

Startup101

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Idea Validation Through Market Research

Start Up 101 - NORCAT

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Learning Objectives

- Describe the value of market research in the idea validation process.
- Demonstrate how market research fits into the marketing/business planning process.
- Understand the scope of the marketing research industry.
- Discuss the market research process and the types of data available.
- Present emerging trends in marketing research.

MARKET REASEARCH

Definition

Market research is the function that links an organization to its market through the systematic gathering and analyzing of information.

Process

A systematic approach to collecting, analyzing, interpreting, and transforming data into decision-making intelligence.

Purpose

Provides decision makers with knowledge that can help solve problems or pursue opportunities.

MARKET REASEARCH

“Begin with the end in mind”

- Place your best bet.
- Make your mistakes on paper instead of in the field.
- Validate your idea.
- Shape your market positioning strategy.
- Increase your chances of success.

MARKET REASEARCH

The more you know... Well, the more you know!!

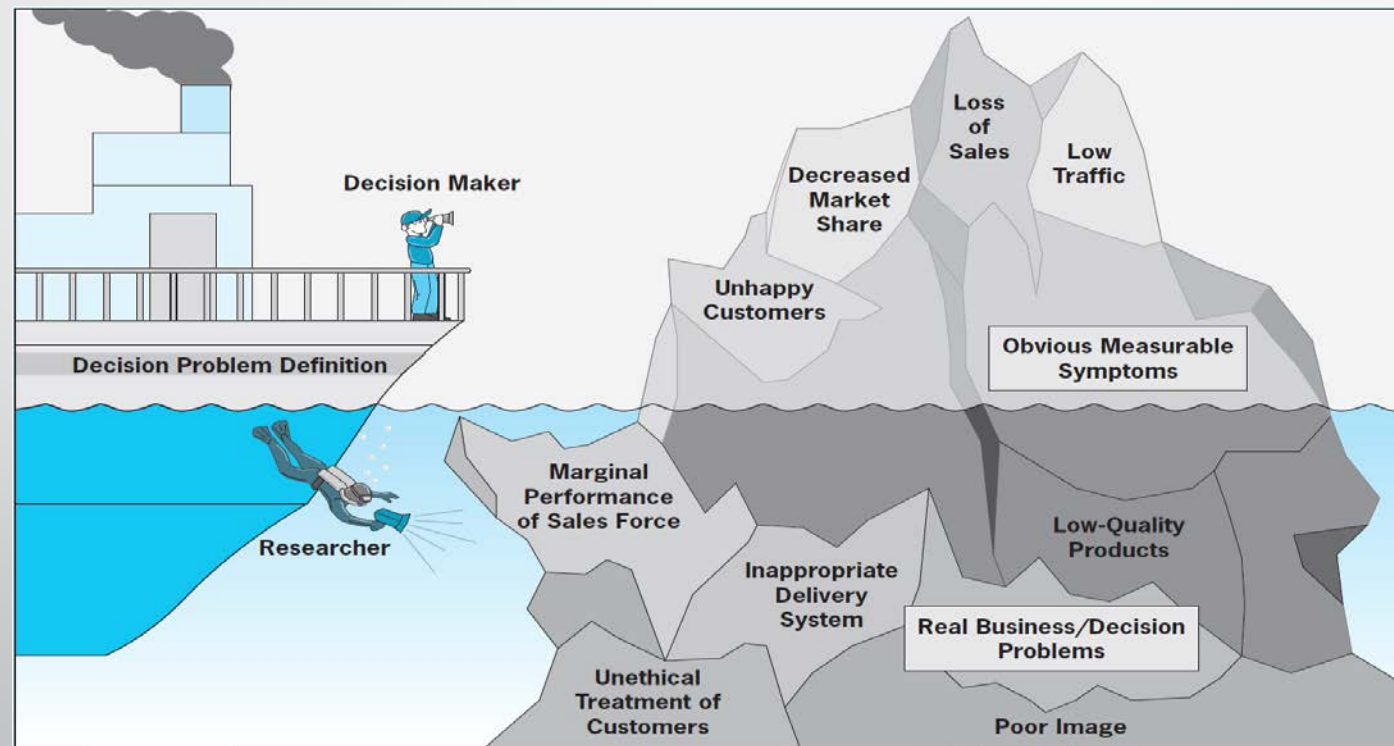
- Market research can be obtained from a variety of sources.
- Can include secondary and primary data.
- Example include financial data, consumer feedback, product research and competitive analysis, research studies, census information and industry analytics...etc..
- It provides, objective, factual information that can confirm or deny a particular position

BUSINESS REASEARCH

Bad Information = Bad Path = Bad Results!

