Market research does not have to be highly sophisticated, expensive or complicated. It can be a do-it-yourself thing. The important thing is to ensure it gives you reliable information that you can use in building your business. Market analysis provides information about the market potential that provides the basis for accurate sales forecasting and your marketing strategy. Its basic components include:

- An estimate of the size or the market for the product/service
- Projected market share
- Information about your market
- Analysis of the competition

Market research involves activities designed to obtain data about the market and falls into two main categories, primary and secondary research.

- Primary research involves collecting new data through market surveys and other field research – specific studies that are conducted on behalf of your company.
- Secondary research involves gathering pre-existing information that is useful to your purposes from published sources.

In addition to conducting research, it is quite valid to rely to some extent on your own opinions and observations, especially if they have to do with your local community. “Outsiders” will not know a community like the people who’ve spent their lives there. However, it is important to back up your opinions with data and research. Don’t rely solely on your intuitive feelings; they’re probably not enough to go to the bank. Resist the temptation to only look for data that confirms your opinions.

Information you gather goes into estimating the sales your company will achieve during its first few years of operation. The feasibility study and business plan you are putting together are built upon these estimates. Because research is one of the principle tools for determining whether the business will work, it is worth making an investment.

You need to be as specific as possible about the dimensions (size, trends) of the opportunities your business faces. Since a new business doesn’t have a track record, your research must be thorough enough to enable you to make realistic sales estimates.

Primary research is information you gather first-hand. Common examples of primary research information-gathering techniques include personal interviews, surveys and focus groups.

Observation
Observation is also a common technique. You record what your customers do naturally. Through observation, market researchers determine how consumers behave as they buy and use a product, or how they are influenced by some marketing strategy being used by the business. This method works very well in a retail environment. It is a useful technique to learn how and then, perhaps, why customers purchase a product that is in direct competition with your product. If your product is already being sold, you might watch how your customers act while purchasing your product.

A pitfall of the observation technique is that the presence and/or bias of the observer can influence the behavior of the subject. As you observe customer behavior in stores, markets, etc., try to be inconspicuous in your presence.

Qualitative data
When businesses gather primary data, they often are gathering qualitative data. Qualitative data is data that cannot be counted. It reveals the quality of a subject’s experience or beliefs. Qualitative research is gathered by allowing customers to answer questions in an open-ended, unstructured manner. Customer preferences might be examples of qualitative data. Focus groups, one-on-one discussions or interviews can provide qualitative data.
Quantitative data
Quantitative data describes things that can be measured and analyzed with statistical analysis. These are expressed in numbers and reveal such things as the quantity of customers with a particular characteristic. How much do your customers earn each month? How old are they? How much do they spend each month on groceries?

Using both
Both qualitative and quantitative information can be important to you as you do your market research. There is a problem with using only quantitative data gathered from a small number of individuals. It may not be a large enough number of people, with a large enough product sampling to be reliable for decision-making. Would you make the decision to completely change your product based on the thoughts of a handful of customers? When you combine quantitative and qualitative data, however, you can expand what you learn by combining or showing connections between observations, preferences and the quantitative data you have developed. You can develop a good base of information, for example, about the characteristics of your typical customer.

Customer profile
The place to start your primary research is with your customer. You may ask, “What information should I find out about my customer?” The answer is “everything.” The better you know and understand your customer’s wants, needs and desires, the better able you are to meet those needs with a product that sells.

The goal of gathering and analyzing customer information is to prepare a customer profile. This customer you expect to market your product or services to is called your target customer and represents an average or typical customer. It may be one profile of one customer group or several profiles covering several customer groups.

Demographic vs. psychographic customer data
Businesses gather demographic and psychographic data in order to discover more about their customers. Demographic data describes specific characteristics of an individual such as age, level of education, occupation, income, marital status and address. Psychographic (lifestyle) data describes an individual’s activities, interests, opinions and beliefs. This data give marketers insight into such things as how potential customers live, make buying decisions or plan for the future.

To illustrate the magnitude of demographic and psychographic trends, consider the following psychographic trends that have directly impacted marketing strategies today.

• Shifts in age make-up of the American market
In the United States, 77 million baby boomers make up one-third of the population and represent one-fourth of the economy’s purchasing power. As baby boomers reach their peak income earning years, their income is expected to double. The size of the youth market (people ages 12-19) is expected to continue decreasing, but its spending is increasing. The mature market (individuals 50 years old and over) commands half of the discretionary income in the United States and holds 77 percent of its assets. Within 30 years, one-third of all Americans will fit into this group.

• Changes in family composition
Increases in the divorce rate and the percentage of working women and a decrease in the birthrate after 1960 have all caused major changes in the make-up of the typical American family.

• Increasing proportion of working women
In 1990, 58 percent of women worked, as compared to 33 percent of women in 1950. Women are entering the work force at younger ages and changing the face of American business in nearly every industry. The time crunch that many working women feel has helped to fuel the boom in Internet and telephone shopping and other timesaving services.
• **Increase in ethnic backgrounds**  
  Historically, cities have traditionally held people from many different ethnic backgrounds, while rural areas have tended to be more homogenous. However, economic and demographic shifts the last 20 years have changed that historical pattern and rural America now is home to people of many different colors, nationalities and religions. This ethnic diversity provides numerous opportunities to develop new specialty and ethnic markets for products.

• **Shifting male-female purchasing roles**  
  Because more women are working in addition to having a family, men are playing a larger role in child care and household duties than ever before. Although 80 percent of the grocery shopping is still done by women, marketers are beginning to see a shift in who makes the purchasing decisions. Because women are earning more money and achieving more professional independence, they are spending more money on travel, dining out, entertainment and luxury products.

These are only a few of the major trends you can observe, research or read about that could affect the products you wish to take to the marketplace.

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**Analyzing your market potential**  
After gathering your primary and secondary research information, you are ready to analyze your market potential. You should be ready to answer these questions:

- Who is your target customer?
- What are the defining characteristics of your target customer?
- Who is your competition?
- What are your competitor(s)' product(s)?
- What is your current trade area?
- What is your market size?
- What are your market trends?
- What is your market potential?
- What is your true production potential?

**Resource**  
Adapted from *Marketing, Research and Analysis; NxLevel Training.*  

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