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Development was funded by the Department of Labor (DOL) Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant No. TC-22525-11-60-A-48; The National Information Security, Geospatial Technologies Consortium (NISGTC) is an entity of Collin College of Texas, Bellevue College of Washington, Bunker Hill Community College of Massachusetts, Del Mar College of Texas, Moraine Valley Community College of Illinois, Rio Salado College of Arizona, and Salt Lake Community College of Utah.

This workforce solution was funded by a grant awarded by the U.S. Department of Labor's Employment and Training Administration. The solution was created by the grantee and does not necessarily reflect the official position of the U.S. Department of Labor. The Department of Labor makes no guarantees, warranties or assurances of any kind, express or implied, with respect to such information, including any information on linked sites, and including, but not limited to accuracy of the information or its completeness, timeliness, usefulness, adequacy, continued availability or ownership.

Lesson 3: The Power of Market Research

INTRODUCTION

In the previous lesson, you learned about your customers' demographics, psychographics, and behavioristics. In addition, you learned about the value of purchasing power and how purchasing power is linked to your customers' lifestyles. Finally, you discovered how important it is to understand customer needs. You spent time developing a customer analysis that will help you to complete this lesson.

In this lesson, you will learn how primary and secondary market research informs customer, market, and competitive assumptions. Understanding more about your customers' analytics, the markets, and your competitors will create a solid foundation for your current and future entrepreneurial ventures.

LEARNING SEQUENCE

Required Reading	Read the following: Online Lesson Material
Multimedia Resources	View the following: Marketing Briefs: What is Market Research? 4 Principles of Marketing Strategy
Required Assignments	Complete the following: Short Essay: Research Sources

CHECK PRIOR KNOWLEDGE

When you think about the terms primary and secondary market research, you might not know very much about them. However, you probably know more about this topic than you think you do. More than likely you have participated in primary market research, and you have already collected secondary market research about your customers.

All businesses try to collect data on their customers. You may even be bombarded with opportunities to take surveys. Companies are willing to pay you for your information at times. Think about how often in the last 7-10 days that you had the opportunity to take a survey about customer service, a product or



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service, or an experience in a restaurant or store. You may also have taken an online survey for purchasing a product or service online or ordering airline tickets over the phone.

For this “Check Prior Knowledge” activity, think back to one of those surveys you have taken recently. If you haven’t had the opportunity to take a survey, seek out a survey to take for a small business. Write down what you thought worked well and what you thought did not work well as you were completing these surveys. Think about how long it took to complete the surveys, the type of data that were being collected, why the data were being collected, and the overall feel of the survey. What did you like about the surveys? What would you do differently for your company if you decide to use surveys? The best way to learn about conducting primary research is to participate in it first.

Recommendation: Capture your responses to the “Check Prior Knowledge” activities and other various exercises presented in this course in a journal or notebook. Since many of these activities and exercises will not be turned in to your instructor, you should capture the information in one place. By writing this information down and reviewing it, you will begin to see themes emerge that will help you as you complete the course.

FOCUSING YOUR LEARNING

Official Course Competencies

By the end of this course, you should be able to:

- Describe the types of primary and secondary research used to develop customer, market, and competitive assumptions.

Lesson Objectives

By the end of this lesson, you should be able to:

1. Describe the role of primary and secondary research in relationship to entrepreneurial ventures.
2. Locate research to develop customer, market, and competitive assumptions.

Key Terms

As you read your assignment for this lesson, pay close attention to the key terms and phrases that are listed throughout the lesson. These terms and concepts are important to your understanding of the information provided in the lesson.

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GBS258 – Lesson 6

Actual Cash Value (ACV)

Previous Card Click on the notecards to reveal the definition. Next Card

1 of 10

INSTRUCTION

Market research is a systematic collection and the subsequent evaluation of data about customer attitudes and preferences about services or products they receive. Market research provides insight to entrepreneurs or aspiring entrepreneurs about potential business opportunities, the feasibility of starting a particular business, customer engagement with the product or service, ability to meet customer demands, competitor information, and much more. The following video, *Marketing Briefs: What is Market Research?* (7:31), explains the dynamics of market research.



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Embed code is

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<iframe width="640" height="360"
src="//www.youtube.com/embed/2-q2vwa_n2l?rel=0"
frameborder="0" allowfullscreen></iframe>
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Every entrepreneur or aspiring entrepreneur must conduct market research as a part of his/her business planning process, strategic planning, or business building. A good market research plan provides the



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entrepreneur with a roadmap to success. Unfortunately, if you get the market research wrong, it can derail the entire business.

You will look at the two broad types of market research – primary and secondary.

Primary Research

Primary research gathers data directly from customers or potential customers about the effectiveness of current business practices in an industry or business, products and services, and/or customer spending habits. Primary research also attempts to capture information about competitors from the individuals participating in the research. Examples of primary research methods are as follows:

- Telephone or face-to-face interviews
- Surveys (online or mail)
- Questionnaires (online or mail)
- Focus groups (gathering many people together to get their feedback)

Information that primary market research attempts to gather might include answers to these questions:

- What criteria or factors do you consider when purchasing a product or service?
- What do you like about the current products and services you use?
- What do you dislike about the current products and services you use?
- How would you improve the product or service?
- What price would you pay for the product or service?
- If you were to purchase that type of product or service again, how likely would you be to purchase the same product or service again?

