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Market Research Workbook

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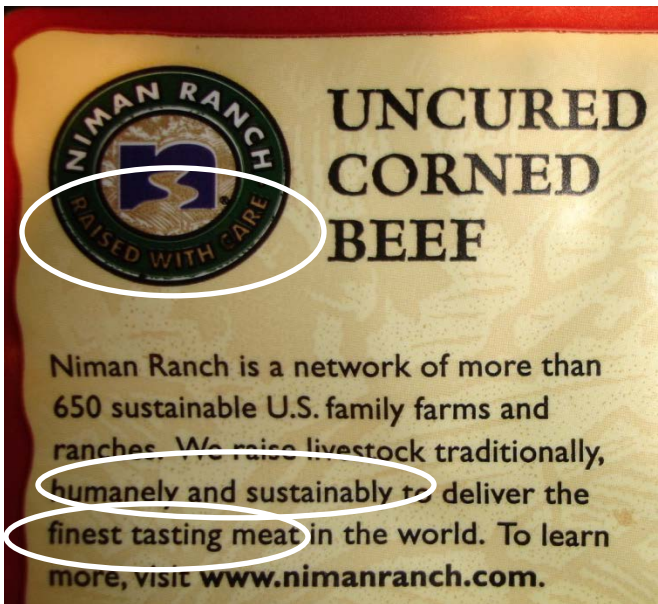
CHAPTER 1 INTRODUCTION

Market Research is a core component of business planning. Once you have defined what you would like to do, you need to determine if there is a market for it, who that market is, and how to reach them. Few products or services appeal to everybody. Each product or service on the market has unique features that appeal to a need or want in certain people (**motivating factors**).

Your Market Research goal is to identify **what type of customers** would be most likely to respond to the **features** in your brand, product or service (**market segmentation**); what needs or wants your features fulfill for each market segment, what “**benefits**” resonate (**motivating factors**); and what is the most effective way to engage with each market segment (**market strategy**) so they absorb your messaging, are aware the product exists and are motivated to buy it, and you have made the product available in locations/types of settings and product formats that facilitate their ability to buy it.

Market segmentation can take many forms: geographic, demographic, lifestyle based... this is why your **Market Research** is essential, and will be unique to you. You need to know what makes you and your product or service special, who that specialness will resonate with, and how to engage that audience.

Successful businesses do not try to appeal to everybody. It is expensive, inefficient, and ineffective. They prioritize their marketing budget and resources on highly focused messages cultivating their top market segments. Consider the following example:



Nimman Ranch

Market Segment: Discerning customers who have the means to pay for the best and give back to others.

Features:

- Natural
- Free of hormones, chemicals, gluten
- Humanely Raised
- Sustainably Raised

Benefits (motivating factors):

Nimman Ranch is a Wants driven brand. Sales are not driven by fulfilling a Need. They are driven by satisfying a desire to treat oneself to the best (in taste and personal health) and to do good for others (in this case to support the environment and animal welfare):

- Optimize Personal Benefit
 - Superior Taste
 - Personal Health
- Benevolence
 - Support sustainable and humane treatment of others/the environment.

As the local food movement matures it is essential that farms understand what sets them apart. Being “local” may not be enough anymore. Those that will thrive will know what makes their product special (**motivating factors**), understand who these motivating factors appeal to (**market segmentation**), how to communicate and engage with these market segments (**market strategy**), and follow through on implementation (**implementation**).

Market Research helps you develop assumptions for your business plan, test your assumptions, and refine the plan based on what you learn.

Market Research lends confidence to your business plan by reducing uncertainty, quantifying and qualifying your market and sales potential, giving you the ability to gauge potential success and the manner in which to accomplish it.

There are six steps to the business planning process

1. Goal Setting

What are you trying to do? What do you hope to accomplish?

2. Planning: Setting Assumptions

How do you intend to do this?

3. Research & Analysis: Testing Assumptions

Will my plan work?

4. Revising: Updating Assumptions based on Research and Analysis

Fine tuning the plan.

5. Implementation

Carrying out the plan.

6. Review, Refine, Repeat

Maintaining and optimizing implementation.

