

# AN INTRODUCTION TO RESEARCHING A MARKET FOR BUSINESS START UPS

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## Introduction

Market research is essential to help you to find out if there will be enough demand to start up and grow your new business successfully in its first year. Many new businesses fail to undertake basic (and in some cases, any) market research before they start, increasing the likelihood of early failure.

You can also use market research to test a new business idea, to measure customer satisfaction levels, to plan product launches, to analyse competitor activity and to help you develop a marketing plan. Whatever its exact purpose, thorough market research will help you confirm or refine your assumptions about your market and business proposition.

This introductory guide outlines the kinds of questions your market research should address, and describes the main ways of carrying it out. It also introduces you to some popular sources of market information that you will find useful - more detail about these can be found in BIF 47 A Guide to Sources of Market and Business Information.

## How will market research help you?

Your initial market research will be crucial in helping you to identify:

- Whether there is a market for your business idea.
- The value and volume of demand for your products.
- Trends currently affecting your market sector, and likely future developments (for example, proposed legislation or technology changes that may affect your ability to trade).
- Specific information about your target customers, including who they are, where they live, what gender they are, how old they are, their employment status, how much they earn, their buying habits and characteristics.
- Who you will be competing against, and their strengths and weaknesses.
- Whether there are potential business partners you could collaborate with.

## Information about your market sector

Answering the following questions will help you to build up a picture of the key issues and trends that could influence or affect your business idea and market sector:

- What volume and value share of the market will you have to capture?
- Does your knowledge of the market and the research you have carried out suggest that there is sufficient demand for your product or service?
- Are these markets expanding or declining?
- What are the current trends?

- What are the medium-term forecasts for the next two to three years?

## Information about your customers

It is essential to accurately define as much detail as possible about who will buy your product or service, so that you can target your marketing efforts precisely towards your target audience. Your market research will help you address the following important questions:

- The characteristics of your target customers in terms of age, gender, socio-economic status, profession, location, buying habits, ethnic background, interests and so on.
- The reasons why these specific groups of people (or businesses) will buy from you.
- How much they are prepared to pay, and how often.

For free demographic information about your customers, try the following sources:

- The Office for National Statistics (ONS - [www.neighbourhood.statistics.gov.uk](http://www.neighbourhood.statistics.gov.uk) and [www.statistics.gov.uk](http://www.statistics.gov.uk)) - Census data, population demographics, income levels, social and regional trends for England and Wales.
- Scottish Census Results Online (SCROL - [www.scrol.gov.uk](http://www.scrol.gov.uk)) and the Northern Ireland Statistics and Research Agency (NISRA - [www.nisra.gov.uk](http://www.nisra.gov.uk)) are the regional equivalents of the ONS.
- UpMyStreet ([www.upmystreet.com](http://www.upmystreet.com)) provides postcode-specific local statistics and socio-economic profiles for local areas.

## Information about your competitors

Thorough research will help you to understand your competitors' business activities, performance, successes, failures, marketing methods and so on. This research will enable you to identify:

- Who your competitors are, and how many you have.
- Where they are located.
- What your competitors sell, and how they promote their products or services.
- Your competitors' strengths and weaknesses, and how you can make your business different from theirs.
- If other competitors will enter your market in the near future.

To find information about potential competitors, your local city/central library may have directories of trade associations and trade publications. Ask if they hold any of these databases: FAME (Financial Analysis Made Easy), Dun & Bradstreet Key British Enterprises (KBE) or Experian.

Alternatively, you can identify your business sector's trade association at [www.taforum.org](http://www.taforum.org), and browse a directory of trade publications at [www.tradepub.com](http://www.tradepub.com).

## Where can you find market information?

Market information is available from a variety of sources. Some is free and useful as a starting point, but often you will need to pay for more in-depth information and data.

For example, accessing detailed market information can involve buying market reports from a variety of premium sources, including those that specialise in publishing data about specific market sectors. This type of information tends to be general and countrywide. However, this can provide you with good background information that is useful for your business plan or marketing plan.