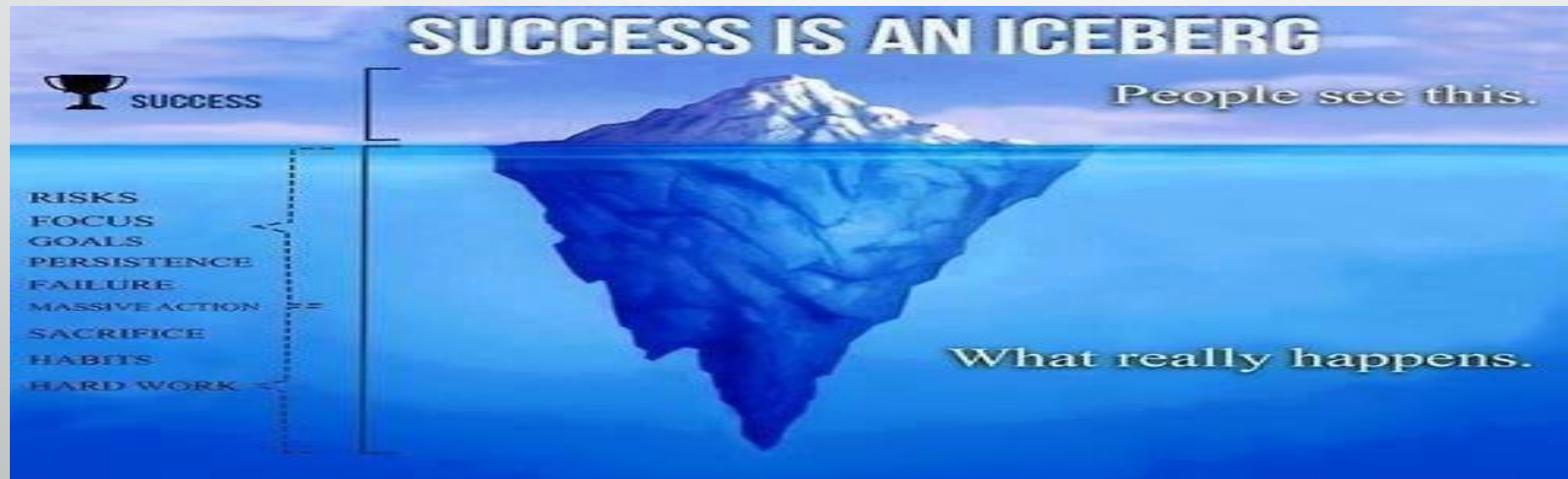
- Entrepreneurship is fast pace.
- Front end decisions shape the trajectory of a business. Idea validation is critical.
- Market intelligence provides an ability to make the best decisions systematically.
- Market Intelligence provides an ability to develop, define and articulate a competitive advantage.

The Iceberg Principle



Better Business Decisions

Knowledge is Power!



The Role of Market Research

Be Relevant!

- Insights to consumer needs.
- Understanding the competitive landscape.
- Investment requirements.
- Opportunities for growth and diversification



... It makes SMART people SMARTER!

Market Research - Relationship to 4's

Change is the only constant!

- MR provides insight to effectively manage change and best define the position of a brand.
- Guides decisions regarding elements of the marketing mix.
 - Price.
 - Promotion.
 - Distribution [place].
 - Product [size, packaging, design].
- Engage with consumers and build relationships creating brand evangelists.
- Help engage and manage employees using relevant factual intelligence.



Market Intelligence

Segmentation Studies

- Creating customer profiles.
- Understanding consumer behavior patterns.
- Better align generational and demographics characteristics.
- Adapt to the changing needs of consumers, attitudes and trends.

The Competitive Edge

Competing against larger players.

Align your value proposition to the perceived value of your product compared while understanding the life cycle of your product.

Perceived value. The value which the customer thinks that he/she is deriving from consuming a product or a service.

Be nimble and responsive.

Marketing Myopia

Not utilizing market research and the intelligence it provides is like driving blindfolded – ESPECIALLY when your competitors are doing so.



Determining the Need for Research

Questions decision makers should ask **BEFORE** conducting research

- Can the problem and/or opportunity be resolved using existing information and managerial judgment?
- Is adequate information available within the company's internal record systems to address the problem?
- Is there enough time to conduct the necessary research before the final managerial decision must be made?

Determining the Need for Research

Questions decision makers should ask **BEFORE** conducting research

- Do the benefits of having the additional information outweigh the costs of gathering the information?
- Will the research provide useful feedback for decision making?
- Will this research give competitors too much information about the firm's marketing strategy?

Is one data set better than other?

