

# Marketing Research for Small Businesses

*Expert knowledge means success*

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

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## Introduction

Understanding your customer – and that means truly understanding what he/she wants, believes, thinks, needs or does – is the cornerstone of all marketing. It is the backbone of knowing how and where to sell your products and services. The clever part is how to get that information. It can be compressed into just two words: marketing research.

Let's imagine a business has a great idea for a product or a new service, doesn't it make sense to consider:

- Is the market ready for the product or service?
- Is the business ready for the market – can it deliver its promises?
- What is the target market and what are their buying habits?
- Where is the largest market for the product or service?
- Which markets are growing the fastest?
- What trends are being observed?
- Who are the competitors?
- Do competitors already offer the product or service and if they do, how does it compare?

## Background

### Marketing

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Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational objectives.

### Market Research

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Market research provides vital information for marketing decision taking and is a process used to collect, organize, maintain, analyse and present data for the purpose of maximizing the capabilities, technology and competitive forces of the marketplace to meet an organization's needs for supplies or services.

### Comparison with Marketing Research

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Market research and marketing research are

often confused. 'Market' research is simply research into a specific market. It is a very narrow concept.

'Marketing' research is much broader. It not only includes 'market' research, but also areas such as research into new products, or modes of distribution such as via the Internet.

Here are a couple of definitions<sup>1</sup>:

"Marketing research is the function that links the consumer, customer, and public to the marketer through information - information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process."

"Marketing research specifies the information required to address these issues, designs the methods for collecting information, manages and implements the data collection process, analyses, and communicates the findings and their implications."

## Marketing Research

As mentioned above, marketing research essentially means gathering all the information you need to make decisions about your business. It involves the systematic gathering, recording, and analysing of data relevant to selling the goods and/or services you make. It is information that cannot usually be obtained from any other source. Industry, commerce and government use research to help them produce goods, services and policies matched to the public's needs.

Most successful businesses use marketing research to help them stay ahead of their competitors. Marketing research, if done properly, can be incredibly valuable and inexpensive. On the other hand, failure to properly assess the market can be very expensive and may lead to disaster.

Marketing research is a cost effective way to get valuable customer information since by talking to a relatively small number of people you can find out about a far larger number. But it only works if:

- The sample group spoken to is representative of the total group of interest; and
- The right questions are asked.

## The Two Basic Types of Research

Whilst there are several ways to identify and extract information about your targeted market, your budget and the type of information you need, will determine the method of research actually undertaken. Research starts with defining who your potential customers are and then trying to understand exactly what they want and need. You can find the answers for your marketing research analysis by using either Primary Research or Secondary Research.

### Primary Research

This is information collected directly from a respondent population as opposed to secondary or published data. Primary sources provide first-hand information. When you survey your customers, or question the competition, you're gathering unique, very applicable information directly from the source. While this kind of data can be the most costly and time-consuming to gather, it can also be the most valuable, because it's the most current and the most specific.

Large companies with large purses can afford to spend a lot of money on research and will usually focus on Primary Research. However, smaller businesses can do their own marketing research and need more specific information than you can find using secondary resources. You can conduct your own interviews, focus groups, product trials, or just personally observe your target market.

Primary data includes:

- Conducting surveys to create market data or using other research instruments such as questionnaires, focus groups, and interviews - talking to target customers on the telephone, or in person or through a mail-out survey.
- First-hand observations – for example, going to shops to count the number of products, people or events that relate to your particular product.
- Conducting tests – taste tests, trials etc.

### Secondary Research

Secondary data is any information derived from intermediate sources. Industry figures, databases, library sources are examples of secondary data (for more sources, see below). Secondary data is data that's already been collected by someone else. Secondary

information is not as good as primary data since:

- It is not entirely focused since it is usually several steps removed and doesn't tell you exactly about the customer's unique and present perspective.
- Most secondary data is available to everyone – including competitors.
- It is usually out-of-date and may have been originally collected for an entirely different purpose.

