**AREC 213**

**Week 2 Market Research**

**Market Research Definitions**

**What is your industry?**

In this section, you should provide more detail about the characteristics of your industry and the particular market segments you will be targeting. It may also be helpful to reference your or an expert's analysis of growth trends or changes in your broader industry and how your business is prepared for those changes.

**Who are your customers?**

This section allows you to give a profile of your targeted customer groups and connect their needs to your product's value proposition. Explaining your strategy for pursuing a particular customer group will help your market research come across as well-reasoned.

**What regulations, if any, apply to your company?**

Cite any customer or government regulatory requirements affecting your business, and how you'll comply. It will also be helpful to cite any operational or cost impact the compliance process will have on your business.

## Market Analysis

## Part 2: Market Analysis

## The market analysis section should illustrate your knowledge about the particular industry your business is in. It should also present general highlights and conclusions of any marketing research data you have collected (the specific details of your marketing research studies can be put in an appendix should they be needed).

This section should include: an industry description and outlook, target market information, market test results, lead times, and an evaluation of your competition.

### Industry Description and Outlook

This overview section should include: a description of your primary industry, the current size of the industry as well as its historic growth rate, trends and characteristics related to the industry as a whole (i.e., What life cycle stage is the industry in? What is its projected growth rate?), and the major customer groups within the industry (i.e., businesses, governments, consumers, etc).

### Identifying Your Target Market

Your target market is simply the market (or group of customers) that you want to target (or focus on and sell to). When you are defining your target market, it is important to narrow it to a manageable size; many businesses make the mistake of trying to be everything to everybody. Often times, this philosophy leads to failure.

In this section, you should gather information which identifies the:

* Distinguishing characteristics of the major/primary market you are targeting. This section might include information about the critical needs of your potential customers, the degree to which those needs are (or are not) currently being met, and the demographics of the group. It would also include the geographic location of your target market, the identification of the major decision-makers, and any seasonal or cyclical trends which may impact the industry or your business.
* Size of the primary target market. Here, you would need to know the number of potential customers in your primary market, the number of annual purchases they make in products or services similar to your own, the geographic area they reside in, and the forecasted market growth for this group.
* The extent to which you feel you will be able to gain market share and the reasons why. In this research, you would determine the market share percentage and/or number of customers you expect to obtain in a defined geographic area. You would also outline the logic you used to develop these estimates.
* Your pricing and gross margin targets. Here, you would define the levels of your pricing, your gross margin levels, and any discount structures that you plan to set up for your business, such as volume/bulk discounts or prompt payment discounts.
* Resources for finding information related to your target market. These resources might include directories, trade association publications, and government documents.
* Media you will use to reach your target audience. These might include publications, radio or television broadcasts, or any other type of credible source that may have influence with your target market.
* Purchasing cycle of your potential customers. Here, you will need to identify the needs of your target market, do research to find the solutions to their needs, evaluate the solutions you come up with, and finally, identify who actually has the authority to choose the final solution.
* Trends and potential changes which may impact your primary target market. Key characteristics of your secondary markets. Just like with your primary target market, here you would again want to identify the needs, demographics, and the significant trends which will influence your secondary markets in the future.

### Market Tests

When you are including information about any of the market tests you have completed for your business plan, be sure to focus only on the results of these tests. Any specific details should be included in the appendix. Market test results might include: the potential customers who were contacted, any information or demonstrations that were given to prospective customers, how important it is to satisfy the target market's needs, and the target market's desire to purchase your business' products or services at varying prices.

### Lead Times

Lead time is the amount of time between when a customer places an order and when the product or service is actually delivered. When you are researching this information, determine what your lead time will be for the initial order, reorders, and volume purchases.

### Competitive Analysis

When you are doing a competitive analysis, you need to identify your competition by product line or service as well as by market segment; assess their strengths and weaknesses, determine how important your target market is to your competitors, and identify any barriers which may hinder you as you are entering the market.  
Be sure to identify all of your key competitors for each of your products or services. For each key competitor, determine what their market share is, then try to estimate how long it will take before new competitors will enter into the marketplace. In other words, what is your window of opportunity? Finally, identify any indirect or secondary competitors which may have an impact on your business' success.

The strengths of your competitors are also competitive advantages which you, too, can provide. The strengths of your competitors may take many forms, but the most common include:

* An ability to satisfy customer needs
* A large share of the market and the consumer awareness that comes with it
* A good track record and reputation
* Solid financial resources and the subsequent staying power which that provides
* Key personnel

Weaknesses are simply the flip side of strengths. In other words, analyze the same areas as you did before to determine what your competitors' weaknesses are. Are they unable to satisfy their customers' needs? Do they have poor market penetration? Is their track record or reputation not up to par? Do they have limited financial resources? Can they not retain good people? All of these can be red flags for any business. If you find weak areas in your competition, be sure to find out why they are having problems. This way, you can avoid the same mistakes they have made.

If your target market is not important to your competition, then you will most likely have an open field to run in if your idea is a good one - at least for a while. However, if the competition is keen for your target market, be prepared to overcome some barriers. Barriers to any market might include:

* A high investment cost
* The time it takes to set up your business
* Changing technology
* The lack of quality personnel
* Customer resistance (i.e., long-standing relationships, brand loyalty)
* Existing patents and trademarks that you can not infringe upon

### Regulatory Restrictions

The final area that you should look at as you're researching this section is regulatory restrictions. This includes information related to current customer or governmental regulatory requirements as well as any changes that may be upcoming. Specific details that you need to find out include: the methods for meeting any of the requirements which will affect your business, the timing involved (i.e., How long do you have to comply? When do the requirements go into effect?), and the costs involved.