START WITH RESEARCH – HOW TO JUMPSTART COMMERCIAL SUCCESS

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Preface

Before jumping into market research, strategic planning or execution of a strategy, it is highly recommended that an assessment of growth readiness is conducted. Whether facilitated by the internal team or an external firm, growth readiness is a point-in-time view of an organization's ability to successfully drive growth. MarketWise offers an in-depth assessment, which follows the process diagrammed below and takes approximately two weeks to complete.

The full assessment includes getting to the point of a complete understanding of the cross-functional set of perspectives within the organization, based on in-depth conversations, followed by a report of findings, recommendations and a discussion of next steps. For those interested in a preliminary assessment, MarketWise provides a quick view survey without charge, which can be used to roughly calculate an organization's score as it stands today. In either case, the idea is to Identify the current state, gaps and barriers as they relate to setting the organization up for growth. Without this, market research and/or growth strategies may be put into place before the organization is truly ready to embark on those journeys.

Executive Summary

Whether validating assumptions, discovering unmet needs, testing new product concepts, or exploring a variety of other curiosities, market research provides valuable insights that can often better inform strategy and commercial execution, providing growth initiatives with a much better chance of long-term success.

Market research can be divided between primary and secondary, the latter of which includes broad studies that have been conducted by analysts, consultants and other researchers, with the intent of selling the outputs of these studies to organizations that want to understand macro trends, competitive landscapes, pricing ranges, market share and other high-level market forces.

This white paper is focused on primary research, which is typically commissioned by a single organization, for the purpose of better understanding the specific needs of the market, the requirements of proposed products/services, price sensitivity, effective messaging, preferred sales channels, etc. These studies can further be broken into two categories: qualitative and quantitative.

Both qualitative research and quantitative research provide valuable insights, but qualitative studies should be considered directional and not necessarily representative of the population of the market as a whole. Examples of qualitative research include focus groups, advisory boards, user observations and 1:1 interviews. The topics often covered with qualitative studies include pain points, feedback on new product concepts, usability, perspectives on the competitive landscape, estimations of pricing ranges and other topics that companies need to hear as they're developing plans to launch new offerings.

Quantitative studies seek to understand the entire population by sampling enough participants to enable results that are statistically significant. Examples of quantitative studies can include many of the same topics of qualitative studies, but the questions are narrowed down to get at specific information, for example the expected acceptance rate of a proposed price (e.g., $100), or the specific attributes of a new product that are most important to prospective customers. Quantitative studies can further be used to segment the market, based on things like industry, geographic location, role, etc.

As a leader within your organization, you may be wondering if or why organizations like yours would hire an external firm to conduct market research. The reality is that many organizations outsource some market research and handle some market research from within. However, when outsourcing is determined to be the most prudent path forward, these are some of the reasons mentioned:

- The intent of the research is to test a new business or product/service concept and the organization wants to keep the study blind (i.e., they are not yet ready to let the participants of the study know who sponsored the research, for example when a new product concept is being tested)
- The team wants to remove any internal bias that may exist (e.g., while facilitating focus groups)
- There's no internal capacity to conduct market research with existing staffing levels
- The organization doesn't have the internal expertise to conduct market research and/or perform statistical analysis of the data collected (for quantitative research)

Regardless of how your studies are staffed, there are countless insights that can come from market research and this white paper serves to introduce a few of the possibilities.

Introduction/Background

Revenue growth can be a challenge for any company, so anything and everything that can be put into place to increase the chances of success should be considered throughout the commercialization process.

Careful market research, if designed and executed well, leads to valuable insights that can be analyzed to determine interest levels, the priority of features, price sensitivity, messaging that resonates, the validity of assumptions, the size of the market and the factors that determine whether customers will actually purchase.

The Problem to Solve

At this point you might be wondering what happens when market research doesn't occur, because let's face it, some within your organization may view market research as an academic exercise and therefore unnecessary and getting in the way of timely progress. However, there is plenty of evidence that market research is completely necessary in many or even most cases. In fact, of all the reasons business ventures fail, the lack of market research is the root cause or at least a main contributor for many.

