

New Product or Offering

Many new product lines or special offers (“10% Off!”) are the results of careful marketing research, which can determine customer needs and wants and allow you to supply your customers with just the “right” product or service. Research can be used to determine the impact of special sales programs or discount offers and can even be used to introduce a new product before the expense of fully doing so is incurred.

Pricing

Pricing is a crucial marketing element in all businesses, whether large or small, and marketing research can supply precise information for pricing decisions. Well-designed research can determine the true trade-off between price and the amount of sales before committing to a specific sales program.

Advertising

Many small business owners are very concerned with the promotion and advertising of their businesses. Considering the cost of advertising today, their concerns are well founded. One of the most frequently asked questions is: “How effective is my advertising?” The answer can be determined with many types of formal and informal research techniques. For example, a separate telephone line with a number that appears only in your Yellow Pages ad can be installed. By placing a tally sheet next to the phone, a count can be recorded every time a call comes in on that line. By the end of the month, you will be able to tabulate exactly how many calls are generated by your Yellow Pages ad and then determine its effectiveness. These strategies are just a few of the many possible applications marketing research has for small businesses.

What Are the Various Types of Marketing Research?

All marketing research falls into two basic categories: secondary and primary. Secondary research involves literature searches, article reviews and analysis of existing, available data. While secondary research is limited to the information you have on hand, it is usually much cheaper than primary research and can be conducted by small businesses themselves.

There are two general types of primary research: qualitative and quantitative. Qualitative research is used for developing new ideas or to get a “gut feeling” for a given subject or problem. Quantitative research primarily involves surveys based on representative samples, where data is collected using mail, telephone or personal interviews. Results from quantitative studies can be projected to entire populations and therefore used in predicting.

Qualitative Research

Nearly all qualitative research is done using focus groups. These groups consist of eight to ten carefully selected and recruited individuals who participate in a directed discussion concerning some issue. The specifications for recruiting these participants are based on the objectives of the study. For example, the owner of a gardening service who is interested in expanding into a new geographic territory might want to explore the demand for these services beforehand by conducting focus groups among homeowners living in the area where the expansion is planned.

The discussion itself is designed and led by a professional researcher called a focus group moderator. The moderator follows a specially prepared script known as a moderator’s guide, which is developed with assistance from the client and outlines the issues to be covered. It is important that an independent, professional moderator be used to ensure objectivity, and that all the relevant issues are covered.

Focus groups are often conducted in special facilities that are equipped with one-way mirrors and observation rooms so the client can observe the discussions

firsthand without disturbing the participants. The discussions are either audio or videotape recorded so the moderator does not have to take notes. After conducting the groups, the moderator will listen to the tapes, summarize the key points and present the client with a final report on the findings. In most cases, three focus groups are conducted for a single research project. It would be too risky to arrive at any conclusions based on the results of just a single group, since the chances of only one group being representative of the population are quite slim. While two groups are better than one, many times the findings from the second group vary greatly from those of the first. A third group strikes a balance between the first and second and allows the client a better perspective.

While focus groups are a legitimate form of marketing research, they are also the most misused and incorrectly applied of all existing techniques. They should only be used for exploration and generation of new ideas, and should never be considered as representative of the opinions of the entire population. The results from focus groups cannot be projected in any way. On the other hand, focus groups are an excellent method of flushing out key issues regarding a new idea or potential product or service. They can also serve as the first stage of the research process by identifying key points to be addressed in subsequent, quantitative surveys.

Quantitative Research

When people speak of marketing research, they are usually referring to quantitative research. Quantitative research involves a survey of a selected sample of a specific group using mail, telephone or in-person interviews. Data is collected by means of a carefully constructed questionnaire that is pre-tested before the actual survey. Completed questionnaires are edited, and verbatim responses to open-ended questions are coded using pre-developed categories. The data from the questionnaires is entered into a computer for tabulation of results. Final computer outputs, or “tables,” are then ready for analysis. It is important for both research buyers and users to understand the strengths and weaknesses of each of the various research approaches so they can select the technique that best meets their needs at a cost within their budgets.

