

## **A Market Research Primer**

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As our industry has matured, it has become more complex, competitive, global, expensive to compete in, and—in a word—risky. Because most companies don't have the resources to float them through an unsuccessful product launch, reducing the risks is critical. Although inspiration, technical aplomb, and capital are certainly ingredients of success, one of the best ways to reduce risk is to make better-informed decisions by using market research; even a little goes a long way, and well-done research separates the half-baked ideas from those that will succeed.

In this article, we'll discuss research basics: the two kinds, how they differ, when each is useful, what sources are available, and when and how to hire professional researchers. The next issue's follow-up will discuss how to write a good survey questionnaire and focus-group discussion guide.

Market research is not as difficult or cumbersome as it may seem. In simple terms, it's the process of finding out what customers want and need and how they want to get it. More broadly, it includes scoping out the competition, sizing up the market, identifying industry trends, and so forth. There are two kinds: primary and secondary. Primary research entails generating your own information through direct observation and measurement; it yields more-precise data than does secondary research, which is the art of finding germane information in already published sources. Generally speaking, it's worth the effort to begin every research project by doing as much secondary research as you can; this will help you define what questions you need answered and determine precisely what, if anything, you need to explore through primary research.

However, before you begin any market-research effort, it is important to be very clear about what you are trying to find out. If you try to find out everything you can, you'll expend a lot of effort, collect a lot of paper, and probably end up confused. Start by articulating the decisions you need to make; then identify and prioritize the information needed to help you make them.

### **WHEN SECONDARY RESEARCH IS USEFUL**

Secondary research is useful in several key areas of the personal-computing industry. One is identifying a market opportunity—that is, the size of a market and how to segment it. Although information from secondary sources may not always directly relate to your exact product category, it can still be very helpful. For example, if you wish to develop a Macintosh accounting package for small legal firms, you probably won't find data specifically about the market for Macintosh accounting software for small legal firms. However, you may find information about the computing or accounting environments in small legal firms. That should provide you with valuable insight into the potential market opportunity. At this point, it's usually best to concentrate on identifying the general scope of a market opportunity and not worry much about how precise the data is; use it to help make your best estimates.

Secondary research is also useful in investigating customer buying behavior and product-use patterns, such as how many users are connected to a local-area network, how many people use spreadsheets, how many access data from mainframes, and so forth. The recent trend in research has been to focus on what users want and need rather than on just how many of what products companies are selling.

This kind of research is also excellent for tracking industry trends: pricing, number of manufacturers, sales volume, product characteristics, and competitive information. Usually, there's no need to go beyond secondary research to get that kind of data. It exists, and much of it is very useful.

## **SOURCES OF INFORMATION**

In the computer industry, there are hundreds of trade publications and specialized newsletters, lots of syndicated research firms and financial analysts—the list goes on and on. Because the information is so abundant, there's a tendency to automatically assume that what you need is out there, somewhere. Sometimes that's true, but be prepared for some disappointment; more often than not, what you uncover will fall short of what you really need in some important way.

Two very common problems are outdated information and inconsistent terminology. If data is two or three years old, you should question whether it's still meaningful in an industry that changes very quickly. The computer industry also suffers from inconsistency in defining its zillions of terms. For example, what is an "intelligent

terminal”? A “workstation”? Authors don’t usually indicate how they define product categories. Sometimes the differences between their definition and yours is wide enough to make a significant impact <sup>2</sup> on your conclusions. So be sure to ask yourself whether the author is truly talking about the same thing you’re seeking information about.

There are excellent sales statistics for many industries because manufacturers make the information available (usually through an industry association). In some cases, a rigorous third-party auditing process facilitates some kind of marketplace measurement. Unfortunately, personal computing is not one of these industries. There is no single source that can offer all the statistics you might need.

However, there are some helpful sources. The Software Publishers Association can provide some information. Also, by scrutinizing hardware data, you may be able to make some assumptions about corresponding software opportunities. But what is available about hardware is, by and large, purely estimates—and some of it is very inaccurate. Nondisclosure has traditionally been the unwritten rule in the hardware industry, and many manufacturers have attempted to decoy analysts into thinking that they’ve sold more product than they have. In the hardware business, there are few truths when it comes to market numbers.

**Other Sources.** Another source is government data, which can be found in public or business libraries (if not, libraries usually have a directory of where the data is available). When applicable, it can be very useful, inexpensive, and easy to get. Government sources are especially good for demographic information—census-type data such as how many people work in a given profession or industry, how many companies there are in an industry, how big they are, and so forth. The information is usually old—at least two and sometimes four or five years old. But that’s usually OK, because in the world of demographics, few things change very quickly. You should also be careful not to assume that the information is accurate just because it’s published by the government and it looks “official.” Remember, data-collection methods vary widely and are not always sound.