Market Research touches all of these steps. **Goal setting** sets the background and helps you identify what you need to research. **Planning** is where you develop the assumptions you intend to test. **Research and Analysis** is the act of doing the research and testing the results against your assumptions. **Revising** is the step of updating your plan's original assumptions with actual data, testing and re-testing the feasibility of the model, and optimizing the model with insight from the research. **Implementation** is the act of carrying out your finalized plan, and **Review, Refine, and Repeat** is the act of continuing to refine your plan based on actual outcomes.

These steps are essential both for the back end side of the operation (production) - how will you produce your product or service, and the front end (sales and marketing) - how you will get it to market and sell it. Many business plans are very strong on the production side, but without market research, the plan is based on untested and potentially unrealistic assumptions. **History has proven that having the best product or service does not guarantee success. Having a well-researched and implemented market strategy, however, WILL tip the scales in your favor.**

There are four important objectives to Market Research

1. **Define Your Market Segments** (Know Who You Are Going After)
Take the time and effort to precisely define your audience.

2. **Learn their Motivating Factors** (Know How Your Product Fulfills Their Needs/Wants)
Understand how your products and services fulfill their needs and wants, what makes you special and unique in their eyes.

3. **Understand how to communicate** with them in a meaningful way
Look at where and how they shop, what they read. Ask them what the best way to get their attention would be.

4. **Create a step-by-step guide** to implementation
Use the information you have gathered to create an action plan for you to follow to achieve your sales goals.
For each market segment, describe:
 - The market segment
 - Your communication strategy - motivating factors/messages
 - Your distribution and product placement strategy
 - Your marketing tactics to encourage sales
 - Your sales and marketing objectives so you can evaluate progress and measure success

CHAPTER 2

Goal Setting & Planning: SETTING THE STAGE

How do you do Market Research?

To embark on your Market Research, first, you need to answer some questions. This will help you create a plan to execute your Market Research.

Questions to consider when starting your Market Research

What are your goals?

How do you plan to accomplish them?

What do you know about the market potential for your product?

What do you not know?

What do you want or need to know?

How can you find this out?

How will this information help you?

CHAPTER 2 WORKSHEET 1
Goal Setting: WHAT DO YOU HOPE TO ACCOMPLISH?

QUESTIONS FOR YOU TO ANSWER: THESE GOALS WILL FORM THE BASIS FOR YOUR PLAN

Personal goals - what do you want to achieve in life?

Professional goals - how is your farm business going to help you accomplish this? What are your goals for the farm business?

Financial goals - how much money do you need to support your quality of life and personal and professional goals?

	YEARLY
Family living	_____
Retirement/savings	_____
Reinvestment in the business	_____
Other	_____
What do you need to run the business (business operating expenses)	_____
TOTAL*	_____

*The TOTAL (TOTAL less off-farm income) is the amount of **Gross Sales** the business will need to generate to reach your goals.

Chapter 2 WORKSHEET 2

Planning: SETTING ASSUMPTIONS

QUESTIONS FOR YOU TO ANSWER: THESE ASSUMPTIONS WILL FORM THE BASIS FOR YOUR PLAN

What is your product?

What makes you and your product special or unique?

What are the defining characteristics of your market segments?

What benefits (motivating factors) do you think will resonate with them?

List your anticipated per unit pricing. _____

Based on price per unit above, and the **Gross Sales** stated on Chapter 2 Worksheet 1, how many units would you need to sell?

$\frac{\text{Financial goal}}{\text{Price per Unit}} = \text{Total Units Needed}$

CHAPTER 3

Research & Analysis: WILL YOUR PLAN WORK?

From the goals and assumptions you set in Chapter 2, you have identified one or more market segments to research. You have created assumptions about characteristics of each market segment, product appeal, pricing, and sales volume. The next step is to test these assumptions.

First Hand Research

You need to connect with prospects within each market segment to obtain feedback on your assumptions. First hand research is the most powerful and accurate form of market research. You will learn directly from your prospective customers whether you have the potential for success, and how to shape your plan to ensure it.