Data from the Bureau of Labor Statistics shows that only 25% of new business ventures make it to 15 years or more. Businesses fail for a number of reasons, but here are some of the biggest:

- Not satisfying a need
- Faulty (or no) business planning
- Lack of financing
- Suboptimal location
- Inflexibility
- Rapid expansion

When needs aren't satisfied, it's often because they're not understood or not prioritized; or the proposed price is out of the range of acceptability. Why wouldn't these things be addressed ahead of the launch of a new business, product, or service? In many cases, it's because the offering was designed by those within the organization who thought they knew everything there was to know about what the market wanted, without the wisdom that comes from talking with prospective buyers ahead of time. Or this can happen when minimal research is done and assumptions are made about the entire market based on a very small sample size.

A deficient business plan, or even worse, no business plan at all, is a recipe for failure; but a good plan is informed by market research, to validate key assumptions, to understand preferred sales and promotion channels and to know the acceptable pricing range for the offering. Without market research, there's a good possibility the plan will be off base, leading to the need to make major adjustments after launch, which can lead to organizations not hitting the objectives they set out to achieve, or at least not in the desired timeframe.

While lack of financing might not seem directly tied to market research at first glance, it's fair to say that no credible lender or investor, whether internal or external, is going to fund a business venture that isn't well vetted, including feedback from the market. The funding party will want to be sure there's a market, that the price and profitability assumptions are accurate and that the team requesting funds will be able to execute in a way that ensures success. In other words, investors want to know that an eventual return on the investment will occur. It's also worth noting that for any company interested in being acquired, there will most definitely be an expectation that market research has been done in a professional, unbiased way; and that the results of that research validate a bright future for the business.

A bad location can wreak havoc on a retail establishment's ability to succeed, but it can also affect non-retail businesses (e.g., a software company), since to succeed, they need people with the right academic and career backgrounds to build their products. This has been somewhat reduced in importance by the trend of "work from anywhere," but for some organizations anyway, as they call employees back to the office post-pandemic, it may become increasingly important in future years, leading to the need to understand local demographics, pay ranges, quality of life metrics, etc., before locating/relocating or expanding a business.

Inflexibility often leads to decline or outright failure a little later in the life of the business or product. What can happen is that a business gets things right up-front and in fact succeeds for several years, but then loses touch with an ever-evolving market, which leads to losing customers to new competitors that are doing a better job of paying attention to how the market is changing. This can sometimes be paired with arrogance or a company resting on its laurels for too long. We see this when companies are first to market, or first to market with a truly innovative offering. At first, the company is praised; but over time, the offering becomes stale, yet the company continues to believe that because they were first, they will remain on top, even without further innovation.

Rapid expansion, while typically a response to success, can lead to financial issues due to a lack of available capital, whether internal or external. What can happen is that the success of one offering can lead to a false sense of optimism toward launching more offerings, which sometimes occurs without the rigorous research, careful planning and great execution of the first offering. Then, when the second offering doesn't meet expectations, the financial drag starts to impact the investment of the first offering, thus jeopardizing the whole business.

Recommended Approaches

The solution of course is to put the time and energy into market research before valuable resources are applied to a commercial effort that isn't as well-vetted as it needs to be. With that, let's talk about the various types of research and their uses.

As mentioned in the executive summary, market research comes in a variety of forms, including primary and secondary; and qualitative and quantitative. Primary research comes from the direct efforts of your organization and/or a firm like MarketWise, working on your behalf. Primary research is typically used to test and receive feedback on the specifics of your organization's efforts from a commercial perspective. Secondary research usually provides a broad analysis of a market and is conducted by others, for example market studies that provide anticipated industry growth, market share of those competing in that industry and similar areas of study.

