

Marketing Research on a Shoestring for Small Business

By

Thomas L. Greenbaum SCORE Norwalk, CT

Consider this.... You are planning to start a small business or currently operating one and you decide or have been told that you need to do some marketing research. The first thing that comes to mind is how you do this, and the second is probably a fear that it will cost a lot of money. Traditional marketing research done by large companies can be a very expensive proposition costing thousands if not hundreds of thousands of dollars. Clearly this is neither affordable nor realistic for the small business or start-up.

As a counselor in the Norwalk, CT. SCORE chapter, and former marketing research professional, it is very evident that most of the clients who come to our office have the need for research, but have little or no money available for this type of activity. The purpose of this article is to outline a series of different things that a new or small business can do to conduct market research without spending any meaningful amount of money.

There are generally two major types of research that a small business or start-up will need to do. One is to evaluate the competitive environment and the other to determine the reactions to their idea or product to assess the viability of moving forward with the business. We will address them both.

Competitive Market Assessment - The objective of the competitive market assessment is to learn as much as possible about the marketplace you will be entering, in terms of the products or services that exist, to whom are they targeted, and how each of them is performing. To accomplish this on a shoestring you can do the following:

- a. Use the Internet to learn as much as possible. This includes Googling the brand names of the various competitive entities to see what you can learn, and examining the websites of each of the competitors. Even if you have a totally new idea, you can do these actions for the product or service that is closest to your concept.
- b. Visiting existing sellers of the product or services you will be marketing. For example, if it is a product sold through a hardware or drug store, spend considerable time in that environment understanding the competitive marketplace. If your product is an exercise regimen such as a new kind of Pilates, you should visit exercise studios and understand what they are offering and how your product might fit in the existing market. It might even be possible to talk to some of the buyers or customers of your product or service while visiting the sellers, to get an idea of their attitudes toward the existing entries in the market.
- c. Communicating with industry trade associations. Almost every industry has some type of trade association, and these organizations generally have an excellent feel for what is happening in the business. They can be a very useful source of competitive information about market size, trends, fads etc.
- d. Perusing industry publications. Most product or service categories have a magazine or newsletter that is published in the industry. It can be print or electronic, but in either case, it can provide some useful insights into industry problems, opportunities, trends etc.
- e. Reviewing advertising and point of sale materials of the competitive organizations. This can be as simple as looking through magazines or studying the point of sale materials in a retail store, but often this type of research will provide an excellent insight into the communications objectives and the target audiences for the various companies in the industry.

Product or Service Assessment - The other major type of market research needed is to get some validation of the idea you have for the new product or service. Do your prospective buyers think it is something they would purchase, and do they understand the “reason why” you have created that will make your offering different and hopefully better than the competition. The following are a few do’s and don’ts about this aspect of your market research effort to evaluate the product or service idea:

a. Don't

- i. Ask friends and family about your idea, as you will not get the truth. People who know you well will be unlikely to give you honest advice, as they have difficulty being objective do to their relationship with you
- ii. Try and conduct your own focus groups. Focus groups are a highly specialized form of market research that requires a professional to organize and conduct them. It is almost impossible to conduct effective focus groups on your own idea, even if you are a trained professional in this type of research.

b. Do....

- i. Utilize man on the street interviews if it is appropriate for the product or service. Stopping someone on the street who is in your perceived target audience and asking them about what you are offering might give you some insights. Remember this is for insights only, and cannot be viewed as in depth research.
- ii. Participate in shows or expos if you possibly can afford to buy a booth or table. By exposing your product or service to a group of uninvolved people can provide you with excellent insights into the viability of your business proposition. For example if you are planning to sell a particular type of jewelry, making a small quantity which you could offer for sale at a crafts fair might be the most effective and cheapest market research you could possibly do.
- iii. Consider conducting professional focus group research. While focus groups can be expensive, it is often possible to find young, less expensive research professionals who are trying to build a name and would implement the research for a relatively small amount of money. A small expenditure on this type of research can save you time, money and aggravation later on.
- iv. Product placement to obtain opinions. Often it is possible to give samples of a product to others (NOT friends or family) such as a church group, scout troop, parents group etc) with the caveat that they will try the product and complete a brief questionnaire which they will return to you (in the self addressed, stamped envelope). This type of input can be very useful relative to getting end user inputs about your product.
- v. Expose samples of your product to the ultimate buyer to get their opinions. For example if you are trying to sell a line of jewelry into ladies boutiques, sending the buyer a sample of your product with photos of the line and following that up with a phone call can provide amazing feedback as to the reactions toward your offering.
- vi. Ask your current customers for their opinions. If you are already operating a small business, it is very acceptable to ask your existing customers how they feel about a specific aspect of your business. This should be a specific inquiry rather than the general question “how was everything” or “do you like it”. If you are operating a retail store, you might approach a customer when they are about to leave and ask about your product selection, the service they received, or the ease of finding what they wanted. That is a much more productive approach than asking if they liked your store, restaurant, beauty salon etc.

Seek Independent Advice of a Respected Mentor - At SCORE we are often exposed to new products and services of our clients, and can provide an objective point of view about the viability of the idea. With many experienced counselors in each office, there is a great amount of experience for the small business start-up to draw on when trying to validate their idea. Whether it is a counselor from SCORE or another respected advisor, the opinions of this resource can be valuable to the ultimate assessment of the product or service .

Good luck with your shoestring marketing research. If you want more information or assistance with your efforts, feel free to call Norwalk SCORE #41 at 203 847 7348, or visit us at www.scorenorwalk.com to request counseling.