Examples of sources for secondary data include:

- Libraries and other public sources.
- Books, publications, magazines and papers.
- Trade associations, Chambers of Commerce, Enterprise Agencies, Business Links, <sup>2</sup>BIS.
- UK statistics (visit [www.statistics.gov.uk](http://www.statistics.gov.uk) or UK data).
- The CIA's world fact book – providing very detailed statistics on most countries [www.cia.gov/cia/publications/factbook](http://www.cia.gov/cia/publications/factbook)
- Resources from the US Department of Commerce including the US Industrial Outlook published annually and categorised by SIC code and US Census Bureau Statistics.
- Competition - from company brochures, price lists etc.

## Research Methods

Research uses "sampling". This allows the researcher to reach conclusions about a population within a certain degree of accuracy without having to survey everyone. It is not necessary to have a large sample size but the sample ought to be representative of the whole. There are two ways of conducting primary research - qualitative or quantitative.

### Qualitative Research

This provides definitive market information regarding the opinions and behaviours of the subjects in the market research study. Qualitative research should be used when you really want to understand in detail why an individual does something. It is often used to elicit a respondent's purchase logic – this explains why an individual buys a particular product or service. Thus, it is the basis for identifying real market segments, i.e., groups of people who purchase for the same reasons.

Qualitative research is used to achieve a variety of objectives such as:

- Obtaining helpful background information on a market segment.
- Exploring concepts and positioning of a business or product.
- Identifying attitudes, opinions and behaviour shared by a target market.
- Prioritising variables for further study.
- Fully defining problems.
- Providing direction for the development of questionnaires.

The most common qualitative research techniques are personal interviews, telephone research and focus groups. The characteristics of each are:

## Personal Interviews

- Conducted on a one-on-one basis with flexibility on location and time
- Extensive probing with open-ended questions
- Usually recorded on audio tape
- Interview typically lasts one hour
- Usually no more than 50 persons are interviewed
- Interviewer can observe reactions, probe and clarify answers
- Usually nets a high percentage of completed surveys
- Interviewer can use visual displays
- Can be costly and time consuming

## Focus Groups

- Groups of 8-12 people
- Led by a moderator who follows a script
- Groups are audio or video recorded
- Meetings last from 1-2 hours
- Minimum of two groups scheduled per target market
- Group dynamics factor in data collection
- Wide distribution and low cost
- Interviewer bias is eliminated
- Unable to guarantee a specific total sample

## Telephone Surveys

- Fast
- Lower cost than personal surveys
- Small response bias
- Wide geographic reach compared to personal surveys
- Survey length is limited.
- Difficult to reach busy people
- Difficult to discuss certain topics
- Can be expensive compared to mail surveys

## Quantitative Research

Quantitative research creates statistically valid market information. Some common uses for quantitative research include:

- Substantiating a hypothesis or to prove a theory
- Minimising risk
- Obtaining reliable samples for projecting trends

The primary reason for conducting quantitative research is to learn how many people in a population have (or share) a particular characteristic or group of characteristics. It is specifically designed to produce accurate and reliable measurements that permit statistical analysis. Quantitative research is appropriate for measuring both attitudes and behavior. If you want to know how many people use a product or service or have interest in a new product concept, then quantitative research is what you need. It is also used to size a market, to estimate business potential or volume, and to measure the size and importance of segments that exist in a market.

## Why use Marketing Research?

Usually, before launching a new product, organisations have no real idea of how the features and benefits of that product will be perceived by others or whether they will be prepared to buy it. Others may not necessarily value the same things in the same way as desk top guesses may suggest. That is why it is crucial to conduct marketing research - to find out what consumers really want.

Marketing research is critical before you spend time and money developing a new product or service. It's also vital to analyse your market through marketing research to properly target your customers before you waste your money on advertising or other marketing efforts that won't get you the results you want for the product you've developed.

