

Market Study and Opportunity Identification

7.1. MARKET STUDY

Accurate information is the foundation of all successful business ventures. Market study allows business owners to determine the feasibility of a business before committing substantial resources to the venture.

The process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market and about the past, present and potential customers for the product or service ; research into the characteristics, spending habits, location and needs of the business's target market, the industry as a whole and the particular competitors.

Market study provides relevant data to solve marketing challenges that a small and medium enterprises will most likely face an integral part of the business planning process. In fact, strategies such as market segmentation (identifying specific groups within a market) and product differentiation (creating an identity for a product or service that separates it from those of the competitors) are impossible to develop without market study.

7.1.1. Types of Market Study

1. Primary information : Primary information is collected from a first-hand experience and is reliable and authentic.

Sources of Collecting Primary Information

- (i) Interview
- (ii) Observation
- (iii) Action research
- (iv) Case studies
- (v) Questionnaires.

Advantages of Primary Information

- (i) Quick and cheap if sample is small
- (ii) The investigator collects information specific to the problem under study
- (iii) There is no doubt about the quality of the information collected (for the investigator).

Disadvantages of Primary Information

- (i) Cost of obtaining information is high
- (ii) Using a large sample can be time-consuming
- (iii) The investigator has to contend with all the hassles of information collection.
 - (a) Deciding why, what, how and when to collect
 - (b) Getting the information collected (personally or through others)
 - (c) Getting funding and dealing with funding agencies
 - (d) Ethical considerations.

2. Secondary information : Secondary information comes from resources that have already been published.

Sources of Collecting Secondary Information

- (i) Previous research
- (ii) Official statistics
- (iii) Mass media products
- (iv) Government reports
- (v) Web information
- (vi) Historical data and information.

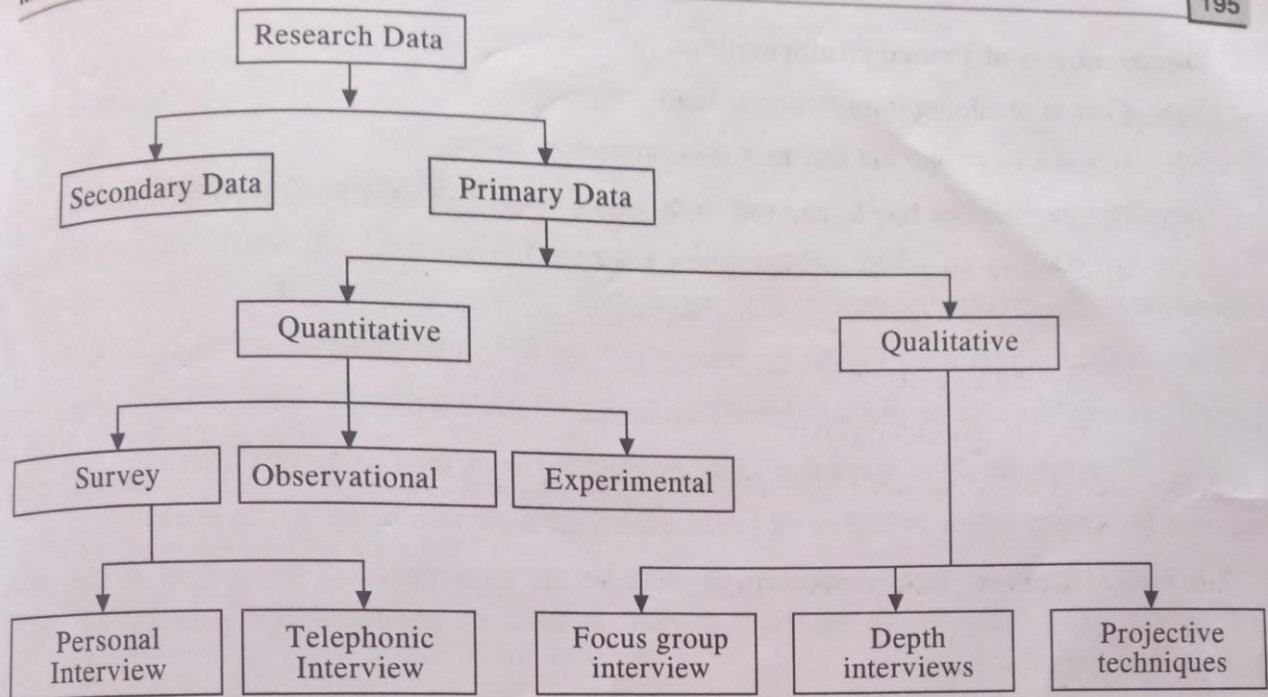
Advantages of Secondary Information

- (i) The information is already there—no hassles of collection
- (ii) It is less expensive
- (iii) The investigator is not personally responsible for the quality of information.

