

How to Conduct Start-up Market Research

Introduction

Market research is the process of gathering and analysing information about your chosen market sector, potential customers and competitors. Thorough market research will help you work out whether there will be enough demand for the products and services you plan to sell.

The more research you do before starting up, the stronger your position will be when making future business decisions.

To begin with, think about the following questions:

- Is there a genuine market for your business idea?
- How much demand will there be for your product or service?
- What trends currently affect your market sector?
- Who will buy your product or service?
- Who will you be competing against?

This guide will help you consider these and the other types of questions your market research should address. We'll also suggest some tasks to help you get started.

Primary and secondary research

Before you get started with your market research, let's take a look at the difference between primary and secondary research.

Primary research means gathering first-hand information about your market and customers. For example, you could carry out a short market research questionnaire with any potential customers you have lined up.

Secondary research involves using existing data, stats and reports to understand your market. It's also a good way to analyse your competitors and market trends.

Effective start-up market research strategies typically include a mixture of primary and secondary research.

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What to cover when carrying out market research

There are lots of different things you need to consider in order to understand your market sector and your target customers. Once you understand your market, you can target your marketing efforts towards specific audiences.

Here are some questions to get you started:

The size and performance of your market sector

- What volume and share of the market do you need to capture?
- Does your research suggest there will be enough demand for your product or service?
- Is your market growing or shrinking?
- Are there any cultural, economic or social trends that could affect your market?
- Are there any gaps in the market?
- What are the current trends?
- What is the outlook in your market for the next couple of years?
- Are there any reports or industry journals that could help you with your research?

Your target customers

- What are the characteristics of your target customers? Think about their age, gender, interests, ethnic background, buying habits and so on.
- Why will your target audience buy from you?
- Where are your target customers based?
- How much will they pay for your product or service?
- How do they typically shop? For instance, is it in-store, online, or from market stalls?
- How will your target customers want to pay?
- How frequently will they buy from you?
- Who makes the final buying decision?

Your competitors

- Who are your competitors, and are there lots of them?
- Where are your competitors based and how long have they been trading?
- What do they sell and how much do they charge?
- Who are their target customers?
- How can you stand out from your competitors?
- How do your competitors market their brand?

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- Is competition in your market getting stronger?

Tasks to get you started

The following tasks are a good way to get started with your market research:

- Discover as much as possible about your market from reports, trade journals and searching online.
- Identify your competitors using your knowledge of the market and business directories.
- Identify your competitors' strengths and weaknesses, as well as how you can compete with them.
- Identify potential target groups who could help you with your primary research.
- Talk to potential customers.

Market research questionnaire

A market research questionnaire is a useful way to learn more about your market and whether there is a need for your new product or service.

Your questionnaire should include a series of well thought out questions to gather feedback from specific groups of people, such as your target customers.

There are three main questionnaire techniques:

- Face-to-face interview.
- Telephone interview.
- Online questionnaire.

When selecting a technique, it's helpful to think about the type of potential customer you are targeting, and the information you want to collect. You also need to think about your budget and how much time you can commit to carrying out the questionnaire.

You should keep the following in mind when designing a questionnaire:

- Ask your questions in a logical order.
- Keep questions simple and easy to understand.
- Avoid leading questions that imply an answer.
- Put the easy and interesting questions at the start.

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- Keep the number of questions as low as possible. Too many questions may affect your response rate.
- Try to avoid confidential, personal or complex questions if possible.
- Offering an incentive, such as a prize draw, can be a good way to encourage respondents to complete an online questionnaire.
- Allow respondents to filter or skip questions that are irrelevant to them.
- Be careful when phrasing questions relating to age, income or status.

Hints and tips

- Your market research will form a major part of your business and marketing plans, so keep a record of your research to refer back to when you are reviewing or developing your plans in the future.
- Make time to do your research properly. It is one of the most important things you will ever need to do and getting the right information now will help avoid problems later.
- Don't just carry out research before you start up and assume that is all the research you will ever need to do. Carry out research as an ongoing part of your regular business activity to ensure that you remain aware of what is happening in your sector and can retain a competitive edge.

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