports, official statistics, trade publications**, etc.

Some of this information is free, but some you'll have to pay for. You can obtain market reports and other information from a wide range of sources:

- Your local business reference library is a good starting point.
- Your trade association will have information about your market sector and about any relevant trade publications. Find your local trade association on the Trade Association Forum website - Opens in a new window.
- You can read official statistics on the economy, population and social trends on the Office for National Statistics website - Opens in a new window.
- Reports in business magazines and the business pages of national newspapers can be informative.
- Local authorities and Chambers of Commerce can provide local information. Find your local authority through our Contacts Directory, or find your local Chamber on the British Chambers of Commerce website - Opens in a new

window.

- UK Trade & Investment is a useful resource for exporters, with sectoral information for more than 200 countries worldwide. You can read country overviews on the UK Trade & Investment website - Opens in a new window. You can also read sector reports on the UK Trade & Investment website - Opens in a new window.
 - The internet contains a wealth of business data. Search engines such as Google and Ask can aid searching, while directories such as Yahoo! make it easy to find information by sector.
 - Commercial publishers of market reports include KeyNote, Euromonitor, Mintel, Datamonitor, The Economist Intelligence Unit and Market & Business Development. Reports can often be purchased from the publisher's website.
 - Don't neglect your business' own data. Analysing your sales records or levels of enquiries can provide useful insights.
 - Talking to customers and monitoring their buying habits and how they behave is one of the best methods of market research.
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Interpreting market information

Though there's a lot of readily available market information, you need to be careful how you interpret it.

External data might not be in a useful format to use easily. It may have been collected for other purposes or be from a range that doesn't tally with your target market.

Beware of out-of-date market information. This can be misleading, as the market may have changed significantly since the information was published. It can be particularly hard to tell how recent any information published on the internet is. Some information on the web can be unreliable or biased.

Remember that statistics can sometimes mask the true picture. For example, an 'average' income for the population in your area might conceal a high proportion of low earners - meaning fewer people can afford your product than it appears.

The same principle applies to your own sales records - one or two major customers could distort the picture.

Most importantly, don't make up your mind in advance. Finding market information that simply confirms what you already believe is easy - but only a realistic picture of your customers and markets will be useful to your business.

The basics of quantitative and qualitative field research

Published market information and your own data can tell you a lot about your customers and your market - but it's unlikely to tell you everything.

Field research can be **quantitative** or **qualitative**:

- quantitative research provides statistical information - for example, how many potential customers there are and what their average incomes are
- qualitative research examines people's feelings and attitudes towards your product or service, and what motivates them

You'll probably need to carry out some of your own quantitative and qualitative

field research - talking, observing or carrying out product tests with customers and potential customers. This can help you to:

- test customers' reactions to a new product, and adapt it if necessary
 - investigate attitudes of customers and potential customers
 - find information specific to your business or a local market, rather than the market as a whole
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Planning field research

Good planning is essential if you want to get the right results from field research.

First you need to decide how to collect the information you want. Popular methods include:

- A **survey**, using a fixed set of questions. The most effective way of carrying out a survey is typically with face-to-face interviews, but phone interviews, online questionnaires and postal surveys are also possibilities.
- A **discussion** - often held in small focus groups. Discussions are good for qualitative research as they allow you to explore people's attitudes in more detail.
- **Observation**, to investigate what people do rather than what they say. For example, look at how shoppers react when they pass a particular point-of-sale display.
- An **experiment** - you might, for instance, run a blind taste test of your soft drink against your competitors' products. Alternatively, you could lend your new product to a customer and ask for feedback.

Once you have decided how you'll gather the information, you'll need to work out how to make it happen. **Budget** how much time and money will be needed, as the time involved will normally be significant.

You'll need to **design** your research. For example, drawing up a questionnaire or deciding how you'll run a focus group.

Then there are the **logistics**. If you want to carry out street interviews, make sure your researchers have the required local authority licence and identity card. If you want to run a focus group or conduct face-to-face interviews or product tests, where will you hold them? Where will you find the participants? And who'll run the session?

Consider carefully whether you have got the **skills** in-house to do this. If not, it's probably a good idea to get a market research agency to do your research for you.

See the page in this guide on tips for successful field research.

Tips for successful field research

The way that you conduct your field research will have a significant impact on the quality of the results. Below are the key points to remember when conducting your research and interpreting your results.

Ask the right questions

If your questions are badly phrased then they may produce misleading results.

Avoid closed questions which encourage the answer "yes" or "no". A stationery shop that asks customers if they intend to buy pens in the next year will find out just that - but they won't discover what type of pens, eg specially engraved pens or cheap biros.

Talk to the right people

A survey at a railway station, for example, will get answers from commuters, but if you're targeting people who stay at home with young children, this won't be representative of your market.

Talk to enough people

A survey, for example, of two people won't get you enough information. Some market research professionals suggest asking at least 150 people in order to get a complete picture.

Keep research impartial

It's easy to encourage people to give the answer you want. For example, by asking leading questions or smiling at the 'right' answer. Discussions, where you're not working from a list of set questions, are particularly easy to distort. And in a focus group, individuals with strong opinions may influence the views of others.

