

3.9 Market research

Hear the voice of the market

MARKET RESEARCH is an organized, formal process of asking questions and gathering data about your market, competitors and potential customers in order to make marketing decisions. In this market-driven industry, it is one way in which you “...hear the voice of the market.” The purpose of marketing research is to reduce uncertainty and mistakes when it comes time to make your marketing decisions. Maintain this focus, or you may be caught up in your data collection techniques and miss the information you really need. Though this process may seem complex, it isn’t necessarily so—depending on the nature of your business proposal.

Pick up on preliminary research

Market research picks up where your preliminary research and planning left off (*Fact sheet 2.1*). You have defined your product/service, and have done some preliminary work in identifying your market segment – that group of potential travellers with similar characteristics to whom you can direct your marketing efforts. You have also refined your business idea, have a sense of costs and done some basic product development work. Now it is time to conduct your research, following these *five basic steps*:

Your market research should focus on providing answers to these kinds of questions:

- *is my product unique?*
- *what kind of person is likely to buy my product?*
- *are there enough of them to make a profit?*
- *is my price right?*
- *what share of sales will I get?*
- *is someone else already fulfilling their needs?*
- *how can I reach them?*
- *what’s the best way to get them to my product?*

Define the “problem”

1. Also known as defining the question, opportunity or concept. This is a detailed statement of what you are attempting to discover. In the case of a new business venture, the issues revolve around the viability of your product/service offering. Consider all the elements of the marketing mix – the 9 Ps of product, price, place, promotion, packaging, partnership, people, positioning and programming.

Develop hypotheses

2. This will be your “best guess” at who will buy your product or service – your target market and ideal customer—why they will buy, at what price and by which means. Determine what data you will need to test your hypotheses and how you will go about getting it. Can it be done by reviewing statistical or in-house data? Will it require a survey, questionnaire or the services of a research firm?

Define your objectives

3. your research objectives must always be defined in terms of the questions or *problems* (from step 1) you need to solve. Once you have stated your objectives, develop a marketing research plan that specifies how you will gather the data you need, what questions need to be asked, what surveys, questionnaires, or test marketing needs to be done, who will do it, and the time in which to do it.

Collect the data

4. All market research data is either Primary, which is data you generate yourself from company records or by conducting such things as surveys, or it is Secondary, which is data that is already out there, waiting to be found, collected or bought. Most of your efforts will likely be focused on secondary data. There are a wide variety of sources for general, trends and statistical tourism data, a number of which are listed on the next page. These sources may include statistics on highway traffic, spending habits, number of similar businesses in the market now and their approximate sales volume. Once you have collected your data, you will tabulate it, pull out the information you want, analyze it and draw your conclusions.

Is your “problem” solved?

5. Have you got solid answers to your questions? If not, you need to determine what additional research is needed. You should be in a position to review your business idea or your product offering in light of your research findings and ask yourself if what the market really wants is something other than what you are offering. This may lead you down a new avenue of market research, or to a revised marketing plan.

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Effective market research

Remember that effective market research asks simple, clearly-defined *questions* which seek quantifiable answers such as:

I'm offering a water-based product. The best period for this product is 12 weeks annually. Is there sufficient demand for my eco-tour product over 12 weeks to make the business profitable? Can I extend my product offering to a 4-week shoulder season?

These questions will focus your research and help you avoid the information overload which research can cause. Your market research will be aimed at helping you make a sales forecast for the tourist season and so you will look for data about the numbers of tours normally sold, average prices, trends, etc. which can then be focused on your sales forecast.

Data vs information

There is an important difference between data and information. Sometimes research produces only data, like "250,000 people toured Yukon in 1996". While this may be correct data, it is not very useful information for your market research. If you are planning an adventure tour business, useful information would be "Most adventure tourists coming to Yukon purchase their tour through XYZ Wholesale Tour Company".

Research Information Sources:

Tourism Industry Resource Centre
Canada-Yukon Business Service Centre
Canadian Tourism Commission
Chambers of Commerce
Competitors & Colleagues
Dept of Economic Development
Public library
Statistics Canada
Tourism Industry Association of Yukon
Yukon College

NOTE: The Tourism industry Resource Centre provides some access to the Internet for people who want to do research on the WWW. The system is not difficult to use even for first time Internet users, and it provides fast access to significant research web pages, free of charge.

The key elements

Market research is aimed at both the market and product sides of your business. With good research you should be able to develop your product while defining the target markets which best match it. You will want to determine the key elements of the product that will create demand. For example, a growing segment of the Yukon tourism industry is adventure or wilderness tours. People who are interested in these tours may be looking for *adventure* but may also be looking for *personal comfort*. Your product should feature both *adventure* and *personal comfort*. Market research helps you determine the features various market segments are looking for so you can tailor your product accordingly.

Qualitative data

Your market research must generate information that will be helpful to you and accepted by investors or lenders as the basis for the sales forecast. Research can provide either *numbers* or *qualitative* data. The value of numbers will depend on how specific and relevant the numbers are to your particular business concept, and on the reliability of the source. Qualitative data can be useful if the source is well known and credible, for instance, from a major player in the local tourism industry in support of the product and market concept of your business.

Primary data

Market surveys, questionnaires, polls, interviews, focus groups and test markets are all legitimate methods of collecting primary market research data. To be meaningful, however, they must be designed and conducted properly according to accepted market research principles. If you think this kind of data is required, you should consider hiring a market research firm or studying the literature on the subject, including the references below.

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