Within the category of primary research, there are studies that are qualitative and those that are quantitative. Qualitative research provides general direction, but the data collected is anecdotal and not statistically significant. For example, you wouldn't say, "85% of participants liked the proposed price" after conducting qualitative research, since with qualitative research, you typically don't talk to enough research participants (i.e., the *n* is relatively small) to make that sort of specific claim. Instead, you would say, "the pricing proposed received favorable feedback from most of those who we spoke with." Forms of this type of research include 1:1 conversations with prospective customers, focus groups, advisory councils, etc.

With qualitative research, the researcher should first develop a screener, which is intended to ensure the right people are being interviewed. The screener is a set of qualifying questions, such as industry, role and other factors meant to determine how effectively the research participant will be able to provide meaningful feedback.

Following the screener, the facilitator will draft a discussion guide, to be vetted and finalized between the facilitator and the organization sponsoring the study. A good discussion guide includes a list of questions and follow-up questions, covering a variety of topics. Qualitative studies should be structured, yet conversational. The idea is to ask questions that will prompt an informative, if not emotional response, but also to keep the conversation on-track, so that all the topics needing coverage can be addressed.

During 1:1 interviews, it's beneficial to work in teams of two, with one participant asking the questions and the other taking notes. However, if these interviews are happening over the telephone or virtually, recording the conversation can mean interviews can be done without the assistance of a note taker. Be aware however, that some participants may object to being recorded; or they may hold back if they know they're being recorded. Where recording is happening, be sure the participant knows they're being recorded, so that concerns related to privacy can be mitigated up-front. Most in-depth 1:1 interviews can occur within 60 to 90 minutes.

Focus groups, in the traditional sense, occur in focus group facilities, which are equipped with high-end sound recording equipment, video cameras and two-way mirrored glass. In the ideal setup, a group of 7-10 participants will enter the room, be greeted by the facilitator and after introductions, the discussion will begin. On the other side of the glass will be company representatives, none of which are allowed to interject during the session, which is why preparation of the discussion guide is so critical. A typical focus group study will include focus group sessions in multiple cities, to ensure the feedback received isn't biased by local norms; or if differences by locale do exist, that it's understood early in the lifecycle of a new product or service. Focus group sessions often occur in the evening and last 2 ½ to 3 hours; and they can be branded (i.e., the participants know who is sponsoring the study), or blind (i.e., the sponsor is unknown).

Advisory councils are similar to focus groups, except to say that council members are typically involved for years, so there can be bias developed during the time the members serve. Often, advisory councils meet once or twice a year at a location that is central to all members (e.g., Dallas, Kansas City, or Minneapolis) and because the members know the company well, the formality of a focus group facility is often replaced with a hotel conference room or company boardroom. Advisory council members are usually existing customers or prospects and they are there to provide feedback on the evolution of the industry, what competitors are talking about, the priority of new features, messaging effectiveness, etc. These positions are usually not paid positions, but flights, hotel rooms and food are often provided by the hosting organization. In the ideal setup, advisory councils are divided by market segment and then each segment spends a full day and an evening with company representatives. The further advantage of assembling an advisory council is that the members can be asked questions throughout the year; and they can usually also serve as a reference for prospective customers, in addition to co-presenting at conferences, taking part in case studies and providing support for other promotion activities.

Advisory councils can be extremely valuable, but there are some drawbacks, including the challenge of finding facilitators and keeping the discussion structured enough to keep things on track. Developing a discussion guide and facilitating a group discussion do require some specialized skills, but with training, internal resources can be taught to handle these assignments with the right level of professionalism and without bias. Where things can sometimes go awry is when the facilitator loses control of the group because of interruptions by those watching the discussion from within the same hotel conference room (or other facility where company representatives are present and seen). With this in mind, it's critical to set the ground rules up-front, meaning that no audience member is allowed to mutter a word unless specifically called upon.

