

Market Research Guide



MARKET RESEARCH GUIDE

Prepared by:

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INTRODUCTION

Why has marketing research grown to be a \$648 million industry in Canada? Simply put, successful businesses need to know about their customers and their competitors. Acquiring accurate and specific information about your customers and competitors is a critical first step in market investigation and the development of a marketing plan. Developing an effective plan is critical to the success of both new and existing businesses. The market impacts and directs all aspects of your company's activities and ultimately will lead to the success or failure of your business. In developing a market plan, your primary functions are to understand the needs and desires of your customers, select or develop a product or service that will meet those customer needs, develop promotional material that will make the customer aware and ensure product or service delivery.

When researching your business idea, it is important to do as thorough a search for information as possible. It is also recommended to do as much of it as you can on your own. This will help you to better understand the market for your idea and help to keep the costs down at the start. Once this initial research has been completed, you may then feel the need to contract professional services to collect additional information for you, or to verify the information you have collected so far. The information you have gathered yourself can form an important base of information from which a consultant can work, as well as allowing you to identify more specifically what you want them to do for you,

Article: Market Research Industry in Canada Worth More Than Half Billion Dollars

The Canadian Association of Marketing Research Organizations (CAMRO) recently completed survey of both members and non-members indicates that \$518 million was spent on marketing research in Canada by survey based companies in 2001. A further \$130 million was spent by non-survey research organizations collecting consumer information, bringing the total expenditures on marketing research activities to \$648 million.

According to Steve Levy, the President of CAMRO, "Marketing research is a significant industry in Canada and is important to both companies and citizens in terms of improving business and protecting consumer interests. The cooperation of Canadians is an important contribution to providing consumers with better products and services."

- Total net value of all marketing research conducted in Canada in 2001 was \$648 Million.
- The survey based business (199 companies in total) accounts for most of the Canadian marketing research dollars (\$518MM). The Non-survey based business (Nielsen/IMS) is estimated to account for the balance (\$130MM).
- Most marketing research in Canada continues to be done via telephone interviewing.

Source: Canadian Association of Marketing Research Organizations, www.camro.org

particularly when there will be costs associated with their services.

Research Methods

Data can be collected from either secondary or primary sources.

Secondary information is already gathered and is sitting on a shelf (for example, government statistics and newspaper or magazine articles). To save time and money, you should start with and exhaust these data sources before proceeding to primary research.

Primary research is information that you go and get for your specific purposes (an example would be surveys). Because it tends to be more costly and time consuming, it is preferable to see what information exists on your topic of research before obtaining primary information.

Primary and secondary research sources both provide valuable information. Learning how to interpret, evaluate and use information from various sources is a marketing and business challenge. Basic guidelines include using standard and reliable sources, trusting your instincts, analyzing the information you obtain, and getting professional advice when you need it. Depending on your business, you should choose a mix of information sources that best fit your needs.

This workbook will discuss areas of focus, research methods, and sources of information to help you conduct secondary market research. Many of these information sources are available at the Thunder Bay & District Entrepreneur Centre. Additionally, there is a wealth of information available online for sector-specific research.

Types of Secondary Research Sources:

- Web-based articles, reports, etc.
- Census reports
- Trade magazines and journals
- Newspapers and clipping services
- Libraries and resource centers
- Books on the industry
- Published reports and studies

Types of Primary Research Sources:

- Business-specific questionnaires (i.e. with questions such as “would you consider purchasing my product/service?”)
- Customer interviews (formal or informal)
- Focus groups
- Competitor observations
- Hiring consultants and advisors and/or using mentors.

YOUR APPROACH

The most common approach to market research is to break the project into scalable parts. These main parts include: **C**onditions (of the market), **C**ompetitors and **C**ustomers – otherwise referred to as “the 3 C’s.” Depending where you are in the development of your business plan, you may also consider examining pricing, promotion and distribution channels for your business. However, these areas become easier to understand after first researching the 3 C’s.

THE 3 C’S

1. Conditions of the Market

You will want to know what is happening within the industry in which you are interested before taking the plunge and investing time and money into it. By exploring the conditions of the market, you will be able to get a feel for the market potential for your product or service.

