MARKET RESEARCH FOR STARTUPS AND SMALL COMPANIES

Startups and small, under-funded companies are often stuck in a chicken-or-egg type dilemma when it comes to market research: They need good market research information in order to make key decisions in order to grow the company and make money; however, they need money in order to do the research to get the good market information in order to make decisions on to grow the company and make money. It is a common dilemma that makes many leaders of startups feel stuck. They have great ideas, great products, great people, and so need actionable market information in order to move their companies forward, but they don't have the resources to obtain that information.

Fortunately, startups and small, resource-poor companies can obtain good, usable market information inexpensively through a number of methods and sources.

SECONDARY INFORMATION SOURCES

Secondary research information is that which is already available and gathered either by third party research, or is information that comes from the company's operations, as opposed to primary research information, which is information that is gathered by the company specifically to answer particular marketing-related questions the company needs to have answered by using a market research methodology. Secondary research information can be a perfectly adequate method for answering many questions a company may have about its market and potential customers, and thus be quite useful in many circumstances.

Using In-House Information

There is a lot of market intelligence that companies can gather simply by accessing their own in-house sources. Any information is better than none, assuming it is accurate and relevant to the task at hand. In some cases, the systematic accumulation and reporting of the information generated by your internal activities - sales records and sales staff, warranty forms, information from your customer support department, and, of course, web analytics – can be a perfectly acceptable alternative to hiring an outside research firm.

Product Registration/Warranty Forms

This information, if your forms request a little demographic information from the customer, can give you a pretty good picture of what your customer base looks like.

Sales Staff

If your salespeople are trained properly to probe dealers or customers for needs and attitudes of the marketplace, they can provide a wealth of information. The information from your sales staff is not a replacement for the market research that needs to be done for your critical marketing decisions, but for many types of less critical marketing decisions or market information gathering, it can be a good source.

Customer Service Department/Technical Support Department

The information gathered from customers having complaints about or trouble with your products can, obviously, provide some of the best "marketing research" information you can get your hands on. By employing an ongoing information collection and evaluation system, you can keep a pulse on the satisfaction and usage habits of your customer base. This type of evaluation system, based on the information collected by your customer support department, can reduce the some of the information you would otherwise obtain when you conduct your periodic customer satisfaction monitors with your outside research supplier, and thus reduce the costs of these primary research studies. It can also highlight problem areas you may want to address in a primary research customer satisfaction study.

Web Analytics
Tracking and analyzing your own website's traffic is one of the greatest sources of customer assessment there is. Because an organization's website is such a key component of marketing (and for e-commerce companies, product or service delivery) for most organizations, seeing what customers and potential customers are doing on your site can give you incredible insights that can be acted upon for continuous improvement.

Because of this, it's imperative that a tracking system be implemented and that there is either someone in the organization or a consultant who monitors site traffic. This method of gathering customer and prospective customer information is very inexpensive yet can yield outstanding actionable information.

Using Outside Sources of Secondary Research Information

There are numerous external secondary sources of information available to marketers, ranging from free governmental information to relatively expensive information from syndicated research information companies.

There are general categories of secondary research information, and they include governmental, vendors of competitive website data (e.g., Alexa, comScore, CoreMetrics – see below for more detail), online databases, and observation of competitors' advertising, press releases, website content, and other activities.

Governmental Sources
One thing going for governmental sources is that the information is usually cheap or even free. This information can be useful for assessing general trends and getting a picture of the current state of an industry. Through this type of information can be gleaned areas of general opportunities in a market. There are numerous governmental reports, and the best first step in determining the report that will best help you is to access various state and federal online sources of business information.

Observation of Competitors' Activities
One of easiest and best ways of doing preliminary competitive research is to systematically observe competitors' advertising, both traditional and web. You can also look at their websites to see what their positioning strategies are.

By regularly observing competitors' advertising and websites you can a pretty good idea of their basic strategies and tactics.

Competitive Website Data – Third Party Vendors
Analyzing the performance of the website is a critical function for any organization. However, in looking only at your website, you are missing an important piece of your true performance: how are your competitors doing? If your website is improving, but you're still behind your competitors, then you need to be improving even more.