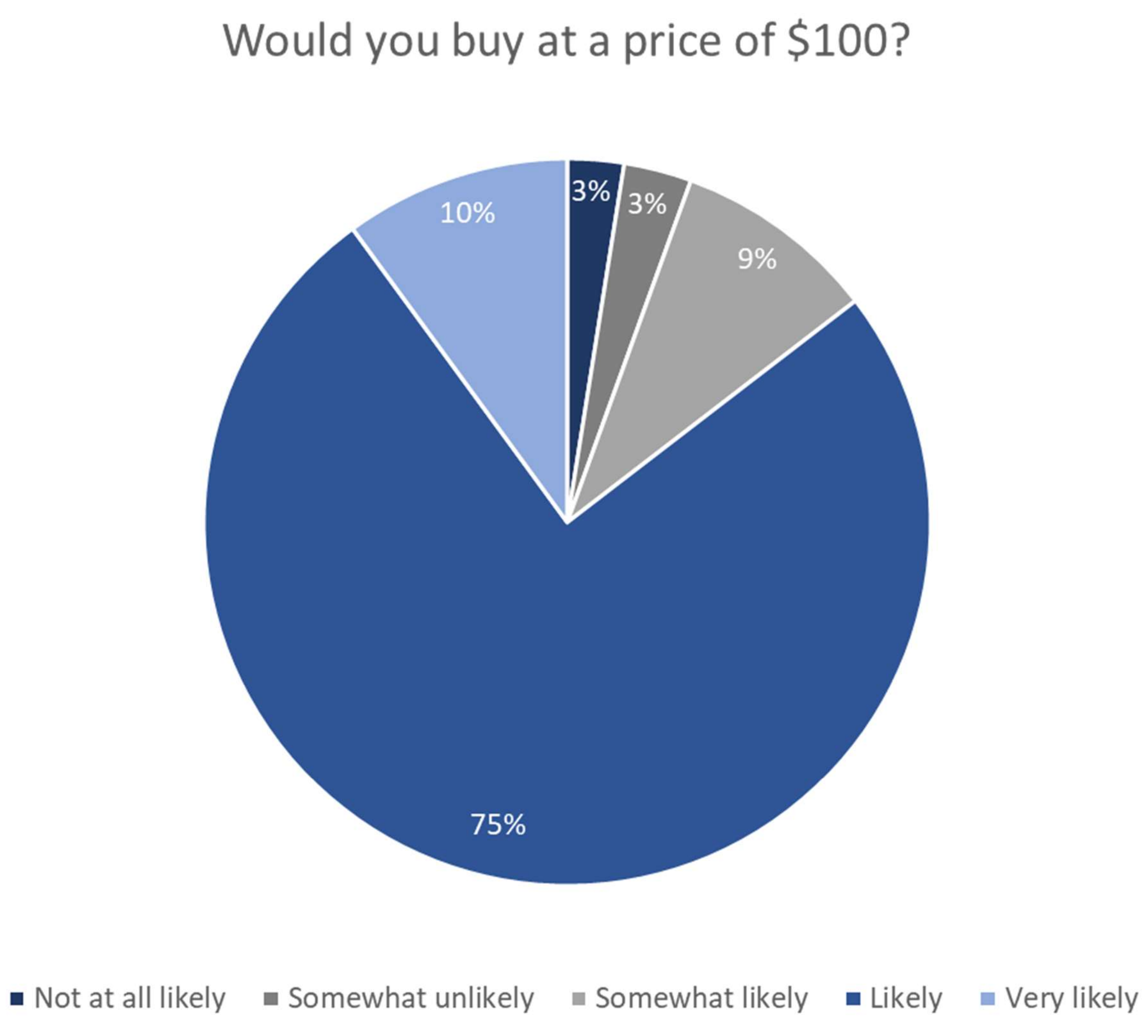
For all forms of qualitative research, there should be some sort of legal agreement in place, covering non-disclosure of information discussed and the right of the organization sponsoring the research to maintain ownership of any and all intellectual property developed during the discussion. This should be discussed with legal counsel, but common approaches include having participants sign a Non-Disclosure Agreement (NDA), or if that isn't possible, reading a non-disclosure/intellectual property statement at the beginning of the discussion and having each participant acknowledge agreement while being recorded.

