

Sales and Marketing Library

MARKET RESEARCH AND FORECASTING

Market Research

For Better Market Research, Get Real Clicks, Not Fake Answers

What is a Market Forecast?

Market Research

Most every organization will benefit from even the most elementary market research. If it does not provide new information, it will confirm what is known.

Market research is the process of gaining information about your market. Preferably, this is specific information about your target market and the key factors that influence their buying decisions. Market research can be casual and limited in scope and, although it may not be “statistically significant” research, it can still be valuable. The value and “degree of fit” may be based on the quality, cost, or the amount of time to acquire the information using these practical market research tools. Determine what form of market research is going to work best for you. Make that decision based on the value you will receive, versus the time and other resources you need to invest to gain access to that information.

Market research is often confused with an elaborate process conducted by a third party that takes a tremendous amount of time and money. It may be important to take a different perspective on what market research is and how it is conducted.

Market Research (continued)

Primary Market Research

Primary market research is research that you conduct yourself, rather than information that you find already published. Primary market research may result from you having direct contact with your customers or the public. This may be through the following types of information gathering.

Focus groups gather a small group of people together for a discussion with an assigned leader.

- Customer surveys
 - Existing customers
 - Potential customers
- Your competition
 - Solutions
 - Technologies
 - Niches

Secondary Market Research

Market research may also come from secondary sources. This is information others have acquired and already published which you may find relevant. Access to this secondary market research data may be yours for the asking and cost you only an email, letter, phone call, or perhaps a nominal fee for copying and postage. Much of it is entirely free. Much of it is available to search on the Internet.

- Trade associations
- Government information
 - Federal, state and local government reports
 - [Small Business Administration – SBA](#)
 - [Small Business Development Center – SBDC](#)
 - [Service Corp Of Retired Executives – SCORE](#)
 - [U.S. Bureau of Census](#)
- Educational resources
 - [Chambers of Commerce](#)
- Market research firms
 - General market profiles
 - Specific information

Market Research (continued)

Where to Find Information on the Internet

There are many websites sponsored by a variety of organizations that can provide you with the business information you'll need for your business and marketing plans. These provide a beginning, a jump off place for more in-depth research.

Market Data for the United States

Here are sites that provide excellent data within the United States:

- [U.S. Census Cendata](#): This page has a menu of available reports that include reports on different manufacturing industries, county-specific economic surveys, business patterns for a specific zip code and others.
- [zapdata.com](#): This site offers very good industry data reports, sorted by Standard Industrial Classification code, with a powerful SIC code searcher. The industry-specific (based on SIC code) reports tell you how many companies there are, average sales, and employees. There are also breakdowns by company size and location.
- [CEOExpress](#): This site provides an excellent compilation of additional sites you might want to try.

Information from Trade and Industry Associations

Many industries are blessed with an active trade association that serves as a vital source of industry specific information. Such associations regularly publish directories for their members, and the better ones publish statistical information that track industry sales, profits, ratios, economic trends, and other valuable data. If you don't know which trade associations apply to your industry, find out. Look for Associations on the Internet:

- [Yahoo.com's list of trade associations](#) is an amazing list of hundreds of trade and industry associations.
- [The Encyclopedia of Associations published by The Gale Group](#) is probably the most established, respected source on associations. These cost several hundred dollars each and are normally available at reference libraries. This organization also offers the more updated Associations Unlimited online database of more than 400,000 organizations.
- [The Internet Public Library](#) has a large list of associations on the Web
- [The Training Forum](#) has an associations database on the Web listing more than 10,000 associations.
- ["Action Without Borders"](#) initiative from Idealist.org lists thousands of not-for-profit organizations.

Market Research (continued)

Dingbats and Widgets may be boring to the general public, but they are exciting to Dingbat and Widget manufacturers.

Information from Magazines and Publications

Industry-specific magazines offer a wealth of information on your business and your market. Business magazines are an important source of business information. Aside from the major general-interest business publications (Business Week, Wall Street Journal, etc.), there are many specialty publications that look at specific industries. Specialization is an important trend in the publishing and Internet businesses. Dingbats and Widgets may be boring to the general public, but they are exciting to Dingbat and Widget manufacturers who read about them regularly in their specialized magazines.

The magazines are an important medium for industry-specific advertising, which is important to readers as well as advertisers. The editorial staffs of these magazines have to fill the space between the ads. They do that by publishing as much industry-specific information as they can find, including statistics, forecasts, and industry profiles. Paging through one of these magazines or visiting a website can sometimes produce a great deal of business and market forecasting, and economic information.

Market Research (continued)

Finding the Right Publications

If you don't already know what magazines focus on your business area, then the best place to start looking is on the Internet:

- [Yahoo.com listing of magazines](#).
- [Ulrich's International Periodicals Directory](#) located on the R.R. Bowker website, this is probably the most established and respected source on associations and one of the largest listings of magazines. It is also available in hard copy (ask your library reference section, because it's expensive) as well as online.
- [Audit Bureau of Circulation](#) is another source you can look for in library reference. If you have any association with an advertising agency, ask them to loan it to you for a few hours.

