



Information Booklet

# Sales and Marketing

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# MARKET RESEARCH

## for SMEs



National Business Development Program for SMEs

## Introduction

**Small and Medium Enterprises Development Authority (SMEDA)** works under the Ministry of Industries and Production, Government of Pakistan and was established in 1998 with the objective to propel economic growth through development of SMEs. SMEDA serves as an SME strategy-advisory body for the Government of Pakistan and facilitates partners in meeting their SME development agendas.

SMEDA envisions growth of a globally competitive SME sector (in Pakistan), through creating an enabling environment and support services for increase in the national economy. SMEDA strives to achieve this vision by providing assistance in employment generation and value addition to the national income, through development of the SME Sector, by helping increase the number, scale and competitiveness of SMEs.

National Business Development Program for SMEs (NBDP) is a project of SMEDA which intends to provide hands-on support services to SMEs. The aim of this business development support provided by NBDP is to advance new businesses and improve efficiencies in existing SME value chains to empower them to contend in global market. NBDP expects to facilitate around 314,000 SME beneficiaries over the period of five years.

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## Objective

- To provide essential information regarding different approaches of conducting market research, identification of tools, sources of market research data and analysis of data to take informed decisions about the business.

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Market research is an important function for any new or existing business in many ways. In addition to engaging professional resources for this, it is also recommended that entrepreneurs do it themselves, as market research provides a better perspective and understanding of the market and target audience. Carrying out market research before starting a business can be very helpful. Market research helps to know the needs and wants of the customers. With that information, products can be sourced or manufactured that are demanded by the market. It may help in avoiding many pitfalls like trying to sell the wrong merchandise, to wrong people or through a wrong channel etc.

Conducting market research can help to:

- Communicate with internal and external stakeholders
- Identify opportunities in the marketplace
- Minimize risks
- Measure business reputation
- Identify potential problems
- Plan ahead for new investment
- Identify and establish trends for a product's sales
- Establish market positioning in comparison to the competition



While there are many ways to perform market research, most businesses use one or more of the five basic methods:

Surveys

Focus  
GroupsPersonal  
Interviews

Observation

Field  
Trials

Different methods of market research provide the flexibility to assess and evaluate various aspects of the market. Some techniques lend themselves to better understand the size and numbers while others give a better understanding of the qualitative aspects of the products.

Furthermore, different techniques have different associated costs. The type of data needed and amount of money being spent will also affect which research techniques will be chosen more often.



## 1. Surveys for Market Research



For concise and straightforward information, simple surveys in the form of a questionnaire can be used to analyze a sample group that represents a target market of a business. The larger the sample, the more reliable results will be. Complexity of questions can be increased to a certain extent and that indicates the limitation of the analysis as well. This can be done by mail, email or even in-person.

**In-person surveys** are quite like one-on-one interviews typically conducted in high-traffic locations such as shopping malls. They allow to present people with samples of products, packaging, or advertising and gather immediate feedback. In-person surveys can generate response rates of more than 90%, but they are costly.

**Telephone surveys** are less expensive than in-person surveys, but costlier than mail. However, due to customer resistance to relentless telemarketing,

convincing people to participate in phone surveys has grown increasingly difficult. Telephone surveys generally yield response rates of 50% to 60%.

**Mail surveys** are a relatively inexpensive way to reach a broad audience. They are much cheaper than in-person and phone surveys, but they only generate response rates of 3% to 15%. Despite the low return, mail surveys remain a cost-effective choice for small businesses.

**Online surveys** usually generate unpredictable response rates and unreliable data, because there is no control over the pool of respondents. But an online survey is a simple, inexpensive way to collect subjective evidence and gather customer opinions and preferences.

## 2. Focus Groups

Focus group or FGDs are the preferred means of assessment and data collection when there is need for in-depth understanding of issues and prospects. In focus groups, a moderator uses a scripted series of questions or topics to lead a discussion among a group of people. These sessions take place at neutral locations, usually at facilities with videotaping equipment and an observation room with one-way mirrors. A focus group usually lasts one to two hours, and it takes at least three groups to get balanced results. Sometimes focus group discussions are used to get collective understanding of a community regarding the issues and prospects.

## 3. Personal Interviews

Personal interviews include unstructured, open-ended questions. They usually last for about an hour and are typically recorded in audio or video forms. Personal interviews provide more subjective data than surveys. Usually, the results are not statistically reliable, which means that they do not represent a large enough segment of the population. Nevertheless, focus groups and interviews yield valuable insights into customer attitudes and are excellent ways to uncover issues related to new products or service development.



