**How Big Is The Problem?**

**Conducting Market Research**

**From Entrepreneur Magazine**

So you have a great idea for a product--something that's bound to capture the hearts and minds (and wallets) of consumers everywhere. Or perhaps you have stumbled on a service that isn't being offered by anyone else--one that is desperately needed. This is your opportunity! Don't hesitate . . . don't look back . . . jump right into it.

Wait! Before you shift into high gear, you must determine whether there really is a market for your product or service. Not only that, you need to ascertain what--if any--fine-tuning is needed. Quite simply, you must conduct market research.

Many business owners neglect this crucial step in product development for the sole reason that they don't want to hear any negative feedback. They are convinced their product or service is perfect just the way it is, and they don't want to risk tampering with it.

Other entrepreneurs bypass market research because they fear it will be too expensive. With all the other startup costs you're facing, it's not easy to justify spending money on research that will only prove what you knew all along: Your product is a winner.

Regardless of the reason, failing to do market research can amount to a death sentence for your product.

"A lot of companies skim over the important background information because they're so interested in getting their product to market," says Donna Barson, president and owner of Barson Marketing Inc., a marketing, advertising and public relations consulting firm. "But the companies that do the best are the ones that do their homework."

**Market Research Methods**

In conducting your market research, you will gather two types of data: primary and secondary. *Primary research* is information that comes directly from the source--that is, potential customers. You can compile this information yourself or hire someone else to gather it for you via surveys, focus groups and other methods. *Secondary research* involves gathering statistics, reports, studies and other data from organizations such as government agencies, trade associations and your local chamber of commerce.

**Secondary Research**

The vast majority of research you can find will be secondary research. While large companies spend huge amounts of money on market research, the good news is that plenty of information is available for free to entrepreneurs on a tight budget. The best places to start? Your local library and the internet.

Reference librarians at public and university libraries will be happy to point you in the right direction. Become familiar with the business reference section--you'll be spending a lot of time there.

Two good sources to look for: [*ThomasNet*](http://www.thomasnet.com/), an online resource that connects industrial buyers and sellers, and the [*Harris InfoSource All-Industries and Manufacturing Directories*](http://www.harrisinfo.com/). Both sources can be found at most libraries, as well as online, and can help you target businesses in a particular industry, read up on competitors or find manufacturers for your product.

To get insights into consumer markets, check out the *Statistical Abstract of the United States*, which you can find at most libraries. It contains a wealth of social, political and economic data. Ask reference librarians for other resources targeted at your specific business.

**Associations**

Your industry trade association can offer a wealth of information such as market statistics, lists of members, and books and reference materials. Talking to others in your association can be one of the most valuable ways of gaining informal data about a region or customer base.

Look in the *Encyclopedia of Associations* (Gale Cengage Learning), found in most libraries, to find associations relevant to your industry. You may also want to investigate your customers' trade associations for information that can help you market to them. Most trade associations provide information free of charge.

Read your trade associations' publications, as well as those aimed at your target customers, to get an idea of current and future trends and buying patterns. And keep an eye out for more: New magazines and newsletters are launched every year. If you're not following all of them, you could be missing out on valuable information about new products and your competitors.

**Government Guidance**

Government agencies are an invaluable source of market research, most of it free. Almost every county government publishes population density and distribution figures in widely available census tracts. These publications will show you the number of people living in specific areas, such as precincts, water districts or even ten-block neighborhoods. Some counties publish reports on population trends that show the population ten years ago, five years ago and today. Watch out for a static, declining or small population; ideally, you want to locate where there is an expanding population that wants your products and services.

The [U.S. Census Bureau](http://www.census.gov/) turns out reams of inexpensive or free business information, most of which is available on the internet:

* The Census Bureau's *State and Metropolitan Area Data Book* offers statistics for metropolitan areas, central cities and counties.
* The *Census Product Update* is a monthly listing of recently r eleased and upcoming products from the U.S. Census Bureau. Sign up for a free e-mail subscription at census.gov.
* *County Business Patterns* is an excellent Census product that reports the number of a given type of business in a county by ZIP code and metropolitan and micropolitan statistical area.
* For breakdowns by geographical area, look to the *Economic Census*, which is published every five years.

Most of these products should be available online or at your local library. If not, contact your nearest Census office for a list of publications and ordering information, or write to the U.S. Census Bureau, 4600 Silver Hill Rd., Washington, DC 20233, (301) 763-INFO or (800) 923-8282. Many Census Bureau reports are also available on CD or DVD, or are free on the internet.

The U.S. Government has an official web portal that is another good source of information. For instance, at the [USA.gov website](http://www.usa.gov/), you'll find a section for businesses that is a one-stop link to all the information and service that the federal government provides for the business community. Tax questions? Wondering about how best to deal with all the regulations and red tape? Chances are you'll find your answers at business.gov by clicking the "Finance and Taxes" link.

