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How to research your market

Synopsis

Finding market information relevant to your particular business is a crucial part of both starting up and evolving your enterprise. Before starting up a business, or as part of the ongoing development of an enterprise, you will need to do some research to identify potential customers and competitors. This report looks at some of the various sources of market and business information available to you and how to gain access to them.



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Introduction

Many new businesses fail to undertake basic (and in some cases, any) market research before they start up, increasing the likelihood of early failure. And just about every single business that begins trading does so without a proper marketing plan.

This introductory guide explains the kinds of questions your market research should address before starting up, and describes the main ways of carrying it out. It also introduces you to some essential and popular sources of market information that you will find useful.

This guide also explains how to write your basic marketing plan in seven simple, easy to understand steps, covering understanding your customers and competitors, choosing a marketing medium and setting sales goals and targets.

How will market research help you?

Before starting up in business, your initial research will help you to identify:

- Whether there is a market for your business idea.
- The value and volume of demand for your products.
- Trends currently affecting your market sector, and likely future developments (for example, proposed legislation or technology changes that may affect your ability to trade).
- Specific information about your target customers: who they are, where they live, how old they are, how much they earn, their gender, employment status and job title.
- Who you will be competing against, and their strengths and weaknesses.
- Whether there are potential business partners you could collaborate with.

Whatever the exact purpose, thorough market research will help you confirm or refine your initial assumptions about your market and business proposition.

Where can you find market information?

Market information is available from a variety of sources. Some is free and useful as a starting point, but often you will need to pay for more in-depth information and data.

Accessing market information will involve buying market reports from a variety of premium sources, including those that specialise in publishing data about specific market sectors. This type of information tends to be general and countrywide.

However, this can provide you with good background information that is useful for your business plan or marketing plan.

Information about your market sector

Your initial market research will help you identify information about:

- Your target market, its location and size.
- Your customers' buying characteristics and habits.
- Your competitors' strengths and weaknesses.

Answering the following questions will help you to build up a picture of the key issues and trends affecting your business idea.

- Does your knowledge of the market and the research you have carried out suggest that there is sufficient demand for your product or service?
- Are these markets expanding or declining?
- What are the current trends?
- What are the forecasts for the next two to three years?

Information about your customers

It is essential to know as much detail as possible about who will buy your product or service, so that you can direct your marketing efforts precisely towards your target audience. Your research will help you answer these important questions:

- The characteristics of your target customers in terms of age, gender, socio-economic status, profession, business type, location, purchasing habits, ethnic background, membership of clubs, and so on.
- The reasons why these specific groups of people (or businesses) will buy from you.
- How much they are prepared to pay, and how often.

Information about your competitors

Thorough research will help you to understand your competitors' business activities, performance, successes, failures, marketing campaigns, etc. This research will enable you to identify:

- Who your competitors are, and how many you have.
- Where they are located.
- What your competitors sell, and how.
- Your competitors' strengths and weaknesses, and how you can make your business different from theirs.
- If other competitors will enter your market in the near future.

To find information about potential competitors, your local city/central library may have business information databases and directories of trade publications. Ask if they hold

any of these databases: FAME (Financial Analysis Made Easy), Dun & Bradstreet Key British Enterprises (KBE) or Experian (see below for more details about these databases).

You can also find the trade association for your business sector at www.taforum.org, and browse a directory of trade publications at www.tradepub.com.

Getting started with your research

Most towns and cities have a main reference library or a local college or university library, which will usually have a good collection of business information. Some enterprise agencies even have their own business libraries that their clients can use.

Libraries will often have market reports, company information, statistics and trade magazines. In addition they will usually have publications which will help you find information elsewhere (for example, research indices, trade directories or abstracting publications containing short summaries of articles). You can then go to the original source to look at the information in more detail.

- The British Library in London has a comprehensive business collection and you can often borrow items from there through your local library. The library has an enquiry line so you can easily find out whether they have what you are looking for. The library also has a searchable online directory that can be accessed by visiting www.bl.uk.
- Information and Libraries Scotland produces a booklet of information and library resources available in Scotland (see www.slainte.org.uk for details). The National Library of Scotland also has a catalogue of Scottish information resources and provides guidance for researchers at www.nls.uk.

Using the Internet and online resources to find free information

The Internet is now the major research tool and you can carry out your own research using search engines and online directories. Searching the following websites can help you identify economic trends, assess regional demographics, research consumer types and a whole range of other factors.

