

AGRI-FACTS

Practical Information for Alberta's Agriculture Industry

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Market Research

This factsheet discusses the importance of market research as a means for business owners to obtain critical information about their business. Here, you will learn the basics of how to build and execute a market research plan to help you make informed decisions.

Benefits of market research

Market research is an orderly, objective way of gathering and analyzing detailed and current market information about your target audience, competition, market environment and consumer trends that may affect your business goals.

All businesses – existing and new, large and small – can benefit from current market research. Market research can give business owners critical insights to help them make more informed business decisions.

Market research can make a difference in three key areas:

- **Know before you go.**
Market research allows you to better identify potential opportunities and pitfalls for your business. If your idea is for a relatively low-risk enterprise, you may need minimal market research. If your new enterprise idea is higher in risk, you may want more detailed market research.
- **Sell your idea.**
Many lenders or investors want you to demonstrate that you understand the market your business will operate in. Market research helps you substantiate your ideas and assumptions and make a case for why your business will be successful.
- **Strategies based on accurate information.**
Market research can help develop your business strategies and marketing objectives as well as give you a way to measure the success of your marketing

activities. Research can also help you refine your product traits, your price and even help you estimate sales volumes.

Market research is not a one-time activity. Research is best done on an ongoing basis and may be most needed whenever a business faces a major opportunity or decision. Changes in markets, competition, technology and customers will also drive how your product or service may evolve. These changes may trigger the need for further market research.

Types of market research

Primary and secondary research are the two main types of market research that businesses conduct. You will likely need both kinds of research to get a comprehensive view of your potential market.

Primary research

Primary research can be simple or complex and usually finds answers to specific questions for a particular business. This type of research gathers new information by direct methods such as the following:

- performing interviews, surveys or questionnaires (online, by phone or mail)
- conducting focus groups
- observing people, counting cars or pedestrians
- executing field trials, experiments or taste tests

Conducting primary research tends to be more expensive than secondary research because it is time-consuming and can involve several people (or professional consultants) to gather and analyze the information. However, the specific nature of the research can provide quality information that is relevant to your business goals, and the research may give your company a competitive advantage.

Secondary research

Secondary research relies on existing data or research that has already been collected and published. This research method is typically a fairly easy and inexpensive way to discover market information, but it may also be less specific in addressing the questions you have.

Some sources of secondary research:

- employees, friends or colleagues in the industry
- libraries
- government offices (town/city offices, planning departments, school districts, Statistics Canada)
- chambers of commerce and business organizations
- universities
- trade magazines
- industry websites publishing special reports or market trends, such as the Alberta Agriculture and Forestry (AAF) website with its wealth of agricultural market research available online at: agriculture.alberta.ca
- websites that offer information on broad topics of interest to a business such as knowthis.com (try searching “market research”) or websites dealing with general research statistics or industry data like the *Canada Business Network* <http://www.canadabusiness.ca/eng/page/2864/>

Eight steps of market research

Now that you are ready to explore the idea of research for your business, it is time to plan your market research. The following eight steps can help you determine what you need and whether you may want outside help.

For this example, a baker of muffin products is used. To create your own plan, use the *Market Research: Interactive Worksheet* (<https://cfr.forms.gov.ab.ca/form/ldme11304.pdf>) (either the digital version or the hard copy at the end of this factsheet) that walks you through this process for your business.

Step 1: Define your situation. Many adults in Alberta go to work every day without first eating breakfast. There are limited food choices, often only sweet pastries, available at worksites for mid-morning snacks. You supply local bakeries and coffee shops with healthy muffins, and you think there may be an opportunity for you to increase your business.

Step 2: Define your product or service. You want to market two varieties of low-fat, high-fibre homemade muffins: carrot/pineapple and zucchini/bran. The price of your products will be in line with other muffin choices.

Step 3: Create the objective(s) of your market research.

You want to identify or verify that there is a target market or customer preference for these healthy muffins. You also want to estimate the size of this market. Ensure your objectives are clear, concise, realistic and commercially actionable.

Step 4: Look at existing information. You can begin by checking your sales receipts on your saskatoon cranberry muffins from the past three years. Receipts may show a steady increase in sales, indicating your market is ready for an increase in healthier muffin varieties. You can also ask the businesses you supply to indicate how well the healthier muffins sell at their locations. You will also want to assess what your competition offers.

Step 5: Collect additional information (if needed). Begin by looking at existing secondary market research for information on nutrition studies, peoples’ breakfast habits, the importance of nutrition when making food choices, etc. If more specific information is needed for your business, conduct primary market research that may include a taste test for your new muffin varieties at one or two of the businesses you supply. You could also conduct a formal focus group test with people who fit the profile of your potential market.

Step 6: Analyze the research. Does your research answer your questions? Contradictions or gaps in information may mean more research is needed.

Step 7: Create actions based on your findings. If all questions are answered and the results look promising, you may decide to add two new muffin varieties on a three-month trial basis.

Step 8: Track your results. If sales receipts and customer feedback during the trial period indicate that fewer carrot/pineapple muffins are sold than your other types, you may want to explore why. This information can help you decide whether to stop offering that muffin variety or whether you need to make a recipe modification.

Note: Steps 1, 2, 3, 4, 7 and 8 can often be done on your own. Step 5 can often be done partly on your own. Step 6 may benefit from the services of a professional market researcher.