## 4. Observation



Physically observing individual responses instead of surveys and focus groups (which is sometimes at odds with people's actual behavior) is another method of research. When observing customers in stores, at work, or at home, it can be observed that how they buy or use a product. This gives a more accurate picture of customers' usage habits and shopping patterns. These observations are then recorded in a data collection format and used for further analysis as well.

This can be an inexpensive way to conduct research for startups and small businesses. However, personal biases will need to be kept in check otherwise findings may not reflect the truth.

## 5. Field Trials

Introducing a new product in the market or in specific localities for trial or placing a new product in selected stores to test customer response under real-life selling conditions can help in obtaining early feedback, which can allow to make product modifications, adjust prices or improve packaging. Small business owners should try to establish rapport with local store owners and websites that can help them test their products.

Most tea companies and milk producers try their new products with free trials in kiosks outside the frequented malls. Generally, these trials are for customer goods and mostly eatables. In some cases, it is for promotional purposes as well like the Jazz or Warid connection.

## Two Types of Market Research

### Primary Research

Provides results specifically about the business



- ✓ Focus groups
- ✓ Surveys
- ✓ Interviews

### Secondary Research

Involves applying results of previously completed studies to the business



- ✓ Free or low cost
- ✓ Results are not specific to the business

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### Conducting Market Research

The formal marketing research project can be viewed as a series of steps built around a research process, as follows;

#### i. Developing Marketing Research Checklist

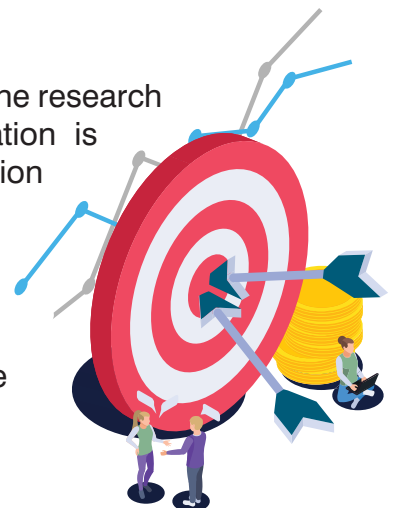


- ✓ Well-defined research questions
- ✓ Sound strategy for data collection
- ✓ Clear and concise measurement instrument or approach
- ✓ Ensure appropriate and efficient data analysis and interpretation
- ✓ Follow up plan to this research

### Marketing Research Objectives and Information Need

Establishing the need for marketing research information is the first step in the research process. The researcher must thoroughly understand why the information is needed. In order to get the exact information, the need for research information must be precisely defined.

The researcher then must specify objectives of the proposed research and develop a specific list of information needs. Research objectives answers the question “Why is this research being conducted?”. Information needs answers the question “What specific information is needed to obtain the objectives?”.





## Research Design and Data Sources

The next step is to design the formal research project and identify the appropriate sources of data for the study. A research design is the basic plan that guides data collection and analysis phases of the research. It is the framework that specifies the type of information to be collected, the sources of data, and the data collection procedure and analysis.

Data sources can be internal or external to the organization. Internal sources include previous research studies and business records. External data sources include commercial research reports, trade magazines or industry reports, and government reports.



## Sample Design



The first issue in designing sample concerns who or what is to be included in the sample. This means that a clear definition of the population from which the sample is drawn is needed. The next issue concerns the methods used to select the sample. The third issue involves the size of the sample.

## Errors in Marketing Research

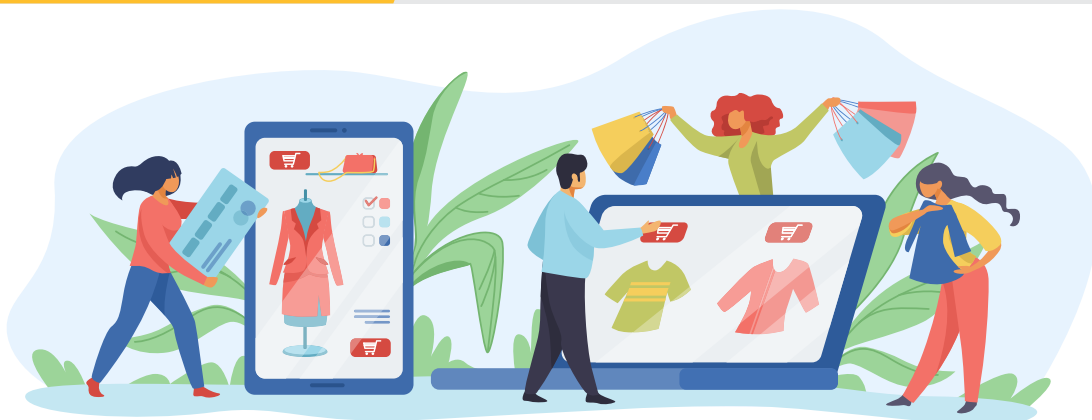
Every marketing research study may contain errors. A well-designed research study must recognize potential sources of error and take steps to mitigate those errors and their effects. There are two types of errors in marketing research, sampling errors and non-sampling errors.