For traditional printed directories, several good reference sources list magazines, journals, and other publications. They also offer indexes to published articles which you can use to search for the exact references you need. These will be kept in the reference section of most libraries.

- [Readers' Guide to Periodical Literature](#), published by H.W. Wilson of New York: this guide indexes popular magazines. It is also available in most library reference sections.
- [Business Periodicals Index](#), also published by H.W. Wilson of New York, is an index of business magazines and journals only.

Getting the Information

Once you've identified the right magazines, contact the editorial departments using their website, fax or phone number and published contact information. Many industry-specific magazines publish statistical editions and market reviews at regular intervals.

Use the indexes to identify published information that might help your marketing plan. When you find an index listing for an article that forecasts your industry or talks about industry economics or trends, jot down basic information on the publication and ask the library for a copy of the publication.

For Better Market Research...

Get real clicks, not fake answers

For real information, watching what people do is way better than asking them what they think, what they did, or, the worst case, what they intend to do. That's why I like this new click-based and search-based research so much. Don't go with what people say; go with what they do.

A great recent example is Marketing Profs' [In Social Media Era, Facebook Rules](#). The data is fascinating; but the methodology, and the tool used, is even more so.

This particular post, for example, uses Google Trends to illustrate the comparative rise and fall of the common phrases. You can see at the bottom of this post how the trends chart shows the rise and fall of the three terms "new media, web 2.0, social media."

You can look at the chart on the next page – taken from that post, which, in turn, highlights [research](#) done by Justin Kistner posted on socialfresh. He's saying that social media is the new third wave of the Web, and he uses the Google trends search and news charts to illustrate.

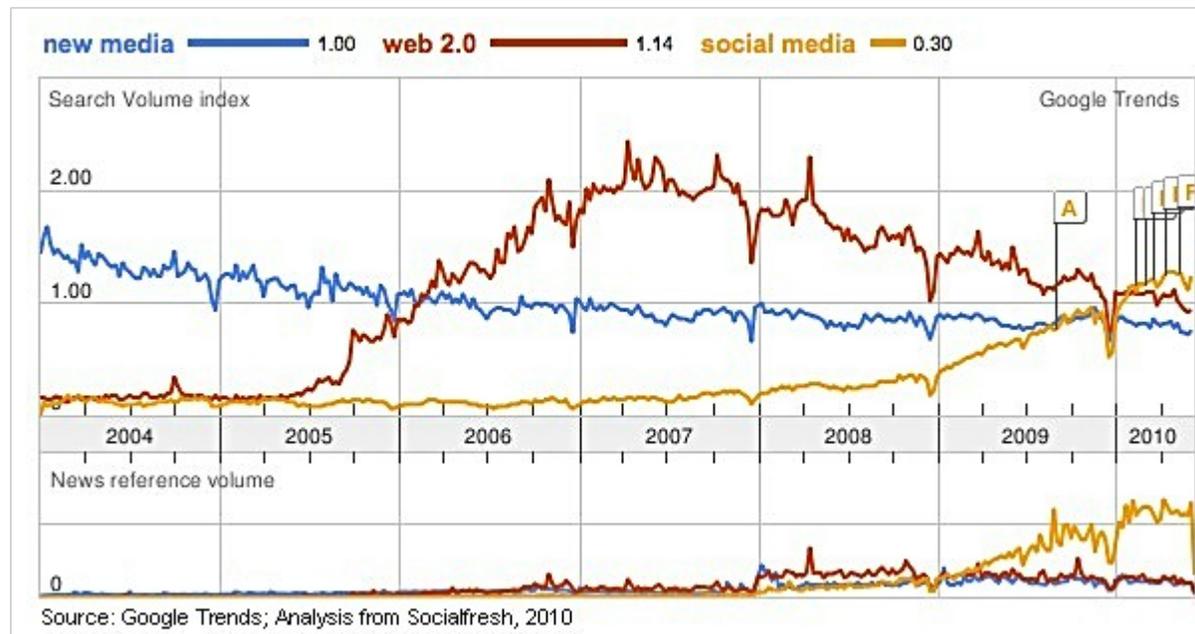
Better Market Research (continued)

Google Trends can show you what people are actually searching for

In Web searches, on the top, “new media” gradually fades from 2004 to now. “Web 2.0” goes up fast in 2005 and 2006, but peaks, and then falls. “Social media” goes up gradually, but seems to be accelerating. In Web news reports, on the bottom, social media is taking over.

That’s done with Google Trends. Try it. Go to the [Google Trends](#) Web tool and start typing in search terms to see what the whole online world has been looking for, and finding, for the last few years. Try it with the terms “hamburger, sushi” and then with “Twitter, blogs” and you’ll see what I mean. I like what I see for “accountability,” which I think is increasing in importance these days.

