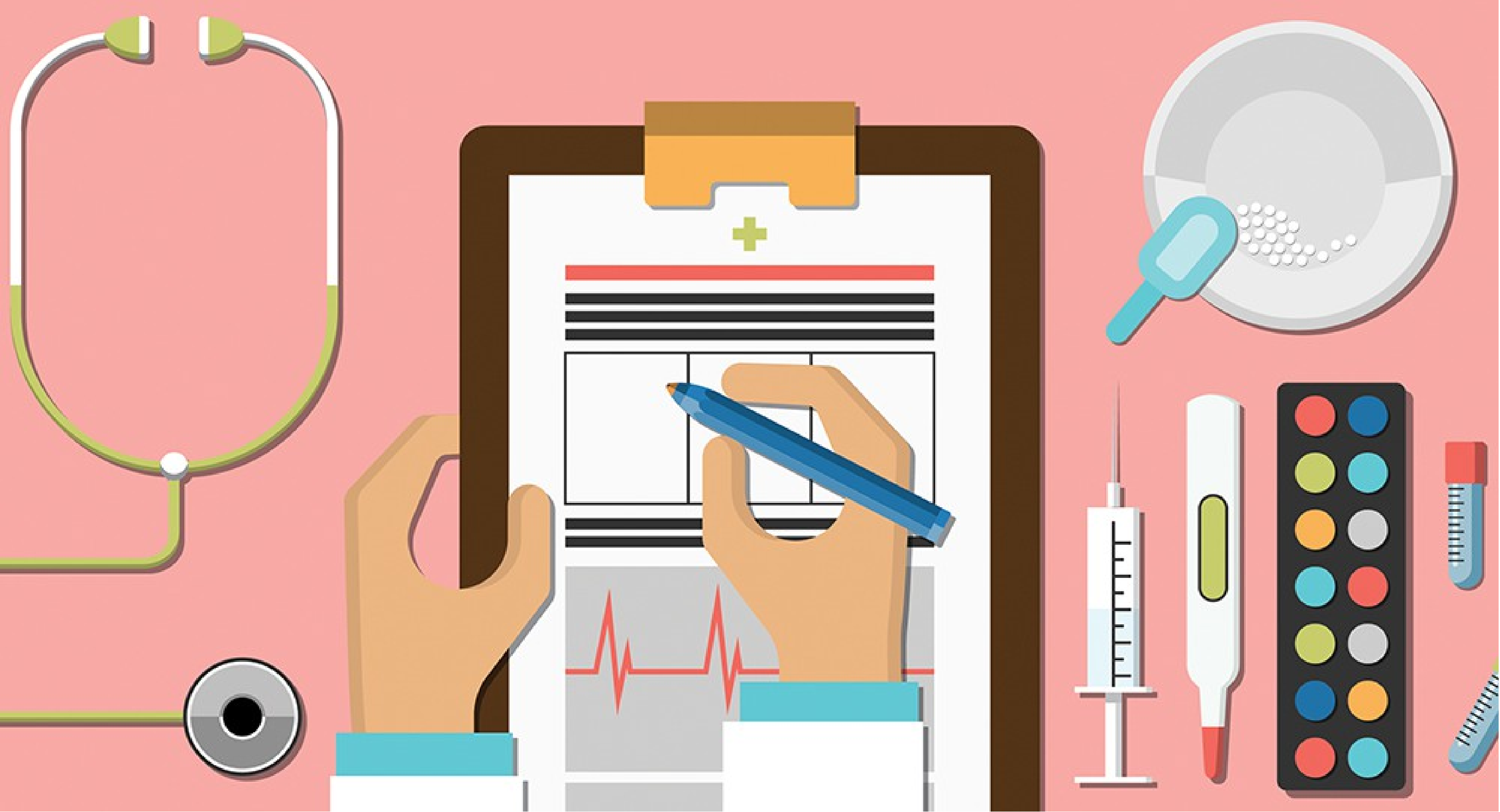
# MARKET RESEARCH MASTERY

LEARN THE SECRETS OF EFFECTIVE MARKET RESEARCH!