Fortunately, competitive data is easy to obtain in the world of the web. There are several different types of sources of competitive data. These include (examples of providers in parentheses):

- Toolbar data (Alexa)
- Panel data (comScore)
- ISP data (Hitwise)
- Search engine data
- Benchmarks from web analytics vendors (CoreMetrics, Fireclick, Google Analytics)
- Self-reported data (Quantcast, Google Ad Planner)

Most of these vendors do cost money, but the amount and value of the information can make the expense worth it, depending on where you are in your company's growth.

CUTTING THE COSTS OF PRIMARY RESEARCH

Secondary information sources, mentioned above, all involve accessing existing information, available either via third party research not done for any particular company, or is information that comes from the company's operations. This is opposed to primary research information, which is information that is gathered by the company specifically to answer particular marketing-related questions the company needs to have answered by using a market research methodology. Secondary research information can be a perfectly adequate method for answering many questions a company may have about its market and potential customers, and thus be quite useful in many circumstances. However, there are many marketing decisions that simply require that you do primary research, because secondary research can't answer your company-specific marketing and product development questions. So, are there ways to cut the costs of doing primary research? Yes. Listed below are several areas to scrutinize with a needs/costs analysis before carrying out a primary research project.

Primary Research You Can Do (Almost) All On Your Own

There are many primary research projects that companies can do entirely on their own, or with some help from a research vendor. If a research vendor is needed, their role is to help ensure that the methodology is valid, to give instruction on specific research techniques, and to provide other experience-based pointers on various elements of the research process. However, this type of advisory help is not the same as hiring the vendor for undertaking the entire work of the project, and thus can be fairly inexpensive. While in many cases a full-service research project conducted by a research vendor is necessary, there are times when the company can do much of this work on its own. Following are several examples of how a company can do much of the research work on their own.

Focus Groups and One-on-One Interviews with Customers

Talking to your customers in a group, or individually, is a very valuable method for gaining insight into what they are thinking, what they like and don't like about your company and products, and how to improve products and services going forward. Setting up a customer focus group is fairly easy, requiring only a list of customer phone numbers and a spare conference room, and some type of compensation for the customers' time.

A research vendor can help in drafting a moderator's guide, and moderation of the group. We don't recommend the company doing its own moderation, due to the inevitable bias the leaks into the groups, and defensiveness that occurs when participants start saying not-so-positive things about you. In addition, participants are much more likely to be honest and open with their feedback if the moderator is a neutral third party.

Even with some help from an outside research vendor, the cost of doing a focus group on your own is much lower than if you were to hire out. Note, however, we're talking here only about customer groups and interviews. If you are conducting groups or interviews with non-customers, then it typically makes sense to hire an outside research vendor to do it, in order to ensure that a valid, representative set of participants is recruited. Also, the recruiting process is trickier for non-customers, so it behooves companies to hire this work to be done.

Expert Panels

Companies often have the need for customer feedback that goes deeper than the typical satisfaction survey or new product concept tests among a random group of product category users. What is needed is the type of "expert" feedback, from an "early adopter" set of product category users, who can help the marketer or engineer to see beyond just the next incremental change to a new version of a product or service that gives it a distinct competitive advantage; or, which even creates a whole new product category.

A company can easily set up an expert panel, simply by identifying several of its high-knowledge, high-interest customers, and asking them to help in directing the development of future products. Many customers love doing this, so it typically isn't difficult finding several who would be willing to be on an expert panel. Some type of compensation is typically offered for their time and effort.

You should bring these folks together periodically, simply to discuss the market landscape – where it's going, what competitors are doing, etc. – as well as to brainstorm new product ideas. You should also bring these experts together as needed, on an on-call basis, when you have a specific product idea or beta to run by them and get feedback. These people can act as your "reality check" and as assistants in helping refine elements of the product before you go further with product development.

This is a very low-cost method that should be incorporated into any company's product development process. This type of ongoing expert input can help greatly to push a company's technology forward and stay ahead of the competition.

Customer Web Surveys

Because companies often have email lists of their customers, it is quite easy to conduct a web survey with their customers. The one element that a company should hire out for is the questionnaire design, as this is quite important in ensuring valid and actionable results. The other portion a company should consider is the reporting of the results, as experienced researchers often see things in the data that non-researchers might miss. However, even with paying for these two elements of this type of research study, a company can still save quite a bit of money because they are programming and hosting the survey, and deploying the email invitations to the customers.