The marketing research process begins with identifying and defining the problems and opportunities that exist for your business, such as:

- Launching a new product or service.
- Low awareness of your company and its products or services.
- Low utilisation of your company's products or services. (The market is familiar with your company, but still is not doing business with you.)
- A poor company image and reputation.
- Problems with distribution, your goods and services are not reaching the buying public in a timely manner.

The research can be used to:

- Test new products (everything from foods, to magazines, to cars) during their development stages
- Assess customer needs and reaction to a company's and its competitors' products
- Discover new market or market segment opportunities.
- Learn about and monitor customer satisfaction with shops, holiday destinations, arts centres, products, local authority services etc.
- Gauge customer needs and reaction to a company's and its competitors' products.
- Measure competitor offerings.
- Evaluate employee morale and measure their degree of satisfaction.
- Identify gaps in market needs.
- Identify new product and/or service opportunities.

Consider using a grip approach which shows the two types of data sources and the three areas of research that are important to any business:

You need to gather information from and about your customers to focus your marketing efforts, maintain and improve your customer service, and to lead your initiatives in developing new products and services.

Competitor information can help you determine what works and what hasn't worked, gives you ideas for improving your products and/or services, and provides insight into how to increase or shift your share of the market.

The environment means the economic, social, technological and political forces that can impact upon your business. Gathering information about it allows you to stay abreast of and respond to changes as they occur.

## The Reasons

The 3 main reasons why a business should undertake marketing research are:

1. To improve business results.
2. To reduce risks.
3. To discover new opportunities.

Type of Data	Customer	Competition	Environment
Secondary			
Primary			

## Doing Marketing Research Yourself

Many small business owners can't afford to pay for an external agency to undertake research for them. It can be very costly. Conducting marketing research yourself is often the only viable option. Although it's time consuming, doing your own market and marketing research isn't difficult. In fact, most small business owners undertake some form, albeit unstructured, of on-the-job marketing research every day. However, a more formal marketing research is likely to be more effective to keep a small business ahead of its competitors.

## Example

The success story of the Sony Walkman is often used to argue against the need for marketing research. The Walkman was not so much a new product but rather the adaptation of existing technologies. Conventional marketing research would probably not have established the need for such a product but initiative marketing and outstanding engineering gave the company the courage to launch the product in 1979. Akio Morita of Sony used to boast that Sony did not conduct marketing research prior to launching the Walkman.

But undertake research they certainly did - Morita observed that the young wanted music around them all the time but existing portable cassette players were too bulky. The phenomenally successful Walkman solved both problems. Sony gave a Walkman to a group of young people to try out and then watched closely how they used it. Two things emerged:

1. The testers were very surprised at the quality of the sound - a selling point that the company then made use of in its advertising campaigns.
2. Originally, Sony thought that the Walkman would be used by couples together and would therefore have two headphone sockets. After listening to and watching the young people who tested the prototypes, Sony re-launched the Walkman as a portable stereo for one person with one headphone socket.

- As "price" is part of the product offering, work out a provisional pricing structure to make your discussions in the research meaningful to the sample group.
- Don't confuse expressions of interest with a commitment to buy.
- Talk to the right people – those who will actually make the decision to buy.
- Keep your survey or questionnaire fairly short but provide some opportunity for detailed answers.
- Remember that, since the purpose of marketing research is to gather and analyse the data, you must have a system for recording the data.
- Set the criteria in advance so that you know when to stop with enough information to make your marketing decisions.

## Resources

### The Green Book

The Green Book is a Worldwide Directory of Marketing Research Companies and Services. It includes the full range of marketing research companies and services worldwide. It can help you select the best research services for your needs. Details at: <http://www.greenbook.org>

### University of Strathclyde, Department of Information Science

This provides details of commercial marketing research companies. It focuses on British companies, internet/online-focused companies, and very large companies: it does not attempt to list all market research companies. There is a separate page listing sites with statistical, economic, export data. Details at: <http://personal.dis.strath.ac.uk/business/marketres.html>

### Maritz® Research

Maritz® Research is one of the world's leading marketing research firms and serves many of today's biggest and most successful companies. Maritz Stats 2.0 performs statistical tests and can be downloaded free – it runs statistical calculations such as t-tests, Z-tests, sample size determination and Chi-square tests. The software is sophisticated enough to run non-parametric McNemar tests and partially overlapping sample t-tests and Z-tests to name a few.

