



## How do I: Conduct Market Research?

**Think the business needs some market research and not sure how to go about it?** This guide will help you quickly answer these questions, understand the task ahead, its key elements and how to progress.

If knowledge is POWER then knowing more about your consumers than your competitors is REAL POWER. Market Research is at the heart of informed business decisions. It can provide you with information on your consumers, market, product or brand. However, the key to effective investment is knowing when and how to use Market Research.

### BUSINESS BENEFITS

Conducting market research provides many business benefits, including:

- Will inform management decisions.
- Increase commercial effectiveness.
- Help identify new market opportunities.
- Refine marketing strategies to increase investment efficiency.
- Increase competitive advantage.

### GETTING STARTED

To get the most from Market Research, start by asking some key questions:

1. What information do I need? Be specific about what you need to know and why. Check what information already exists within the business e.g. in another department or division. Information may be lurking in a filing cabinet, which can either answer your question or develop your thinking before research starts.
2. What is the value of the information? Decide how this information could add value to the business e.g. could it help develop a new product or gain new distribution. Quantify the potential value of getting this information. Research should be treated like a business investment, including a commercial understanding of its value before proceeding.
3. How will the information be used? Market Research will be part of the marketing plan. It should be conducted as part of an overall activity programme e.g. new packaging development. It is important to plan how the results may impact on the overall project to ensure the correct information is being sought at the outset.

### DATA

So what kind of data are you looking for? It may turn out that what you need is already available and it's only a question of knowing where to look, rather than going to the effort of conducting your own research.

Market research is split into Primary and Secondary Data.

#### Secondary Data

This describes market information or statistics which are currently available from a variety of sources, such as British Market Research Bureau (BMRB) and the Government. A good example of this is the Scottish Household Expenditure Data or Target Group Index (TGI) which gives information on a variety of buying and consumption habits of consumers. Other sources are websites, trade associations, trade magazines and market research agencies.

This information, whilst not specific to your company, can provide an excellent starting point in terms of user profile data, product penetration and market size. Moreover, much of this information is free, so it's worthwhile reviewing the secondary data available rather than immediately proceeding to the primary option.

Visit the Marketing & Sales Zone at [www.scotlandfoodanddrink.org](http://www.scotlandfoodanddrink.org) for details on secondary data sources broken down by sector and geographic market. You could also try Scotland Food & Drink's Helpline service (see details at the end of this guide).

### **Primary Data**

This is fresh data, specific to your company. When gathering primary data you are speaking to your target audience about your product, service or future ideas. The benefits of this type of data are that it is tailored to your needs and owned exclusively by you.

There are two types of primary data – quantitative and qualitative.

**Quantitative** data is simply numbers or measurables and is usually obtained by a sample of respondents filling in questionnaires designed to extract key pieces of information. The sample size could start from thirty up to a thousand or more - this will be dependent on the degree of statistical accuracy you require, the research needs and your budget. As a rule, samples which are smaller than thirty are not statistically robust and should not be used to quantify future decisions, especially ones which require major investment.

There are various methods of obtaining quantitative data the most popular being direct mail (post or e-mail) and telephone surveys.

**Qualitative** data is an exploratory form of research, which gives you much more insight into the beliefs, values, feelings, and perceptions of the respondents. The results will give you verbal answers into the hows and whys, not numerical answers. It may throw up other issues, which you have not addressed in your quantitative research or help to explain some of the numerical results from this. For example why do people think or behave that way?

This data can be gathered by a variety of methods including focus groups and in-depth interviews.

## **TYPES OF RESEARCH**

**In-depth Interviews:** These unstructured interviews are ideal for investigating attitudinal or motivational issues. A standard set of questions may be used as a guide but, in general, the interviewer will work with a checklist and have the flexibility to explore issues as they arise. As the name suggests, this is a labour and time-intensive method. The use of in-depth interviews is therefore often limited to specific areas e.g. initial exploratory research to scope a particular opportunity, as follow-up research to investigate a particular data gap which may have arisen as a result of a piece of quantitative research, or to probe a particularly complex or sensitive concept.

**Mail Surveys:** This method involves sending a questionnaire through the post, by e-mail, at point of purchase or via a third party carrier (e.g. magazine) for self-completion and return by the respondent. The advantage of this method is the ability to reach many respondents. However, the disadvantage is lack of control of response. Response rates can drop to as little as 10% and any ambiguity in the questionnaire can seriously distort the findings. Response rates will be increased by good targeting (i.e. where the respondent is interested in the topic) and questionnaire structure (i.e. it is easy to fill-in). Offering an incentive to respond is also a way of increasing response rates.

