



## Lecture 03; Business Research

By the end of this lesson, students should be able to:

- Explain the importance of business and market research in reducing risks and improving decision-making.
- Identify and describe the main reasons why business ideas fail due to insufficient or poor research.
- Define market research and state its key goals in supporting entrepreneurial success.
- Differentiate between primary and secondary data sources and evaluate their advantages and limitations.
- Locate and interpret secondary data sources to support market research.
- Develop critical thinking skills to assess whether a business idea is viable based on research findings.
- Design a simple research plan that combines both primary and secondary data collection methods

A small U.S. gift shop owner noticed a gap in the local market for affordable tableware and invested heavily in a new product line without researching demand. After more than a year, he discovered there was no real market: most local residents were retirees who didn't need tableware, marriage rates were declining, incomes were falling, and there were fewer families. Meanwhile, competitors offered payment incentives he couldn't match. His failure resulted from relying on assumptions rather than conducting basic market research, which could have prevented the loss.

### Step 1: Building a Strong Foundation

Before launching a new business or product, entrepreneurs must ensure two key conditions:

1. Customers actually want the product or service.
2. There's enough demand to make a profit.

Success comes from selling what customers want, not just what the entrepreneur wants to offer. This requires thorough research to reduce risk and match investment levels to the scale of the project.

Most product ideas fail because:

- The market was poorly analyzed or overestimated.
- The product wasn't different from competitors.
- Development costs exceeded the budget.
- Poor market positioning.
- High prices, bad design, or strong competition.

In contrast, products are more likely to succeed when:

- The market is well studied and customer needs are clearly defined.
- The product is unique and offers superior benefits.
- Technology and customer needs align.
- All stages of launch (design, testing, cost analysis, production, delivery, marketing) are well planned.

A strong foundation based on solid research and clear market understanding is essential for business success.

## **2-Defining Market Research**

A market is a group of buyers or potential buyers of a product or service. The goal of market research is to collect information about a product and its demand to evaluate its profit potential.

Effective research helps to:

- Understand the product idea, its costs, and the target market.
- Identify how, where, and at what price to sell the product.
- Provide insights on competition and customer demographics.
- Improve communication with potential customers.
- Find ways to enhance or adjust the product.
- Decide whether to pursue or abandon a business idea.

Market research gives entrepreneurs the knowledge needed to make informed decisions, reduce risk, and increase the chances of success.

## **3-The Goals of Market Research**

When asked about the secret to his business success, Simon Windsor, the retired founder of the UltraForce Group recruitment firm in the UK, explained: "The absence of evidence isn't proof that something doesn't exist. That's why I make sure I know enough before investing in the unknown."

According to him, every market research effort should focus on two key goals:

- Accurately estimating costs.
- Providing a reliable forecast of revenues.

For instance, someone wanting to run an ice cream business must know:

- The total cost of operations (equipment, ingredients, permits, etc.).
- The number of ice cream scoops needed to sell weekly to break even.

To achieve this, research should:

- Identify the target customers.
- Estimate how many of them will buy the product.
- Predict how long demand will continue

#### **4-Methods for Conducting Market Research**

Market research generally follows a four-step process:

- . Identify the question or opportunity\*\* related to the product or service to be launched.

(Example: Is there enough local demand to open a new ice cream shop?)

- . Choose appropriate research tools to gather the required data, such as surveys or demographic studies.

- . Collect the data from the selected sources.

- . Analyze the gathered information to draw meaningful conclusions.

There are two main types of data sources used in the second step:

*Primary Data:* Information collected directly for a specific purpose. This includes questionnaires, personal or group interviews (focus groups), and mail or phone surveys.

*Secondary Data:* Existing information originally gathered for other purposes. This may include demographic reports, previous surveys, academic research, government statistics, books, magazines, and online resources. Such data can be accessed through libraries, business support organizations, chambers of commerce, local banks, and targeted internet searches.

#### **5-Sources of Primary Data Collection**

Gathering primary data requires time, effort, and clear, unbiased methods to ensure reliable results. It involves asking the right questions, approaching the right people, and analyzing responses objectively.

Main methods of primary data collection include:

A. Observation:

- \* Monitoring customer behavior and competitor activities.
- \* Tracking foot traffic, reactions to ads or samples, and location advantages.

#### B. Telephone Interviews:

- \* Fast and efficient way to reach many people.
- \* Limited by call screening, privacy concerns, and difficulty accessing mobile numbers.

#### C. Focus Groups:

- \* Useful for gathering opinions and brainstorming.
- \* Challenges include group control, limited representation, and possible participant compensation.

#### D. Questionnaires:

- \* Can be open-ended (more detailed, flexible answers) or closed-ended (easier to answer but limited).
- \* Questions should be clear, simple, relevant, and unbiased.
- \* Avoid personal, vague, or leading questions.

#### *Ways to administer questionnaires:*

- One-on-one interviews: personal, detailed, but time-consuming.
- Mailed questionnaires: inexpensive but low response rates without incentives.
- E-mailed questionnaires: cost-effective but prone to spam filters and duplicate responses.
- Website questionnaires: wide reach but little control over respondents.

Primary data provides valuable insights when collected carefully through appropriate methods and well-designed questions.

