



The **Point** of Market Research Is Making Better Business Decisions

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Market research is a powerful tool to help make better business decisions. Determining when to do research depends on what is at stake. Asking yourself this question will guide you, not only in deciding when to use market research, but also in helping you articulate what you are trying to accomplish and learn with the results.

Market Research: They Key to Better Decisions

MESSAGE STRATEGY

- > Will your message move your prospect to action?
- > Who are you competing in your prospect's mind?

PRODUCT STRATEGY

- > Are you over engineering your solution?
- > Are you walking away from significant revenue opportunities?

PRICING STRATEGY

- > What is the right price for a new product or service?
- > What premium is justified?

GO-TO-MARKET STRATEGY

- > Will licensing help maximize revenue and market share?
- > Is 5% share of the total market better than dominating the largest market segment?

Following are five examples of key questions market research can help you answer:

1. Will your message move your prospect to action?

Marketing campaigns require sizable investments. Even without advertising, companies spend significant amounts of time and money on marketing and sales tools to generate new business: corporate collateral, web sites, sales tools, press releases, etc. Finding out up front how important and powerful the message is to your target audience not only saves time and money. It also increases the likelihood that prospects will feel compelled to take action.

Case Study #1: A Different Need. A Fortune 100 information technology company wanted to test if the messaging and positioning for a new marketing campaign would resonated with their target audience before committing funds to develop creative. *Focus groups* were conducted to discover if prospects would be motivated to learn more about the company's services.

Findings: The company was positioning its services as *"helping IT professionals to build an IT infrastructure tailored to their unique needs"*. As compelling as the benefits of that infrastructure were, the show-stopper of the proposed message was that the audience did not consider it needed to build an infrastructure, since it already had one in place. What it needed was help in making the existing infrastructure more efficient, building new solutions on top of it, and making it more flexible. The prospects drew the conclusion that this vendor's offering was not what they were looking for.

The Point Is: Even though the vendor had the products and services that could solve the prospect's problem, the prospect discarded the company as a potential provider. Focus groups increased understanding of the target audience's problems and mindset and provided new insights on how to communicate more effectively.



2. Who are you competing with in your prospect's mind?

A competitive analysis helps you identify your competition and how you compare against them. A competitive message audit helps you find out what your competition is saying about itself. But do you know how your prospects perceive your competition? Are they paying attention to your competitors' messages and buying into their claims? If they do business with your competition, are they satisfied?

UNDERSTANDING THE COMPETITIVE ENVIRONMENT

A **Competitive Analysis** helps you identify your competition and how its offerings and business model differ from your own.

A **Competitive Message Audit** helps you find out how the competition is positioning itself and how it portrays its competitors in the marketplace.

Qualitative Research helps you understand with whom you are competing in your prospects' mind.

Case Study #2: A Moving Target. A major provider of IT services known for its collaborative approach, wanted to win customers over by leveraging customer perceptions that a major competitor was difficult to deal with. It wanted to learn how best to articulate this positioning.

Findings: In-depth *focus group* conversations with the target audience uncovered that over the prior two years the competitor's attitude had been changing, and that the strength of the competitor's offerings and expertise carried tremendous weight in the prospects' minds.

The Point Is: Qualitative research identified that a change had occurred in the competitive environment, and helped gain insights into other key purchase drivers to consider for improving positioning and communications.

3. Are you walking away from significant revenue opportunities?

When best-selling products start faltering, decisions need to be evaluated: Can the life of the product be extended by reducing prices, offering it to new markets or channels, making product improvements? The answer is of particular importance with products that account for a large percentage of a company's total sales.

Case Study #3: Looking in the Right Places. The problem facing the boards division of a leading provider of computer products was that sales of its best-seller line were plummeting, due to increased competition.

Findings: Building a pricing model that took into account feature-set, performance advantage, and brand premium, a *Competitive Pricing Analysis* confirmed that the price at which the products would move would be below production cost. Further investigation revealed that the prices the company was paying for commodity parts for its boards were well above those competitors were paying. Renegotiating supplier agreements was key in enabling the company to price its boards competitively and save \$6 million in costs in the first quarter alone. The products resumed their best-seller status for the next three years.

The Point Is: Pricing research helped the company identify the real problem and uncovered viable options for the company to maintain its leadership position, instead of turning over to its competitors one of its most significant revenue opportunities.



4. Are you over engineering your solutions?

Whether the market will pay for better performance or greater functionality is a critical question that businesses need to identify. Adding more than the market can afford increases a company's cost without the benefit of earning a premium for a superior product or service.

Case Study #4: A Different Yardstick. A leading provider of high-availability solutions wanted to make sure it was defining service availability requirements at the right levels for a variety of business applications in key vertical industries.

Findings: Detailed rankings and discussions conducted online with different industry groups revealed that for certain categories of applications, the availability attributes the company wanted to build into its solutions were considered by prospects too costly to justify paying for them.

The Point Is: *Online focus groups* helped align features and value to customer requirements for availability levels based on the importance of those applications to the prospect's core business and bottom line, and hence willingness to pay.

5. Will licensing help maximize revenue and market share?

One of the most important questions a company faces is how to allocate its limited resources to maximize growth and profits. The right go-to-market strategy can help maximize revenue opportunities and gain market share.

Case Study #5: Finding the Right Mix. A computer systems powerhouse was reluctant to implement a business model of licensing its know-how to others for implementing new services in different industries. It was concerned about leaving money on the table by limiting its direct revenue opportunity.

Findings: Building a market-sizing model that took into account market segmentation, direct vs. indirect selling (licensing), and internal resource requirements for delivering consulting and implementation services, a *Market Sizing Study* illuminated the issue by showing that the ramp up in consulting resources required to maximize revenue was prohibitive. The model further enabled the company to identify the optimal direct-indirect selling mix to maximize its revenue and market share.

The Point Is: Conducting a *Market Sizing Study* enabled the company to re-evaluate its go-to-market strategy and consider segments and business model options that would help it determine what segments to focus on, what additional investments to make, and in what instances pursue indirect channels.



Conclusions

Market Research is a powerful discipline to help companies understand the customer, the competitive environment, and internal issues that may be limiting a company's ability to take appropriate actions. Key decisions can be aided by pursuing the collection and analysis of information through a variety of market research methodologies.

A common question clients ask us is how to justify spending money on market research inside their organizations. Asking what you need to know, and what is at stake if you don't find out, is a good starting point for deciding when to engage with a market research firm to discuss what you are trying to accomplish by embarking on research.

As the case studies in this document show, market research that is designed correctly by experienced professionals can uncover many elements during the research process that open new ways to look at the problem and point to potential solutions.

Finding a message that resonates with your target audience, determining the "sweet spots" in pricing, product features, market segments, etc., and understanding who and what you are up against can be the difference between success and failure.

Market Research Tools: A Wealth of Options

- > Traditional and On-line:
 - Focus Groups
 - Triads
 - One-on-ones
- > Phone Interviews
- > Web-based Surveys
- > Trends Analyses & Briefs
- > Market Sizing Models
- > Competitive Message Audits
- > Competitive Analyses
- > Pricing Studies