



MARKET RESEARCH

Market research helps small business owners make better strategic decisions, avoid costly mistakes, and stay ahead of the competition. The research process should be an ongoing endeavor, but it's especially important when bringing new products or services to launch. Thankfully, it's never been easier to dig up data about your industry and competitors.

This guide from Small Business Nation and marketing agency Beutler Ink will walk you through the basics of market research and direct you to resources that will help you collect and analyze data. Let's get started!



Small Business Nation
A Project of The U.S. Chamber of Commerce



IDENTIFYING RESEARCH OBJECTIVES

You can probably learn dozens of interesting factoids about your market with only a few Google searches. But random factoids alone aren't very helpful in producing a winning business strategy. Market research should be structured to answer a series of *specific* questions that will help you identify and capitalize on untapped market opportunities. Most market research will begin by addressing these core questions (in an order that makes sense for the product or service):

WHAT IS THE SIZE OF YOUR MARKET?

Understanding market size is absolutely critical, especially if you're trying to attract financing from investors. After all, you don't want to launch a product aimed at a market so small that it's impossible to turn a profit. You can find estimates on market size for particular industries through the Small Business Administration, U.S. Census Bureau, and industry associations.

Market size is often referred as Total Addressable Market (TAM)—that is, everyone you could *possibly* reach with your product or service. If you're operating a strictly local business (such as a bar), your TAM may just be the population of your neighborhood or city that is over the age of 21. This number can be further broken down into two important categories:

- ▶ **Segmented Addressable Market (SAM):** The portion of TAM that you'll target with your products or services. (If you're running a sports bar, this may be "local football and basketball fans.")
- ▶ **Share of Market (SOM):** The percentage of SAM that you will realistically reach. (Even the best sports bars won't attract all sports fans.)

The SOM figure is your short-term business target, and the number that will matter most to investors. Approaches to determining SOM are generally either top-down (based on an estimated percentage of TAM or SAM) or bottom-up (based on granular assumptions about sales and inventory / employees).

To learn about TAM, SAM, and SOM, try [this article](#) from Bplans.

WHO IS YOUR TARGET AUDIENCE?

The Segmented Addressable Market contains the target audience (sports fans) or audiences (sports fans, white collar office workers, weekend partiers) you hope to sell to. You need to know everything there is to know about these consumers, including age, occupation, income, lifestyle, and education.

It may be useful to further refine your segmented audiences into different *buyer personas*—that is, archetypal representations of *who* these customers are, *what* they are trying to accomplish, what goals drive their behavior, and *how, when, and where* they buy.

Buyer personas help you visualize your customers, understand their important characteristics and motivations, and create marketing messaging that will reach and engage them. With the sports bar example, the promotions that will appeal to Hayden the Football Fan (male, 28 years old, comes in on weekends for college football and NFL Sunday Ticket) are different from those aimed at Shelby the Office Worker (female, 37 years old, meets up with friends and colleagues at weekday happy hours).



PRO TIP! The strongest buyer personas are based on primary data you gather from your actual (or prospective) customer base, whether through surveys or interviews. For more information on buyer personas, try this [article and template](#) from HubSpot.

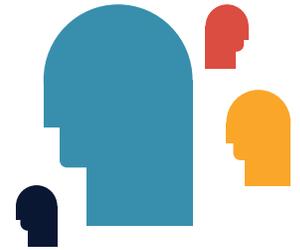
WHAT PROBLEM DO YOUR TARGET CUSTOMERS HAVE THAT YOUR PRODUCT OR SERVICE CAN SOLVE?

You should think about your product/customer relationship in terms of *pain points*—that is, a problem (real or perceived) that consumers want to resolve.

Buyer personas can be very useful for identifying these pain points, especially if you're appealing to several distinct audience segments.

To continue with the sports bar example, Hayden the Football Fan wants to watch several games at one time while keeping track of his fantasy stats, so you need to have several flat screen televisions set up along with free wi-fi to attract this consumer.

WHO ARE YOUR COMPETITORS?



A competitor may be a rival pub down the street offering essentially the same menu and beer selection, or a seemingly unrelated business vying for your customer's limited resources, such as a hookah lounge or retro arcade. **It's critical that you know who your direct and indirect competitors are, and understand how you compare to them in the consumer's eye.**

To get started with competitor analysis, you can create a simple grid that lists out key attributes generally associated with your product or service and see how you stack up against similar offerings from competitors. With the sports bar example, you would include all of your main features (e.g., number of televisions, number of beers on tap, operating hours) and see how your prices and Yelp ratings compare to other bars and breweries within a five-mile radius. More specifically, you'll want to know:

- ▶ **How much market share do competitors have?**
- ▶ **What were their past marketing and launch strategies?**
- ▶ **Are they continuing to use the same strategies to brand themselves?**
- ▶ **What does their digital footprint look like? How do they rank in search? How big are their social followings?**
- ▶ **Are their general strengths and weaknesses the same as yours?**

WHAT WILL MAKE THEM BUY FROM YOU INSTEAD OF YOUR COMPETITORS?

