

**Why do it?**

In today's increasingly competitive, fast moving marketplace companies really do need to regularly review what their customers are up to. This means knowing the answer to questions such as; why customers buy from you, how do they want to buy your product or service, how do they use it, are your competitors offering something better?

Focused market research can provide powerful information from your customers and prospective customers. But what happens if your marketing budget is limited? It often then becomes a trade-off between the cost of the research versus the reliability of the data you collect. So for example, relying on feedback from the sales team is a low cost way of finding out information on the market or your competitors but can sometimes be biased or inconsistent and will not be statistically robust. At the other extreme, interviewing your entire customer base as well as your competitors may give excellent and accurate feedback but the cost may outweigh the benefits.

**Key points to consider**

The major variable cost for most market research projects is the sample size. The larger the sample size the greater the cost of the project, but you will have more confidence when drawing conclusions from the results and vice versa. It all depends whether you are looking for initial indicators or exact figures on which to base your decisions. If you are looking to identify the broad picture of the market structure, for example, then a small sample of industry experts will probably be ok and you would not gain much from a very large sample. If you are looking to track market share or customer ratings then you will need a larger sample.

The sample size will also depend on whether you wish to analyse the results by sub sector eg by region, size or type of customer. If you need reliable results for a cross-section of customers then you need a reasonable sample, but if you are focussing on one particular type of customer then reduce your budget by only interviewing that particular group.

There are some activities in a market research project that are fairly fixed in cost eg developing the questionnaire, data analysis. This will not vary much by sample size and so in effect you get better value for money from a larger sample as the fixed costs are spread over a larger sample.

The interview technique will also determine overall cost. One of the lowest cost routes is via an online survey, although response rates will be low and qualitative feedback more limited. Face to face in depth interviews will be more expensive but give far more detailed feedback. A good compromise is often telephone research which can provide good feedback but at a reasonable cost. Focus groups also provide good qualitative feedback but can be expensive to set up, a cheaper alternative is an online focus group.

One other area that can significantly influence costs is the type of report you require. At the lower cost end would be excel spreadsheets containing tables and graphs with the results of the research. If you have in house market research expertise then this may be sufficient and you can save on the overall budget. However, you would typically get a much better return on research investment if you had a comprehensive report. This would typically dig deeper into the numerical analysis, assess the qualitative feedback and would include the conclusions from the research, the implications for the client and specific recommendations.

**How to get started**

The key decisions you need to make that will determine the budget required are:

- Overall objectives of the research
- Data collection technique
- Level of accuracy required
- Level of robustness of results
- Sub groups you need information on
- Reporting format

**If you have any questions please get in touch, we would be more than happy to help.**

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