Quantitative research is designed to gather very specific feedback, from a much broader base of research participants (i.e., the *n* is relatively large). This type of research is often done with surveys and the goal is to receive responses from enough respondents to statistically represent the population as a whole. This typically means no less than 100 and no more than 10% of the population size, or 1,000, whichever is lower, however firms like MarketWise will calculate the needed sample size by project, given the unique factors at play.

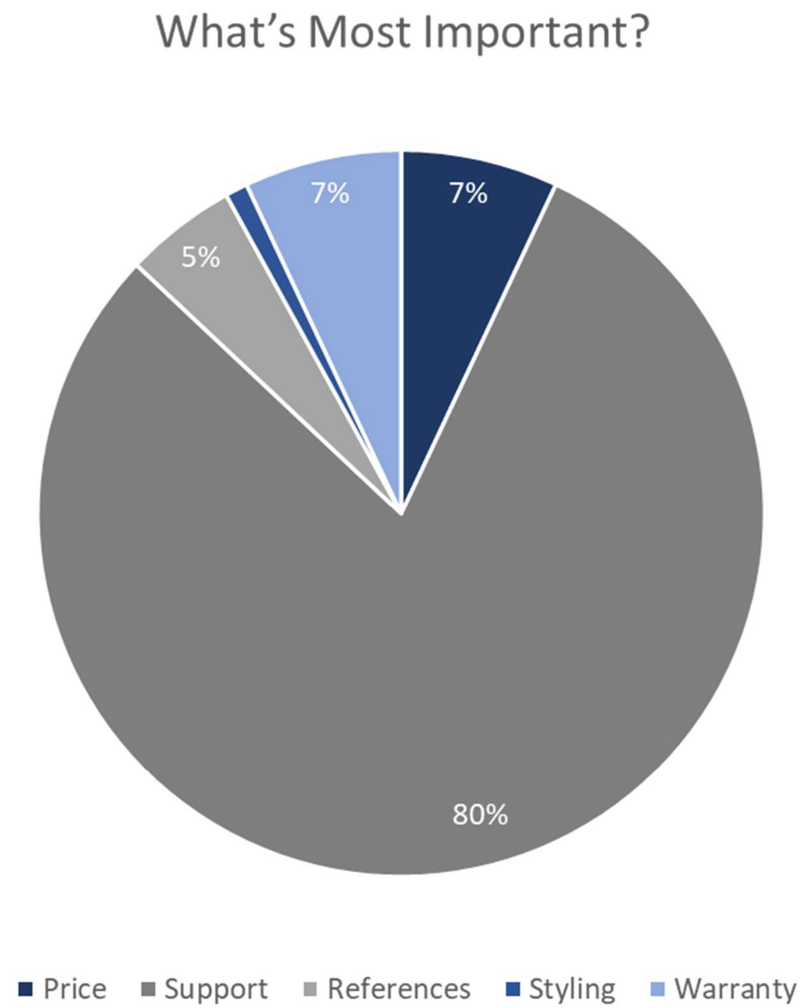
In terms of who to send surveys to and how to conduct the collection of responses, there are a number of methods, including online surveys, mailed surveys and surveys conducted via conversation. To achieve the most efficient results, an online survey is generally the best approach and tools like Survey Monkey, Google Forms, JotForm, etc., make it easy to collect and download data for easier analysis. The "who" of quantitative research depends on a couple of important factors: 1) customer segment and 2) persona. The customer segment could be within the categories of business, government, or consumer. Once that's understood, for business and government customers, we'll want to further divide into industries (e.g., automotive) and ultimately into titles (e.g., director of finance). For consumers, you may want to specifically target your prospective buyers based on age, income, education, geographic location, or another set of criteria.