When you research the conditions of the market, you will need to examine *market trends*, *market area* and *market share*.

MARKET TRENDS

Trends are defined as a general change of direction considered to be with us for a while. One Canadian trendologist, Nuala Beck, states that “*trends are changes in the market place that play themselves out over a period of approximately ten years.*” When looking for ideas, you can use a trend “screen” in order to assess whether or not there is likely to be a growing market for your product or service. Having knowledge of the current trends can help you look at how you can improve your product or service offering so that it fits the trends.

Questions to Ask:

- What is happening in the industry? Is it growing, declining or stable?
- Do customers of this product or service have preferences? What are they?
- Are there legal, moral or environmental aspects of the industry that you need to consider?
- Why is there interest in these goods or services? (Is the demand part of a wider demographic trend, like a “baby boom”, or a luxury that is likely to disappear if there is a downturn in the economy?)

Sources of Information for Trends

Micromedia

Micromedia's Reference Databases, available on the Internet through WebSPIRS, are a set of databases containing information from Canadian profession-oriented periodicals, newsletters, newspapers and trade journals. Micromedia is a wonderful resource if you are looking for information on market trends, industry news, company and government activities and consumer interest topics.

Canadian Business Disc

Canadian Business Disc provides information on approximately two million Canadian "businesses" (includes institutions such as churches, hospitals, libraries, colleges and schools). The information is compiled from telephone directories, other sources and contact with companies.

Weblinks:

- About.com – Retail Industry Trends: retailindustry.about.com/od/retail_trends
- Industry Profiles: www24.hrdc-drhc.gc.ca – Choose language, then select "Industry Profiles" link. Provides overviews of sectors of the Canadian economy; of particular interest is the "change drivers" category.
- Strategis Guide to Canadian Industries:
http://strategis.ic.gc.ca/sc_indps/gci/engdoc/homepage.html

Literature:

Beck, Nuala. Shifting Gears - Thriving in the New Economy, Harper Collins, Toronto, Ontario, 1992

Foot, David A. Boom, Bust & Echo: Profiting from the Demographic Shift in the New Millennium. Toronto: Macfarlane Walter and Ross, 1996

Popcorn, Faith. The Popcorn Report, New York: Doubleday, 1991

Trade Magazines – Gifts and Tablewares, Style Magazine

Business Publications – Canadian Business, Entrepreneur

MARKET AREA

Market area is the area of business operation. It can range in size from a single building to an international market. One way to keep market area clear is to remember it as a geographical area that can be marked on a map. Within the boundaries of a market area, your target markets are those groups of people most likely to become buyers

Questions to Ask:

- Where is your business located?
- Will customers come to you or will you go to them?
- What is the traffic flow for your location?
- What is the demographic and income profile for the market area?

Sources of Information for Market Area

Thunder Bay Community Profile – www.thunderbay.ca – click on “Superior Business” then select “Community Profile”

FP Markets: Canadian Demographics 2004. Toronto: Financial Post, 2004.

Canadian Postal Target Markets 2000. Toronto: Generation 5, 2000.

City of Thunder Bay – Engineering – (Traffic counts)

MARKET SHARE

A market area and your target market within it will support a certain level of sales of a given product or service. The portion of total sales that any one competitor has is called market share. Your potential sales volume - how much you can reasonably expect to sell - is your estimated market share. This estimate can be given as the number of sales, the money value of sales, or as a portion of the total market. Estimating market share isn't easy, but it is important. To sell your product or service, you have to know how a market is divided, and what share of it you hope to obtain.

Estimating market share involves three main steps. First, estimate the total market in the trading or market area you have chosen. Second, consider your competitors and how much of the total market each competitor has now. Third, decide on a figure for your market share. Your goals may be to take part of your competitors' market share, or to develop a different market. Keep those goals in mind when you estimate what portion of the total market your business expects to secure in the first, second and third years of operation.

Questions to Ask:

- What is the total market value?
- How much of a share do your competitors have?
- How big a piece of this pie do you want for yourself?
- Do the trends for the industry (and your customer profile) support your estimate?