This question is really at the heart of all market research. Smaller businesses struggle to get noticed and stand out when competing against well-known industry leaders. Answering the questions above is a good way to identify opportunities to distinguish your brand. More specifically, you'll want to ask:

- ▶ **What are the shortcomings in competitors' products or services, and how can you address them?**
- ▶ **How can you best communicate your product or service's distinguishing characteristics to the consumers you're trying to attract?**
- ▶ **What would be the ideal image and marketing for your brand in order to make it stand out?**
- ▶ **What improvements could be made to your product or service to better address consumer pain points?**

To continue with the sports bar example, market research might help you discover that while every local sports fan-friendly establishment offers NFL Sunday Ticket, yours could be the only bar to stream Major League Soccer and Premier League games. You could capitalize on this with special promotional offers and radio spots geared toward futbol fans, and also open earlier on weekends so that European games can be broadcast live.

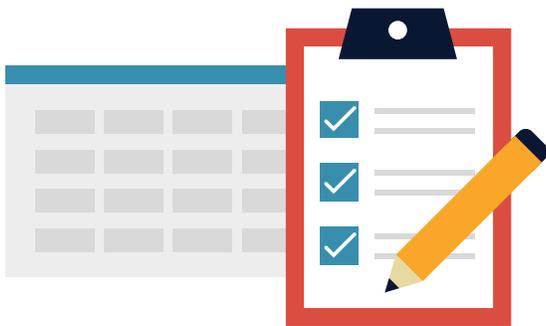


PRO TIP! Competitor analysis is often integrated into SWOT analysis, which identifies strengths, weaknesses, opportunities, and threats relative to a proposed new business or new business objective. For a more detailed treatment on SWOT analysis, try [this post](#) from Bplans.



THE RESEARCH AND DATA COLLECTION PROCESS

As the examples from the previous section indicate, there are two ways of conducting market research: collecting primary data or analyzing secondary data. Each approach has distinct pros and cons for small business owners.



PRIMARY DATA

Primary data is drawn from proprietary, original research that answers specific questions you have about your business, your customers, or your competition. Primary data may be used to develop insights and “trade secrets” that grant you a distinct competitive edge. But the data collection process can be expensive, as the burden of developing and implementing the data collection process falls on you.

SECONDARY DATA

Secondary data—such as reports and studies by government agencies, trade associations, or other businesses within your industry—is easy to find (beginning with a simple Google search), and much of it is free or low-cost. Secondary data typically covers broad areas of generalized inquiry and is unlikely to provide insight into consumer demand for or perception of your *specific* product or service.

The market research approach you adopt will depend on a combination of your needs, your timeline, your budget, and your resources. Marketers will often begin by reviewing secondary data or research to help them understand their market generally, and then formulate more specific questions to guide primary data collection. The following free sources are especially valuable for initial research:

OWLER

A wonderful online resource for identifying companies and would-be competitors operating within your industry. Even if your firm isn't listed on the site, you can pull up a competitor's profile and then see a list of similar businesses. Owler is also great for compiling social media stats about your competitors.

U.S. CENSUS BUREAU

A treasure trove of economic and demographic data. You can use the [Census' Interactive Population Map](#) to view population data at the most granular level, right down to the census block. And the Bureau's business publications cover many topics and are useful for small businesses operating in retail, wholesale trade, and service industries.

GOOGLE TRENDS

A Google-powered tool which shows how often particular search terms are entered (relative to the total search volume). You can narrow search results by date and region, thus gaining real insight into what products and services particular audiences are searching for across the globe (and when they're looking for them).

NIELSEN MYBESTSEGMENTS

Allows you to examine U.S. consumers through the lens of Nielsen Segmentation systems. The site's easy-to-use interface allows you to investigate the top segments within a ZIP Code and analyze all consumer segments by age, income, and household composition.

SMALL BUSINESS ADMINISTRATION

Contains a wealth of valuable consolidated resources, including links to free data and statistics on your competitors, industry, and target customer groups. The [Business Data and Statistics](#) page is a great place to begin your research.

All of these resources will help you develop a better understanding of your market and the audience segments within it. With this information as background, you may then choose to conduct primary research that reveals more specific and actionable details about your target audiences. Here are three of the most commonly used methods:

DIRECT INTERVIEWS

Some of the most valuable insights about your product or service can come from direct interviews with a small number of highly targeted prospects and customers. These interviews can be performed either one-on-one or through focus groups. In either case, you want to carefully select the right mix of respondents, with a special focus on purchasing decision-makers and industry tastemakers.