### **6-Sources of Secondary Data Collection**

Secondary data is information that has already been collected, making it quicker and cheaper to access than primary data. It provides valuable background insights for market research.

#### *Main sources include:*

##### A. Books:

- The Business Periodical Index ; business article listings.
- The Encyclopedia of Associations; organizational information.
- Standard & Poor's Industry Surveys ; industry data and analysis.

##### B. Commercial Information (subscription-based):

- A.C. Nielsen; market share, retail data, consumer behavior.

- Information Resources, Inc. ; supermarket and product movement data.
- NFO Research; mail order, product testing, and market segmentation.
- Simmons Market Research Group; lifestyle and demographic reports.

#### C. Government Publications:

- Annual Survey of Manufacturers, Census data, Business Statistics, Industrial Outlook, and others offering economic, demographic, and labor information.

#### D. International Data Sources:

- UN and global publications like Demographic Yearbook, International Trade Statistics Yearbook, Economic Survey of Europe, and others covering economic and demographic data worldwide.

#### E. Periodicals and Journals:

Titles such as Advertising Age, Journal of Marketing, Marketing Week, and Journal of Consumer Research provide current marketing trends, research, and industry updates.

Secondary data is a cost-effective and time-saving foundation for market research, offering access to a wide range of reliable published information.

### **7- Strong Research Builds Strong Decisions**

The main purpose of research is to reduce business risk, especially when large investments are involved. Research should go far beyond casual conversations or a few questionnaires; it requires thorough, structured investigation.

A key part of research is estimating future sales, which can be supported by analyzing demographic data from public records.

Because markets change quickly and consumer behavior is unpredictable, relying on a single source is risky. Instead, using multiple research methods both primary and secondary helps verify findings through triangulation, increasing accuracy and confidence in business decisions.

Effective research is demanding but essential to make informed, low-risk business choices.

### **8- Essential Pre-Launch Research Tips**

Entrepreneurs should start with a clear vision of their product or service and refine it through thorough research. Knowing personal motivations helps shape strong research questions. They must be able to describe their business briefly and conduct their own research to stay fully engaged. Running a pilot study ensures questions and methods are appropriate. Competitor analysis is essential, as is understanding production costs and insurance needs to assess business viability..

Key Terms;

- . Business Research; A systematic process of gathering and analyzing information to reduce risk and support better business decisions.
- . Market Research; The study of a product, its market, customers, competitors, and demand to determine profit potential.
- . Viability; The likelihood that a business idea can succeed and be profitable based on market and financial conditions.
- . Demand Analysis; Evaluating whether enough customers want or need the product to sustain the business.
- . Target Market; A specific group of people most likely to buy a product or service.
- . Assumption-Based Decision-Making; Making business choices without evidence or research—often a cause of failure.
- . Market Overestimation; Incorrectly assuming that the market size or demand is larger than it truly is.
- . Market Positioning; How a product is presented and placed relative to competitors in customers' minds.
- . Unique Selling Proposition (USP); A feature or benefit that clearly distinguishes a product from its competitors.
- . Break-Even Point; The number of units that must be sold to cover total costs.
- . Primary Data; Information collected firsthand for a specific purpose (e.g., surveys, interviews, observations).
- . Secondary Data; Existing information originally collected for another purpose (e.g., reports, books, statistics).
- . Data Triangulation; Using multiple research methods and data sources to confirm findings and increase reliability.
- . Qualitative Data; Non-numerical data that captures opinions, motivations, or behaviors (e.g., interviews, focus groups).
- . Quantitative Data; Numerical data that can be measured or counted (e.g., survey responses, statistics).
- . Research Question; The central issue or problem guiding the research (e.g., Is there demand for this product?).
- . Research Plan; A structured outline describing how data will be collected and analyzed.
- . Survey (Questionnaire); A structured set of questions used to collect data from customers.
- . Focus Group; A small, guided discussion with potential customers to gather insights and opinions.

- . Observation Method; Collecting data by watching customer behavior and competitor activity.
- . Interview (Telephone or Personal); Direct questioning of individuals to gather deeper insights.
- . Government Statistics; Official data on population, income, industry performance, and economic trends.
- . Commercial Market Reports; Industry analyses sold by research firms (e.g., Nielsen, Simmons).
- . Demographic Data; Information about population characteristics such as age, income, family size, and education.
- . Industry Surveys; Published reports about trends, performance, and competitive conditions in specific sectors.
- . Academic Journals; Peer-reviewed research articles providing credible insights on markets, consumer behavior, and industry trends.
- . Revenue Forecasting; Estimating the future income a business will generate based on research.
- . Cost Estimation; Calculating all expenses required to operate the business (fixed and variable costs).
- . Profit Potential; The expected financial gain a business can produce.
- . Risk Reduction; Lowering the chances of business failure through evidence-based planning.
- . Critical Thinking; Analyzing information objectively to judge whether a business idea is realistic.
- . Pilot Study; A small-scale test used to refine research tools and verify assumptions.
- . Competitor Analysis; Identifying and evaluating existing competitors' strengths, weaknesses, and strategies.
- . Customer Profiling; Describing typical buyers based on demographics, behavior, and needs.
- . Evidence-Based Decision-Making; Using research findings not intuition to guide business actions.