

Building a successful business requires an in-depth knowledge of your product, customers and competitors. Market Research will provide you with a framework for gathering timely and specific information on both your customers and your competitors. It will allow you to understand the needs of your customers, provide a product or service to meet those needs and then develop a marketing strategy that will make the customer aware of your business.

## Analyze the Market

### Critically analyze the product or service that you sell.

An honest appraisal of your product/service will help to ensure that it will meet the demands of your customers. Remember that the product or service should always be focused on the needs of the customer. You should be able to list the benefits that your customer will receive by using your product/service or the problems that it will solve for your customer. "Think like a customer."

Issues to consider:

- What trends affect your product/service?
- What is the lifecycle of your product/service?
- What regulations apply to your product/service?
- Compare your product/service with that of the competition.
- How do customers perceive your product/service compared to that of the competition?
- How will your target customers find out about your products or services?

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## **Get to know your customer!**

Develop a profile of your ideal customer (demographic information). Knowing who this person is, in greater detail, will help you to better understand specific characteristics of your target customer as well as allow you to focus on the true size of your market. With your customer profile completed, choosing a location, determining what product / service mix to offer, setting a price and deciding how to market your product will become easier decisions to make.

Key issues to consider:

- Who will buy your product? And who makes the buying decision?
- Where do they live?
- What are the customer's preferences / lifestyle?
- What is the gender, age, income, education, ethnicity, economic profile of the customer?
- What factors influence their purchasing decision?
- How often do they buy?
- How much will they pay?

## **Identify your target market**

Accurate identification of your target market will allow you to build an effective and consistent marketing strategy. Start with trying to determine the overall size of your customer base and then use demographic information to drill down to get a much more focused number. This information will go a long way towards answering your questions about pricing, promotion as well as distribution.

Target market issues include:

- What sector of the market are you targeting and what are your geographical boundaries?
- How will this reduce and focus the number of your potential customers?
- What technological, environmental, social or economic changes are taking place within the market and how
- might they impact your sales?

- How do your customers get their products now?
- Does your level of start-up capital restrict your market area or distribution choices?

### **Check out the competition!**

One of the biggest mistakes that a new entrepreneur can make is to think that s/he has no competition (and will continue to have no competition). Although it is true that there may not be any other direct competitors in the target market at the present time, don't forget about indirect competitors.

Find out as much as you possibly can about your competition. Initially, they will be doing at least one thing better than you are. Your customers are also going to judge your offerings compared to those that they have come to expect from the competition. For each competitor, you should do a SWOT analysis. This means that you should identify both their Strengths and Weaknesses and then determine what Opportunities and Threats that they will pose for you. Determine who your direct vs. indirect competitors are.

- What similar products/services do they provide?
- Where is the competition located?
- How long have they been in business? How many employees do they have?
- How do your competitors advertise their product/service?
- How much do they charge?

### **Price your product or service**

You will want to maximize your ability to make a profit while at the same time remaining competitive in the marketplace. Pricing can be based on the cost price or the market price (what will the market pay). Regardless of the pricing method used, it is important to know all of the costs involved in the delivery of your product/service to avoid operating losses.

Issues to consider are:

- What do businesses outside of your target market charge for your product/service?
- What do your local competitors charge?
- What control do you have over the product price?

- What price and sales volume are needed to achieve break-even / profit objectives?
- Can you sell your product at different prices to different markets?

### **Promote and sell your product**

Questions concerning how to promote and sell your product will be answered as part of your marketing analysis.

Your goal is to find the best way to make your product/service known to your customer.

Issues to consider are:

- What media does your competitor use?
- What points do they highlight to their customers in their advertising?
- How do your competitors package their product/service?
- Will this have an effect on your packaging?
- What image are you attempting to create for your product/service through your promotion?

### **Information Sources That Can Help**

Primary data is the information that you gather in the field through your own research.

Despite its name, it really should be done after you have thoroughly consulted a variety of secondary data sources. Primary data collection includes observation, surveying and experimentation.

Sources of primary data include the following:

- Designing and conducting customer surveys, questionnaires
- Checking other businesses serving the same market
- Examining past performance of competing products and/or test marketing your own
- Researching manufacturers, suppliers, wholesalers and distributors of a product
- Getting in touch with industry associations that represent your business
- Attending trade shows
- Contacting industry experts

- Test marketing your product/service
- Conducting focus groups

**Secondary data** is information that has been gathered by someone else, but is relevant to your business and market. A guide to some sources of secondary information that will help you answer questions on the major topics of market research is provided on the following page. Such materials are available in the Waterloo Region Small Business Centre resource centre.

**Demographic & Statistical Info: (To view our resources, please visit one of our locations)**

FP Markets: Canadian Demographics	Updated every year, it provides demographic highlights for Census Metropolitan Areas, Cities and some Townships across Canada.
Statistics Canada	<a href="http://www.statcan.gc.ca/">http://www.statcan.gc.ca/</a>

**Competitor Lists:**

Yellow Pages / Phone Guide	Probably the most up-to-date directories for business
Ontario Business Directory	Search by city or category. Includes est. sales, # of employees etc.
Local City Business Directories:	Lists local Industrial and Manufacturing Businesses
Scott's Directories	Lists companies by city and industry code
Chamber of Commerce Directories	Up-to-date information on Chamber members.

**Product Information:**

Canadian Trade Index	Lists companies by product/service categories.
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Fraser's Canadian Trade Directory	A directory of manufactured products.
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**Tradeshows & Associations:**

Shows & Exhibitions Directory	<a href="http://www.tsnn.com/">http://www.tsnn.com/</a>
Associations Canada	A list of trade and professional associations and interest groups.

Alternate formats and accommodations are available upon request.