**Entrepreneurship Chapter 4 - Market Research Process**

**Chapter Discussion Questions**

* How do you think entrepreneurs determine who will buy their products?
* What type of research should entrepreneurs do before launching a business?
* How do you think entrepreneurs organize and analyze their market research?
* What is a target market? What role do you think it has in business?
* What characteristics could entrepreneurs use to define a target market?

**Entrepreneurship Chapter 4 - Market Research Process**

**The Function of Marketing**

* **Marketing** - the process or technique of promoting, selling, and distributing a product or service.
* The **function of marketing** defines customers’ wants and needs and delivers goods and services to fulfill those needs.
	+ If marketing fails to accurately project consumer wants and needs, other business functions such as production, management, and finance will also suffer.
* Entrepreneurs who invest time and resources into market research at the onset of a business are better prepared to create products that will lead to profitability.

**Marketing Concept**

* The marketing concept is a method of selling that involves
	+ analyzing customer wants and needs
	+ and aiming to fulfill them better than competitors.

**3 Elements of Marketing**

1. **Customer Needs**
* Meeting customers’ needs and wants involves extensive research to producing products that are in demand within an economy.
1. **Company Goals**
* Aligning the business functions to customer needs means every action a company performs should match its goal of satisfying customers.
1. **Profits**
* Companies that build long-term returning customers create a relationship conducive to increased profits.

**Market Share -** Percentage of the market a company supplies.

* Determines how successful a company is.
* Referred to as “getting a bigger piece of the pie”.

**Target Market**

* A **target market** - a specific group of people a business will sell to.
* Grouped by
	+ age
	+ behavior
	+ geographic location
	+ or others.
* Understanding your target market is important because listing specific consumers, organizations, or businesses your business will target is a critical first step in creating your marketing plan.

**Market Identification** - The method of choosing a target market.

* A place where buyers and sellers exchange goods and services.
	+ Refers to a group of customers who might purchase a product.
* **Goal**: Discover where, how, and with whom a business will be most profitable when selling.

Businesses consider the following questions when assessing potential target markets:

* **What** problem does the product solve?
	+ Products satisfy wants and needs by solving a problem for customers.
	+ Businesses use these problems to guide their thinking in identifying a target market.
* **Where** is the demand for the product?
	+ Understanding geographic areas in high demand of products helps assess marketing strategies and distribution needs.
* **Who** is demanding the product?
	+ A closer examination of the consumers demanding a product can provide indication of characteristics unique to a target market.
* **How** does the competition solve customer problems?
	+ Businesses that engage in a competitive analysis by reviewing strengths, weaknesses, opportunities and threats are better positioned for market identification.

Go online and find a product that is only available/necessary in a specific geographic area…

Write in your notes…

* + The product
	+ Where it is available & necessary
	+ Why it’s only available & necessary there
	+ Would you buy it? Explain

**4 Categories of Market Segmentation**

* **Geographic** Segmentation
* **Demographic** Segmentation
* **Psychographic** Segmentation
* **Behavioral** Segmentation

**Geographic Segmentation**

* Study the unique needs and wants of people in geographic areas to create and market products to meet consumer demands.
* Helps divide a target market based on customer location.
* Target market can be segmented by physical locations such as region, state or city or by climate and population size.

**Demographic Segmentation**

* Division of the market using statistical data such as housing, age, education, ethnicity, gender, occupation, marital status, etc.
* Only part of the picture, they must understand what the information means.

**Psychological Segmentation**

* Messages are designed to resonate with a target market by understanding
	+ activities consumers enjoy,
	+ interests they hold and
	+ societal views that drive decision-making.
* Lifestyle analysis of consumer values, attitudes, and preferences; assists marketers in predicting psychological influences and purchasing priorities.
* Data is collected by surveys and interviews, etc.

**Behavioral Segmentation**

* Consumer spending habits often guide businesses in adapting their marketing strategies to meet the preferences of a target market.
* It is used to identify purchasing behavioral patterns of customers.
* Loyalty and usage rate are two important factors of behavioral segmentation.