Interpret results with care

You need to make sure you draw the right conclusions from your research. Bear in mind that people may distort answers in the hope of affecting what you do. For example, they might say they would be interested in a product "if the price was lower". Qualitative research - where you're investigating feelings and attitudes - can be particularly difficult to interpret.

Be realistic

It can be tempting to pick out results that confirm what you want to hear, and ignore the rest. But ignoring negative results could damage your business. Be prepared to modify your plans if necessary.

If you don't have the time or skills to carry out research yourself, consider using a market research agency. See the page in this guide: should I use a market research agency?

Should I use a market research agency?

Though you may be able to do your own field research, it may be better and more cost-effective to outsource the job to professionals and use the services of a market research agency - see our guide on outsourcing.

The benefits to your business are:

- Market research professionals are likely to get **better results**. They have experience in designing survey questionnaires, running focus groups and asking the right questions.
- Customers may find it easier to be **honest** with an outsider, particularly if they have a complaint.

- Customers may worry you're trying to **sell** them something if you conduct the research yourself.
- You may find it difficult to be **impartial**, particularly if people criticise your business.

For small-scale field research, your best option may be a **freelance researcher**. A market research agency won't usually take on projects with a budget below £3,000.

As well as recommendations from business contacts, you can search for a market research agency on the Research Buyers Guide website (registration required) - [Opens in a new window](#).

Before taking on a market research agency or a freelance researcher, investigate their **reputation**. Ask for a list of previous clients and contact them for feedback. Check the agency or researcher has relevant experience and consider how comfortable you'd feel working with them. And get a clear idea of **fees** for the services you want.

Check the agency's researchers or freelance researchers fit the image of your business. If they'll be carrying out **street interviews**, confirm they'll have the required local authority licence and identity card.

Make sure you provide a thorough and clear **brief**. This needs to cover areas such as the business objectives behind the project, the information the research should uncover and how you intend to use the results.

Here's how I made the most of market research

Richard Rivlin

Bladonmore - [Opens in a new window](#)

Richard's top tips:

- "Invest time - it's your most important research commodity."
- "Split research into three areas - market trends, competitors and potential customers."
- "Focus customer research by writing a wish list of your three dream clients, then thinking specifically about their needs."

Bladonmore is a financial training and media business, based in London. A customised service and a gritty, real-world approach to training have enabled the company to grow rapidly during its first two years. Director Richard Rivlin explains how effective use of market research has contributed to Bladonmore's development.

What I did

Spend time not money

"Like most companies starting out, we needed to research our target market but didn't have limitless cash to pay someone to do it for us. Doing it yourself is cheap in money terms - but you have to invest your time if you expect to get

anything useful out of it.

"Over a period of three months, I went on a virtual fact-finding mission using the internet. If you persevere, you can find an incredible amount of quality information for free, including market reports and expert analysis. Business consultants' websites, industry bodies and sector-leading companies are a good place to start."

Apply the research

"Throughout my research, I was careful to avoid **analysis paralysis**. There's no point hiding behind piles of market data and thinking you have done something constructive. You have to use the information to develop your business. Having clear objectives helps. I wanted to know the size of the market, to learn from competitors' successes and mistakes and to understand what potential clients want.

"I focused on data from reputable sources and used it to help formulate a business plan. At a later stage, I also used research facts in Bladonmore's marketing material - but always bearing in mind that I didn't want to give away too much to competitors."

Keep up to date

"Research isn't just about reading the occasional market report. It should be an ongoing process that keeps you up to date with your market, your rivals and your clients. I find newspapers one of the best research sources. There's something relevant to our business in the press almost every day. For example an article about increased activity in venture capital (VC) markets is useful, because companies looking for VC finance often need financial presentation training."

What I'd do differently

Head for the top

"I didn't wake up to the wonders of free expert research soon enough. If I had my time again, I'd head straight for the websites of top consultants. You may not be able to afford their research fees, but they publish enough in the public domain to meet the needs of many smaller businesses."

Be disciplined

"I now make it part of my daily routine to clip useful research out of newspapers. I even carry around a small pair of scissors for the purpose. It's yielded several business development ideas and I wish I'd got into the habit sooner."

Related guides on businesslink.gov.uk

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Here's how I got my great new product in front of customers

Here's how I marketed my products and services on the web

Related web sites you might find useful

Marketing e-course on the learndirect business website

http://www1.learndirect-business.com/?target=xpc.asp?course_id=5553%26wbt_type=course

Market research and market reports course on the Chartered Institute of Marketing website

<http://www.cim.co.uk/0663>

Researching your customers guidance on the Microsoft Small Business Centre website

<https://www.microsoft.com/business/en-us/resources/marketing/market-research/researching-your-customers-6-tips-on-what-to-find-out.aspx>

Download competitor intelligence guidance from the Chartered Institute of Marketing website (PDF, 159K)

<http://www.cim.co.uk/dwnldr/453871>

Download a research methods guide from the Market Research Society website (PDF, 36K)

<http://www.mrs.org.uk/mrindustry/downloads/newcomers.pdf>

Market research information on the Chartered Institute of Marketing website

<http://www.cim.co.uk/resources/understandingmarket/mrr.aspx>

Customer analysis information on the Wise Marketer website

<http://www.thewisemarketer.com/features/read.asp?id=85>

Market research agency search on the Research Buyer's Guide website (registration required)

<http://www.rbg.org.uk>

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