# Table of Contents

# Introduction

Market research is a critical step that most entrepreneurs seem to give very little thought to, or often skip altogether. That's a real shame, considering a little market research can save one a lot of time, money, and frustration, and might even save your business.

So many people seem to start a new venture with all the confidence in the world that they know exactly what they're doing. They believe their product or service is the hottest new ticket in town, and that customers will beat their door down to purchase. But that's not the reality for most people.

Everything believes their product is going to be successful. That's why they create it. But without some market research to back up that belief, there is a very real chance the product will fail, and without research that entrepreneur will likely never even know why.

There are a lot of elements to market research that must be performed before you even begin working on product development. You need to learn about your market, your potential customer, and what they expect in terms of features, price, and more.

In this guide, you're going to learn about the various stages of market research, and how you can learn all of this valuable information before you make costly mistakes.

So let's begin.

# Market Research Basics

Market research, simply defined, is analyzing your market, currently available products and competitors, and your target customers. Ideally, it's done before any product development begins, but it can also be done at a later date (perhaps with a less potent effect).

There are two basic ways to conduct market research:

1. **Primary Research** – This is going directly to individuals in the form of interviews, surveys, etc.

2. **Secondary Research** – This is doing research online, identifying your competitors, doing an analysis of currently published data, etc.

Many people think of market research as mostly the primary type, specifically that type of research done by market research companies that use surveys and questionnaires to conduct their research, however secondary research is often just as powerful, and it's also accessible to everyone.

Since interviewing people is very time consuming and often expensive, a lot of beginning entrepreneurs simply cannot manage it, and hiring a market research firm can cost thousands of dollars, we are going to concentrate on secondary research, which anyone with access to the internet can conduct.

# Identify the Competition

Everyone has competition. Even if you invent something completely new and unique, you will have competition. It may be in the form of a similar existing product, or it may be people copying you after you launch your product, but you **will** have competition.

What you must do is figure out who your main competitors will be, and how you can do things better than they do.

Let's say you want to create a new type of iPhone case that will revolutionize the market. You may get a patent on this case, but a patent will only give you 14-20 years of protection, and even then people find ways around the patent by making certain changes to the design or utility of the product.

Your main competition would be companies like OtterBox, and any of the other thousands of companies that create iPhone cases.

What you'd want to do is make a list of the top 5-10 companies that are your main competition, and start analyzing them for strengths and weaknesses.

Let's take OtterBox, for example. You can do basic market research on the company by visiting a retailer's website like Amazon or Best Buy and looking for reviews.

Clearly, their products are made well. Customers seem to enjoy the durability of their cases, but a number of people complain about the ease of use. That would be a place where a competitor could take advantage.

Additionally, their products are priced considerably higher than the competition, which is another weakness a competitor could potentially exploit.

People also complain about a lack of color options, which could be another weakness one might use to their advantage.

Of course, you must look at the other end of the spectrum. OtterBox is one of the only higher-priced companies making iPhone cases. The vast majority of manufacturers are concentrating on the lower end market, pricing their products much lower than OtterBox. Thus, the market for low priced options is already flooded.

In this case, the most likely option would be to create a higher end product similar to OtterBox, make the product easier to use and have more style options, and price slightly below OtterBox in order to compete. You could always raise prices later, once your name has been established.

As you can see, identifying the competition can be extremely useful when deciding to enter a particular market, because you can identify the weaker segments in the market and target those, as opposed to going straight for the more competitive segments.

# Identify the Buyer

Next, it's important to identify your average buyer. Never assume you know who is most likely to buy your product, because you could be very wrong and end up targeting the wrong demographic entirely.

One might assume, for example, that their average buyer was going to be younger women, when in actuality it could turn out to be women in their fifties. You might think this wouldn't be a big deal, but if you're using demographic targeting for your advertising, you could lose a lot of money if you target the wrong group.

