

STEP 10

Market research

Don't be put off by the term "market research"

Market research. It sounds complex and costly and something only huge companies with huge bank accounts can do. It isn't. It's a straightforward process. It's absolutely something you can do on your own. No big bank account required. Its concept is very straightforward: all it means is that you gather information that allows you to understand your industry and zero in on –

1. your target customers
2. your competitors
3. your product/service.

Market research answers these questions for you:

1. What is the demand for my product/service?
2. Is my pricing competitive?
3. Who are my target customers?
4. What will make them purchase my product/service?
5. What objections could they have to my product/service?
6. What will attract them to my business?
7. How do I get them to hear of my product/service?
8. What will make them choose my product/service over that of my competitors?
9. What changes do I need to make to my service/product to ensure it meets the needs, wants and expectations of my target customers?
10. Who are my competitors and who is buying their product/service?
11. What are their strengths and weaknesses?
12. How can I be better than my competitors?

It's not rocket science to see that your business isn't likely to succeed if you don't know the answers to these questions. Not bothering to do their market research is at the heart of why many entrepreneurs fail early on. Don't fall victim to the trap that plenty of entrepreneurs fall into – falling in love with your product/service and thinking it is guaranteed to be a huge hit and thus neglecting to find out if that is actually so before launching your business.

Market research on a shoestring budget

Big corporate companies hire high very expensive market research companies. You have to do it for yourself. Here are some approaches that cost very little:

1. Chat with people individually

Just make sure they're not family and friends who are your biggest cheerleaders. You want to talk to people who would be your potential customers. And they must feel comfortable giving you negative feedback.

2. Hold focus groups

You can get a big chunk of information from multiple people in just an hour or two if you host a focus group.

3. Use social media to crowdsource your research

Create a Facebook group and include surveys and info for people to comment on

4. Do Internet searches

Research similar or competing products. Read online reviews.

5. Run online surveys

Asking a lot of people the same questions can generate really dependable data.

6. Visit your local and provincial tourism offices

They can be a very rich source of information. Visit them in person, on the Internet or telephonically.

7. Check out your competition

Look at their websites. Check out their promotions. Conduct your own "mystery shopper" surveys. Park opposite their business and observe how many customers enter. How long do they stay? How many come out with purchases? Go in and browse the business. Check out their product/service. Check their pricing structure. Check out their customer service.

8. Do some testers

Put on some food and drinks and invite people to come around and test your product/service.

9. Talk to business owners on the opposite side of South Africa

If you are in Cape Town, talking to someone with a similar business in Polokwane is far enough away that you won't compete. Tell them what you're doing and ask if you can talk about the industry.

Zero in on your target customers

Your target customers are the people most likely to buy your product/service. Your business will only be profitable if you have a good base of customers who want and need your product/service.

It's important to note, you aren't stopping others outside your target market from buying from you. Instead, you are choosing to focus most of your efforts on a group that represents your "ideal customer". Once you understand your target customers, you can ensure that your product/service is tailored to their specific needs and wants. Then you'll have a satisfied pool of customers who will likely come back for more and promote you through word-of-mouth. Before you begin your market research make sure you are avoiding –

The 3 biggest mistakes you can make

Unfortunately, many new businesses make three fundamental mistakes that can have crushing consequences. They think –

1. **EVERYONE is a potential customer**

Not so. Let's say that you're planning to start a restaurant and you think everyone is a potential customer and thus you plan on "pleasing everybody". However –

- a. Some customers are 30 years old and older. They are wealthy, much more concerned with healthy eating than cheap eating, they appreciate good food and wine, and they like a quiet atmosphere.
- b. Some customers are 15 to 30 years old. They have limited budgets, and like a place with low prices, fast food and loud music.

You can immediately see that if you try to please everyone you'll end up pleasing no-one! When you try to target everyone, you actually end up pleasing no one. Your food, atmosphere, music and prices must target one of the specific groups.

2. **Everyone NEEDS my product/service, therefore they'll buy it**

Not so. Even if your product/service CAN help just about everyone on the planet, not everyone is going to buy it. Let's say you are passionate about teaching Pilates and are opening a home-based gym offering Pilates classes. You spend a lot of time and money targeting committed couch potatoes. After all, do committed couch potatoes *need* to be doing Pilates? No question. Do they *want* to be doing Pilates? Probably not or they wouldn't be committed couch potatoes.