Disadvantages of Secondary Information

- (i) Lack of consistency of perspective
- (ii) Biases and inaccuracies cannot be checked
- (iii) Published statistics often raise more questions than they answer.

Marketing study is usually the first step in the marketing process, after ideas for products are conceived. Small companies conduct marketing research to obtain information from the marketplace. They use it to solve problems, obtain information on competitors and determine the needs and wants of non-paying consumers and customers. Marketers then analyze the data and develop various marketing strategies.



7.2. PRODUCT OR SERVICE IDENTIFICATION

To succeed as an entrepreneur, one must develop the ability to select and offer the right products or services to the customers in a competitive market. More than any other factor, entrepreneur must have an ability to make this choice, whether this will determine the success or failure.

Fully 80 percent of the products and services being consumed today are different from those that were being consumed five years ago and five years from today, fully 80 percent of the products being used will be new and different from those being used today.

There are thousands of products and services available to consumers today and there are unlimited opportunities for entrepreneurs to enter the marketplace and compete effectively with a new product or service that's better in some way than what's already being offered by the competitors. Entrepreneur's skill at choosing that product or service is critical to the success. The most important thing entrepreneur can do before deciding what to sell is to think and the more he think about a product or service, the better decisions will be.

Once entrepreneur has got a product or service in mind, he need to begin with a self-analysis :

- What kind of products do you like, enjoy, consume and benefit from ?
- Do you like the product or service you are planning to sell ?
- Can you see yourself getting excited about this product or service ?
- Would you buy it and use it yourself ?
- Can you see yourself selling this product or service for the next five to 10 years ?

Then, analyze the product or service from the customer's point of view :

- (a) What does the product achieve, avoid or preserve for the customer ?
- (b) How does the product improve the customer's life or work ?
- (c) Do you personally like the customers who'll be buying this product or service ?

There are a series of additional questions entrepreneur need to ask before making a final decision on a new product or service offering.

- (a) Is there a real need for the product or service in today's market ?
- (b) Is new product or service better than anything else currently available ?
- (c) What are the three ways that make product superior then its competitors ?
- (d) Is product lower priced or of better quality than anything else that is available ?

For a product or service to succeed, it must be the right product, being sold at the right time, to the right customer, in the right market. It must be produced and sold by the right company and the right people.

■ 7.3. DEMAND AND SUPPLY

Demand refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price ; the relationship between price and quantity demanded is known as the demand relationship.

Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good producers are willing to supply when receiving a certain price. The correlation between price and how much of a good or service is supplied to the market is known as the supply relationship.

The principle of supply and demand states that when a particular good or service has limited supply and increased demand, the price of the good or service increases. Conversely, when a particular good or service has an abundant supply and little demand, the price of the good or service decreases.

An understanding of markets (supply and demand) is critical to maximize potential and minimize risk for clients. A wide range of tools identify market demand for goods, services and facilities.

■ 7.3.1. Assessment of Demand and Supply in Potential Areas (Sales Forecasting)

Assessment of demand and supply is the major competence area for the success of any enterprise. So, entrepreneur must have the knowledge about forecasting.

Forecasting is the first step in planning. It is defined as estimating the future demand for products and services and the resources necessary to produce these outputs. It is the intellectual

act of estimating the sales-potential for a company including the assessment efforts of competitors and an appraisal of the trends of industry concerned and general economic conditions that have bearing on demand.

Requirements of a Good Forecast

- (a) The forecast should be timely.
- (b) The forecast should be accurate and degree of accuracy should be known.
- (c) The forecast should be reliable.
- (d) The forecast should be expressed in meaningful units such as units of products, machines etc.
- (e) It should be simple to understand and use.

Steps in Forecasting Process

The basic steps involved in forecasting are :

- (a) Determine the purpose of the forecast.
- (b) Select the items for which forecasts are needed.
- (c) Determine the time horizon for the forecast.
- (d) Select the forecasting model.
- (e) Gather the data.
- (f) Analyse the data for the forecast.
- (g) Prepare the forecast.
- (h) Monitor the forecast.