Additionally, identifying the wrong demographic could cause you to gear your product toward the wrong audience, resulting in a less than stellar reception by your actual audience—that is, those people who are in your real target demographic and actually end up buying the product.

Identifying your buyer isn't always easy. It may take a combination of tactics, from interviewing people to checking out the demographics of your competitors, but this research can be invaluable when it comes to product creation and ad targeting.

You might want to try to reverse engineer your market by taking an educated guess about who you think your average buyer would be, and then find some of the people that fit your demographic in order to ask them their opinions about your product (or your potential product.)

Find out if they'd be interested in such a product, how much they might be willing to pay, and what key featured they would expect the product to have. You can offer them the product for free in exchange for their opinion, if you like. Get their contact information and send them the product after it is complete.

If you get a very good response from your target demographic, you know you've probably found the correct market for your product. Otherwise, you may have to revise the target demographic and try again.

Here is a good article on finding your target market:

http://www.inc.com/guides/2010/06/defining-your-target-market.html

# Determine Product Features

Another reason knowing your competition and target market is so important is so you can decide which features your product should have. It’s probably tempting to pack in every feature you can think of, but all this will do is end up in a convoluted mess of a project that will likely have to cost more than your market can bear.

Instead, it’s important to focus on a few key features that your market really expects and desires rather than adding a bunch of additional features that most people could live without. The more features you add, the more it costs you to produce, and the higher your price will have to be. That’s alright if you specifically aim to target very wealthy buyers, but generally you want to keep your relatively price low in order to remain competitive.

The first thing you need to do is take a look at your biggest competitors. Make a list of the key features of each of their products and look for any areas where you might improve.

Again, read those online reviews to find out what people are saying about each product—good and bad. Find out what they think is missing, and what they really love about each product made by your competitors.

One great way to determine which features to include in your product and which to exclude is to gather your team together (or a focus group within your target demographic) and give each individual a stack of currency (such as play money or Monopoly money) and have them each assign their cash according to which features they feel most passionately about.

They can put all their cash onto a single feature if they are extremely passionate about it, or distribute it in any way they see fit as long as they distribute all of their cash.

Those features that have the highest amount of money distributed to them make it into the finished product, and the rest are cut.

Another way to determine product features is using what is known as the Kano Model. In the Kano Model, you figure out which features are going to raise customer delight the most and make sure you include those, while also including the basic features that every product in the market must have and some "performance" features that help boost customer satisfaction proportionately but don't have that "WOW!" factor.

For example, in a cell phone:

- **Basic Features** – A dialer for making phone calls, rechargeable battery, headphone jack

- **Performance Features** – A faster processor, longer-lasting battery, stronger touchscreen glass

- **Delight Features** – Voice activation, hands-free use, fingerprint reader

You want to make sure you include as many basic features as you can, along with some performance features that will make your product stand out from your competition, but you also want to include a few key features that will make people really want your product specifically.

For example, the new iPad Pro lured a lot of people in because of the Apple Pencil, which made it easier than ever to draw and take notes on the tablet and included pressure-sensitivity. For people who use the tablet for art and other similar professional uses, this was a huge “WOW!” factor that brought in a lot of buyers.

If you look back at the history of Apple’s touchscreen devices, you’ll see that nearly each generation included a few performance upgrades, but also one or two major “WOW!” factors that enticed not only new buyers, but current product owners to upgrade.

They understand that the average person isn’t going to pay $500-$1,000 for a slightly faster processor, or an extra 45 minutes of battery life. They look for that one feature that they feel they **<u>have</u>** to have, and if there’s nothing big, they won’t upgrade.

That’s another reason why they don’t try to pack in too many new features with each new release. They save some of their new feature ideas for later products so they can have a “WOW!” factor in everything new they put out.

# Establishing a Pricing Strategy

Pricing is a tricky subject. Most people seem to think you should always price as low as possible to beat the competition, but that isn't a sustainable business model for most companies.