Trade publications contain a lot of information. To get it, you don’t have to labor through thousands of magazines. Most of it is stored in databases that are available through on-line services such as Dialog. If such services aren’t available within your company, you can access them through third parties such as information brokers or syndicated research services. When you search a database, you should use the guidance of an experienced,

knowledgeable professional; otherwise you may be overwhelmed with citations (many of them obscure) that will doom you to trying to find a needle in a haystack.

Professional and trade associations can be especially good sources if you're developing software for a specialized area. Some of them sponsor or conduct in-house surveys about the state of computing among their members, and they may make this information available to you. You may also be able to attend their annual meetings, which is a useful way to connect with people in professions you want to target.

**Connecting with Sources.** When starting your search, try to find a business-specialty library. Such libraries have reference librarians trained in finding and using sources and indexes for business and government information. For example, in the U. S., you can identify trade associations through the *Encyclopedia of Associations*, which most libraries carry. There's usually a business branch of the public library in major cities. Sometimes you can also get access to the business library of a local graduate business school.

## **DO IT YOURSELF?**

Whether you decide to do secondary research yourself or hire someone should depend on your resources and deadlines. If you prefer to get assistance, look in the Yellow Pages or business directory of your telephone book, where you can find independent information brokers, people with library training that are not affiliated with a public or corporate library. This is a growing segment of the information industry, and the quality of its services is becoming very good. These people work for a fee and can do on-line literature searching, find citations and the articles you want, deal with copyright fees, and so forth.

Such firms can also help you find specialized market-research reports, which abound in high-technology areas. These reports cost anywhere from a few hundred to several thousands dollars. They usually cover a specific topic in depth, but they vary widely in quality. *Caveat emptor*.

Another approach is to work with a syndicated research company such as Dataquest, InfoCorp, IDC, or one of many others. It can cost \$10,000 to \$20,000 a year to subscribe to a single service of such a company. (You usually purchase a one-year subscription to one or more of the many services offered by a firm, such as its software service, PC-hardware service, and so forth.)

In the best case, this kind of company can serve, in a limited capacity, as your market-research department. You receive the (very) part-time services of a researcher or industry analyst who can leverage a good library and other resources. If you decide to employ one of these firms, first investigate it thoroughly. Make sure that the people you'll be working with have some knowledge about your business and that you have confidence in them. That way, you'll be working with professionals who have enough experience to evaluate your marketing assumptions and collect information, who can talk to competitors, customers, distributors, and so forth.

You're not likely to get a lot of very specific data from these firms, because the staff that supports each of them is usually small (four to six people) and must serve many clients. The bottom line: Be a really smart shopper; carefully evaluate whether the firm can truly add value—and if you can afford it.

## **PRIMARY RESEARCH**

After you've done as much secondary research as you can, the next step to consider is primary research—developing your own information by querying current or potential customers about specific issues. There are many methods to choose from, but they break down into two basic types: qualitative and quantitative research. The key differences between them are the number of interviews conducted and the type of analysis applied to the results.

Usually in a qualitative study, no more than 10 to 40 people are interviewed in depth about perceptions, judgments, feelings, attitudes, and reactions. The interviews tend to be free-flowing and open-ended. The analysis of the interviews is mainly synthesis followed by judgment—you listen, but you don't keep score. Qualitative techniques include such things as focus groups, mini focus groups, and others.

On the other hand, with a quantitative approach, the number of people interviewed is usually 100 or more and the analysis is numbers-oriented: How many people use a hard disk? What percent prefer this as opposed to that? How many users are female? How many have a color monitor? Which of our three concepts is preferred? The questions asked are quite structured and are mostly multiple-choice or other kinds of closed-end

questions. Quantitative techniques include such methods as mail or phone surveys (or a combination of the two).

**When to use Primary Research.** Primary research can be used at almost any time to address issues that customer/user input can conceivably affect. Research can be tied to a product's life cycle. Generally speaking, early in a product's life, you work with less well-defined concepts, which lend themselves to qualitative research. As you become more specific about the product and marketing strategy, you use quantitative methods (sometimes combined with qualitative ones) to hone in on specifics and fine-tune the product.

Early in a product's life cycle (what we call the need-identification stage), you need to identify market or product gaps you can fill. Here, research can be used to investigate how customers currently use related products and to illuminate their perceptions about these products' strengths and weaknesses. A qualitative approach—either focus groups or one-on-one interviews—is often most helpful here.