Mail Surveys

Mail Surveys were extremely popular during the 1950s and 60s when the costs of telephone interviewing were prohibitively high. Mail surveys are still widely used today, although the advent of the WATS telephone service has made telephone surveys much more cost competitive. The major strength of mail surveys is still their relatively low price. For the price of postage, materials and printing, a small business can conduct a very cost-effective research study. In addition, since the respondent actually receives materials from the researcher, illustrative or test documents can be included in the mail-out.

The major drawback to mail surveys is their very low rate of return, or response rate. Even with incentives such as money and second mailings, most end up with only about a 5 to 15 percent response rate. This means you do not know the opinions of 85 to 95 percent of the people you wish to study. In addition, those individuals who do not respond to a mail survey are often different from those who do. For example, older retirees are more likely to have the time and inclination to fill out and return a questionnaire while single people between the ages of 25 and 35 are much less likely to do so.

Different research techniques such as incentives and telephone reminders can boost the response rate to as much as 50 percent, but all these methods add to the price of the study, thereby defeating the purpose of selecting this technique in the first place.

In-Person Interviews

Many of us are familiar with in-person interviews. Every ten years, the U.S. Census Department knocks on doors to conduct in-person interviews and find out how the population has changed. In-person, or personal interviews, involve a face-to-face meeting between an interviewer and a respondent. Using a prepared questionnaire, the

interviewer asks the respondent a series of questions and carefully records the answers. These interviews take place either at the respondent's home or place of business or at a well-traveled location, such as a shopping mall.

Unlike mail surveys, personal interviews usually result in a very high completion rate. Response rates as high as 95 percent are not unheard of. In addition, in-person interviews allow the respondent to physically come in contact with proposed products, services or advertising under the guidance of the interviewer. This one-on-one interaction is why in-person interviews are often used in researching advertising copy or packaging designs.

The biggest problem with in-person interviews, however, is their extremely high price. Since an interviewer is required to either visit the respondents at their homes or businesses or track them down in shopping malls, a great deal of interviewing time is required. Even at low hourly rates for interviewers, an in-person interview currently costs at least \$100. Considering that most surveys use a sample size of at least 100 people, this approach can get very expensive.

Telephone Surveys

Computers have been introduced into the telephone interviewing process. Interviewers now sit in front of a computer screen and read from a pre-programmed questionnaire that appears in front of them. Respondents' replies are recorded directly into the computer system using a keyboard, which saves time in data entry and coding. Results are immediately available at any point during the survey. These "Computer Assisted Telephone Interviewing," or CATI, systems are becoming widely used by research companies and allow for faster, cheaper and more reliable interviewing.

While telephone surveys are much less expensive than in-person interviews, they are usually slightly higher in price than a straight mail survey. Response rates with

telephone surveys are much better than mail, usually 50 percent and higher, which makes them the ideal choice for most research applications.

A Quick Survey of Surveys

Surveys can be conducted in numerous ways: directly, by mail, by fax or by phone. Generally, you will have a better response if you ask customers to complete surveys while on your premises. Follow the guidelines below and, above all, let your customers know how you have implemented their suggestions. Eight out of ten will come back to see if you have followed their advice.

Keep surveys simple and easy to read. Do not get too technical or make the survey long and boring.

Ask close-ended or direct questions as much as possible. Instead of asking, for example, “What products would you like to see us add to our product line?” ask, “Of the following list, which products would you like to see in the store?”

1. Get a large sample before you tabulate results. Ten surveys won't give you an accurate representation. Depending on your business, 500 or more respondents may be necessary.
2. Put yourself in the place of the customer. Can the customer furnish all the information you are asking for?
3. Leave plenty of room if you ask open-ended questions or if one of your answers is “other.”
4. Give respondents some kind of reward or incentive for filling out your survey. Examples include a coupon redeemable on their next visit, a grand prize or a

drawing from amongst the finished surveys. (Be wary, however, of those who fill out more than one survey to increase their chances of winning.)

5. Construct the survey so that the results can be utilized in as many ways as possible. For example, names and addresses can be used to develop mailing lists. (Note: Surveys that ask questions about income or general demographics should not request the respondent's name and address.)