

Canada

Alberta
Government

Welcome to The Business Link - Your Gateway to Business Information

Guide to Market Research and Analysis

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Summary

Successful businesses have extensive knowledge about their customers and their competitors. Getting **accurate** and **specific** information about your customers and competitors is a critical first step in market investigation and development of a marketing plan. Accurate market assessment and development of an effective plan is critical to the success of both new and existing businesses. The market impacts and directs all aspects of the company's activities and ultimately will lead to success or failure of the business.

In developing a market plan, your primary functions are to understand the needs and desires of your customer, select or develop a product or service that will meet customer needs, develop promotional material that will make the customer aware, and ensure product or service delivery.

Market Analysis

Who is your customer?

Knowledge of the customer enables you to determine the market size and what determines their buying decision. It provides information that will help you choose a location, determine the product or services to offer, establish pricing, and plan a selling strategy.

Key issues to consider are:

- Who will buy your product? Primary and secondary target groups.
- Where does the buyer live and what is their profile?
- What factors influence the decision to buy?
- Who is involved in the purchase decision?
- How often will buyers buy?
- Where do they buy, when and how much do they buy?
- What are the buyer's preferences and needs?
- Are customers loyal? Can long-term relationships be built?

What product or service are you selling?

An important aspect of market analysis is to ensure that the product or service meets the market (customer) needs. Product or service focus must be the customer.

Issues to address are:

- Specifications of all your products and or services and key features relative to what prospective buyers in your target market say they need.
- Comparison with competitors and how customers perceive your product relative to others available.
- What are the current trends, what stage of maturity is the product life cycle at?
- What regulations apply to your product or service?
- What packaging is required?

Who is your competition?

Are there competitors that exist now and what new competitors are likely to enter the market? How will your product or service compare and what is the probable reaction of your competitors once you enter the market?

Issues to consider are:

- Who are your major competitors?
- What share of the market do they have?
- What are their strengths and weaknesses (e.g. quality, price, service, payment terms, location, reputation, etc.)?
- How do you compare to your competitors and how will they react to your entry into the market?
- What factors could increase or reduce your competition?

What is your target market?

Accurate identification and analysis of the target market enables you to develop an effective overall marketing strategy. The information will help in determining business size (output requirements), distribution channels, pricing, promotion strategy, and other marketing decisions.

Target market issues include:

- What is the overall market size? Number of potential customers and physical boundaries?
- Which segment of the market is the most attractive in terms of future growth potential, ease of entry, competition, profit potential, and overall risk?
- How do products generally get to the customer?
- What is the current dollar value or quantity of product/service being sold into each segment of the market?
- What social, technical, environmental or economic changes are taking place within the market and how will they impact sales?

What are your distribution channels?

There are many options for moving your product to the customer such as direct retail, wholesale, consignment, broker etc. The method of distribution has important implications affecting your pricing structure, advertising message, cash flow, etc. You should choose the

distribution method best suited for your product and where you want to be positioned in the marketplace.

Key issues are:

- What methods of distribution are best suited for your product?
- What methods of distribution do your competitors use?
- What are the costs relative to market coverage?
- Does your level of available capital or production capacities restrict your choice of distribution methods?
- Are there ownership opportunities in the supply chain?

Pricing

The goal is to maximize profits while remaining competitive in the marketplace. Pricing can be based on either the cost price or market price (What will the market pay?). Regardless of the pricing method used, it is critical to know all of your costs involved in delivery of your product or service to avoid possible underpricing and operating losses. If the market will not support a price level sufficient to cover cost, you will have to investigate whether costs can be lowered or else, it may be necessary to abandon your plans to proceed.

Issues to consider are:

- What control do you have over the product price (e.g. exclusive product, no competition, high market demand, etc.)?
- What are competitor prices and how do they price their products?
- What price and sales volume are needed to achieve profit objectives?
- Can you sell your product at different prices to different markets?
- Can you maintain your prices over time and what do you expect to happen to competitors' prices?
- Are your prices quantity-sensitive?

Promotion and Selling

Promotion of your product or service and development of a promotion strategy is part of the market analysis. It is important to analyze what are the best methods of making your customer aware and what message will motivate them to buy. From the promotion strategy the advertising budget and overall sales plan are then developed.

Items to consider are:

- What media of advertising and sales do your competitors use?
- What media of advertising is best suited to reach your customer? Primary and secondary media. (e.g. Primary—newspaper and radio; Secondary—flyers and trade shows).
- What sales tools and training will your staff need?
- What image are you trying to build through your promotion?
- Packaging?

Note: While customer service, in-store display and merchandising are not part of the market

analysis; they are an important part of the business image and promotion package. Ongoing attention should be given to these areas for maximum promotional benefit and so that the desired image is portrayed.

Primary/Secondary Data Sources

Primary data is the information you get through your own efforts or by hiring someone and can include observation, surveying, and experimentation.

Secondary data consists of information which has been gathered by someone else and is relevant to the venture you want to establish. Examples of sources and types include:

- Canada Business service centre in your region
- Statistics Canada 1-800-263-1136
- Canada Post - 1-800-267-1177
- Local, Municipal, Provincial, and Federal Government Departments and Agencies
- Business and Industry Associations / Trade Publications / Periodicals
- Business and Industry Trade Shows and Exhibitions
- Local Public, Business, and Educational Institution Libraries
- Business and Popular Press
- Business Professional Services, e.g. Accountants, Lawyers, Consultants, Insurance Brokers, Financial Institutions
- Business and Educational Seminars / Courses, etc.
- Other Business People / Known Acquaintances / Competition / Internet

When researching your business idea, it is important to do as thorough a search for information as possible. It is also recommended to do as much of it as you can on your own. This will help you to know the market for your idea better, and can help to keep the costs down at the start. Once this initial research is done, you may then feel the need to contract professional services to collect additional information for you, or to verify the information you have collected so far. The information you have gathered yourself can form an important base of information from which a consultant can work from, and as well, will allow you to identify more specifically what you want them to do for you, particularly when there will be costs associated with their services.

Related Reading

- Statistics Canada - The Daily (<http://www.statcan.ca/english/dai-quo/>)

Source: U.S Small Business Administration

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