**Experimentation:** This research method can take place in artificial circumstances (e.g. in-house or a Hall Test, see below) or in the real world (e.g. in-store). This is where you monitor the effect of changing variables. For example, a manufacturer may want to test the impact of new packaging. This could be done by mocking-up a supermarket aisle in-house and inviting consumers into gauge their reaction. Alternatively it could be done by producing new packaging for one set of stores and old packaging for a control set of stores and monitoring the sales between the two. The key to effective experimentation is replicating market conditions as far as possible. This can be very difficult in practice. A full **How Do I guide on Test Marketing** is also available in this series.

**Focus Groups:** Obtaining qualitative data is often done through focus groups. This is when groups of people from your target audience meet to discuss your product, brand or service. To provide robust research, between four and six groups of seven to eight people are brought together and a facilitator leads

the discussion. In this type of group situation, individuals can express their views in response to direct questions or, ideally, in response to the general discussion of topics which have been introduced. Although you can hold your own focus groups, market research professionals are recommended because they will ensure that the discussions are unbiased. The role of the interviewer is to introduce topics, encourage and clarify responses and generally guide the data collection in a non-intrusive manner.

**Hall Tests:** When research is about food products; the "Hall Test" method is often used. This involves hiring a venue in a main thoroughfare or shopping centre and offering product viewing or tasting. This can be useful for packaging impact, communication evaluation or top-line product sampling.

**Home Placement:** To capture the feedback of a whole household; you may consider home placement. This is where your product is put into a sample number of homes and tested over a longer period of time and by the whole household. This will give you a much better picture of product performance.

**Observational Research:** This method requires observing particular individuals or groups to gauge their usage of a product. Dependent on your target audience, this may involve consumers, staff, children or potential users. Observations are usually undertaken by a trained observer who will capture and analyse the data. An example of where this may be of use would be with a new product. Observation could determine acceptability of packaging, ease of use (e.g. cooking/preparing), manner of use and satisfaction.

**Omnibus Surveys:** These are general surveys carried out by market research agencies which you can buy into. This method allows you to include questions on a study of c.1,000 people. It can be conducted fairly quickly so it is a useful quantitative tool if your data need requires only a few questions to be asked.

**Telephone Interviews:** These are used in many industrialised markets as a means of reaching large numbers of people directly and relatively quickly. While respondent reach can be high using this method, the amount of data which can be captured is limited. With a maximum of ten minutes per call, the questionnaire has to be pre-agreed and there is little room for unstructured questioning. Therefore great care should be taken in preparing the questionnaire and, preferably, a pilot sample undertaken before proceeding to the full study. This type of research is used for usage and purchasing data, promotional, advertising recall and customer satisfaction.

A summary of the practical pros and cons of each research method can be found in Appendix 1.

## RESEARCH SAMPLE

Research is a cost-effective means of gauging customer reaction without asking every one of your customers. To do this, the research findings will be based on the views or behaviour of a sample of customers who are representative of your target audience. Getting the research sample correct is therefore critical to accurate findings. In most cases the target sample will be defined by socio-economic criteria and particular characteristics important to your product e.g. a beer or whisky producer will be looking for adults over 18. Mass targeted research, e.g. a supplier customer satisfaction survey, could use random sampling of their customer base because anyone in this base is eligible to be included. The number and diversification of sample will depend on your research objectives. However, in general, focus qualitative research requires a minimum of four groups of six to eight consumers and one hundred is the minimum number of consumers which should be analysed for statistically accurate quantitative research.

## USING A RESEARCH AGENCY

### The Brief

For most primary research it is quicker, more effective and efficient to use a specialist agency. To get started, you will need to write a Research Brief. This will also allow you to gather your thoughts on the process and examine the role and value of the research. The Research Brief should include the following information:

- Background on your company
- The research required – what information is needed, why, what will it be used for. The questions you answered in Getting Started (above) will form the basis for this section.
- The objectives of the research
- Timescales

- Budget – you may not want to specify an exact budget at this initial stage if, for example, further input is required from the research agency on the final research model or the brief is subject to a competitive tender.