■ 7.3.2. Methods of Sales Forecasting

The most commonly used methods are given below :

(a) Jury of Executive Opinion : It is also known as 'Delphi' method which is opinion based method. A small number of top executives are requested to register their individual opinions relating to the probable amount of future sales. Then, a forecast is derived from the average from these averages so registered. The advantage of this method is that it uses experience and knowledge of two managers to arrive at a single forecast. The disadvantage is that it can be costly because it takes valuable executive time.

(b) Poll of Sales-Force Opinion Method : Like the earlier method, it is also based on opinion. It is popularly called as 'grass-root approach'. Under this method, the individual salesman are to give their forecasts of his or her territory. Then, they are combined at the district and national level to arrive at overall forecast.

(c) Projection of Past Sales Method : This method believes in past as the base for future sales. In simple words, the sales forecast for the coming year may be set at the same figure as the current year's sales or forecast may be made by adding a set percentage to the last year's

sales. It can make use of 'exponential smoothening' and 'time series analysis' depending on the range of forecast.

(d) Survey of Consumer's Buying Plans : Under the method, the firm prefers to study the individual buying plans of consumers for consumer goods or industrial goods. This is possible and profitable when the number of consumers is small. Based on these plans the company experts project the sales.

(e) Market Factors Analysis Method : This method works on the presumption that the firm's sale depend on the behaviour of certain market factors influencing the consumer demand. It involves identification and measurement of these market factors and their relationship with sales. These factors are say, consumer price index and change in population, gross national product, substitutes and the like.

(f) Economic Model Building and Simulation Method : This method makes use of mathematical equation or equations to represent a set of relationships among different demand determining independent variables and sales. This method has been used more in forecasting sales of durables and determining industry sales than company sales.

■ 7.4. SURVEY RESEARCH

A method of investigation that uses question based or statistical surveys to collect information about how people think and act. For example, how effective mass media is in helping form and shift public opinion.

■ 7.4.1. Types of Surveys

There are various types of surveys. Basically, the types of surveys are broadly categorized into two :

(a) According to Instrumentation : The types of surveys according to instrumentation include the questionnaire, schedules and the interview.

(b) According to the Span of Time Involved : The types of surveys according to the span of time used to conduct the survey are comprised of cross-sectional surveys and longitudinal surveys.

► 7.4.4.1. QUESTIONNAIRE

A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. Although they are often designed for statistical analysis of the responses, this is not always the case. By making the right choices on the type of survey questions, one will be able to extract only data that are related to the purpose or goal of the survey.

Advantages of Questionnaire

- (a) They are cheap, do not require as much effort.
- (b) Large amounts of information can be collected from a large number of people in a short period of time.

- (c) The results of the questionnaires can usually be quickly and easily quantified by either a researcher or through the use of a software package.
- (d) Can be analyzed more 'scientifically' and 'objectively' than other forms of research.
- (e) Positivists believe that quantitative data can be used to create new theories and/or test existing hypotheses.

Disadvantages of Questionnaire

- (a) Questionnaires cannot tell the context and meaning behind a response.
- (b) There is no way to tell how truthful a respondent is being.
- (c) The respondent may be forgetful or not thinking within the full context of the situation.
- (d) There is a level of researcher imposition, meaning that when developing the questionnaire, the researcher is making his own decisions and assumptions as to what is and is not important, therefore he may be missing something that is of importance.

Characteristics of a Good Questionnaire

- (a) **Questions should not be ambiguous :** The question must be capable of only one interpretation. *e.g.*, 'Which types of liquid do you purchase weekly ?' Does this mean alcohol, soft drinks or bleach !
- (b) **Questions must be easily understood :** Technical terms must be avoided, except when the questionnaire is addressed to specialists.
- (c) **Questions must not contain words of vague meaning :** To ask if a product is 'small' or if a person is 'unskilled' are examples of such questions. 'Small' and 'unskilled' are relative terms that are open to different interpretations.
- (d) **Questions must not be in such a form that the answers will be biased :** The questions should not contain emotionally coloured words or be leading questions that is they should not put answers into respondents' mouths. *e.g.*, 'As there are already so many washing powders in the market, do you really think another one will make a difference ?'
- (e) **The questionnaire must not be too long :** If it is too long the respondent will not co-operate and this may result in inaccurate answers.