When to hire a market research consultant

Today, the availability of online electronic survey tools makes it fairly easy (and inexpensive) for businesses to conduct their own market research. Companies like *Survey Monkey* and *Fluid Surveys* are just two that offer

free or low-cost survey options. A list of other electronic survey tools is available on the Business Development Bank of Canada website.

However, there may be times when the scope or complexity of the information needed is beyond these tools or your personal expertise. Designing a questionnaire, making third-party observations, conducting personal interviews or organizing taste tests are just a few areas where you may need professional expertise.

A professional researcher will bring objectivity and experience to the table. The researcher can help you frame your questions to get the most out of the research. The professional will also be an expert at analyzing the data once it is collected, to help you draw valid conclusions.

You may find that you only need help with some aspects of the research, and you do not need to turn the entire project over to a consultant. Weigh the cost of buying professional services against the potential benefits.

To help determine whether you need to outsource your research needs, ask yourself the following questions:

- how much will the research cost?
- what is the benefit of the research?
- how much can I realistically do myself?
- what are the benefits of doing it myself?
- what are the benefits of outsourcing the research?

Whether you design your own research with the help of online tools or hire a professional market researcher, the information you gather will help you build your business on a solid foundation of valid data.

Final questions to ask yourself

Can you identify your biggest “pain point”? That is the problem area you most want to solve, or gather more information about, through market research.

Are your research goals clear, or are you trying to accomplish too much?

Do you have access to staff to conduct your *own* market research?

Are you objective enough to conduct market research on your own?

What long-term effects will the market research have on your business goals and plans?

Are you committed to implementing the results of the research once it is complete?

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This worksheet is intended to help you refine what you already know about your product or service, and the market research you may need. This worksheet mirrors the 'The eight steps of market research' found in the Market Research factsheet.

Step 1: Define your situation.

Who is the 'ideal' customer who will buy your product or service?

Age	Gender	Income	Education
Geographical location			
Other relevant information			

Are people already buying your product or service? *(Provide details about them)*

What do you know about your target market? *(For example, is there untapped market demand for your product or service that others aren't addressing? Is the market saturated or is there room for your company? Is the target market expanding or declining?)*

What do you know about your competition? *(Detail information about who they are, what they are selling and prices they are charging.)*

Can you make a profit on your product or service based on current rates or prices?

What are your sales goals?

Year 1 target:

Year 2 target:

Year 3 target:

What is the best distribution or market channel for your product or service?

- Local farmer's market Public markets, fairs, festivals You-pick business On farm stand or retail shop
 Marketing co-operative Direct to a restaurant Retail outlets Broker
 Marketing online or through a catalogue Tourist attraction on your farm
 Other (*Specify*)

What budget do you have for market research?

What budget do you have for marketing and advertising?

Step 2: Define your product or service.

What specifically is the product or service you are wanting to offer?

Can you list three benefits to your potential customer for your product or service? (*Think about the advantages you offer that your competition can't or doesn't.*)

1.

2.

3.

If you could only promote one benefit, which would it be? (*This should take the lead in all your communication.*)

What is your vision for your product or service? (*Ex.: to be in every retail store across Canada; to be seen as the leader in your market.*)

Step 3: Create the objective(s) of your market research.

State, in measurable terms, exactly what you want your research to tell you. (Use the "SMART" method to create goals that are: specific, measurable, attainable, relevant and time-bound.)

State the characteristics of the customers and/or market you want to reach. (Add any 'unknowns' about your target audience to the research objectives.)

Step 4: Look at existing information.

Does your market area have enough people who will buy your product or use your service? Yes No

Is there current need or demand for your product or service? Yes No

Does trend data indicate increased consumption of your product or service? Yes No

How much is your target audience willing to pay for your product or service? Are your prices in line with their expectations? Yes No

Are all your costs – producing, labelling, distribution and marketing – included in the price you will charge? Yes No

Step 5: Collect additional information (if needed).

What are the attitudes and perceptions of your potential customers as they relate to your product or potential product?

What do your potential customers think about the different aspects of your product or service?

Name of product

Package

Features/benefits

Pricing

Other

Step 6: Analyze the research.

Do any of the findings indicate areas of opportunity or challenges to your business objectives?

Opportunities

Challenges

Did your research indicate any changes you need to make to your product or service?

What improvements could be made to meet your potential customers' needs even better?

How do your customers find out about products or services like yours?

- | | | | |
|---|--|---|-------------------------------------|
| <input type="checkbox"/> Website | <input type="checkbox"/> Brochure | <input type="checkbox"/> Local media (radio, newspaper) | <input type="checkbox"/> Email |
| <input type="checkbox"/> Telephone | <input type="checkbox"/> Local buying groups | <input type="checkbox"/> Community Notice Boards | <input type="checkbox"/> Networking |
| <input type="checkbox"/> Clubs or commodity organizations | | <input type="checkbox"/> Online Classifieds | |
| <input type="checkbox"/> Other (<i>Specify</i>) | | | |

Based on the research findings, will the profit margin of your product or service be enough to make it sustainable?

Step 7: Create actions based on your findings.

What have you learned that can help you turn your knowledge into actionable goals?

What are the next steps in getting your product or service ready for the market?

What are the best methods to promote or advertise your product?

Website

Brochure/flyer

Local media (radio, newspaper)

Email

Telephone

Local buying groups

Community notice boards

Networking

Clubs or commodity organizations

Online classifieds

Other

Step 8: Track your results.

In three to six months, check your sales against your business goals.

What progress has been made?

What challenges did you encounter that you did not anticipate?

Did the research suggest the type of results you are seeing?

Is further research required to help you make further business decisions?