**Customer Profile** – Details about a typical customer.

**Customer Profile:**

**Demographic:**

 Age

 Gender

 Ethnicity

 Family Size

 Income Level

 Occupation

**Psychographic**:

 Interests

 Activities

**Geographic Location:**

**Market Research**

* The process of gathering qualitative and quantitative data about consumer preferences.
	+ **Quantitative** data is numbers-based, countable or measurable.
		- It tells us
			* how many,
			* how much,
			* or how often in calculations.
	+ **Qualitative** data is interpretation-based, descriptive, and related to language.
		- It helps us to understand
			* why,
			* how,
			* or what happened behind certain behaviors.
* This is an essential business practice, both pre-venture and post-launch.
	+ Includes actions as simple as analyzing a current customer list or as complex as using online database tools.
* Helps entrepreneurs challenge, validate, and sometimes adjust their assumptions.
* Removes emotion from business decisions and enables entrepreneurs to determine whether or not their business ideas are justified.

**Limitations of Market Research**

* Market research is not a predictor of behavior.
	+ People change and therefore behavioral forecasts cannot be considered concrete.
* Data is only as good as the people who collect it.
	+ Data can easily be misinterpreted.
* There may be a time lag between when research is conducted and when it is released to the public.
	+ One example: changing technology.

**Making Business Decisions**

* Market research is often overlooked by new entrepreneurs.
* They begin with an idea borne out of their own needs and go directly to launching the venture *without* taking the time to research potential markets.
* They may get started only to discover months later that the market for their product or service doesn’t exist.
* **Market research** plays a critical role.
	+ It facilitates sound decision making by helping to
		- validate, challenge, or adjust assumptions.
* It should be conducted not only prior to opening a business, but also every 6 months to ensure a business is still projecting the best way to maximize profitability.

**Market Research** – AKA - **M**arketing **I**nformation **M**anagement (MIM)

* Components of MIM
	+ Gathering information about products;
	+ conducting research into consumer wants, needs, and preferences;
	+ and analyzing competitors.
* Important to understand the difference between factual data and misinformation.

**Primary Data vs. Secondary Data**

* **Primary Data**
	+ **Surveys** – conducted for a variety of purposes.
		- Determine customer satisfaction
		- Understand consumer likes and dislikes
		- Get product feedback
		- Measure brand awareness
	+ **Focus Groups** – used by major corporations
		- Brings a set of people together in a room to participate in a discussion.
		- People are often invited to a free showing of a movie or tv pilot in return for answering a few questions at the end of the show.
			* This method has been used for years to determine which shows make it on tv.
	+ **In-Person Interviews** – aka – **ethnographic** studies
		- In-depth look at current customer.
		- It is often more flexible than focus groups and generates meaningful one-on-one conversation.
	+ **Observation** – live observation of consumers in the natural environment.
		- Example: businesses employing mystery shoppers who are paid to shop at a store in exchange for reporting all aspects of their experience.
	+ **Field Trials** – quantitative results and are a way to test hypotheses.
		- Example: to determine which website home page is most effective.
		- Create an experience where websites are shared with customers and results are tracked.
* **Secondary Data**
	+ Gathering information about
		- markets,
		- market trends
		- and business and consumer needs and wants.
	+ Business statistics and industry data from sources like the US Census Bureau, often provide key information regarding markets and market trends.

**Technology** - Entrepreneurs must use the appropriate technology to obtain information about their industries, customers and competition.

* **Industries**
	+ Technology for gathering information about industries:
		- websites,
		- printed industry publications,
		- industry information databases such as
			* [USA SBA](https://www.sba.gov/),
			* [US Census](https://www.census.gov/),
			* [IBISWorld](https://www.ibisworld.com/),
			* [Reference USA](https://www.referenceusagov.com/)
			* and [Bizminer](https://bizminer.com/).
	+ They provide insight into historical data into each industry as well as forecasts on market demand.
* **Customers**
	+ Technology for gathering information about customers; **Customer** **Relationship** **Management** (CRM) tools.
	+ CRM Tools:
		- live chat,
		- feedback forms,
		- follow-up surveys,
		- recommendation and rating tools,
		- email surveys
		- and monitoring social channels.
* **Competition**
	+ Technology for gathering information about competition; business owners often rely on basic internet searches to acquire competitor information.
	+ More advanced tech can simplify data collection.
		- Google Alerts can be set on competitors to receive up to date notifications on their business activities.

**Business Ties to Technology, pg. 66**

Marketers collect data about people who visit their websites. Using web analytic tools, marketers measure web traffic by the number and time of clicks and geographic data. All of this is done automatically as soon as a visitor clicks a link to a site. Entrepreneurs use this information as a form of market research and to tailor messages to target audiences. Tools such as [Google Analytics](https://support.google.com/analytics/answer/12159447?hl=en#:~:text=Google%20Analytics%20is%20a%20platform,provide%20insights%20into%20your%20business.) and [Microsoft Power BI](https://www.microsoft.com/en-us/power-platform/products/power-bi) gives marketers information about which elements of a site people are most responsive to.