Details at: [www.maritzresearch.com](http://www.maritzresearch.com)

## Marketing Research Tips

Marketing research can provide information to help project future trends, understand better what product or service people want and plan a marketing programme for your business. Here are some tips to help you:

- When you're doing your own marketing research, remember that the information you get will only be as good as your sample. Be careful when selecting your sample group to question. To get useful data, your sample group needs to be relevant to and representative of your target population.
- Set objectives – to record what you need to know that will be helpful to your business in its marketing initiatives.
- Consider whether it's necessary to protect your idea (with patents, trade marks etc.) before divulging details to potential customers.
- Design your survey or questionnaire carefully. Make sure that it's focused specifically on the information you need to know.

## Research Info

A good source you turn to every time you're looking for information on the marketing research industry.

Details at: <http://www.researchinfo.com>

## The Market Research Society

The Market Research Society is the world's largest professional body for individuals employed in marketing research or with an interest in it.

Details at: [www.marketresearch.org.uk](http://www.marketresearch.org.uk)

15 Northburgh Street, London EC1 0JJR, UK  
Tel: +44 (0) 207 490 4911

## @BRINT

Good all around site for business research.

Details at:

<http://www.brint.com/Business.htm>

## Quirks

The Quirks.com Web site is a one-stop source for information on marketing research offering articles, and searchable source book of over 5,800 research firm. Details at:

<http://www.quirks.com>

## Recommended Reading

- *Inside Information* by David Smith and Jonathan Fletcher, published by John Wiley and Sons; ISBN: 0471495433.
- *Marketing Research for Managers* by Sunny Crouch and Matthew Housden, published by Butterworth-Heinemann; ISBN: 0750604883.
- *Questionnaire Design* by Paul Hague, published by Kogan Page; ISBN: 0749409177.
- *Qualitative Marketing Research* by David Carson, et al, published by Sage Publications Ltd; ISBN: 0761963669.



- *Marketing Research* by David Aaker, et al, published by John Wiley and Sons (WIE); ISBN: 0471363405.
- *Essentials of Marketing Research*, by Tony Proctor, published by FT Prentice Hall; ISBN: 0273642006.
- *Basic Marketing Research*, Churchill, published by Thomson Learning; ISBN: 0030211042.
- *Marketing Research: tools and techniques* by Nigel Bradley, published by OUP Oxford; ISBN-10: 0199564345, ISBN-13: 978-0199564347.
- *Marketing Research* by David A. Aaker, published by John Wiley & Sons; ISBN-10: 0470524618, ISBN-13: 978-0470524619.
- *Marketing Research* by Alan Wilson, published by Financial Times/ Prentice Hall; ISBN-10: 0273718703, ISBN-13: 978-0273718703.

## Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

## References and Acknowledgement:

<sup>1</sup> American Marketing Association - Official Definition of "Marketing Research". See also Dictionary of Marketing Terms, 2d edition, edited by Peter D. Bennett, published by the American Marketing Association.

In this section we acknowledge information derived from the US SBA (Small Business Administration) Online Women's Business Center: [www.onlinewbc.org](http://www.onlinewbc.org)  
They are an organisation focused on helping women entrepreneurs with resources and programs to build successful businesses.

<sup>2</sup> The Department for Business, Innovation & Skills (BIS) was formerly known as the Department for Business, Enterprise and Regulatory Reform (BERR) and before that was called the Department for Trade & Industry (DTI).

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Publication issued or updated on:  
1 February 2012

Ref: 531