Difference between Questionnaire and Survey

A questionnaire is a tool which can be used by anyone, a person or an organization for personal or research purposes and can be answered by only one person. On the other hand, a survey is always on a larger scale, as the opinions of a group of people belonging to a particular section is sought through a questionnaire. Thus, a questionnaire is more like a tool whereas a survey is more part of a methodology and contains more than a questionnaire as it also includes deduction, analysis, graphics etc.

Questionnaire Design

The two most common types of survey questions are closed-ended questions and open-ended questions.

Before constructing questions, one must have knowledge about each type of question used in survey research. These basically include :

(a) Closed-Ended Questions

Closed-ended questions limit the answers of the respondents to response options provided on the questionnaire. Some examples of closed-ended questions are :

- (i) **Dichotomous or two-point questions** (e.g., Yes or No, Unsatisfied or Satisfied)
- (ii) **Multiple choice questions** (e.g., A, B, C or D)
- (iii) **Scaled questions** that are making use of rating scales such as the Likert scale (i.e., a type of five-point scale), three-point scales, semantic differential scales and seven-point scales.

Advantages : Time-efficient ; responses are easy to code and interpret ; ideal for quantitative type of research.

Disadvantages : Respondents are required to choose a response that does not exactly reflect their answer ; the researcher cannot further explore the meaning of the responses.

(b) Open-Ended Questions

In open-ended questions, there are no predefined options or categories included. The participants should supply their own answers. Some examples of open-ended questions include :

- (i) **Completely Unstructured Questions**— openly ask the opinion of the respondent
- (ii) **Thematic Apperception Test**— a picture is presented to the respondent which he explains on his own point-of-view.
- (iii) **Sentence, Story or Picture completion**— the respondent continues an incomplete sentence or story, or writes on empty conversation balloons in a picture.

Advantages : Participants can respond to the questions exactly as how they would like to answer them ; the researcher can investigate the meaning of the responses ; ideal for qualitative type of research.

Disadvantages : Time-consuming ; responses are difficult to code and interpret.

► 7.4.4.2. INTERVIEW METHOD

An interview is a direct facts-to-face attempt to obtain reliable and valid measures in the form of verbal responses from one or more respondents. It is a conversation in which the roles of the interviewer and the respondent change continually. This method can be used through personal interviews and if possible through telephonic interviews.

A. Personal Interview

This method requires a person for asking questions generally in face to face contact known as interviewer. In this interviewer has to be on the place to collect the information personally. This method is suitable for intensive investigation.

Personal interviews can be

(a) Structured

1. The interviewer asks the respondent the same questions in the same way
2. A tightly structured schedule is used
3. The questions may be phrased in order that a limited range of responses may be given *i.e.*, 'Do you rate our services as very good, good or poor'
4. A researcher needs to consider whether a questionnaire or structured interview is more appropriate.

(b) Unstructured

1. Can be referred to as 'depth' or 'in depth' interviews
2. The interviews may just go with the aim of discussing a limited number of topics, sometimes as few as just one or two
3. The interviewer may frame the interview questions based on the interviewee and his/her previous response
4. This allows the discussion to cover areas in detail.

(c) Semi-structured

1. Semi-structured interviews are sometimes also called focused interviews
2. A series of open ended questions based on the topic areas, the researcher wants to cover
3. A series of broad questions to ask and may have some prompts to help the interviewee
4. 'The open ended nature of the question defines the topic under investigation but provides opportunities for both interviewer and interviewee to discuss some topics in more detail'.

Advantages of Personal Interview

- (a) Allows the interviewer to clarify questions.
- (b) Opportunity for feedback.
- (c) Can be used with all age groups *i.e.* young children and illiterates.
- (d) Allows the informants to respond in any manner they see fit.
- (e) Allows the interviewers to observe verbal and non-verbal behaviours of the respondents.
- (f) Yields a good percentage of returns.

- (g) Yields perfect sample of the general population.
- (h) Data collected by this method is likely to be more correct as compared to the other methods that are used for the data collection.

Disadvantages of Personal Interview

- (a) Training interviewers, sending them to meet and interview their informants and evaluating their effectiveness all adding to the cost of the study.
- (b) Time consuming process.
- (c) Involves high cost.
- (d) Requires highly skilled interviewer.
- (e) Requires more energy.
- (f) May sometimes involve systematic errors.
- (g) More confusing and a very complicated method.

B. Telephonic Interview

This method of collecting information consists of contacting respondents on telephone itself.

