**Unit 6 – Market Research**

**Target Market**

* Target Market is a specific group of consumers at which a company aims its products and services.
* Having a good idea is not enough for a successful business.
* You need to determine your primary customer, and whether they would be interested in buying your product.

**Identify Your Target Market**

* Who is your potential market?
* Are they companies or individuals?
* If they are individuals, you need to know how old are they? How much money do they earn, where do they live, how do they spend their time and money?
* If they are companies, you need to know what industry are they in, and where are they located.
* What needs or wants will my product service or fulfill?
* How many customers live in the area I want to operate?
* Where do these customers buy their product?
* What price are they willing to pay?
* What is special about my product compared to competition?

**Market Segments**

* **Market segmentation** is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments) based on some type of shared characteristics. Market research can be used by a business to identify market segments.
* You need to segment or divide your target to help meet their needs. Pick one target to focus on.
  + Example: It is impossible to reach every customer who eats out. Do you want to reach the fast food customer, restaurant customer, etc.?

**Think About It…**

* What is another example of a market segment?

**Customer Profile**

* **Customer Profile** is a description of a customer or set of customers that includes demographic, geographic, and psychographic characteristics, as well as buying patterns, credit worthiness, and purchase history. Collecting the data can help you have a better understanding of your market.
  + Demographics- describes the group of people by age, marital status, gender, etc.
  + Psychographics- describes people by their taste, opinions, personality traits, etc.
  + Use-base Data- need to know how much they plan to use your product.
  + Geographic Data- where do you customers live and how far are they will to travel for your product.

**Think About It…**

* What do you think the customer profile for is for a person who collects BMW cars?

**Market Research**

* **Market Research** is the action or activity of gathering information about consumers' needs and preferences.
* How to collect primary data:
  + **Survey**- question your market
  + **Observation**- go observe other competition to see numbers of customers
  + **Focus Groups**-interview a group of potential customers to help get feedback.
* **Secondary Data**: is data already found in published sources.

**Six Steps of Market Research**

1. **Define the question-** what exactly is it that you need to know.
2. **Determine the data needed-** what data do you need to collect to answer your question.
3. **Collect the data-** Decide what method to use and then go collect the information whether it be a survey, taste sample, etc.
4. **Analyze the data-** interpret the information and have it written down.
5. **Take action**– use the data to make a decision
6. **Evaluate the results-** Is this business going to work or not?

**Seven Steps of Product Development**

* Step 1: Generate Ideas
  + Workers get together and think of product/service ideas. This is called brainstorming.
  + Development department, market search staff and outside market researchers may be involved.
* Step 2: Screen Ideas
  + Teams must evaluate each idea. How do these ideas fit the company’s mission and strategy?
  + Does the new product compete with one the company’s existing products?
  + Responses from consumers are crucial.
* Step 3: Develop a Business Plan
  + Once the creative ideas pass the screening process, one or two if the ideas are developed into a business plan.
  + The written proposal provides a look at the market.
  + This includes estimated sales, costs, profit potential, market trends and competing products
* Step 4: Develop the Product
  + If the company’s decision makers are in favor of the product, a prototype will be made.
  + A prototype is a model of the actual product. It is used to see what the new product will look like
  + It also tests how it can be made.
  + A company might experience delays in finalizing the product as it is tested.
* Step 5: Test-Market the Product
  + Once the product is fully developed, it should be test-marketed.
  + To test-market a product means to offer it in a limited market for a limited time.
  + The goal is to collect customers’ responses to see if the product is likely to be a success.
  + Testing may give a competitor time to produce a similar product.
* Step 6: Introduce the Product
  + When the product has passed the market test, it is ready for the marketplace.
  + A publicity campaign introduces the product.
  + The costs of launching a new product are often high.
  + The company has a short period of time in the market before competitors start to develop similar products.
* Step 7: Evaluate Customer Acceptance
  + One the product is introduced, marketers track customers and their responses to it. Their reports answer key questions that can be used in the company’s research and development plans.
  + Who are the best customers?
  + What new products are they buying?
  + How often do customers buy the new product?

**Competition**

* Knowing your competition will give you a great advantage to knowing your target market.
  + It's one of the most important points in your plan and should always be included.
  + You can find out if they are happy with the product but not the price, etc.
* Types of Competition
  + **Direct**- a business that makes most of its money selling the same or similar products or services in the same market area.
  + **Indirect**- a business that only makes a small amount of money selling a similar product or service to the same market.
  + **Large retailers-** many smaller businesses have a hard time surviving competition with a larger retailer who has lower prices and more product.

**Think About It…**

* Who is Wal-Mart’s competition?

**Competitive Analysis**

* Identify and examining the characteristics of a competing firm is called a competitive analysis.
  + Identify your competitors.
  + Summarize the products and prices offered by your competitors.
  + List each competitors strengths and weaknesses.
  + Find out strategies and objectives of your competitor.
  + Determine the opportunities in the market.
  + Identify threats to your business from the competition.

**Customer Loyalty**

* Getting buyers to choose your product or service over competition is only one step in running a successful business.
* Once you gain customers, you must remain loyal to them and encourage them to come back.
* Tips:
  + Listen and respond to feedback.
  + Give great service.
  + Convenient hours.
  + Easy return policies.
  + Provide personal notes, thank you letters.
  + Frequent buyer programs, etc.