When choosing a research agency you may wish to use an agency you have used before or one which has been recommended to you. Otherwise use the agency's experience and credentials to guide your decision. If the project requires a new agency, tendering can be an effective means of getting a good introduction and understanding of the proposals before proceeding. If doing this, it is important to clearly state that the brief is a tender for which the company will not incur costs for the tender process. A list of Market Research agencies can be found within the Marketing & Sales Zone of **[www.scotlandfoodanddrink.org](http://www.scotlandfoodanddrink.org)**

### **Research Proposal**

Whatever type of research you require, the role of the market research interviewer in collecting data is vital. It is not enough to have someone asking questions - the right questions must be asked in the right way to the right people. Bad Market Research is worse than no Market Research at all.

To ensure you get the most from Market Research requires getting the most from your research agency. The research agency should respond to your brief with a formal research proposal. This will include their recommendations on what type of research should take place and why this is recommended. It should also include timing and costs (it is worth checking whether the costs are fully inclusive as expenses can often increase the budget). Finally the agency will develop the questionnaire or discussion guide (dependent on the type of research you are using) for approval before proceeding.

On completion of the research, the agency will provide you with a comprehensive report on the findings and/or hold a meeting to present the results and discuss them in more detail.

### **HOW DO I? SUMMARY**

1. Interrogate the business need for Market Research and evaluate what you need, its application and value to the business.
2. Review secondary data sources, including those on **[www.scotlandfoodanddrink.org](http://www.scotlandfoodanddrink.org)** and, if relevant, available through the **Scotland Food & Drink INSIGHTS** service. If you need further data, consider primary research.
3. Consider the different methods of research available and decide which ones may be best. Review whether this can be done in-house or by using a research agency.
4. Write the Research Brief and circulate to your chosen agency.
5. Review research proposal and agree final research model, timings and cost.
6. Finalise research materials.
7. Agency present research findings.
8. Review research findings and their implications to your business and marketing plans.

### **OTHER SOURCES OF INFORMATION:**

Visit **[www.scotlandfoodanddrink.org](http://www.scotlandfoodanddrink.org)** and choose INSIGHTS:

- Market Information: you can access data on geographic markets, consumers, retailers, foodservice operators, specific product sectors and more.
- There are many other How Do I? Guides that can help you grow your business.

**Scotland Food & Drink Helpline Service:** If you are a Scottish Food & Drink company, you may be able to obtain extracts of market reports or free access to online resources. We have subscription based services to a number of key information providers, including Caterfile, Mintel, Frost & Sullivan and Leatherhead Food International. Contact us on **0845 601 3752**

**Appendix 1**

**TYPES OF RESEARCH**

Please note, research methodology should be driven by the objectives of your research. The following table lists some of the practical considerations which can help you in choosing which methods may suit your requirements.

	Experimentation Simple In-house Test Market		Focus Groups	Hall Tests	Home Placement
Cost per response	Low	Moderate-Very High	Moderate	Fairly High	Fairly High
Speed of data collection	High	Low	High	Moderate	Moderate
Quantity of data collectable	Low	Moderate-High	High	High	High
Ability to reach dispersed population	Low	High	Low	High	High
Likely response rate	High	Moderate	High	High	Moderate
Potential for interview bias	Moderate	Low	High	Moderate	Low
Ability to use visual aids	High	Moderate-High	High	High	High
Flexibility of questioning	High	Low	High	Moderate	Low
Ability to ask complex questions	High	Low	Moderate-High	Moderate	Low
Ability to get truth on sensitive questions	Moderate	Low	Moderate-High	Low-Moderate	Low
Potential for respondent misunderstanding	Low	Moderate-High	Low	Moderate	Moderate
	In-depth Interviews	Mail Surveys	Observational	Omnibus Surveys	Telephone Surveys
Cost per response	Very High	Very Low	Moderate-High	Moderate	Low
Speed of data collection	High	High	Moderate	High	Very High
Quantity of data collectable	High	Moderate	Moderate	High	High
Ability to reach dispersed population	Low	High	Low	High	Very High
Likely response rate	High	Low	High	Moderate	Fairly High
Potential for interview bias	High	None	None	Low	Fairly High
Ability to use visual aids	High	Moderate	High	High	None
Flexibility of questioning	High	None	None	Low	Moderate
Ability to ask complex questions	High	Low	None	Moderate	Moderate
Ability to get truth on sensitive questions	High	High	None	Low	Moderate
Potential for respondent misunderstanding	Low	High	Low	Moderate	Low