Advantages of Telephonic Interview

- (a) It is more flexible in comparison to mailing method.
- (b) It is faster than other method.
- (c) Economical than personal interview.
- (d) No field staff is required.
- (e) Replies can be recorded without causing embarrassment to respondents.
- (f) Wider distribution of sample is possible.

Disadvantages of Telephonic Interview

- (a) Surveys are restricted to respondents who have telephone facility.
- (b) Little time is given to respondents for considered answers.
- (c) Bias of the interview is relatively more.
- (d) Questions have to be short and to the point.
- (e) Not suitable for intensive surveys.

► 7.4.4.3. SCHEDULES

This method is same as a method of data collection through questionnaire with a difference that schedules are being filled in by the enumerators, who are specially appointed for the purpose. The enumerator must be honest, sincere and hardworking. Investigator must explain the aims and objective of investigation to the enumerator before conducting the research.

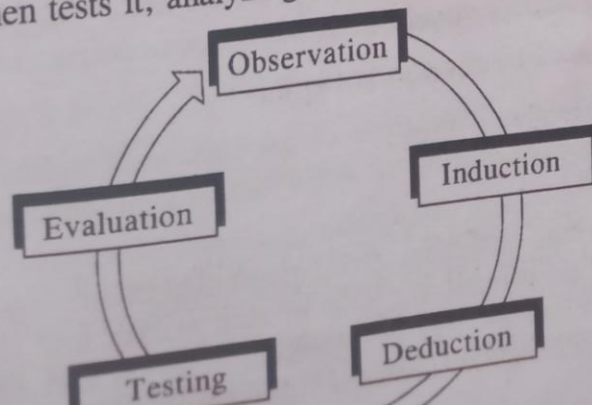
Difference between Questionnaire and Schedule

S.No.	Questionnaire	Schedule
1.	It is generally sent through mails.	The schedules are filled by researchers or enumerators.
2.	To collect information it is relatively economical.	To collect information through schedules is relatively more expensive.
3.	Non-response is usually high.	Non-response is usually low.
4.	Identity of replier is not identified in case of questionnaire.	Identity of replier is identified in case of schedules as enumerator conducts the interview.
5.	Its a slow method.	Its a fast method.
6.	Personal contact is not possible.	Personal contact is established with respondents.
7.	It is used when respondents are literate and co-operative.	It is used when respondents are illiterate and co-operative.
8.	Wider distribution of sample is possible.	It is not possible to send the enumerator everywhere.
9.	Less accurate as incomplete and wrong information is more.	More accurate as compared to questionnaire.
10.	Success lies on quality of questionnaire.	Success depends upon honesty and competence of enumerator.

► 7.4.4.4. EMPIRICAL STUDY AND QUALITATIVE STUDY

(a) Empirical Study

Empirical studies are those based on actual and objective observation or experimentation. It starts with a hypothesis, then tests it, analyzing the resultant data and reporting the findings.



(b) Qualitative Study

Qualitative research is aimed at gaining a deep understanding of a specific organization or event, rather than surface description of a larger sample of a population. It aims to provide an explicit rendering of the structure, order and broad patterns found among a group of participants. It is also called ethnomethodology or field research. It is especially important in the behavioural sciences, where the aim is to discover and underlying the motives of the human behaviour.

Objectives of Qualitative Analysis

- (a) To gain an understanding of underlying reasons and motivations.
- (b) To provide insights into the setting of a problem, generating ideas and/or hypotheses for later quantitative research.
- (c) To uncover prevalent trends in thought and opinion.

Data Collection : Common data collection methods used in qualitative research are focus groups, triads, dyads, in-depth interviews, uninterrupted observation, bulletin boards and ethnographic participation/observation.

When to Use : Qualitative research is by definition exploratory and it is used when we don't know what to expect, to define the problem or develop an approach to the problem. It's also used to go deeper into issues of interest and explore nuances related to the problem at hand.

Problems with Qualitative Studies

- (a) More time consuming
- (b) More difficult to code data
- (c) Not applicable to widely dispersed social settings
- (d) Generally, only a case study with limited applicability to other situations
- (e) Difficult to control for researcher bias.

■ Important and Expected Questions ■

Q.1. What do you understand by market study ?

Ans. Accurate information is the foundation of all successful business ventures. Market study allows business owners to determine the feasibility of a business before committing substantial resources to the venture.

The process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market and about the past, present and potential customers for the product or service ; research into the characteristics, spending habits, location and needs of the business's target market, the industry as a whole and the particular competitors.