



Marketing Research by Example



Understanding the unique characteristics of a market is essential while planning to start a startup to serve that market. The process of gathering data, analysing them, and learning the market is known as market research. One can collect data from a third party who have already collected them for some other purposes (this is called Secondary Market Research – secondary data source). One can also collect the data by directly interacting with the target audience (the process is known as Primary Market Research – primary data source).

Primary Market Research

When one collects market information from the target audience for the first time for own consumption it is termed as primary market research. You may either do it yourself, using some of your employees or hire someone (say a market research consultant) to do it for you. Therefore, you go directly to the source – usually potential customers, decision-makers, people with knowledge in the domain, and existing customers in your target market. You take their feedback on your queries and analyze the data to make sense of what they say. Some of the **methods of primary market research** are:



- **Questionnaires survey** – either by post, mail, or online (such as google form)
- **In-depth interviews** – you may call people and have close conversations either face-to-face or over the phone.
- **Focused groups** – you invite people in a room and sensitize them on the issue and take feedback.
- **Observation** - You watch customers while they shop to understand what exactly attracts their attention or motivates them to buy.
- **Causal research** – you observe peoples' reaction to certain stimulation such as price increases, quality improvement, change in packaging, and the like.

Primary market research can be three types depending on the objectives:

- i. **Exploratory:** when your objective is to gather some early information to make a go-no-go decision on the new idea, you collect some approximate but genuine information. You want to get some information that gives you comfort about the market potential. You may take a call whether it is worth doing detailed market research or not. This process is simpler, and the sample size is small. You may collect the data by yourself or engage someone to do it on your behalf at a cost (**primary data and primary market research**). You may collect the data from some third party and do some research based on such data (**secondary data and secondary research**).

- ii. **Descriptive or specific:** In this case, you collect detailed information to understand the exact market behavior, market mix, and demand-supply gap, etc. You want to describe the market as completely as possible helping you to make decisions.
- iii. **Causal research:** You introduce some stimulation (for example reduce or increase the price, or change the packaging, or change the color of the product, etc.) and see how customer reacts to the stimulation (increase or decrease in sales).

Secondary market research

Secondary data: Data that are already available somewhere that were collected for some other assignments and can be accessed without much cost are secondary data.

Secondary market research: Analysing already available data to understand market behaviour is secondary market research. **Secondary research is mostly exploratory since the data used in such research have been collected for some other purpose and may not describe the market holistically.**

Traditionally, the sources of **secondary market research data** are:

- Commercial and trade publications: Magazines, journals, and periodicals
- Market research surveys done by a third party
- Research report – scholarly journal
- Government departments, NGOs
- Online media and public libraries

A simple example

Assume that you manufacture pastries under the brand HealthFud but are losing market share to your main competitor, SmartFud. Despite various efforts to improve your product's taste, packaging, and customer care, you haven't regained your lost customers. A consultant recommends diversifying by launching a niche product, such as a sugar-free pastry, to target a sub-segment of the market. However, introducing this new product will require significant investment—around ₹10 million. You can contribute ₹2.5 million from your own resources but will need to borrow ₹7.5 million from the bank. At current interest rates of 12-15% per year, the annual interest alone would exceed ₹1.1 million. To avoid financial risk, it's crucial to ensure that the business will generate enough sales to cover these costs and achieve break-even. Otherwise, you risk burning cash without a return on investment.

Exploratory market research is a cost-effective way to gain insights into potential sales. Initially, you gather secondary data from free or low-cost sources, such as the internet, to check general acceptance of sugar-free products. This reveals that 25% of sugar-free foods sell at a premium compared to traditional products. While encouraging, this data isn't conclusive for pastry preferences. You then conduct a limited primary market research by surveying 200 people, finding that 20% would pay extra for sugar-free pastry. Despite these positive responses, the incomplete sample urges deeper analysis.

Descriptive market research: Building on the promising results of the exploratory research, you now move forward with a detailed descriptive market research study. The goal is to obtain as much specific information as possible regarding customer preferences, seasonal trends, geographical and demographic variations in demand for sugar-free pastries. You develop a concise yet comprehensive

questionnaire and distribute it to your entire customer base. If 10% of respondents participate and 85% express a preference for sugar-free options, your confidence grows that the market is receptive. Although this research comes at a higher cost, it provides valuable insights. To delve deeper, you conduct causal research to determine how much of a price premium customers are willing to absorb without adverse effects on demand.

Causal market research: Causal market research involves testing how people respond to certain variables—in this case, the taste and pricing of sugar-free pastries. To validate the idea, you produce some sugar-free pastries and bundle them with regular pastries for a two-in-one offering. You conduct a blind taste test, where customers sample both without knowing which is which and provide feedback. The results show that customers like the sugar-free variety just as much as the traditional one, and health-conscious consumers are willing to pay a slight premium (your production cost is 2% higher). These findings strengthen your case for launching the product and help convince the bank of your business viability.