Government statistics

- A wide range of government statistics can be accessed via the Office for National Statistics (ONS - www.statistics.gov.uk) for England and Wales, or at the General Register Office for Scotland (GROS - www.gro-scotland.gov.uk) and the Northern Ireland Statistics and Research Agency (NISRA - www.nisra.gov.uk). These websites include details about key demographics, the labour market, economic changes, statistical digests, social trends and regional profiles. These organisations also compile reports on spending patterns, socio-economic trends and regional economies.
- The most comprehensive survey of the population of England and Wales can be found by accessing the Census data at www.statistics.gov.uk/census2001/default.asp

(a Scottish equivalent can be found at www.gro-scotland.gov.uk/statistics/census). The figures are based on the 2001 National Census and provide information on population numbers, occupation, transport, wealth, employment and ethnicity.

- Government information and details of business laws throughout the UK are available from the Office of Public Sector Information at www.opsi.gov.uk, or try www.scottishlaw.org.uk/lawscotland for details of legislation specific to Scotland.

You can find a practical factsheet that lists dozens of sources of statistical information, and provides tips on how to interpret the data, at www.scavenger.net.

Information about consumers

- Try www.neighbourhood.statistics.gov.uk for local statistics. You can search by city or postcode to access a range of data on income, lifestyle, migration, transport and other key factors.
- Online information publishers www.upmystreet.com and www.checkmyfile.com provide analysis of an area defined by its postcode, outlining education facilities, the property market, consumer classification types and public transport provision. This can be useful when building up a picture of the economic health and consumer wealth of a particular area.
- You can also use Marketing File (www.marketingfile.com) for information about consumer personalities, motives, lifestyle and behavioural patterns.

Market information and advice

- Don't underestimate the value of the Internet. Using Google (www.google.co.uk) or Yahoo! (www.yahoo.co.uk) to research your market sector can help you find free articles, reports, executive summaries and discussion forums that can all give you an insight into the market's size and trends. For example, typing 'UK sportswear market worth' into Google tells you the market is worth £4.05 billion (correct at the time of publication).
- Online discussion forums and weblogs ('blogs') are also useful places for monitoring news about your industry and networking with potential partners - you can find a directory of discussion forums at www.ukbusinessforums.co.uk and a list of blogs at www.blogwise.com.
- Trade bodies or professional associations will often provide market information for their members. They may also be able to provide advice on finding further data and interpreting your results. You can find a list of these organisations by accessing the Directory of British Associations at your local library. You could also try the Trade Association Forum at www.taforum.org or www.britishservices.co.uk/associations.htm.
- Cobweb Information provides a free bulletin for individuals and small businesses providing useful ideas, hints and tips on running a small business. Sign up free

of charge at www.enterprisequest.com. You can also browse Cobweb's research database at www.scavenger.net for over 800 business profiles, factsheets, checklists and market reports.

Information about business customers

- If you are planning to sell to business customers, try www.icnetwork.co.uk and www.british-towns.net to find information about businesses operating in the UK's counties, towns, villages and communities.
- Your local council can provide information on businesses operating in your area. Visit www.directgov.gov.uk to find your local council.
- Business support organisations and advice services, such as your local Chamber of Commerce (see www.chamberonline.co.uk) or enterprise agency will also have information on businesses in your area - go to www.nfea.com (or to www.bes.org.uk in Scotland and www.enterpriseni.com in Northern Ireland) to locate your nearest agency.
- Networking with other businesses can be a useful way of finding information and potential partners - see www.ukbusinessclubs.co.uk to identify over 800 business clubs.

Trade magazines

Almost every industry, no matter how niche, will have some sort of dedicated publication, trade magazine or periodical covering news and events in the sector. These can prove extremely useful to keep up to date with the latest developments in your industry. You can also gain best practice advice, access market information, see what your competitors are up to and stimulate new ideas.

You will probably need to take out a subscription, although some trade magazines can be bought directly from newsagents. However, many trade publications also have dedicated websites which are sometimes free to access. National newspapers and their corresponding websites may also dedicate specific days to certain industries or produce supplements for individual sectors.

You can find a directory of all the magazines and publications in the UK at www.mediauk.com, and a comprehensive list of existing trade publications is available at www.tradepub.com.

Finding information about your competitors

You should use as many sources as possible to build an accurate picture of what your competitors are up to, how much they charge, how well they are doing and where they are based. Directories listing contact details and sometimes financial information about firms are widely available in libraries. These include:

- UK Kompass Register (www.kompass.co.uk) - this comes in four volumes including ones covering company profiles and financial information. It is also useful for sourcing suppliers.