This is a great tool for thinking, and planning. Educate those guesses.



What is a Market Forecast?

A market forecast is a core component of a market analysis. It projects the future numbers, characteristics, and trends in your target market. A standard analysis shows the projected number of potential customers divided into segments.

This example of a simple market forecast defines two target market segments and projects the potential customers in each of those segments by years, for five years.

Market size forecast

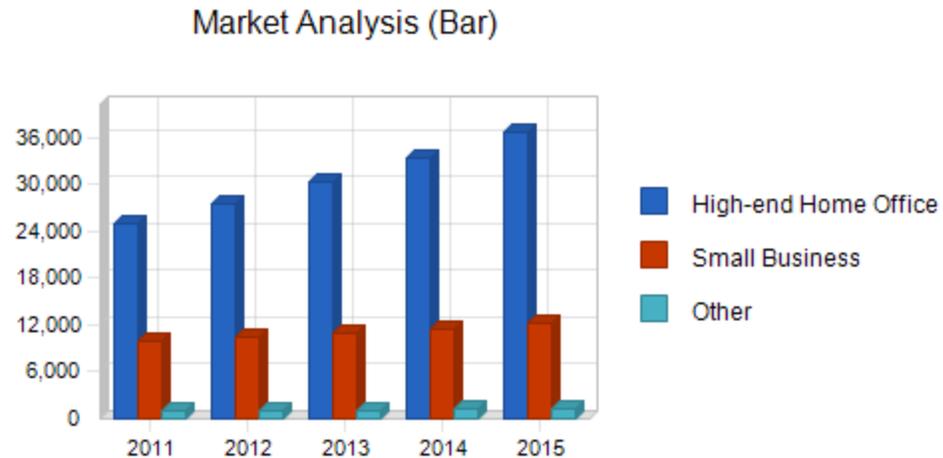
In the market forecast, the example numbers indicate that there are 25,000 home offices included in the market, and that number's

growing at an estimated five percent per year. There are also 10,000 small businesses in the area, and that number is growing at five percent per year.

Market Analysis						
Potential Customers	2011	2012	2013	2014	2015	CAGR
High-end Home Office	25,000	27,500	30,250	33,275	36,603	10.00%
Small Business	10,000	10,500	11,025	11,576	12,155	5.00%
Other	1,000	1,060	1,124	1,191	1,262	5.99%
Total	36,000	39,060	42,399	46,042	50,020	8.57%

These numbers are estimates. Nobody really knows, but we all make educated guesses. The developers of the plan researched the market as well as they could and then estimated populations of target users in their area and the annual growth rates for each.

You can use your market forecast numbers to draw a chart of projected market growth, like the one shown here below. It offers a visual view of the market forecast.



Market value

Normally you would also look at market value, not just market size. For example, although the high-end home segment is 2.5 times larger than the small business segment as measured by number of customers, the small business customer spends almost four times as much as the home office customer. Therefore, the small business market is a more important market in terms of dollar value.

Market Value	Avg \$ per cust.	Market Value	Product Attitude	Loyalty Status	Buyer Readiness
Potential Customers					
High-end Home Office	\$3,200	\$98 Million	Positive	Medium	Medium
Small Business	\$12,500	\$138 Million	Indifference	None	Defensive
Other	\$4,800	\$5 Million	Depends	Strong	Informed

The important numbers in this table are the average purchase per customer and the market value.

Average purchase per customer is an educated guess based on experience. Sales managers got together to make the estimate. Although they would have liked some external source of information to use for this, there was none available. Notice that the home office customer tends to purchase much less overall than the small business customer.

The market value is simple mathematics. Multiply the number of potential customers in the market by the average purchase per customer. In this case they took the average number of customers in each segment over the five-year forecast period, and multiplied that by the average purchase per customer, to calculate the market value.

The other items in this table are subjective qualities that help with marketing. The planners assign these points to people charged with preparing marketing materials.

Reality checks

A market forecast should always be subject to a reality check. When you think you have a forecast, you need to find a way to check it for reality.

In this case if the total market is worth some estimate, you could estimate sales of all the competitors and see if the two numbers relate to each other. In an international market, you might check production and import and export figures to see whether your estimates for annual shipments appear to be in the same general range as published figures. You might check with vendors who sold products to this market in some given year to see whether their results check with your forecast. You might look for macro-economic data to confirm the relative size of this market compared to other markets with similar characteristics.

Review target focus

The market analysis should lead to developing strategic market focus. That means selecting the key target markets. This is the critical foundation of strategy. We talk about it as segmentation and positioning.

Under normal circumstances, no company will attempt to address all the segments in a market. As you select target segments, think about the inherent market differences, keys to success, competitive advantage, and strengths and weaknesses of your company. You want to focus on the best market, but the best one is not necessarily the largest one or the one with the highest growth. It will be the one that matches your own company profile.