First hand research can consist of cold calling, focus groups, surveys, sampling, demos, open houses, events, etc. You need to consider your market segment, and based on the characteristics and geographic scope of the market segment, develop an approach that is best suited to yield results.

First hand research allows you to quantify and qualify the sales potential of actual prospects and assess the feasibility of your Goss Sales goal.

Third Party Research

Third party research supports your first hand research. Third party research can substantiate or refute your assumptions about your market segments and can help you extrapolate the size and scope of the market potential, provide insight into new or upcoming trends, competition, and hurdles or issues to consider.

Third party research gives you a broad overview of the market, but is less reliable because it does not provide feedback from actual prospects within your market segment and thus should only be used as supportive evidence.

CHAPTER 3 WORKSHEET 1
Research: WILL YOUR PLAN WORK?

GETTING ORGANIZED & COLLECTING THE RESEARCH DATA

Step 1: Build a contact database

Create a list of prospective customers or people who represent the characteristics of your market segment.

Step 2: Identify how best to reach out to them

Will you cold call them, conduct a survey, host focus groups, schedule demos or samplings, attend or organize an open house or event? What will be the most effective way of engaging your audience? It could be a mix of several.

Step 3: Create the list of questions you want to answer. Focus on Qualifying and Quantifying Demand.

Would this product be of interest to you? Why/Why not? **(product potential)**

What features “have appeal,” “are appealing” or “appeal to you”? **(motivating factors)**

What need or want do these features fulfill? **(motivating factors)**

What price would you consider a fair value for the product and for the needs/wants it serves? **(pricing)**

At that price, how frequently would you buy it? **(frequency)**

How much would you buy at a time? **(volume)**

Where would you shop for this type of product? **(product placement)**

How do you communicate - email, telephone, FB, Twitter? Where do you go for information? **(communication)**

What media do you read, watch or listen to (be specific - what radio stations, what TV channels, what printed publications, what internet sites?) **(communication)**

Do you attend events? What types of events? What specific events? **(communication)**

Step 4. Conduct and document your first hand research.

It is helpful to create a spreadsheet so you can quantify responses. For example: how many said yes, how many said no? What was the average price of all responses, what were the highs and lows? What was the total volume demand?

Step 5. Conduct and document your third party research.

Explore community, regional, state, and federal organizations, industry and educational organizations and sources for publications, studies, data that provide supporting information and statistics, such as demographics, population information, and industry trends.

The goal is to search for additional evidence that further quantifies and qualifies market demand, and to search for insight on trends, opportunities, barriers or concerns in the market category.

Step 6. Competitive Research

As a new product entry, you need to convince people to try an untested, unproven product over known brands. The best businesses take time to understand their competition so that they can emulate those that are doing a good job, identify overlooked/untapped opportunities in the marketplace, and to create marketing strategies that accentuate what differentiates them from the competition.

Seek to quantify total sales for the product category. Learn and quantify the market share of competitors, how are they positioned, and the rate of growth in the product category. Come up with strategies for how you can carve out market share, and using the industry's average growth, project your potential for annual growth.

For your competitive research, make a spreadsheet listing:

- Who They Are

- Their Product

- Their Features & Benefits (Motivating Factors)

- Their Strengths/Weaknesses

- Their Price Point

- Their Market Segments (look at their messaging, product placement, pricing)

- Their Product Placement and Geographic Range

CHAPTER 3 WORKSHEET 2

Analysis: WILL YOUR PLAN WORK?

QUESTIONS FOR YOU TO ANSWER: FEASIBILITY ANALYSIS: TESTING THE VIABILITY OF YOUR PLAN

Once you have completed your market research, you need to take what you have learned and compare it to your assumptions. Do your original assumptions hold true? Use the following to test your assumptions: If they hold true, proceed to business planning step 5: Implementation. If not, proceed to business planning step 4: Revising the plan. Continue with research, analysis, planning and revision until you have a plan that is feasible.

Based on your Market Research, are there enough customers to meet your sales goal?

Size and Scope

What are the sizes (number of prospective customers) and scopes (geographic range) of your market segments?

Price Sensitivity

Would your target market buy your product/service at your planned price point?

