

Checklist for Start-up Market Research

Business Information Factsheet

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Introduction

Many new business start ups fail to carry out basic (and in some cases, any) market research before they start, increasing the likelihood of early failure. Thorough market research is essential to help start ups find out whether there will be enough demand for the products or services they plan to supply once they commence trading.

If you are a business start up, the more research you do initially the better your position will be when it comes to making future business decisions. To begin with, it is important to answer the following questions before starting up.

- Is there a genuine market for your business idea?
- How much demand will there be for your product or service?
- What trends currently affect your market sector?
- Who will buy your product or service?
- Who will you be competing against and what are their strengths and weaknesses?
- Are there any potential business partners you could collaborate with?

This checklist will help you consider these and the other types of questions your market research should address. It also suggests some tasks that will get you started with your research.

What to cover when carrying out market research

A variety of questions need to be considered in order to build up a picture of the key issues and trends that may have an influence on your market sector and business idea. Understanding the market will enable you to target your marketing efforts towards specific audiences, while also identifying how your competitors are approaching the market themselves.

When researching your market, you need to consider the following:

The size and performance of your market sector

- What volume and value share of the market do you need to capture?
- Does your knowledge of the market and the research you have carried out suggest that there is sufficient demand for your product or service?
- Is your market expanding or declining?
- What cultural, economic or social trends could affect your market?

- What market developments are there currently, or what could arise in the future?
- Are there any gaps in the market?
- What are the current trends, for example in buying habits?
- What is the outlook in your market for the next two to three years?
- What market or business regulations do you need to comply with?
- Are there any published market reports available?
- Are there any market or industry journals that you could access?

Your customers

- What are the characteristics of your target customers in terms of age, gender, socio-economic status, profession, location, buying habits, ethnic background, interests and so on?
- What are the reasons why these specific groups of people (or businesses) will buy from you?
- Where are your customers located?
- How much are they prepared to pay and how often?
- What are their budgets?
- What purchasing channels do they prefer to use? For example, traditional shops, market stalls, online stores or online marketplaces such as Amazon?
- How will they prefer (or expect) to pay? For example, by cheque, cash, debit or credit card, or via an online payment service such as PayPal?
- How do they find out about suppliers such as your business? Do they read local newspapers, magazines or journals? When they look online to find suppliers, do they use a search engine such as Google, a specialist directory of suppliers or recommendations on social media? How much is their choice of supplier influenced by customer reviews posted online?
- What volumes of your product will they purchase, or how frequently will they use your service?
- Who makes the buying decision? For example, are the parents who pay for children's clothes the decision makers, or are the decision makers the children who will wear the items?

Your competitors

- Who are your competitors, and how many do you have?
- Where are they located?
- How long have they been trading?
- What do your competitors sell, and how do they price and promote their products or services?
- Where do they buy their stock?

- Which end of the market do they supply? For example, do they offer top-quality, expensive products to a niche market or cheaper lines in greater volumes to a wider market?
- Who are their target customers?
- What distribution channels do your competitors use? For example, shops, mobile services, online sales or stalls at craft fairs.
- What are your competitors' strengths and weaknesses, and how can you make your business different from theirs?
- What image do your competitors have in the market (in relation to quality, reliability, and the colour schemes and logos they use to reinforce their marketing message)?
- What marketing methods do your competitors use?
- Who are your competitors' trading partners?
- Will other competitors enter your market in the near future?

Market research tasks

- Find out as much as you can about your market by reading market reports, trade journals and newspapers and by searching online.
- Make a list of your competitors using your knowledge of your market, business directories and trade journals.
- Make a list of your competitors' strengths and weaknesses and assess how you can compete with them.
- List the differences between your products and services and your competitors' products and services.
- Visit your local business reference library. They will be able to help you organise your research and find reliable, up-to-date sources of information.
- Do some direct market research by talking to potential customers to build up a picture of the local market and its requirements. Designing questionnaires and selecting the right time, place and method (such as face-to-face, telephone or postal) can be complicated, so if you are inexperienced in research, seek help from a business adviser.

Hints and tips

- Your market research will form a major part of your business and marketing plans, so keep a record of your research to refer back to when you are reviewing or developing your plans in the future.
- Make time to do your research properly. It is one of the most important things you will ever need to do and getting the right information now will help avoid problems later.
- Don't just carry out research before you start up and assume that is all the research you will ever need to do. Carry out research as an ongoing part of your regular business activity to ensure that you remain aware of what is happening in your sector and can retain a competitive edge.

- Be realistic with your research findings and be sensible with your assumptions and market predictions.
- If you decide to use an external market research agency, consult the Market Research Society's Research Buyer's Guide (www.theresearchbuyersguide.com) to find out about reputable and experienced agencies and consultants.

Further information

BIF001 Market Research Questionnaires
 BIF004 Writing a Business Plan
 BIF044 Developing a Marketing Plan
 BIF047 Sources of Statistics and Market Information
 BIF107 Profiling your Target Audience
 BIF132 Researching Your Competitors

Books

'The Guide to Market Research for SMEs'
 The Market Research Society
 Website: www.mrs.org.uk/researchbuyersguide/research-for-smes

'Glossary of Market Research Terms'
 The Market Research Society
 Website: www.mrs.org.uk/glossary

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