Sources of Information for Market Share

GD Sourcing Research and Retrieval: www.gdsourcing.com - Directory of Statistics Canada data and free Canadian statistics

Market Share Reporter: An Annual Compilation of Reported Market Share Data on Companies, Products, and Services. Detroit: Gale Research Inc. Annual.

Statistics Canada – Expenditure Guides, Market Research Handbook

2. Competition

Your competition consists of businesses that sell similar products or services to the same customers you have selected as target markets. A firm that sells exactly the same thing you do but to a totally different market is not the competition that needs your attention. A firm that sells something that competes for the same customers' dollars that you are vying for is someone to watch! Some new businesspeople concentrate more on the competition than they do on customers. This is understandable - the competition is often more visible and easier to find than a group of possible future buyers. But crucial to marketing success, even when you are thinking about the competition, is keeping the customer in focus. Take the time to research your competition, with the *customer* in mind.

Questions to Ask:

- Who are your major competitors?
- What share of the market do they have?
- What are their strengths and weaknesses e.g. quality, price, service, payment terms, location, reputation, etc.?
- How do you compare to your competitors and how will they react to your entry into the market?
- What factors are there that could increase or reduce your competition?

The easiest way to gather and present information on your competition is with a SWOT analysis. A SWOT analysis is a study of the **Strengths** and **Weaknesses** of your competition, and

examines the **Opportunities** and **Threats** to your business idea. A SWOT compiles the following information:

- Names of firms, and their locations
- Appearance of business sites, and layout of operation
- History, and number of years competitors have been in business
- Similar products or services to yours - source, features and price
- Related products or services that the competitor sells
- Product or service line carried
- Number of employees
- Sales
- How your business is different or superior
- Availability of resources

Sources of Information for Competitors

Yellow Pages

Ontario Business Directory (Yellow pages for Ontario)

Tourism and Economic Development, Thunder Bay Business Directory

Canadian Company Capabilities (National Trade Index www.strategis.ic.gc.ca)

Supplier Directories (Scott's Selectory, Canadian Trade Index, Thomas Register, Fraser's)

Dun and Bradstreet Corporate Reports

Statistics Canada – Performance Plus (benchmarking reports)

GD Sourcing Research and Retrieval: www.gdsourcing.com - Directory of Statistics Canada data and free Canadian statistics

3. Customers

A demographic profile of the most probable buyers in a market area describes a business's target market. Use this as a guideline: you can't know too much about your customers. When possible target markets have been narrowed to the most likely, a market profile giving the following information will support the choice. This market profile outline summarizes the market information that you will want to include in a written business plan.

Questions to Ask:

- Who are you going to sell to?
 - age, usually given in a range (20-35 years)
 - sex
 - marriage/partner status
 - location of household
 - family size and description
 - income, especially disposable income (money available to spend)
 - education level, usually to last level completed
 - occupation
 - interests, purchasing profile (what are consumers known to want?)
 - cultural, ethnic, racial background
- How many customers are there in the region you plan to market in?
- What is the total value of the market for products/services similar to yours?
- Who makes purchasing decisions (in some cases, this is not the same as the purchaser)?
- What price is the market willing to pay?
- How frequently would your customers buy your product/service?

Sources of Information for Customers

Tourism and Economic Development, Community Profile

Statistics Canada – Market Research Handbook, Expenditure Guides

FP Markets: Canadian Demographics 2001. Toronto: Financial Post, 2000.

Canadian Postal Target Markets 2000. Toronto: Generation 5, 2000.

Canada Post – demographic information available by postal code

GD Sourcing Research and Retrieval: www.gdsourcing.com - Directory of Statistics Canada data and free Canadian statistics

CONCLUSION

There are countless other sources to find information for your business plan. Start small and think in general terms. Once you are comfortable with how the books and reference tools work, you can begin to narrow your search for more specific information.

The Thunder Bay & District Entrepreneur Centre offers a wide range of research materials to help you prepare your market plan, and free confidential consulting services are available by appointment to help guide you with the plan, along with other aspects of the start-up process. We can help you with your search strategy so you can spend more time on making money!