The next question to answer is where to send your survey; in other words, who are the specific people to send the survey to? In some cases, companies sponsoring research will have a list of customers and/or prospects already, but in other cases (e.g., with a startup company), there may not be a list to start with. In these cases, or where it's important to consider feedback from both existing customers and prospective customers, your market research firm will be able to gain access to lists of respondents that meet the desired criteria.

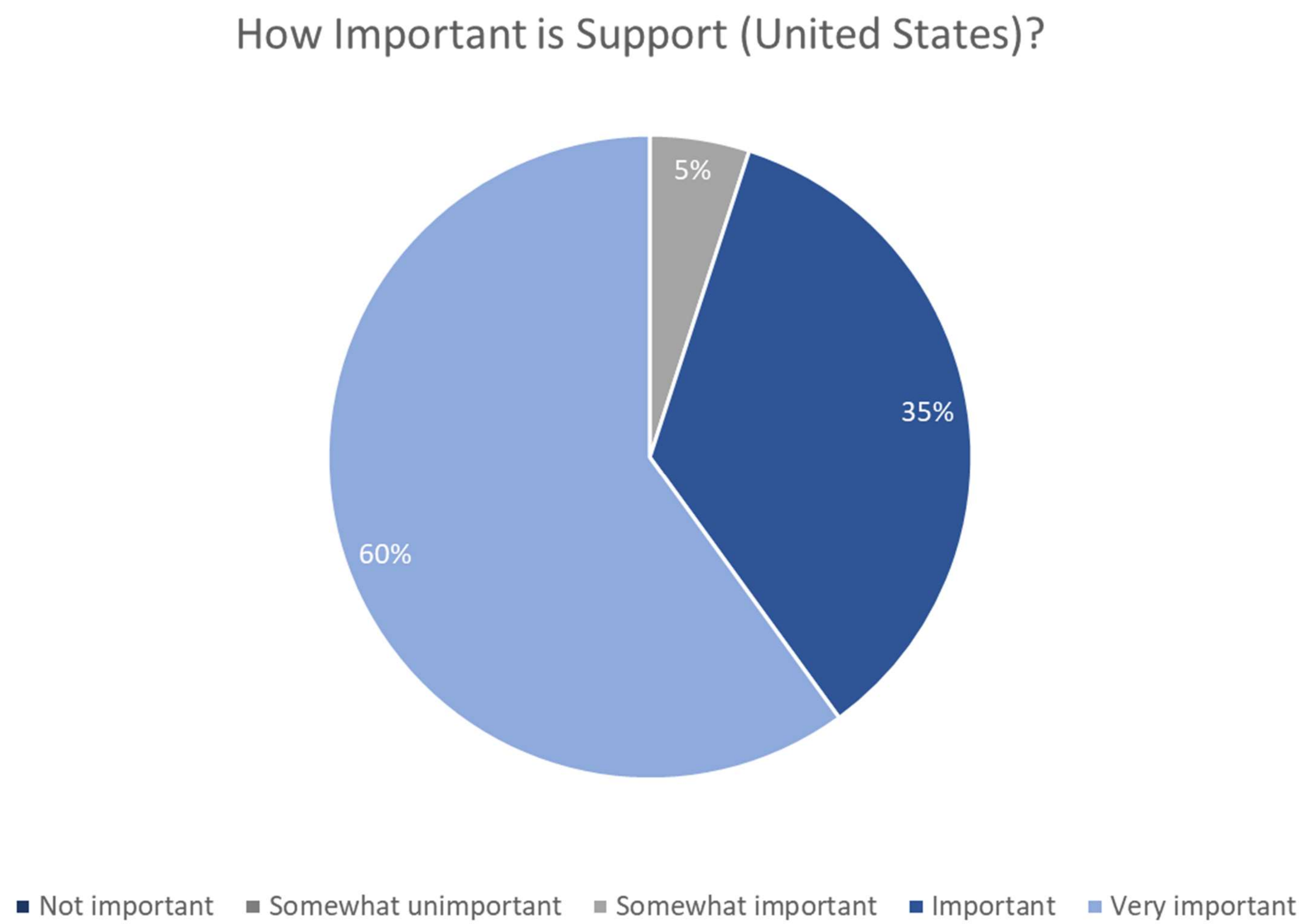
With a robust data set comes the ability to quantify the results and then analyze them statistically. In the example below, you would come to conclusions like, "With 500 people sampled (i.e., *n*=500), 85% of the research participants were either likely or very likely to purchase the product at the price proposed."