Yes No

If yes, great! If no, what price points did they indicate? List the High, Low, and Average of all responses.

High: _____ Low: _____ Average: _____

Total Units Needed

Using the average listed above as the new price point, how many units would you need to sell to reach your financial goal? (redo calculation Chapter 2 Worksheet 2).

Updated Total Units Needed _____

Rate of Purchase

How frequently did they indicate they might buy your product at the identified price point?

Volume per Purchase

How many units did they indicate they might buy per purchase?

Based on the number of customers X the rate of purchase X the number of units per purchase, what is the projected total annual demand for your product?

Customers _____ X Frequency _____ X Units per Purchase _____
= _____ **Total Projected Annual Demand**

Does the **Total Projected Annual Demand** meet the **Updated Total Units Needed** above?

Yes No

If it is equal to or more than the **Total Units Needed**, great! Proceed to **Implementation**. If it is less, you need to **Revise** the plan to make it work given the new information.

CHAPTER 4 REVISING

If your Market Research indicates that you need to sell more units than the current market segments are projected to purchase, then you need to consider how to revise your business plan. You could expand the scope of your markets by adding more market segments or increasing your geographic range. You could explore how to increase rate of purchase (frequency) within the identified markets - would a lower price result in increased rate of purchase? Simultaneously, you could explore opportunities to streamline production costs to reduce the amount of Gross Sales needed to reach your financial goals.

CHAPTER 4 WORKSHEET 1 REVISING

QUESTIONS FOR YOU TO ANSWER: FEASIBILITY ANALYSIS: TESTING THE VIABILITY OF YOUR PLAN

Shortfall

The first step in revising is to understand the shortfall between volume of sales needed and projected demand.

How many more units do you need to sell?

Total Units Needed* _____ - Total Projected Annual Demand* _____
= _____ **Total Amount of Units Still to be Sold**

Based on the projected rate of purchase X volume per purchase, how many additional customers do you need to find?

Total Amount Units Still to be Sold = **Additional Customers Needed** _____
(Projected Rate of Purchase* X Volume per Purchase*)

*see Chapter 3 Workbook 2

Market Research Round 2

Conduct a second round of market research to establish the feasibility of increasing the rate of purchase or expanding the market scope.

Evaluate the impact these changes may have on production costs, gross sales and total number of units needed. Simultaneously, explore opportunities for reducing production costs.

Based on the outcomes of the second round of market research and production expense analysis, is the business plan feasible?

Yes No

Market Research Round 3, and So On

If No, continue this cycle of research, analyzing and testing until you arrive at a plan that is feasible.

When to Call it Quits

If, after exhausting all strategies to optimize income and expenses you still cannot arrive at a plan that will meet the financial goals needed to realize your personal and professional goals, there are a few last questions to consider.

1. Is the business itself viable? Does your research show it could at least break even on its own operating expenses, debt service and depreciation?

Yes No

If no, then it is time to call it quits. It is much better to identify that an idea is not feasible during the planning stages than to discover the shortcomings during implementation when more time, energy and financial resources have been invested.

2. Is the business viable, but does not demonstrate sufficient market capacity to yield the income needed to support your full personal and professional goals?

Yes No

If the business is viable, but will fall short on helping you attain your overall goals, then you have a personal decision to make. Do you wish to compromise on your goals? This must be a last resort decision, and is not an option unless the market research shows a strong potential to break even.

I urge you to make sure you have performed the market research and production expense research exhaustively before you consider compromising your goals. Another option may be to set aside implementation of this business idea and look to pursue a different means of achieving your dreams, or explore a combination of business activities that includes this project.

CHAPTER 5

Implementation: EXECUTING YOUR PLAN

Once you have confirmed the feasibility of your plan, it is time to execute it.

You have identified the market segments. You have quantified how much they intend to purchase, what price point they will pay, and where/how they shop. You know what will motivate them to buy, and how to communicate with them.

