

DO YOUR MARKET RESEARCH

It's important to do market research before committing to starting your own business. A business idea might look very good on paper but until you ask your potential customers you won't know whether your business idea will work in the real world – where there are competitors and customers to win over.

What is market research?

Market research should help you to identify and find out more about the people most likely to buy your product or service – known as your target market. There are three main sources of good market research – customer research, competitor research, test trading – and all three will give you an important insight into the market in which you might start-up.

You can carry out market research by using the following approaches:

Desk research

Desk research is an easy and often immediate starting point. You can find out a lot just by scouring the internet, sector magazines and government reports as well as directories and books. Your local library is a must and completely free.

Field research

Don't forget about a resource you have on your doorstep too; ask local residents about the location and business sector you hope to set up in – there's no knowledge quite like local knowledge! Local residents may well know about development set to have an impact on the area such as planning construction of new offices or roads, local businesses closing or local residents who own businesses that may compliment your own. Armed with knowledge you've gained from your desk research, field research involves you getting out and about and asking potential customers for their opinion. This will help you to judge whether there are potential customers who would buy your product or service and how many potential customers you might hope to attract. There are few different types of field research:

- **Surveys** – an effective way of getting information directly from your potential customers. The most effective way of carrying out a survey is in person but surveys can also be completed over the phone, online or by post.
- **Mystery shopping** – researching competitors by interacting with the business as a real customer would to see how it compares to yours.
- **Focus groups** – the best way of getting detailed information through discussion with a small group of key people.
- **Observation** – it can be more insightful to observe rather than to ask how your target market behaves.
- **Trials** – sending a prototype of your product to potential customers can be a really effective and engaging way to generate interest and hype around your business.

Test Trading

Lots of businesses look good on paper but the only test that matters is whether your product or services sells. Test trading allows you to practice whether you can do just that.

The key to successful test trading is to plan what you hope to achieve:

- Where will you test trade and why? For example, will you rent a market stall or trade on the street? How much will it cost? Will you need a licence?
- How many products will you aim to sell and at what price?
- How many products will you need to sell and at what price to prove your market?
- What do you hope to learn?

There are lots of places where you could test trade and some organisations will provide grants that you can use to buy equipment, materials or tools that will help you to test trade for a short time. You might want to:

- **rent a market stall** for a short period to practise selling your product or introduce people to your service – selling in and amongst seasoned market traders people is also a good learning curve and will help you to improve your sales skills!
- **sell at street fairs or flea markets** to judge demand for your product or service – selling at street fairs, flea markets or holiday markets only requires a temporary street vendor licence.

You might also:

- consider going door-to-door with a sample of your product – you won't be able to take any money for your sample and will have to inform samplers if your product is food or drink that you can't take responsibility, for example, for any allergic reaction a taster might have.

Your results

The results of your market research should help you to make important decisions about how to progress with your business idea.

Customer research will tell you:

- whether people will buy the product/service
- whether people will buy the product/service from you rather than from a competitor and why/why not
- which target market your product/service most appeals to and why

Competitor research will tell you:

- what your competitors are doing well and what they're not doing well and how you can turn this to your advantage
- who they target
- how the market is developing (for example, whether there is an online market developing)

Test trading will tell you:

- whether you can produce and sell your product/service
- whether you can produce and sell your product/service at a price that means you make money
- what your customers think of your product/service
- what it feels like to be self-employed