

Discovering Entrepreneurship – The Basics of Market Research

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Introduction

We are constantly making assumptions – some are warranted, and some are not. We assume the lights will turn on in our apartment when we come home. We assume that the alarm on our device will sound in the morning. We assume that the folks at StartUp Lab have our registration when we arrive.

Sometimes, our assumptions are wrong, because they're solely grounded in our experience, rather than considering the experiences of others. For example, wasn't it safe to assume a Starbucks coffee was hot? Perhaps not, as evidenced by the label on cups warning that "the beverage that you are about to enjoy is hot."

Unfounded assumptions and pre-existing biases can poison your decision-making process, sacrificing time, money, and emotional energy.

They can cause you to hallucinate – seeing problems and challenges that don't really exist. Leading to the cardinal sin of an entrepreneur – investing your energy in a solution which is searching for a problem.

Biases and past experiences are the root of assumptions – it's a classic chicken-and-egg relationship.

There are many biases that can influence your thinking; here are three examples to consider:

1. Affect Heuristic – a cognitive bias that involves using our emotions instead of objective information to make decisions.
2. Halo Effect – attributing past successes of people and organizations to current solutions and ideas which they bring forward.
3. Motivated Errors – a decision is guided (sometimes unconsciously) by self-interest rather than objective analysis.

Market research forces us to confront our assumptions and biases.

Informally defined, market research is a structured inquiry of people and credible data sources, seeking to uncover new insights about the wants, needs, problems, and pain points of prospective customers.

Basic Structure of Market Research

Let's break this into a structured process consisting of five general steps:

1. **Define your problem** – this is the question which you need to have answered. Charles Kettering, the former Head of R&D at GM, is quoted as saying “a problem well-defined is a problem half solved.” However, depending where you are on your journey of entrepreneurship, you may not be able to hone this question at initial stages, leading to successive waves of exploration.
2. **Develop a research plan** – you need to identify what **relevant** information needs to be collected to make decisions, how you are going to collect this information based on your constraints (time, cost, and methodology), and how you are going to sample, or gather, the information so it has merit and value. Remember – you are gathering information as a subset of a larger population, seeking a representative result.
3. **Collect relevant information** – after building a plan, you will need to execute the research activities and collect the data which you have noted as valuable. We can divide research into primary and secondary data collection strategies.
4. **Interpret your research findings** – data needs to be compiled, analyzed, and summarized to allow “sense-making.” Look for patterns and qualified answers to your questions, based on the data collected. You will need to make objective decisions regarding what metrics are central to addressing your problem and supporting decision-making.
5. **Make recommendations and take actionable steps** – your research should guide your next steps which may involve performing more research! If you feel that you have gathered sufficient information to answer your question, then you can invest resources with confidence to move forward. However, you need to iteratively evaluate your results and review your decision.

Data Collection

Let's take a deeper dive regarding the collection of information.

Research can be specified as primary or secondary research.

- **Primary Research:** This involves the collection of original, first-hand data directly from sources. It is conducted to address specific research objectives and is tailored to the researcher's needs.
- **Secondary Research:** This involves analyzing and interpreting existing data that has been collected and published by others, such as reports, studies, and databases.

What is the comparative value of these research methods?

Primary Research Value:

- Provides specific insights tailored to unique research objectives.

- Allows direct interaction with the target audience, enabling deeper understanding.
- Offers real-time, current data.

Secondary Research Value:

- Cost-effective and time efficient.
- Provides a broad perspective by utilizing existing data.
- Useful for trend analysis, market overview, and understanding industry benchmarks.
- Easy digital access.

What are the comparative drawbacks of these research methods?

Primary Research Drawbacks:

- Time-consuming and expensive.
- Need to be comfortable and skilled at conducting interviews.
- May have limited sample sizes.

Secondary Research Drawbacks:

- Data may be outdated or irrelevant.
- Lack of control over research methodology.
- Risk of data bias or inaccuracy – hard to judge credibility of sources.