Or you might try the Commerce Department's Economic Indicators [web page](http://www.economicindicators.gov/). Curious if the world is ready to spend money on your exercise equipment for goldfish? Then the Economic Indicators site is for you. Literally every day, they're releasing key economic indicators from the Bureau of Economic Analysis and the U.S. Census Bureau.

If you're planning to get into exporting, contact the Department of Commerce's International Trade Administration (ITA). The ITA publishes several thousand reports and statistical surveys, not to mention hundreds of books on everything American entrepreneurs need to know about exporting. Many of the reports and books are available for downloading immediately from the ITA's press and publications department (ita.doc.gov). Here you'll also find information on how to order printed copies, including archived publications. Or if you prefer, call the Trade Information Center at (800) USA-TRADE.

**Maps**

Maps of trading areas in counties and states are available from chambers of commerce, trade development commissions, industrial development boards and local newspaper offices. These maps show the major areas of commerce and can also help you judge the accessibility of various sites. Access is an important consideration in determining the limits of your market area.

**Colleges and Universities**

Local colleges and universities are valuable sources of information. Many college business departments have students who are eager to work in the "real world," gathering information and doing research at little or no cost.

Finally, local business schools are a great source of experts. Many business professors do consulting on the side, and some will even be happy to offer you marketing, sales, strategic planning or financial information for free. Call professors who specialize in these areas; if they can't help, they'll be able to put you in touch with someone who can.

**Community Organizations**

Your local chamber of commerce or business development agency can supply useful information. They are usually free of charge, including assistance with site selection, demographic reports, and directories of local businesses. They may also offer seminars on marketing and related topics that can help you do better research.

**D&B**

Financial and business services firm D&B offers a range of reference sources that can help startups. Some of the information they offer as part of their Sales & Marketing Solutions are directories for career opportunities, consultants, service companies and regional businesses. Visit their website at dnb.com, or call (866) 503-0287 for more information.

* *D&B's Regional Business Directories* provide detailed information to help identify new business prospects and assess market potential. Besides basic information (telephone number, address and company description), the directories also tell when the company was started, sales volume, number of employees, parent company (if any) and, if it's a public company, on which exchange it's traded.
* *D&B's Million Dollar Database* can help you develop a marketing campaign for B2B sales. The Million Dollar Database lists more than 1.6 million U.S. and Canadian leading public and private companies and includes information regarding the number of employees, annual sales and ownership type. The database also includes biographical information on owners and officers, giving insight into their backgrounds and business experiences. For more information, go to dnbmdd.com.

**Going Online**

These days, entrepreneurs can conduct much of their market research without ever leaving their computers, thanks to the universe of online services and information. Start with the major consumer online services, which offer access to business databases. You can find everything from headline and business news to industry trends and company-specific business information, such as a firm's address, telephone number, field of business and the name of the CEO. This information is critical for identifying prospects, developing mailing lists and planning sales calls. Here are a few to get you started:

* [*KnowThis.com's*](http://www.knowthis.com/) marketing virtual library includes a tab on the site called "Weblinks" that contains links to a wide variety of market research web resources.
* [*BizMiners.com*](http://www.bizminers.com/) lets you choose national market research reports for 16,000 industries in 300 U.S. markets, local research reports for 16,000 industries in 250 metro markets, or financial profiles for 10,000 U.S. industries. The reports are available online for a nominal cost.
* [*MarketResearch.com*](http://www.marketresearch.com/) has more than 250,000 research reports from hundreds of sources consolidated into one accessible collection that's updated daily. No subscription fee is required, and you pay only for the parts of the report you need with its "Buy by the Section" feature. After paying, the information is delivered online to your personal library on the site.

All the sources mentioned earlier (trade associations, government agencies) should also have websites you can visit to get information quickly. For instance, the Census Bureau offers many helpful websites:

* The [*American Factfinder* website](http://www.factfinder.census.gov/) provides excellent access to census information, including a "Maps" feature.
* The [*Statistical Abstract of the United States*](http://www.census.gov/compendia/statab/) has statistical information from government and private sources complied by the Census Bureau. It can be downloaded for free at the website.
* The [*Census Bureau's International Database*](http://www.census.gov/ipc/www/idb/) furnishes data on foreign countries.

If you don't have time to investigate online services yourself, consider hiring an information broker to find the information you need. Information brokers gather information quickly. They can act as a small company's research arm, identifying the most accurate and cost-effective information sources.

To find information brokers, look in the Yellow Pages or ask the research librarian at your local library. Many research librarians deal with information brokers and will be able to give you good recommendations.