CHAPTER 5 WORKSHEET 1

QUESTIONS FOR YOU TO ANSWER: THESE WILL FORM THE BASIS FOR YOUR SALES & MARKETING PLAN

Implementation: EXECUTING YOUR PLAN

Create your sales and marketing plan

1. State Your Sales and Marketing Goals

What are your **GROSS SALES GOALS** for the year? _____

How will you achieve them? (what market segments will you target?)

What are your objectives for each market segment? For example:

Gross Sales _____

Frequency (rate of purchase) _____

Volume per Transaction _____

Number of Customers _____

2. Create your Action Plan

How will you communicate with your market segment? What will you do to engage them, to cultivate the sale, to expedite rate of purchase? Where and how will you get product in front of them? What are your plans for customer retention?

List what activities you will do, such as packaging, branding, point of sale, events, paid advertising, mailings, internet activities, sales offers, and so on. List who will be responsible for completing the task, the deadline for completion, the cost to implement, and the objectives you hope to accomplish with each action item.

Action Item	_____
Responsibility	_____
Deadline	_____
Cost	_____
Objective	_____

Action Item	_____
Responsibility	_____
Deadline	_____
Cost	_____
Objective	_____

Action Item	_____
Responsibility	_____
Deadline	_____
Cost	_____
Objective	_____

CHAPTER 6

Review, Refine, Repeat: MAINTAINING YOUR PLAN

Each year, review the performance of the plan. Did you achieve your goals and objectives? Why/Why not? What action items did you implement? What worked, what didn't, and why? For the cost to implement versus return on investment (**cost benefit**), were the action items you focused on cost effective? What should you keep and repeat, what should you replace with a different approach? Update the plan with the new information, goals, objectives and action plan, and implement the plan. Review, refine and repeat this cycle every year.

As your business becomes established, some aspects of your marketing will become easier while new challenges will emerge. You will no longer be the new business on the block, having to carve out market share from established competition. You will have built up a loyal customer base of people who appreciate what you do and why you do it, and who want and value your product.

Once you have achieved success in your market, be aware that others will want to enter the market, and view your business as competition just as you did. Your attention needs to be directed towards maximizing customer retention and cultivating new customers to replace turnover. As the local food movement continues to grow, demand will eventually plateau and may contract. Competitors can catch up or even overtake you over time, if you don't continue to incorporate market research into your established business' plans.

The businesses who are best positioned to achieve long term viability

- quantify and qualify their market potential
- understand their market segments and what makes these market segments tick
- make the effort to continue to monitor and pay attention to shifts and trends in their market segments and adapt to these changes
- focus on customer retention and cultivation
- continue to update and refine their plan year after year

CHAPTER 6 WORKSHEET 1
Review, Refine, Repeat: MAINTAINING YOUR PLAN

QUESTIONS FOR YOU TO ANSWER: THESE WILL FORM THE BASIS FOR UPDATING AND REFINING YOUR SALES & MARKETING PLAN

Did you achieve your goals and objectives?

Yes No

Why/Why not?

What action items did you implement?

What worked, what didn't, why?

For the cost to implement versus return on investment (**cost benefit**), were the action items you focused on cost effective?

What should you keep and repeat, what should you replace with a different approach?

What new approaches would you like to try? What are the projected cost-benefits of each new approach? Prioritize implementation based on cost benefit.

What existing action items have the potential to reach their objectives if implemented differently or if you had stayed on schedule/implemented as planned?

Update the plan with the new information, goals, objectives and action plan, and implement. Review, refine and repeat this cycle every year.

APPENDIX

Market Research Tools

The Art of Cold Calling

Sample Cold Calling Template

Sample Resource List for Third Party Research

The Art of Cold Calling

The cold call is not only a step in your market research, it is also the first step in a long term sales relationship and must be treated as such. The goal of the cold call is not to make a sale, but to contact a potential customer to understand their needs and see if your product might be a future fit.

If you or the potential customer determines that your product or service might meet a need or desire they have, then they will look forward to continuing to communicate with you and will be more receptive to a future sales outreach.

In the meantime, use this initial call as a pleasant way to break the ice. If conducted cordially and professionally, you have nothing to lose, and they have nothing to be upset about. You are not trying to sell them anything; be respectful of their time and ask them about their needs and buying habits so that you will know whether it would be an effective use of time and resources to try to sell to them in the future.