Interviews are either structured (following a specific questionnaire) or unstructured (guided by the interviewee's responses). The questions you choose will likely reflect discussions you've had internally

about your audience's purchasing preferences and the perception of your product or service. Here's a list of general questions to help you get started:

- ▶ **What challenges are you facing in your industry? What would be your ideal solution to those challenges?**
- ▶ **Where, when, and how do you use our products / services? What do you like most about them?**
- ▶ **If you could add any feature to our products / services, what would it be?**
- ▶ **How would you describe our products / services to a boss or client? How would you describe them to a family member?**
- ▶ **What other similar products have you tried? What were their strengths and weaknesses?**
- ▶ **Would you recommend this product over another? Why or why not?**



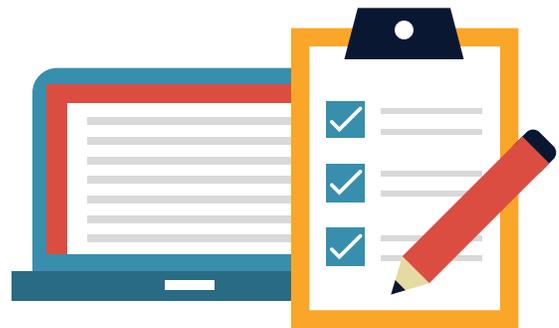
PRO TIP! Even in an unstructured interview, questions should be open-ended so participants can provide responses more detailed than simply “yes” or “no” answers. You'll also want to avoid loaded questions that presume particular responses.

There are plenty of ways to reach out to interview respondents. You can leverage your social media channels, ask your customer-facing employees, or include a link on your site or in a customer email. In any case, be upfront about why you are asking for responses and, if possible, offer a small reward (even if it's just a discount code).

SURVEYS

While interviews work well for qualitative responses from select customers, surveys are your best to gain quantitative insights from a broad, sample audience. Surveys are most effective when you have something *specific* to measure—such as

product feedback, consumer buying habits, or brand awareness—that can be expressed through carefully worded questions. Surveys are not a valuable market research method when you're still exploring a topic. To get the best results from a survey, responses need to be drawn from a sample of consumers that is broadly reflective of your total audience (or of a more narrowly defined target audience). In most cases, the larger the sample, the more reliable the results. A small sample size will have a greater risk of error and may produce misleading results.



Surveys can be administered in person, over the phone, or through snail mail, but most businesses are going to opt for a digital approach. There are a number of free or low-cost survey tools available to help you conduct and analyze online surveys.

SURVEYMONKEY

One of the most popular online survey tools. SurveyMonkey is very easy to use and offers a free version which will let you get started with some sample surveys. The results are fast and easy to manage.

GOOGLE FORMS

Uses Google Docs to create forms which act as surveys. Answers and data are automatically collected in Google Spreadsheets. Google Forms is 100% free and offers unlimited surveys to unlimited respondents.

SURVEYGIZMO

Easy to navigate and loaded with features. SurveyGizmo's “basic” option costs more than other services, but is very well reviewed and generally

regarded as a good investment. The platform offers fully customizable survey styles and templates.

KEYSURVEY

A more thorough solution, with many options for customizing surveys, creating forms, and conducting mobile campaigns. If you need serious survey power beyond the needs of a typical small business, KeySurvey is a great option.



PRO TIP! Your survey questions should produce quantifiable answers—e.g., a one to seven scale from “strongly agree” to “strongly disagree.” Avoid open-ended questions that are difficult to answer or elaborate on.

FACEBOOK

Facebook is not just a social network—it’s also one of the world’s largest and most effective market research resources.



The site’s Audience Insights platform—accessible through any Facebook business page—allows you to tap into a wealth of demographic and behavioral data about your audience and that of your competitors. The tool was created to enable targeted advertising, but you don’t have to place an ad to take advantage of it.

The interface allows you to target your ads by location, age, gender, interests, and other categories.

By playing around with these filters, you can answer questions like:

- ▶ **How many Facebook users near my business’s location are between the ages of 18 and 35?**
- ▶ **How many fans of my competitor’s Facebook Page are within my target audience?**
- ▶ **How many fans of a competitor’s Facebook Page live close to my business?**

This data will be valuable not only your market research, but also for advertising campaigns and content marketing ideas. To learn about using the Audience Insights tool, try this [great Hubspot guide](#) or this [post from Sprout](#).



PRO TIP! The “behaviors” category—which can be found under the advanced section of Audience Insights—lets you analyze an audience’s Facebook activity and offline activity provided by data from Facebook’s third-party partners. You can choose from sub-categories like charitable donations, digital activities, job role, and purchase behavior.



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WITH YOUR MARKETING: [BEUTLERINK.COM](#)



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