## Sampling Errors

Most market research studies utilize samples of people, products, or stores. Based upon these sample results, researcher makes conclusions about the whole population from which the sample is selected. Because the sample is used to estimate the population, differences exist between the sample value and the true underlying population value. This leads to sampling errors.

## ii) Defining End Market/Customers



For a market research to be focused and result oriented it is important to define end market and customer. An end user refers to the person who ultimately uses a particular product. A customer is the person who performs the purchasing transaction. If a single person purchases and ends up using the product, that person is both an end user and customer. Therefore, an end customer is "(an) end user, and not necessarily a purchaser, in the distribution chain of a good or service". This means that the people who select and buy a product or service (customers) are not necessarily the same as the people who ultimately use or consume it.



### iii) Listing Primary Competitors

Identifying and listing primary competitors is important. These are the direct competitors, which means they are either targeting the same audience or have a similar product — or both. Analyzing the competitors involves assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context to identify opportunities and threats.



### iv) Identifying Position of Customers to Engage

Positioning is a strategic process that marketers use to determine the place or “niche” an offering should occupy in a given market, relative to other customer alternatives. While positioning a product or service, following questions are needed to be answered:

**Place:** What place does the offering occupy in its market?

**Rank:** How does the product or service fare against its competitors in the areas evaluated by customers deciding what to buy?

**Attitude:** How do we want customers to think about this offering and the benefits it offers them?

**Outcomes:** What must we do to ensure the product or service delivers on the positioning we select?

Marketers use the positioning process to identify the distinctive place they want a product or service to hold.

### v) Preparing Research Questions and Tools

Defining the research question is probably the most important part of a market research process. A research question has two essential roles in setting the research project on a course for success:

#### 1. It Sets the Scope

The research question defines what problem or opportunity is being looked at and what the research goals are. It stops from getting side-tracked.

Without a good research question, team could end up spending resources unnecessarily, or coming up with results that are not actionable - or worse harmful to the business - because the field of study is too broad. The scope of a marketing research stretches from the identification of customer wants and needs to the evaluation of customer satisfaction. There are many reasons why businesses might conduct market research. It is, therefore, important to clearly state the purpose of the study. Some of the salient reasons could be as follows;



#### 2. It Ties Work to Business Goals and Actions

Defining the research in terms of business decisions means to always have clarity on what is needed to make those decisions. Effects of what has been studied can be shown using real outcomes.

Focusing the work through a research question tied to business objectives helps reduce the risk of research being unactionable or inaccurate.

## vi) Engaging Market Research Participants

The next and an important step is who should be engaging the market research participants. This is a list which should have a balance of respondents from active buyers to the one who did not buy. Start with a list of customers who made a recent purchase. Follow up with a list of customers who were in an active evaluation, but did not make a purchase. Invite participants on social media to reflect. Further, leverage the list with people from own network of business friends etc. A positive way for ensuring a better response from these people is using an incentive like discount etc.

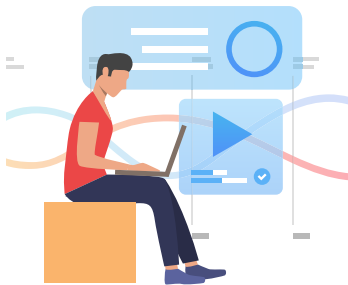
## vii) Collecting and Consolidating Data

### Data Collection

This is the crux of the market research process as data is the pivot on which the entire game revolves. The first requirement is to collect and sift through all the secondary data. Some data can be collected from market contacts and some even from the competitors. In case data is not available from internal or external secondary resources, the next step is to collect data using any of the five primary resources as discussed above i.e., by means of mail, telephone, and personal interviews, observation, focus group, field trials or any other suitable means.



### Data Collection Procedure



In developing the data collection procedure, the researcher must establish an effective link between the information needs and the questions to be asked from respondents.

The process of collecting the data is critical as it typically involves a large proportion of research budget and a large proportion of total research error in the research results. Selection, training, and controlling of interviewers and surveyors is essential to effective marketing research studies.