- Who Owns Whom - this covers corporate structures in all industries, and includes details on subsidiaries and parent companies. It is published by Dun & Bradstreet. You can check their website for registration details (www.dbai.dnb.com/uk/en/logon.html).
- Key British Enterprises - this lists the top 50,000 companies in Britain alphabetically and covers a wide variety of information ranging from corporate background to key decision makers in the company. It is published by Dun & Bradstreet. You can check their website for registration details (www.dbai.dnb.com/uk/en/logon.html).
- Kelly's Business Directory (www.kellysearch.com) - this is a quick guide for buyers, providing a list of suppliers and their contact details.

Basic information about businesses, such as the name, address and contact details, can be found at:

- Europe's largest business directory, Ask Alix: www.askalix.com/uk
- County Web: www.countyweb.co.uk
- British Companies: www.britishcompanies.co.uk
- Yellow Pages Online: www.yell.com
- Thomson Business Directory: www.thomweb.co.uk

Commercial online information sources and company mailing lists (which have to be paid for) include:

- LexisNexis - contains newspaper, business, legal and trade journal articles covering a range of sectors: www.lexisnexis.com.
- Dialog - has over 350 databases which cover information on news, industry analysis, market research, finance, media, pharmaceuticals, chemicals and energy, food and drink. However you will need to subscribe to access the information: www.dialog.com.
- Dun & Bradstreet - covers business and credit reports, country risk services and company documents: www.dbai.dnb.com/uk/en/logon.html.
- FAME (Financial Analysis Made Easy) - covers financial information on UK companies but requires subscription: www.bvdep.com/FAME.html.
- AMADEUS - covers European company financial information: www.bvdep.com/AMADEUS.html.
- ORBIS - for global company searches try: www.bvdep.com/ORBIS.html.
- ICC - information on UK companies, directors and shareholders across a range of sectors: www.icc.co.uk.
- Prospect Swetenhams - for company mailing lists: www.prospectswetenhams.com.

Many of these information sources are subscription based and can be very expensive. However, many libraries subscribe to these services and will be able to help you find what you need.

Finding regulatory and financial information

You will also need to research information about the following aspects of starting up your business:

- Are there any grants, loans or financial support schemes available?
- What are the laws and regulations that apply to your business type and sector?

Your local council will be able to advise you about business rates in your area, as well as any trading licences you will need before you start trading. Find your local council by visiting www.direct.gov.uk.

You can also check out the following information resources:

- Business Link (www.businesslink.gov.uk) - for information about financial support for your business, general business advice and guidance on legal requirements. Scottish businesses can visit www.bgateway.com or www.hie.gov.uk, Welsh ventures should click on www.busesseye.org.uk and Northern Irish firms should go to www.investni.com.
- HM Revenue & Customs (www.hmrc.gov.uk) - for advice about tax, VAT and National Insurance, as well as importing and exporting.
- Acas (www.acas.co.uk) - for guidance on complying with employment law, including maternity pay and the minimum wage.
- Health and Safety Executive (www.hse.gov.uk) - for details about the health and safety regulations that will affect your enterprise.
- British Venture Capital Association (BCVA) (www.bvca.co.uk) - for information about financing your business with private equity.
- British Business Angels Association (BBAA) (www.bbbaa.org.uk) - for advice about finding a business angel.

What can specialist market reports be used for?

Market reports vary in detail, ranging from general industry information on broad sectors such as the leisure industry, to more in-depth data on individual products or services. Market research is a highly specialised area and shouldn't be confused with company information that looks at the financial performance of individual businesses. Market reports will usually cover:

- The structure of the market, including details of its size, segmentation and growth rate.
- Major companies operating in the sector.
- Details of the major consumer groups with information on demographics,

purchasing patterns and disposable income.

- How specific products are marketed and distributed.
- Trends and developments in the industry.

Your local central or university library will probably stock a list of all the available reports from the various publishers.

How much do market reports cost?

The cost of a report will depend on a range of factors including its size, the type of market it covers and the overall level of detail. Individual reports will rarely cost less than £300 and can cost thousands of pounds.

Market report publishers

Cobweb Information Ltd

Cobweb has a range of low-cost market reports for small businesses including more than 350 profiles of specific business ideas and over 60 detailed synopses of various market sectors, providing an objective overview of current and future trends and key factors affecting UK markets. The reports are available online on a pay-to-view basis from www.scavenger.net.