Web Analytics/Website Surveys

The amount of information you can derive for free or very inexpensively from your own website is almost endless. There are two primary methods for obtaining visitor information: 1) Clickstream analysis, and; 2) Visitor surveys. These methods are easy to set up and free in terms of out-of-pocket expenses. While you may want to eventually hire an outside vendor to ensure the proper questionnaire setup and analysis of the data as your research requirements get more complex, initially you can do much if not all of your web-based research on your own. Clickstream analysis can be done simply by obtaining a Google Analytics (or other service) tracking code and putting it on to each page of your website. Once this code is imbedded into your site, you can analyze traffic in a myriad of different ways: where the visitors are coming from, how long they stay on the site, where they go on the site, if they're new or returning visitors, whether they completed a "goal" (i.e., a purchase or an inquiry), and many more. Google Analytics (and other services) is a free service.

A visitor survey is different from a customer web survey, in that the site visitor is invited to take a survey while on the website, about their website experience immediately after completing their task on the site. In a sense, these are like usability tests, as you are asking your users how easy or difficult their experience on the site was, what annoyed them and what pleased them. With this information, companies can make changes to their website immediately and reduce annoyance and increase positive experiences. These surveys can be very valuable and augment the clickstream analysis. In addition, these types of surveys are typically very inexpensive or even free, depending on the survey system used.

Getting More From Your Primary Research Vendor

When you do need to go outside and hire a research vendor (and when you become successful, you will need to do this if you want to remain successful), here are three tips for getting the most out of that vendor:

1. *Determine what you really need from your research vendor*. Do you really need a full-blown analysis and report from your researcher? Do you really need that statistical routine run? Maybe you do. It is oftentimes very enlightening to have an objective analysis and report done from a professional outside of your company. Statistical analyses can also provide outstanding insights into the nuances of your market. However, for many research studies, all you really may need are the cross-tabulations or a very short top-line written report to help you make your decision. Before saying yes to everything your research vendor proposes, decide which deliverables you really need, and those that you can do without.

2. *Let your research firm do their job*. A lot of time and money is wasted on research because once the project is handed off to the researcher, the client won't leave them alone. Changes to the questionnaire, changes to and re-running of the cross-tabulations and other mid-project requests, due to a lack of clear objectives from the outset, cause not only headaches for the researcher, but costs the client money. This problem is primarily due to not laying out the research process up front. If you have clearly spelled out the objectives of the study from the outset, and agreed on the questionnaire, sampling plan and reporting of the results, and your researcher is someone you trust, then you should feel comfortable in leaving them alone to do their job once the study is underway.

3. *Challenge your researcher to save you money.* This does not mean hassling your researcher on every nickel and dime. But do challenge them to come up with, where appropriate, alternative methods to get the information you need, without compromising the validity or reliability of that information.

BLOGS AND SOCIAL MEDIA

Blogs

Tracking relevant, influential blogs can be a very effective method for monitoring what influencers are saying about your brand, as well as competitor brands. In addition, blogs can be an excellent resource for assessing sentiment and trends within your industry as well as in the economy at large.

Blog tracking can be done "manually," by simply having one or more people in your organization reading them and then compiling periodic reports. Another approach is to have a social media tracking firm do this work. One firm that specializes in this kind of blog tracking is eCairn. They identify the influencers in your industry, and the track what they are saying about you and your competitors. The cost for this service is reasonable, between $200 and $300 per month.

Social Media Research

Following are two primary methods for obtaining market information through using social media: Social media monitoring, and purposed online communities.

Social Media Monitoring

Social media monitoring, also commonly referred to as social media listening, is all about listening to what's going on, on the Web, from Facebook, Twitter, LinkedIn, blogs, and all the other social media hubs that are out there, so we're talking about a huge number of conversations (millions every day) and a vast amount of information to sort through.