MUST ALIGN WITH PROBLEM DEFINITION

- **Question to ask:**

- **Relevance**

- *Reflects how pertinent these particular facts are to the situation at hand.*

- **Quality**

- *Degree to which data represent the true situation.*

- **Timeliness**

- *Data are current enough to still be relevant.*

- **Information Completeness**

- *Having the right amount of information and collected for the right purpose.*

The Market Research Process



Phase I: Determine the Research Problem

Step 1: Identify and clarify information needs

Step 2: Define the research questions

Step 3: Specify research objectives and confirm the information value



Phase II: Select the Research Design

Step 4: Determine the research design and data sources

Step 5: Develop the sampling design and sample size

Step 6: Examine measurement issues and scales

Step 7: Design and pretest the questionnaire



Phase III: Execute the Research Design

Step 8: Collect and prepare data

Step 9: Analyze data

Step 10: Interpret data to create knowledge



Phase IV: Communicate the Research Results

Step 11: Prepare and present final report

Types of Data

- **Secondary data:** Information previously collected for some other problem or issue (example: census)
- **Primary data:** Information collected for a current research problem or opportunity (example: survey)
- **Comparing and analyzing both types of data sets against one and another provides the ability to create structured intelligence.**

Key Search Variables External Secondary Data



Demographics

Population growth: actual and projected
Population density
In-migration and out-migration patterns
Population trends by age, race, and ethnic background



Employment Characteristics

Labor force growth
Unemployment levels
Percentage of employment by occupation categories
Employment by industry



Economic Data

Personal income levels (per capita and median)
Type of manufacturing/service firms
Total housing starts
Building permits issued
Sales tax rates



Competitive Characteristics

Levels of retail and wholesale sales
Number and types of competing retailers
Availability of financial institutions



Supply Characteristics

Number of distribution facilities
Cost of deliveries
Level of rail, water, air, and road transportation

Regulations

Taxes
Licensing
Wages
Zoning

International Market Characteristics

Transportation and exporting requirements
Trade barriers
Business philosophies
Legal system
Social customs
Political climate
Cultural patterns
Religious and moral backgrounds

Common Sources of Internal Secondary Data



1. Sales invoices

- a. Customer name
- b. Address
- c. Class of product/service sold
- d. Price by unit
- e. Salesperson
- f. Terms of sales
- g. Shipment point



2. Accounts receivable reports

- a. Customer name
- b. Product purchased
- c. Total unit and dollar sales
- d. Customer as percentage of sales
- e. Customer as percentage of regional sales
- f. Profit margin
- g. Credit rating
- h. Items returned
- i. Reason for return



3. Quarterly sales reports

- a. Total dollar and unit sales by:
Customer Geographic segment



Customer segment Sales territory
Product Sales rep


Product segment

- b. Total sales against planned objectives
- c. Total sales against budget
- d. Total sales against prior periods
- e. Actual sales percentage
increase/decrease
- f. Contribution trends

4. Sales activity reports

- a. Classification of customer accounts
Mega
Large
Medium
Small
- b. Available dollar sales potential
- c. Current sales penetration
- d. Existing bids/contracts by
Customer location
Product

Additional Sources of Internal Secondary Data

   	Source	Information
	Customer letters	General satisfaction/dissatisfaction data
	Customer comment cards	Overall performance data
	Mail-order forms	Customer name, address, items purchased, quality, cycle time of order
	Credit applications	Detailed biography of customer segments (demographic, socioeconomic, credit usage, credit ratings)
	Cash register receipts	Dollar volume, merchandise type, salesperson, vendor, manufacturer
	Salesperson expense reports Employee exit interviews	Sales activities, competitor activities in market General internal satisfaction/dissatisfaction data, internal company performance data
	Warranty cards	Sales volume, names, addresses, zip codes, items purchased, reasons for product return
	Past marketing research studies	Data pertaining to the situation in which the marketing research was conducted

Design Methods

Exploratory Research

- Generate insight to help define problem definition
- Deepening the understanding of consumer motivation
- More general information about the landscape of the industry

Descriptive Research

- Collecting quantitative data
- Answer to who, what when, where and how.
- Example: Purchase behaviors, demographics and trends.

Trending Technology

Geo Fencing

- Virtual parameters.
- Track consumer behavior and purchase patterns.
- Provides intelligence – What people actually do, not what they say they do on a survey.
- Guides collaborative merchant marketing.
- System to provide rewards for frequent shoppers.
- Real time experience feedback.
- <https://www.youtube.com/watch?v=f1l4dXxWK1E>
- <https://www.youtube.com/watch?v=FpHqeBmBxok>



Idea Validation Through Market Research

The End!

Questions?

Thank you!