At the next stage (product definition), you'll want to test some concepts that meet the needs you identified earlier. Again, qualitative evaluation will probably give you the best information. Present your concepts to a good cross-section of potential customers, and use their reactions to help gauge which ones to pursue.

Research done during product definition often affects the next stage in the product life cycle—product-concept refinement. Here, you make price/feature and feature/feature trade-offs that hopefully make the product as appealing as possible—and cost-effective. Often, a quantitative survey that confirms or clarifies findings from the previous stage is useful at this point. This survey can also be used to help segment the target market (which customer groups liked the product the most), test promotional messages (which description is most appropriate, believable, or appealing), and test price perceptions (at what point this product is too expensive).

At this point, most software developers and some hardware manufacturers put their products through beta testing. This is a terrific opportunity to use one-on-one telephone interviews of users to thoroughly assess their reactions: what they like and don't like about the product, how well it meets their needs, what products or changes they'd like to see, and so forth.

As you approach the product introduction, one area that is often overlooked is advertising research. Advertising is expensive, and you can save a lot of money by testing it before you run it. This research doesn't have to be expensive or time-consuming. It can be as simple as showing a rough, early version of the ad to carefully chosen potential customers and asking some simple questions: What does the ad say to you? What does the headline say? How relevant is the ad's message to you?

Once a product is on the shelves, doing primary research can be as valuable as traditional sales tracking. Continue to research your customers: What are their opinions about your product and about the competition?

**Limitations of Primary Research.** Primary research used alone has significant limitations; what you do with the results must be compatible with your resources. It won't answer all of your questions. The quality of the information you get is limited by the quality of the questions you ask and the experience and proficiency of the people interpreting the answers. The key to getting the best possible data is to understand beforehand what actions you'll take or decisions you'll make based on the results. Only then should you formulate the questions you must ask to get that information. Often, the best questions are not direct. The art of research-questionnaire development involves asking a series of questions whose answers, taken together, will paint a meaningful picture.

**Pricing Research.** The basic problem with price research is that simulating reality adequately enough to make realistic price/volume projections is difficult. We suggest limiting pricing research to developing general perceptions about price—that is, where along the scale do buyers perceive your product as being a good value versus being expensive or cheap?

## **USE EXPERIENCED PROFESSIONALS**

It's always a good idea to use professional help when undertaking a research project. It can save you a lot of time, trouble, and money in all aspects of the research project: setting up the project, defining criteria for who will be researched, screening and recruiting respondents, authoring a questionnaire (or "discussion guide" if it's a qualitative approach), interviewing objectively, processing the data, helping interpret results, and preparing a summary report or presentation. Keep in mind, however, that a

research professional helps mostly with the process and the mechanics—you need to be involved in every step to ensure that the questions you want asked are being asked, that the terminology is correct, and even that the interviewers are pronouncing the words correctly.

Remember that anyone can hang out a shingle; however, some researchers are better than others, some are specialized, some are generalists, some firms are large, and some are small one- or two-person offices. Finding one that matches your needs and budget can be a lot like finding a doctor or lawyer: Personal referrals can work well, but you may want to get more than one person's opinion. Other sources for names are the Yellow Pages (in the U.S.), the American Marketing Association, the *Market Research Green Book*, and *Quirk's Marketing Research Review* (available in some business libraries).

Finding a consultant for qualitative research is a little trickier than finding one for a quantitative project. The in-depth, exploratory nature of qualitative research requires an interviewer with some level of expertise or background in the area you're addressing. And in either type of study, if you need feedback on a really technical subject, you may have to educate the consultant before the interviews can be conducted. Obviously, you'd like to be spared that effort, but sometimes highly qualified research professionals just aren't up on the latest computer technologies.

In the next issue, we'll provide a practical guide to writing a good focus-group discussion guide and survey questionnaire. □

**For Further Reading:**

“A Very Basic Discussion of Numerous Marketing Research Issues,” by Jeffrey Pope; *Practical Marketing Research*, 1981.

*Do-It-Yourself Marketing Research, Second Edition*, by G. E. Breen and A. B. Blankenship; McGraw-Hill Books, 1982.

*The Practical Handbook and Guide to Focus Group Research*, by T. L. Greenbaum; D.C. Heath and Co., 1988.

*Asking Questions*, by S. Sudman and N. M. Bradburn; Jossey-Bass Publishers, 1982.

*Marketing Research: Quantitative and Qualitative Methods for the Marketing Professional*, by D. T. Seymour; Probus Publications, 1991.

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