Mintel reports

Mintel publishes over 500 reports a year providing expert analysis on both European and US markets. The reports contain market size and trends data, forecasts, information about participating companies and detailed consumer research. Mintel also produces Special Reports, which examine the UK as a whole, looking at lifestyles, attitudes, hopes and fears.

The service is subscription-based but you can access back copies at your local central library, or you can buy individual titles over the Internet at www.mintel.co.uk.

Euromonitor/Datamonitor

Euromonitor covers more than 300 markets worldwide in the consumer, industrial and service sectors. It publishes around 400 market reports, which are available in hard copy, on CD-ROM or via the Internet at www.euromonitor.com.

Key Note

Key Note reports cover a wide range of information on individual market sectors, covering industry structure, market size and trends, recent developments, future prospects, and further sources of information. Free executive summaries and contents pages can be viewed online. The service is subscription based but you can buy individual titles over the Internet at www.keynote.co.uk.

Jordans Ltd

Jordans carries out research for three main annual surveys - Top Scottish Companies, Foreign Companies and Top Private Companies. It also publishes periodic industry reports

on paint, pharmaceuticals, advertising, travel and recycling. Each report contains financial sections covering five years, league tables, indices and an acquisition index. The reports are available to buy from the company's website at www.jordans.co.uk.

Frost and Sullivan

Frost and Sullivan publishes reports that investigate individual segments of industry categories throughout the world. Intensive primary and secondary research is carried out which is reflected in the price of the reports. They are available to order at www.frost.com.

AMA Research

AMA Research covers specific aspects of the UK construction and home improvement market. Information is updated once every two years and around 30 new titles are published each year. Each report contains 100 or more pages covering an analysis of the size and structure of the market, as well as recent and forecast growth trends. Reports are available at www.amaresearch.co.uk.

MSI Marketing Research for Industry

MSI produces reports on specialist industrial and business-to-business markets. Major subjects include: building and construction, healthcare, environmental, service, distribution, transport and infrastructure.

Reports are available at www.msimarketingresearch.co.uk.

Market & Business Development

These reports contain market and industry trends, including end user market analysis, forecasts, market segmentation, and sales and distribution data. They cover, among other industries, building, catering and tourism, construction, engineering, health and medicine, publishing and transport. They are available in hard copy, online and in PDF format via e-mail from www.mbdltd.co.uk.

Doing your own 'primary' research

Another way of collecting focused market data that is relevant to your specific business is to carry out what is called 'primary research' and collect your own data and information about your target market.

Market research questionnaires

These can be carried out face-to-face, over the phone, by post or via e-mail.

A market research questionnaire is a useful tool for collecting and understanding the views of your customers or potential customers, as part of your primary market research. It is also a useful means of adding structure to an interview or focus group. The questions you ask in a questionnaire will help you estimate levels of demand, market size, intention to purchase, etc, in relation to your product or service. In designing the questionnaire, you need to carefully craft questions that will get unambiguous answers from respondents about their needs and wants.

Outlined below are the most common ways of using questionnaires to find the information you need about your market, and descriptions of the kinds of survey topics you could

use, what type of questions you can ask and the types of questionnaire you could use.

Using market research questionnaires

Market research questionnaires are useful when your business wants to find out the views of existing or potential customers about current or proposed products or services. A well thought out questionnaire can help you to reveal:

- Consumers' awareness of your product or business.
- Consumers' attitudes towards your product or service.
- Product performance.
- Consumers' buying behaviour.

Questionnaire techniques

There are three questionnaire techniques commonly in use. The choice of technique will depend on the type of group targeted and the information required. Each has its own benefits and drawbacks. The techniques, and their advantages and disadvantages, are compared in the table below.

Questionnaire Techniques	Advantages	Disadvantages
Personal Survey	<ul style="list-style-type: none"> • Greater flexibility and control - opportunity to clarify misunderstandings • Can ask supplementary questions • High response rate • Can watch body language as a verbal response 	<ul style="list-style-type: none"> • Time consuming • Expensive • Respondents have little time to think
Telephone	<ul style="list-style-type: none"> • More flexibility and often a higher response rate than post • Reach people who won't give personal interview • Fast 	<ul style="list-style-type: none"> • Interviews must be fairly short • Respondents may have little time to think • May give inaccurate responses
Postal/E-mail	<ul style="list-style-type: none"> • Cheap • Respondents have time to think • Objective - there is no interview interface • Useful when respondent is difficult to contact 	<ul style="list-style-type: none"> • Possible low response rate • No flexibility to clarify answers • Limited information obtained

Questionnaire structure

There are a number of issues to consider when designing a questionnaire, including the aims and objectives of the survey. The method of data collection to be used must suit the nature of the sample and the questions you want to ask. With telephone and face-to-face questionnaires, for instance, an interviewer will be available to answer queries, whereas a postal or e-mail survey will be expected to be self-explanatory.

