

Overview

Market research is a vital part of any successful business. Business is the set of activities that deliver goods and services to their ultimate consumers; it operates within an environment in which they are producers and consumers. In a free market, there can be many producers of the same type of product, resulting in competitor producers for a particular market (group of consumers). A business that understands well the needs of its target customers as well the motives and behaviours of its competitors has a much better chance of success.

What exactly is market research?

Market research is primarily the gathering and evaluation of data regarding consumers' preferences for products and services. It also extends to analysing and understanding the strategy of that market's competitors.

Why conduct market research?

Market research is critical because it helps identify a product's target audience, its strengths, weaknesses, competitors, threats, requirements and opportunities.

Market Research Sources

Market research data can be obtained via a number of activities such as:

- Carefully crafted questionnaires/surveys (conducted via email, phone, web page focus group sessions, etc.);
- Direct discussions with target customers.
- Participating in, or monitoring, industry groups and consortiums; and
- Attending industry events.

Alternatively, market research can be purchased from commercial vendors of research information; these include such well known companies as Forrester, Yankee Group, IDC, Cahners In-Stat and Frost and Sullivan. A good sampling of open sources can be found on the web at sites like ResearchSources (<http://www.research-sources.com/>).

The cost of reports purchased from commercial vendors may often seem expensive; however, if one factors in the real costs of conducting research such as phone or mail polls, and the opportunity cost of time taken to conduct them, then their cost may well be worth it.

What does market research seek to answer?

- Is there a market for the product (idea/product/concept/service)?
- Can the target customers be identified?
- Are the customers' location known?
- Can the competitors be identified?
- Does the product have any advantage over the competition?
 - E.g., features, price, availability, etc.
- Are the competitors costs and prices known?
- Are there enough customers to sustain the business?
- Do you know how to sell the product?
- Will the product be profitable?
 - I.e., can you afford the selling costs of the product?
- Can the products be priced competitively and still make money?