**Market Research Process**

* It consists of a series of steps used to
	+ identify industry trends,
	+ identify potential markets,
	+ analyze demand,
	+ forecast sales,
	+ and make other business decisions.
* It mimics the everyday decision-making process.
	+ It begins with identifying a problem and leads to determining how best to solve it by putting a plan into action and analyzing results.
* It helps to unveil new business territories to expand into and increases customer satisfaction, among many other benefits.
1. **Identify the Problem**
	* The most important step in the market research process.
	* Incorrectly identifying the problem or objective can result in misleading data that fails to solve the problem.
2. **Determine a Research Approach**
	* Determine the best approach for solving the problem.
	* Many methods to choose from:
		+ surveys,
		+ field trials,
		+ secondary data,
		+ consumer interviews, etc.
3. **Design the Research Instrument**
	* Create any necessary research instruments.
	* Design and implement to a small sample of people to ensure it will accomplish the intended purpose.
4. **Collect Data**
	* Put your research instrument of choice into action.
	* It should collect enough data so it will garner real results to provide strategic direction in decision making.
5. **Analyze Results**
	* Place data into a format or software platform that works best for the business.
		+ It can be put into a simple spreadsheet or a complex database.
	* Data can then be broken down and results analyzed.

Charts and graphs are often used to better identify trends.

1. **Communicate Results**
	* When presenting all the researched data to the entire business team all information must be put into digestible pieces.
	* In this final stage this is where you identify how the marketing research either validates or challenges the initial findings or create recommendations for moving forward based on market research results.

**Competition Research**

* To market effectively, businesses must understand their competitive position, or how they relate to competitors within an industry, through market analysis.
* Competitive positioning involves examination of a business’s entire marketing process and its competitors to understand how well products can compete.
* To analyze competitive position, businesses study the following factors:
* **Market Profile** – a description of the market
	+ What products are being sold in the market?
	+ How big is the market?
	+ What technological advances are involved in the market?
* **Target Market** – an analysis of potential customers
	+ What do customers want and need?
	+ What products are people demanding?
	+ What similar products are competing to meet this demand?
* **Competition Analysis** – an evaluation of competitors
	+ What are competitor’s strengths and weaknesses?
	+ Do they better meet customer wants and needs?
	+ What opportunities are present in the market?
	+ What threats may negatively impact business?
* **Product Differentiation** – an understanding of what makes a product unique.
	+ What are the products strengths?
	+ What are its weaknesses?
	+ How does it compare to similar products?

To conduct a market analysis, entrepreneurs should follow these five steps:

1. **Identify Competitors**
* Companies whose products or services compete in a target market.
* They should be identified during the initial market research stages prior to ever starting a business.
1. **Track Competitive Factors**
* Advertising, branding, company reputation, price, product, quality, location, sales method, overall sales, stability, and service.
1. **Identify Factors as Strengths or Weaknesses**
* Factors should be delineated as strengths or weaknesses.
1. **Rank Customer Needs and Wants**
* Each factor should be ranked in terms of customer needs or wants using a consistent word or number scale.
1. **Analyze**
* Collected data should be analyzed to identify business opportunities.

**Ethics in Entrepreneurship pg. 70**

Sara is the president and owner of her family who foods market. She employs many family members, including her brother-in-law, Dean, who serves as the marketing manager.

In Dean’s latest marketing campaign, Sara notices some language that could be misinterpreted by customers. Dean argues that the advertisement is completely acceptable because he created it based on psychographic segmentation data. Sara’s concern is that while it may appeal to some customers, it could easily offend others.

1. Utilizing the marketing research process to aid in her decision making, how should Sara approach the problem?
2. What are some decisions Sara could make and what might the outcomes be of those decisions?
3. What is the benefit of Sara utilizing the marketing research process to solve this problem?

[**SWOT Analysis**](https://onstrategyhq.com/resources/swot-analysis/?amp=1)(Strength Weakness Opportunity Threat)

* Business tool that evaluates a company’s strength’s weaknesses, opportunities and threats.
	+ **Internal Factors**
		- **S**trengths & **W**eaknesses
	+ **External Factors**
		- **O**pportunities & **T**hreats
* After completing the four sections of a SWOT analysis, entrepreneurs review each item and prioritize them using the high priority factors to develop an action plan to move their business forward.