

## LOW COST MARKET RESEARCH FOR SMALL BUSINESS ENTREPRENEURS

The definition of Market Research for a small business entrepreneur is the collection and evaluation of information to determine if a relevant business opportunity exists, its potential value, durability and challenges that lie ahead. An effective research can be gained through contacts with the following resources:

- Customers
- Competitors
- Suppliers
- Businesses currently operating in your industry

Market Research should be well organized and to be useful, must start with clearly defined goals and objectives.

Next is a series of steps you must take to prevent you from becoming a failed business:

1. State your business model clearly and concisely e.g., a dry cleaning and laundry establishment in the South Bay, a pet-grooming salon in Almaden Valley, automobile washing and detailing on customer's site etc. Included in your business model definition must be what your business is NOT.
2. Check the yellow pages and the Internet to see what the movement of businesses is in your neighborhood of interest. Is the number of businesses in your industry increasing or decreasing from the previous three years and why? City Hall has listings that will help you here. Call a few of the owners – they may be willing to answer that question.
3. Visit other business owners related to your business in non-competing areas and ask if the demand is high and how they view potential growth in their industry. You might ask about startup costs and potholes to avoid at the beginning. Explain why information is needed. Do not misrepresent your interest. Try to make your questions seem casual – less threatening. If you sense a reluctance to respond, restructure your questions by asking for information a different way. Offer incentives – invite the owner out to lunch as your guest. Willingness of owners to divulge information may surprise you.
4. Bounce your idea off as many people as possible. Locate and interview three or more people with experience in your industry. Friends and family are okay to a point, but what you need is frankness and sincerity – not just “feel good” commentary. Prepare a list of questions to ask. You may have to structure your questions to match the person being interviewed. Keep copious notes - they will be useful to prepare you for your next interview and help you summarize your activities when it's time to make a decision.
5. Canvas people in the community. These are just a few of the questions you might ask. The answers may become the standards you will use to begin to form your business:
  - a) Would they support a new business?
  - b) Prices they would be willing to pay?
  - c) Specifically what they like or do not like about your competition? Who do they favor and why?
  - d) What products or service would they like offered?
  - e) Ask for opinions on storefront presence, internal ambience. etc.

6. Meet with suppliers. They generally know what is or is not selling. They usually have a feel for market trends. You may even get some inside information on your competitors' operations.
7. Seek out your competitors' former employees if you can. They may provide you with operational strengths and weaknesses. Caution – even the best ex-employees may tend to muddy the waters.
8. If you've never owned or worked in the business – get a job and work in it for 3-6 months. This may provide you an opportunity to be exposed to operations, customer and employee relations, pricing/discounting and how to deal with suppliers. It may also help you answer the question of whether or not you would enjoy owning a business in your industry 24/7.
9. Join your industry's associations, appropriate Chambers of Commerce and other relevant organizations. Attending their meetings will give you a chance to network and get feedback about the predicted growth of businesses in your area. Trade organizations are also important for locating valuable marketing information. Chambers of Commerce can provide consumer information and who's who in your area.
10. Do not stop here - continue looking for corroborating evidence:

A. The Internet.

- 1) Search engines (Google.com)
- 2) Directories (Yahoo.com)
- 3) Industry and trade outlooks (Department of Commerce, doc.gov)
- 4) Census (census.gov)
- 5) Link to govt. information: including market research (www.business.gov)
- 6) Other relevant web sites and links

B. Additional resources

- 1) Public libraries
- 2) SCORE library
- 3) Agents/brokers – businesses for sale
- 4) Advertising
- 5) Product catalogs
- 6) City/Town Redevelopment Agencies

11. If after all of this, you are still moderately convinced that this is your life's dream and your investment will be profitable, draft a business plan. It will help you to further define your idea and clarify your internal goals and commitment. Include important data found during your Market Research. Review your business plan with successful and as well as not too successful business people. Arrange an appointment with the appropriate SCORE counselors for advice. Be willing to accept criticism and be prepared for the possibility that you may have to go back for further research before making your final decision.