3. **Everyone WANTS my product/service, therefore they'll buy it**

Not so. Certainly, everyone might want what you're selling, but not everyone will be able to afford it. And indeed, your price may exclude a large number of people. So, if you target a customer base that *desperately wants* what you're selling but can't afford it, you're not going to be in business very long.

What are demographics and why are they important?

It's vital to understand that not all customers have the same needs or behave the same way toward products. Demographics is the data about your target customers, such as the age, gender, employment, education, income, etc. Here are some examples of why these demographics are important:

- A married woman with kids will need different marketing messaging than a senior male with no family.
- Men and women generally have different likes, dislikes, needs, and thought processes. Their buying patterns and response to marketing is generally different.
- Someone living in a rural area will respond to messaging that's different than someone living in a big city.
- Millennials and retirees think and act differently and will respond to very different marketing messages.
- Single individuals tend to prioritise themselves, while newly married couples are likely prioritising each other and their homes. Couples with several children have different needs than those who just had their first child.
- Individual cultures have different interests, preferences, attitudes, and beliefs which impacts their response to marketing.

Defining your target customers' demographics help you to understand exactly who your customers are and what they want and need from you

My target customers

These are the questions your market research must answer:

1. Who are my target customers?

Age:

Location:

Gender:

Income level:

Education level:

Marital/family status:

Occupation:

Zero in on your competitors

One of the most overlooked and intentionally ignored parts of a new business is the analysis of the competition. Don't kid yourself. You have competition. Everyone has competition. It's a fundamental reality of being in business. And ignoring them, or understimating them, is the worst mistake you can make. By carefully researching your competitors you can evaluate what they are doing right and what they are doing wrong – and thus determine exactly what you need to do in order for your business to leave them in your dust!

There are three types of competitors:

1. Direct competition

These are the businesses who offer the same product/service as you and compete in the same market. They are your biggest threat.

2. Indirect competition

These are the businesses who offer a different product/service but compete in the same market to satisfy similar customer needs. Identifying how you can leave your direct competitors in the dust has the knock-on effect of making your product/service more attractive to consumers who may otherwise select to spend their money with your indirect competition.

3. Stealth competition

These are competitors who serve the same customers but in different and often unexpected ways. Their product/service usually serves as alternatives to yours. Let's say that you're starting a bakery. A stealth competitor can be grocery aisles, where customers can buy bake-it-yourself mixes. Dining out and entertainment are other stealth competition. The knock-on effect mentioned above can also help towards directing sales your way.

These are the questions your market research must answer:

My competitors

1. Who are my direct competitors? (Don't forget direct online competitors.)
And how long have they been in business?

2. Who are my indirect competitors? (Don't forget indirect online competitors)

3. Who are my stealth competitors?

4. What are my direct competitors' major strengths?

Strengths

How can I match or better them?

5. What are my direct competitors' biggest weaknesses?

Weaknesses

How can I use this to my advantage?

10. What's their marketing like?

And what does this say about how I must market my product/service?

11. What will make customers choose my product/service over that of my competitors?

12. How can I be better than these competitors? (Challenge yourself to find 10 ways!)

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

13. How can I stay on top of these competitors in the future?

14. What can I do to prepare my business should a big competitor enter the market?

Zero in on your quality control

In business it all boils down to quality – the quality of your product/service and the quality of your customer experiences (which pretty much involve every aspect of your business). Therefore, quality control is a key component of a successful, well-run business. Defining your quality control helps to ensure your small business delivers a consistent product/service and customer experience. Quality control is very much a process. You simply need to:

- (a) set your quality standards and
- (b) figure out how you will ensure those standards are met.

Of course, you want to ensure quality in every aspect of your business but make the the most important measures – those that have the biggest effect on your profits and your customer experience – your first priority. This will ensure satisfied customers and also keep you and your team from becoming overwhelmed. What are your quality standards? And how will you ensure that they are adhered to all the time, every time?

*Quality standards need to be non-negotiable.
Otherwise, don't waste your time defining them in the first place.
And remember there's always room for improvement when it comes to
quality and making small changes can pay off in big ways.*

My quality control