See, Walmart can afford to be the low-price option because they buy in massive bulk and can get products at a far cheaper than their competitors. Not only do they count on buying in bulk, they count on selling a lot, too. They know they can't succeed selling a dozen screwdrivers a month. They must sell thousands. They have lots and lots of stores to do all that selling for them.

Target knew they couldn't compete with Walmart on price, so they chose to differentiate themselves by selling slightly more upscale products at higher prices and concentrating more on quality. They draw fewer people into their stores, but they make up for the volume with higher prices and bigger profit margins.

Then you have companies like Kohl's that charge even higher prices, selling name brand merchandise at discount prices. Sure, they're offering discounted merchandise, but because they are selling name brands and higher quality merchandise, their products cost more than those at Target.

Finally, you have upscale department stores like Macy's and Nordstrom. They generally sell name brand merchandise at, or near, full retail, and draw a wealthier clientele.

(Of course, you also have your ***very*** high-end stores that sell only the finest luxury goods. They count on selling at a very high price point to make up for the lack of volume. They may have only a handful of actual buyers each day, but their prices keep the store running.)

It's the same principle in internet marketing. You have some people selling their products at $7-$37 and hoping to sell huge volume. Then you have the mid-range sellers at around $47-$97 and counting on decent volume and affiliate sales. The high range players have products up to around $1,000 and don't sell a huge volume, but can still make a ton of money if they find the right buyers. And finally you have the big players that charge thousands of dollars for seminars and personal mentoring. They may not sell to a lot of people, but they still make big bucks.

What you must do is decide which market you wish to cater to, and that may depend on which markets you find accessible.

For example, beginners in internet marketing can't really hope to access those few people who buy at the $1,000+ price point. You'd need a big name to even get the attention of the people who have those buyers on their email lists and have a chance for them to promote you. But at the same time, you wouldn't have a massive list of people who might buy at $7, either, so you can't count on volume.

In this case, pricing somewhere in the middle, say $47 to $97, would probably make the most sense, because you'd potentially attract affiliates to promote you (people who already have lists, but wouldn't promote a cheaper product), but you wouldn't necessarily have to have an established name to attract their attention.

Pricing physical products take a bit more thought, of course. You must figure out exactly what it costs to make the product in order to find out a baseline price at which you could make a profit.

Let's say it costs you $18.50 to make an item. You would make a slight profit selling at $19 (ignoring other overhead costs like office space and employees), but you would have to sell direct to customers and sell in huge volume to make good money. You could sell it at $185 and make a huge profit per item, but you'd have a much smaller market of people willing to buy the item.

You must also factor in the price of your competition. If your competitors are all selling at a particular price range and you go much higher, you're risking alienating a big chunk of potential buyers. Price much lower and you could end up suffering from a low perceived value.

> ***Perceived value*** *is an imaginary value that a customer places on your product based on its price and other factors. If your price is much higher than the competition, some people will think your product is automatically better quality, even if it isn't. And if it is priced much lower than your competitors, some people will assume it is junk.*

Perceived value is a very real concern, and you must keep it in mind when you price your product. You never want to price so low that people assume your quality is low. And remember, higher prices **do** lead to perceived value, **but** if customers weigh your actual features against the competition and they see little to no difference, they won't be willing to pay your higher price.

# Conclusion

Market research is a time consuming process, and for this reason, many entrepreneurs choose to skip it. However, this can lead to disastrous results for a company.

- You wouldn't buy a house without getting an **inspection** done, would you?

- You wouldn't hire someone without doing a **background check**, right?

- You certainly wouldn't invest your money into a stock without doing a little **research** first, correct?

Then why start a business or launch a product without doing the same due diligence?

Starting a business without doing research is extremely risky and seriously dampens your potential for success. There's always a chance you won't succeed even if you do your research, but it's a much smaller chance. So why not take the time to minimize your chances of failure?

A little research can save you a lot of headaches down the road, so take the time to do it now and save yourself the hassles!

Best of luck!

# Resources

**Here are links to some of the resources found in this guide:**

How To Define Your Target Market:

http://www.inc.com/guides/2010/06/defining-your-target-market.html