These types of questions allow participants to explain their responses or opinions; they typically are used in a small group or interview format. When asking these types of questions online, it may be easier to restate some of the questions and then have the participants rate the question on a scale of 1 to 10. Many online surveys have one or two questions at the end of the survey that allow the participants to write their responses in a narrative format.

Similar to the warm-up exercise in this lesson, it is very possible that you have participated in primary market research – knowingly or unknowingly. Think about the discount cards at your local grocery store. Every time you purchase something using the card, you are participating in primary research. Have you ever taken an opinion survey in exchange for a free or discounted product or service? If so, you participated in primary market research. As an entrepreneur, you will want to ensure you stay connected with your customers through some form of primary research. Many small companies do a formal survey to customers once a year or opt to have surveys as a part of their everyday practices. (For example, a print out on the receipt may solicit a call in or online survey). Every company has a different philosophy about surveying customers. You will need to determine your strategy for collecting attitudes and opinions from your customers. Before moving on to secondary research, watch another video, *4 Principles of Marketing Strategy* (24:49), which will help you pull your marketing strategies together.



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Commented [KW3]: Video is located at <http://www.youtube.com/watch?v=hZLMv5aexto>.

Embed code is
<iframe width="640" height="360"
src="//www.youtube.com/embed/hZLMv5aexto?rel=0"
frameborder="0" allowfullscreen></iframe>



As you learned in the video, marketing your product or service takes a lot of work on your part. Identifying, anticipating, and supplying your customers' needs as efficiently and effectively as possible takes planning and building a marketing strategy. To ensure your marketing strategy is complete, you will need to address the four Ps – Product, Place, Price, and Promotion. This starts with the primary research you have learned about in this section. Primary research will make up the majority of your marketing strategy. However, secondary research can be extremely informative and will strengthen your knowledge about your market and your customers.

Secondary Research

Secondary research is used to analyze data that has already been published. Unlike primary research, the company or surveyor is not interacting directly with customers. Through secondary research, an entrepreneur or aspiring entrepreneur can gather data about competitors or potential competitors, create product or service benchmarks about prices, places, and promotional materials, identify new customers, and much more. Secondary research can show segments of people who are in a specific demographic or who live a certain lifestyle. Secondary sources of research include information from government agencies, trade associations, media sources, labor unions, chambers of commerce, online communities and blogs, national or global societies, and many more. Much of the secondary research information can be found in reports, pamphlets, magazines, newspapers, trade or union publications, online opinion survey reports, and public or online libraries. With the Internet and a sophisticated search engine, secondary research information is easy to find.



Before moving forward, here are a few of the most popular places to find secondary research information.



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Public sources: Typically free, reliable information can include government surveys, demographic, and psychographic information. Public libraries are another good source of information. The Internet offers many public sources or databases of information that can inform secondary research efforts.

Commercial sources: These sources may have a cost. These costs are typically in the form of a subscription or association fee. Some of these sources include Dun & Bradstreet, local business journals, financial institutions, trade associations, societies associated with an industry, labor union sites, or online libraries of information, publications, and data.

Educational sources: Educational sources can be a rich source of secondary data for entrepreneurs. Educational institutions are leaders in research and can offer insight into almost every industry, customer, or business.

Summary

As an entrepreneur or an aspiring entrepreneur, gathering information about your business is extremely important to building and growing a business venture. By collecting both primary and secondary information from customers, potential customers, and secondary sources, an entrepreneur can anticipate, create, and recreate the customer experience in an effort to ensure that the customer comes back to the business again and again. Through this type of customer loyalty, the entrepreneur hopes that the customer provides referrals to their network of family, friends, and associates.

This lesson demonstrates that gathering primary and secondary data is important at all phases of the entrepreneurial journey. The aspiring entrepreneur will need both types of data for the feasibility and business planning efforts. An entrepreneur already in business will need to collect both primary and secondary data information to inform his/her strategic planning, staffing, and customer-centric business practices. Having the right information allows both the entrepreneur and aspiring entrepreneur to develop customer, market, and competitive assumptions that will ultimately determine how the entrepreneur spends his/her marketing dollars and could determine the success of the entrepreneur's business.

SUMMARY

In this lesson, you learned about collecting and analyzing primary and secondary data including how important this data is to an entrepreneur's business success. You also gathered information about how the data helps the entrepreneur to build assumptions about customers, market, and competition in an effort to ensure the marketing efforts produce results. In the assignment this lesson, you will have an opportunity to practice this new knowledge.



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In the next lesson, you will learn about financing your new venture.

ASSIGNMENTS

Non-Graded Activities

The following activities will help you practice the concepts from this lesson. They will help you prepare for your exams/final projects lesson. You are not required to submit them to your instructor.

1. Read the online lesson material and watch all videos.
2. Complete the “Check Prior Knowledge” activity.

Graded Assignments

The following is a required assignment for this lesson.

1. Short Essay, Research Sources, worth 30 points



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