Examples of Primary Research Activities and Best Practices

1. Surveys

- Use clear, concise questions.
- Explain the value of the survey and what you are trying to achieve – make an emotional connection.
- Ensure anonymity to encourage honesty.
- Test the survey with a small group before large-scale launching.

2. Interviews

- Use open-ended questions to encourage detailed responses.
- Establish rapport with participants.
- Practice with friends and family as Phase 1.
- Record interviews (with permission) for accurate data analysis.
- If you are an introvert, don't be dissuaded if people elect not to be interviewed.
- Look for "watering holes" to pursue a scalable interview strategy.

3. Focus Groups

- Select diverse, yet relevant, targeted participants to capture a wide range of perspectives.
- Ideal group size between 6-12 people.
- Use a skilled, unbiased moderator to manage the flow of questions and maximize impact.
- Be wary of professional power dynamics when inviting attendees.
- As a founder, avoid being in the focus group environment to ensure that people are providing truthful answers.

4. Observations

- Focus on natural behavior without interference.
- Record observations systematically for consistency.
- Use technology like video or audio recordings if appropriate.

5. Social Listening

- Set clear objectives for monitoring using comprehensive tools (e.g., brand sentiment, competitor analysis).
- Analyze context and sentiment behind mentions, not just the volume.
- Regularly review and refine keywords and hashtags for accuracy.
- Consider the ethical issues associated with social listening and personal opinion.

Examples of Secondary Research Activities and Best Practices

1. Literature Reviews

- Use credible, peer-reviewed sources.
- Don't forget the value of meta-analyses.
- Focus on recent publications to ensure relevancy.
- Keep organized notes to identify gaps or patterns.

2. Government and Industry Reports

- Access reliable data from government websites or industry organizations.
- Compare data across multiple sources for consistency.

- Check publication dates to ensure data is current e.g. census data (every 5 years in Canada, every 10 years in UK and US).

3. **Competitive Analysis**

- Analyze competitors' websites, reports, and offerings.
- Look for trends in customer feedback on review platforms.
- Use tools like SWOT analysis to organize findings.

4. **Data from Market Research Firms**

- Utilize reports from firms like Gartner, Nielsen, Ipsos, or Statista.
- Verify the credibility and methodology of the data provider.
- Focus on reports specific to your industry or target market e.g. EY Medtech Report for founders in the life sciences space.

5. **Social Media Analytics**

- Use tools like Google Analytics, Hootsuite, or Sprout Social.
- Track metrics such as engagement rates, sentiment analysis, and demographic data.
- Compare analytics across platforms to identify patterns.

Market Segmentation

Once information has been gathered, it gives you the opportunity to identify smaller groups of people with common characteristics in a process called market segmentation. By breaking potential customers into identifiable segments, it allows you to tailor messages and solutions that align with specific groups and their problems and pain points. There are many ways to segment groups of customers, and by performing segmentation on many levels, you can generate a broad, fictional representation of the group which we call a **persona**.

Here are some common methods for market segmentation:

1. **Demographic Segmentation**

- Groups based on age, gender, income, education, occupation, etc.
- Valuable for targeting products/services tailored to specific life stages.

2. **Geographic Segmentation**

- Segments based on location, such as city, region, or country.
- Useful for localizing marketing efforts or expanding to new markets.

3. **Psychographic Segmentation**

- Divides based on lifestyle, values, attitudes, or personality traits.

- Helps in crafting messages that resonate with consumer beliefs.

4. **Behavioral Segmentation**

- Based on consumer behavior such as purchase habits, brand loyalty, or usage rate.
- Helps identify high-value customers and optimize marketing strategies.

5. **Firmographic Segmentation** (B2B-specific)

- Focuses on company characteristics like industry, size, revenue, or location.
- Useful for targeting business clients effectively.