Fortunately, over the past few years, a multitude of services have popped up to help us as researchers make sense of all the conversations we're trying to track. Many of these are free. There are also many fee-based services. Not surprisingly, the fee-based services are generally going to provide a more comprehensive array of tools, provide more robust analysis, and have more accurate sentiment analysis algorithms. In short, you get what you pay for, so generally speaking, if you need comprehensive and robust tools, the fee-based services are the way to go. Some of the more well-known services include Radian6, Sysomos, and BrandWatch. However, even these fee-based services are reasonably priced, typically between $100 and $300 a month, depending upon the company and the level of monitoring you need.

There are a number of important caveats to social media monitoring that need to be kept in mind, however. The top ones are: 1) Not all of the Web is accessible by monitoring bots/crawlers, such as large parts of Facebook; 2) Keyword analysis is still a work in progress in terms of accurately identifying keywords, though it's quickly improving; 3) The ability to segment the information (e.g., by demographics, geographically, by business identifiers) is still not possible from most social media sources, though researchers are actively looking at ways to layer this onto the information; 4) The conversations we're listening to don't pertain to any specific question (as in a traditional survey) or in many cases even a particular topic. Thus, the context of much of the information is missing.

Despite these caveats, the magnitude of the information and ease of obtaining it make social media monitoring, and the fact that the services are either free or reasonably priced, too attractive to ignore. Plus, in fairly short order the caveats/problems noted above should resolve themselves: keyword analysis accuracy is getting better; identifying customers, fans, key influencers, etc., is improving, through source tagging; engagement techniques with customers, fans, key influencers, can help in filling in the context gap by following up with them and asking questions and soliciting advice from them (and this not only provides valuable information, but also nurtures strong relationships with mavens for your brand).

In short, while we're still in very early in the evolution of social media research, it is fairly certain that it will eventually get to the point where it's a fairly reliable, robust and comprehensive tool that will be a core component in corporate and organizational decision making in combination with traditional market research, and at a very affordable price point.

Purposed Online Communities

Despite the value gained from social media monitoring, it is passive, and so doesn't answer specific questions you need answered. Purposed online communities help to close that information gap from social media monitoring. These communities are put together by the company or organization, are comprised of customers or members, and are asked to discuss specific topic areas, and/or asked specific questions, so that the conversations are specific to a topic the company needs feedback on. The benefits of purposed online communities are that researchers can gather a large amount of information quickly, and it is very inexpensive once it is set up, with incentives really being the only out-of-pocket cost.

One of the downsides of purposed online communities is that it takes ongoing management to maintain. The primary downside, however, is that they are composed only of customers, and mostly enthusiastic customers, so you're only getting feedback from a portion of your customer base, and nothing from dissatisfied customers or those who have left, as well as nothing from potential customers. Thus, you're not hearing from the "silent majority" of customers, who may not feel as positive about the company as those on the panel. Just as important, you're getting nothing from past customers, specifically, those who left because they were dissatisfied, and so are missing this very important body of feedback and insights regarding how to improve products and services. Finally, you are not hearing from potential customers, so metrics like brand awareness, brand perception, and usage and perception of competitive brands can't be gathered via this methodology. For these important metrics, researchers still need to use traditional market research methodologies.

Despite these issues, there is still value for companies that have the internal resources to start and maintain online community panels, as it helps them monitor the general sentiment of their customer base, screen new product/service concepts, solicit advice on how to improve products/services, and any of the other things researchers would use customer focus groups, expert panels and surveys for, but at a much lower overall cost and with a much shorter turnaround time.

Conclusion

Small and cash-poor companies are not out of luck, and thus don't have to be at a strategic disadvantage, when it comes to collecting information that can help them make decisions about their businesses. While primary marketing research conducted by research professionals is usually the best option, particularly when critical business decisions need to be made, it isn't always the only option for gathering market information. In situations where the decision isn't critical and/or the company simply doesn't have the funding to conduct primary research, secondary research and/or do-it-yourself methods can be an adequate alternative.

When small or cash-poor companies do need to conduct primary research, there are steps to take to ensure that they are getting the most value out of their research vendor, or use their research vendor to help them through their in-house research.

Finally, with social media and blogs, there is a new do-it-yourself avenue for collecting market information that can provide very useful information. While this is no replacement for traditional marketing research information, it can be an excellent complement to it.