### Data Processing

Data processing is basically synchronizing all the data entered into the software in order to filter out the most useful information out of it. Once data has been recorded, the processing of data begins. This includes the functions of editing and coding. Editing involves reviewing the data forms for their legibility, consistency, and completeness. Coding involves establishing categories for responses or group of responses. Simultaneously, the data has to be cleaned for removal of any errors and misreporting. After these processes, the data is ready for analysis.



### Data Analysis

In a market research project, data analysis is the stage when qualitative and quantitative data, or a mixture of both, is reviewed and scrutinized to draw conclusions. It is important that the data analysis be consistent with the requirements of the information needs. It is usually done using appropriate data analysis software packages.

It is also imperative that it is done without any bias towards the subject or the participants. Sometimes, it is required that a non-complicit person carries out the analysis. Finally, it is also important to put the analysis into actionable strategies.

### viii) Summarizing Findings

Summarizing findings and presentation of results is the last step in the market research. Summary of findings must contain each specific question under the statement of the problem and must be written first to be followed by the findings that would answer it. The findings are generalizations, that is, a summary of the important data consisting of text and numbers. Purpose of the summary of the findings is to provide a discussion for each of the assessment. It reveals how the findings are important or relevant based on the aim and scope of the study.

It is imperative to present the research findings in a simple format and focused on the information needs as determined earlier.

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### Frequency of Market Research



The frequency in which it market research is conducted varies according to a business's perceived needs. Some businesses believe the research to be crucial and consider continual market research a necessity, while others conduct market research only when they start a new business, expand a product, have a product issue or need to introduce a new product to their line.

There are ways to check if the business requires market research or not, for the time being. But generally, there should be an annual environmental scan and review of threats and opportunities, to determine the requirement for detailed market research. If significant changes are found in the environmental scan, it will be better off to consider market research, sooner than later.

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### Market Research Tools/Templates - Annex

## Market Research for a New Product Development

### 1. Identify Opportunities to Serve Various Groups of Customers

Verify and understand some of the unmet needs of various groups (or market) of customers. What do they say that they want? What do they say that they need? Some useful data collection methods might be, for example, conducting focus groups, interviewing customers and investors, reading the newspaper and other key market research publications, and listening to what clients say and observing what they do. Moving on, there is a chance of even developing a preliminary version of the product that is the pilot, or test market, to verify if the product would sell or not.



## 2. Examine the Size of the Market

Identify various subgroups, or market segments, in that overall market along with each of their unique features and preferences. Useful data collection methods might be, for example, reading about demographic and societal trends in publications at the library. Each group might even be observed for a while to notice what they do, where they go and what they discuss. Consider interviewing some members of each group. Finally, consider conducting a focus group or two among each group to discuss product or service options.

## 3. Specify a Product or Service

How to develop a product with the features and benefits to meet that unmet need? How to ensure that this business has the capacity to continue to meet the demand? Conduct some focus groups, including asking them about their preferences, unmet needs and how those needs might be met. Run the ideas past them. At the same time, ask them what they would need to use the services being offered and what they would pay for them.

## 4. Investigate the Competition



Check out the competition. Examine their products, services, marketing techniques, pricing, location, etc. One of the best ways to understand competitors is to use their services. Go to their location, look around and look at some of their literature. Notice their ads in newsletters and the newspaper. Look at their websites.

## 5. Clarify a Unique Value Proposition and Finalize the End Product or Service

A proposition describes why others should come to this business and not the competitors. A particularly useful data collection method in this area is the use of focus groups. Get some groups of potential customers together and tell them about the ideas or show them the offered product or service. Tell them how this idea or product or service is unique. Tell them how this product or service should be seen (its positioning). Ask them what they think about the product or service.

## 6. Conclude if the Product is Effectively Meeting the Needs of the Customers

One of the best ways to make this conclusion is to conduct an evaluation. An evaluation often includes the use of various data collection methods, usually several of them, for example, observing customers, interviewing them, administering questionnaires with them, developing some case studies, and, ideally, conducting a product field test, or pilot. Product field test can be with or without price tag. Market perception for price can also be gauged depending upon the information requirement.



## 7. Conclude if Advertising and Promotions Strategies are Effective or Not

One of the best ways to make this conclusion is to evaluate the results of the advertising. This could include use of several data collection methods among the customers, such as observing customers, interviewing them, administering questionnaires with them and developing some case studies.

## Conclusion

The scope of marketing research stretches from the identification of customer wants and needs to the evaluation of customer satisfaction. It comprises of research relating to customers, products, sales, distribution, advertising, pricing and sales forecasting. Market research provides a better perspective and understanding of market or target audience and ensure that the business stays ahead of the competition.





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