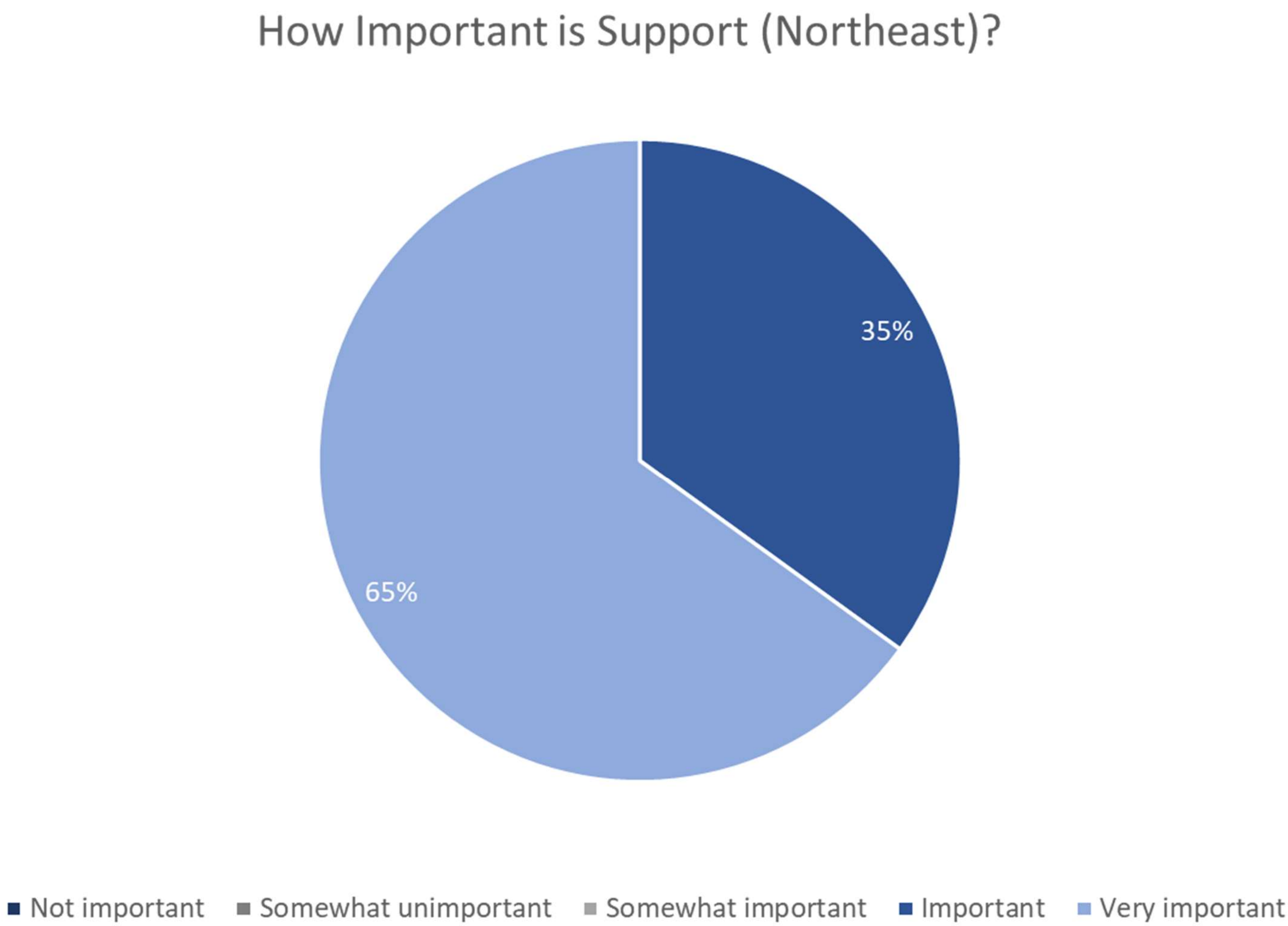
Further, it may be that during the qualitative phase of research, there was strong direction that product support was of paramount importance. With quantitative data now available, it can be proven that the direction received earlier was in fact correct. Here, you could conclude that, "Of those who are likely or very likely to buy at $100, 80% put the most value on customer support, where *n*=425."