Try the following sources for market reports:

- Key Note ([www.keynote.co.uk](http://www.keynote.co.uk)) is a market research company providing a range of market reports that can be purchased online for about £300.
- Mintel ([www.mintel.co.uk](http://www.mintel.co.uk)) specialises in publishing reports on European and US retail markets.
- Datamonitor ([www.datamonitor.co.uk](http://www.datamonitor.co.uk)) covers more than 300 international markets in the consumer, industrial and service sectors.
- Scavenger ([www.scavenger.net](http://www.scavenger.net)) for low-cost synopses covering 60 key UK market sectors.

For more information, see BIF 47 A Guide to Sources of Market and Business Information.

## Primary research

After your 'desk-based' research (using the Internet, library, books and magazines to research the information sources described above), you may need to get more specific information through your own original - or primary - research. You would usually gather this information by conducting a survey or through focus groups.

In planning your primary research, you need to consider:

- How to identify and select a representative sample group.
- What is the best way of getting the opinions of the selected group (for instance, by phone, e-mail or a personal visit).
- The best way of choosing and phrasing the questions.
- How you will analyse and interpret the results.

Talk to your business adviser; they will be able to help you organise your research and can find out if there are any research grants for which you might be eligible. For more information, see BIF 1 A Guide to Using a Market Research Questionnaire.

## Hints and tips

- Your market research will form a major part of your business and marketing plans, so keep 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.
- Be realistic with your research findings, and be sensible with your assumptions and market predictions.

- Be careful when asking friends or family for their input as potential customers; they may want to encourage or discourage you unduly, so might offer biased views.
- If you decide to use an external market research agency, consult the Market Research Society's Research Buyers Guide ([www.rbg.org.uk](http://www.rbg.org.uk)) to find out about reputable and experienced agencies and consultants.

## Further information

For practical start up and small business tips, ideas, know-how and news, go to:

Website: [www.enterprisequest.com](http://www.enterprisequest.com)

To access hundreds of practical factsheets, market reports and small business guides, go to:

Website: [www.scavenger.net](http://www.scavenger.net)

- BIF 1 A Guide to Using a Market Research Questionnaire
- BIF 4 A Guide to Writing a Business Plan
- BIF 44 A Guide to Developing a Marketing Plan
- BIF 47 A Guide to Sources of Market and Business Information
- BIF 107 A Guide to Profiling Your Target Market

Market Research Society's Research Buyers Guide

Website: [www.rbg.org.uk](http://www.rbg.org.uk)

The Office for National Statistics (ONS) provides Government statistics for England and Wales.

Cardiff Road

Newport

NP10 8XG

Tel: 0845 601 3034

Website: [www.statistics.gov.uk](http://www.statistics.gov.uk)

The General Register Office for Scotland (GROS) provides Government statistics for Scotland.

Website: [www.gro-scotland.gov.uk](http://www.gro-scotland.gov.uk)

The Northern Ireland Statistics and Research Agency (NISRA)

Website: [www.nisra.gov.uk](http://www.nisra.gov.uk)

The British Library has a comprehensive collection of business information that can be ordered through your local library.

Website: [www.bl.uk](http://www.bl.uk)

UpMyStreet provides analysis of postcode areas, outlining education facilities, consumer classification types and public transport provision.

Website: [www.upmystreet.com](http://www.upmystreet.com)

The Trade Associations Forum lists the main UK trade associations by business sector.

Website: [www.taforum.org](http://www.taforum.org)

TradePub.com lists UK and international trade magazines and periodicals.

Website: [www.tradepub.com](http://www.tradepub.com)

Who Owns Whom is published by Dun & Bradstreet and covers corporate structures in all industries, and includes details about subsidiaries and parent companies.

Website: [www.dbai.dnb.com/uk/en/logon.html](http://www.dbai.dnb.com/uk/en/logon.html)

Mintel publishes over 500 market reports a year, covering market size and trends data, forecasts, information about participating companies and detailed consumer research.

Website: [www.mintel.co.uk](http://www.mintel.co.uk)

Euromonitor covers more than 300 markets worldwide in the consumer, industrial and service sectors.

Website: [www.euromonitor.com](http://www.euromonitor.com)

Key Note's market reports cover a wide range of information about individual market sectors, covering industry structure, market size and trends, recent developments, future prospects and further sources of information.

Website: [www.keynote.co.uk](http://www.keynote.co.uk)

**CONTACT-**

**for further information.**

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