To help you perform the cold calling, both as an aid for when you get nervous, and as a tool when the conversation gets side-tracked, I recommend drafting a template of the anticipated dialogue and questions. In this way you can ensure a professional, polite, and consistent demeanor and be sure you are asking the same questions of all the individuals you contact.

After each call, compile the answers into a spreadsheet so that you can prioritize your prospect database and use the information to quantify and qualify the potential of your market segments.

Cold Calling Template

Hi my name is Rose Wilson. I am calling from Rose's Giant Pumpkin Farm. I was wondering if I may speak with the person who makes your cheese purchasing decisions?

If Yes: Great, thanks.

If No: Oh, ok, do you know who I should ask for and if there is generally a good time to catch them? (wait for their answer). Thank you.

Next step (on the phone with the decision maker)

Hi my name is Rose Wilson. I am calling from Rose's Giant Pumpkin Farm. I'm calling because we are exploring the possibility of bringing a new line of farmstead cheeses to market and we would appreciate your input on some questions we have. Do you have a few minutes or is there a good time I could call back? If you prefer e-mail, I'd be happy to send you an e-mail with the questions if that is easier.

Do you have a few minutes? Great. Ok, well, to start, Rose's Giant Pumpkin Farm is a certified organic, family owned dairy farm in Cooka Monga, Vermont. All of our products are made with our own cows' milk right on the farm. Our goal is to be the leading local choice for GMO free cheese for health conscious consumers in Vermont and New Hampshire.

We specialize in hard cheddar for everyday eating and a soft, brined cheese for special occasions.

We are calling because we would like your input on our idea for a local GMO-free, certified organic cheese for everyday and special occasion needs.

Is non-GMO of interest to you and your consumers?

Would a non-GMO cheese be of interested to you and your customers?

Do you have any current suppliers of Non-GMO cheese? (listen and write down who).

Would you or your customers be interested in Rose's Giant Pumpkin Farm local GMO-free cheese? If not, why not.

If so, what sort of price point do you envision would be successful? What would be an appropriate price for your consumers, and at that price, what price would we need to supply it for?

1. The everyday cheddar _____
2. The soft, brined, special occasion _____

At this price, how much do you think might sell per week?

1. The everyday cheddar _____
2. The soft, brined, special occasion _____

Do you think demand might fluctuate over the year? If so, how?

What type of packaging do you prefer?

How and when do you prefer to receive deliveries?

What is your procedure for ordering?

Are there any sales and marketing tools that would be helpful?

Are there any other considerations in your cheese purchasing decision-making that we should be aware of?

Do you think Rose's Giant Pumpkin Farm non-GMO Cheese is a product you would consider ordering once it is available? If no, why not?

Would you like us to contact you with more information & bring samples?

If Yes: Great! When would be a good time to stop by? Thank you very much for your time. We're looking forward to meeting and sharing our cheese with you! Thanks again, we'll be in touch!

If No: Thank you for your time, you've been very helpful and we appreciate it.

Sample Resource List for Third Party Research

Census Bureau	www.census.gov/#
Chambers of Commerce	
Vermont	www.vtchamber.com
Montpelier	www.montpelierchamber.com
State Departments of Marketing and Tourism	
Vermont	accd.vermont.gov/tourism_and_marketing
Relevant industry associations	
Vermont Fresh Network	www.vermontfresh.net
NOFA	www.nofavt.org
National Restaurant Association	www.restaurant.org/Home
International Dairy Foods Association	
Vermont Grocers Association	www.vtgrocers.org
Specialty Food Retailers Association	www.specialtyfood.com
Vermont Cheese Council	www.vtcheese.com
Commercially produced data	
Intel data	www.mintel.com
SPINS data	www.spins.com
Maponics data	www.maponics.com
Some paid data sets maybe available to residents of states with land grant universities. I believe for example that any Vermonter can access Intel data from the UVM library system free of charge.	
University libraries	
UVM	library.uvm.edu/about/primo.uvm.edu/primo_library/libweb/action/search.do?vid=UVM