You might be wondering at this point if the importance of support varies by region. It may be that those in attendance during the qualitative phase of research recall the emphasis on product support to be especially strong in the northeast, so diving deeper into that could provide some additional insight. To start, you would look at the following and conclude, "Of those who are likely or very likely to buy at $100 and who put the most value on customer support, the average rating for the importance of support was 4.55 on a scale of 1-5, where *n*=340."



You could further surmise that, “In the northeast, of those who are likely or very likely to buy at $100 and who put the most value on customer support, the average rating for the importance of support was 4.65 on a scale of 1-5, where *n* = 68.”



At this point, one may wonder if there's a statistical difference between the northeast and the rest of the United States as it pertains to the importance of support. One method of evaluating this hypothesis is with a *t*-test, however in this case, with the *t*-test calculated (see below), it can be determined that the difference is not statistically significant, since the *t* value is less than 1.96.

$$t = \frac{m - u}{s / \sqrt{n}}$$

$$t = \frac{4.53 - 4.65}{.59 \sqrt{340}}$$

$$= -.011$$

t = t-test
m = mean
u = theoretical mean
s = standard deviation
n = sample size

In this analysis, the northeast was compared to the rest of the United States. Note that the mean for the United States with the northeast removed was 4.53. With 95% confidence, the t value is significant if it is higher than or equal to 1.960. This *t*-value in this case is less, which means there's not a statistically significant difference between those living in the northeast and those living in the rest of the U.S.

In this example, how should the analysis of the research inform the path forward? Since 85% of all research participants are likely or very likely to purchase at $100, the offering should be priced at $100, assuming that price meets the internal profitability expectations of the company making the offer. Further, because 80% of those who are likely or very likely to purchase at that price ranked customer support as most important, messaging should focus at least to some extent on customer support. And finally, living in the northeast does not significantly impact to what extent prospective buyers value customer support, so there should be no more and no less emphasis on customer support in the northeast versus the rest of the United States.

The above example is merely scratching the surface of what's possible with market research. A few of the most common areas of research, with both qualitative and quantitative methodologies in mind, are as follows:

- Determining customer satisfaction
- Understanding macro trends
- Discovering unmet needs
- Vetting the competitive landscape
- Conducting new concept testing
- Understanding customer segments
- Testing price sensitivity
- Determining buying preferences
- Vetting customer personas
- Testing value proposition/messaging

Although the title of this white paper is ***Start with Research***, the reality is that while market research is a good place to start (once growth readiness has been determined), it may also be needed throughout the commercialization process. Often, unanticipated questions come up later, either right before launch or even several months post-launch

Conclusion

Commercial teams have a choice; they can proceed with a carefully considered growth strategy that has been thoroughly vetted with market research, or they can proceed less cautiously and without a lot of external perspective. There are certainly examples of both approaches succeeding, but there is significantly more risk involved when proceeding with limited information; and in today's investment environment, funding parties, whether internal or external, want to know that they're not investing in something that depends on luck, versus a well-thought-out strategy backed by a solid set of data.

If you would like to explore this topic further, please contact the author:

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