Questions must be tailored for use with a mixture of people and be user-friendly. When designing the questionnaire, it is important to think about possible answers and how they may affect the response to other questions. The method of data processing should also be considered and incorporated into the design of the questionnaire (for instance, including boxes to tick or question responses that have been assigned a code).

Question consistency is vital; asking the same questions in an identical order regardless of audience is essential for analysis purposes.

A questionnaire can fall into one of three categories - structured, semi-structured or unstructured.

A structured questionnaire is a series of 'closed' questions asked in the order in which they are laid down. They are best suited to large interview situations like a postal questionnaire.

Semi-structured questionnaires (a mixture of 'closed' and 'open' questions) are a means of retaining control while also allowing for a wider range of responses. They are often used in business-to-business surveys.

An unstructured questionnaire is a series of open-ended questions, the order of which can be changed by the interviewer. This type of questionnaire is often used with narrow or specialist target audiences, either face-to-face or on the telephone. While the unstructured approach can provide valuable insights, it can be difficult to analyse and draw meaningful conclusions from the findings.

Types of market research questions

Before you use your questionnaire, it is important to test that the questions are easily understood and that the responses are going to give you the information you need.

- Closed questions - where the only answers are yes/no/don't know. For example: 'Are you planning a holiday this year?' It is possible to anticipate the answer and results can be easily summarised.
- Open questions - where the respondent is given the chance to answer freely. For example: 'What is your opinion about this new brand of soap powder?' This produces more realistic information, but it is harder to interpret.
- Multiple-choice - where a series of set answers is given, and the respondent chooses one. They are easy to summarise, but it is hard to design these questions without missing out other alternatives. For example, 'If you had a choice of restaurants, which would be your first choice?' (Indian, Chinese, Mexican or

Italian?)

- Direct questions - relating to the respondent's own behaviour. For example: 'Which TV channel do you watch most?'
- Indirect questions - by asking questions about other people, the respondent's own attitudes are revealed. For example: 'Where do you think the average parent would prefer to buy disposable nappies?' (A chemist, a supermarket or a delivery service?) Indirect questions should be used in cases where people might mislead the researcher about their own behaviour; for example, they may say that 'The Sun' is the most popular newspaper but might not admit to reading it themselves.

Setting market research questions

- Ask your questions in a logical order. The first question you ask should tell you whether it is appropriate to continue with the respondent. For example, if the target group are coffee drinkers, 'Do you drink coffee?' could be asked first.
- Put the easy and interesting questions at the beginning of your questionnaire. Confidential, personal and complex questions should be listed at the end.
- Make the wording of questions as simple as possible, and clearly define all regional and technical terms.
- Questions should be precise, related to time, place, type, etc.
- Avoid double-barrelled questions like 'What do you think about the colouring and design of this product?' These can be confusing to answer and difficult to analyse.
- Avoid leading questions which imply an answer (for example, 'Most people choose Brand X for its quality, why do you buy it?') or biased questions (for example, 'Would you buy this record if a percentage of the price went to charity?')
- Be careful how you phrase questions relating to age, income or status. For example, instead of 'Can you afford a holiday?', ask your respondent 'Will you be going on holiday this year?'
- Avoid asking questions beyond the respondent's span of memory (for example, 'What TV programmes were you watching this time last year?') Rather, ask the respondent a question that they can answer with confidence.

Testing a questionnaire

Test the effectiveness of your questionnaire before using it as a tool for market research. To do this, the questionnaire should be tried out on a small sample of people. Ensure that the questions are easily understood and give the desired kind of response. This testing should expose any ambiguous or unnecessary questions, and help you to decide whether questions are suitable for the purpose.

Analysing questionnaire results

Although individual responses can give some interesting insights, it is the collective questionnaire result that is of most use to your business and marketing plans.

Further information from the publisher of this report

Low-cost, practical factsheets, checklists, guides, market reports and business opportunity profiles covering hundreds of small business topics and ideas:

www.scavenger.net

Free weekly tips, ideas and tactics bulletin for small business owners, covering marketing, legal compliance, technology and topical news and issues:

www.enterprisequest.com

Practical, affordable tips for increasing sales and finding more customers, no matter what business sector you are in:

www.ukmarketingbible.com

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