

## SMALL BUSINESS BRIEF

### A NOTE ON THE USE OF MARKETING RESEARCH BY SMALL BUSINESSES

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#### INTRODUCTION

There is no question that timely and accurate information is as valuable to small business decision makers as it is to decision makers in large organizations. Interestingly though, evidence exists that small businesses *make little use of* (Oumlil, 1989; Hall, Anglin, and Elliott, 1997; McDaniel and Parasuraman, 1986), *and place limited value on* (Brush, 1992; Callahan and Cassar, 1995), marketing research -- the very discipline capable of providing this valuable information.

Why this is the case has been the subject of some speculation. Andreason (1983) for example, has proposed that small businesses often avoid marketing research due to misconceptions concerning its nature. More specifically, he proposes that managers of small businesses often operate under the myths of: 1) "big decision", 2) "survey myopia", 3) "big bucks", 4) "sophisticated researcher", and 5) "most research is not read."

The primary purpose of this note is to help dispel some of these common misconceptions. Specifically, this is done by identifying a number of inexpensive (misconception 3), relatively simple (misconception 4), and in some cases, non-survey based (misconception 2), marketing research approaches that can be employed by small businesses.

#### THE MODEL

Marketing research, as a discipline, is very expansive. Consequently, classification schemes (taxonomies) are often helpful in understanding its scope and domain.

One approach to classifying marketing research involves looking at it from an applications (subject area) perspective. Using this approach, one encounters studies that involve: 1) industry, 2) competitor, 3) customer (buying behavior), 4) environmental, 5) market potential, 6) forecasting, 7) pricing, 8) product, 9) distribution, and 10) promotion analyses.

A second approach involves looking at marketing research from a techniques of data collection perspective. Commonly used data collection approaches include: 1) using secondary data (existing records or documents), 2) observation, 3) surveys, and 4) experimentation (deliberately manipulating one variable to elicit a response in another).

Combining these two perspectives yields the Table 1 matrix of possible application/technique combinations. Identified within each cell of the matrix are user-friendly methodologies appropriate for that combination.

### CONCLUSION

As indicated in Table 1, there are a variety of simple and inexpensive methodologies available to the small business marketing researcher. Each is capable of providing the decision-maker with needed insight and information. To control costs, employees can be used in the data collection process. Additionally, in terms of analysis, none of the suggested approaches require much more than simple tabulation.

The immediate task though would seem to be in convincing the small businessperson to give marketing research a try. Once understood and sampled, marketing research is more likely to become an integral part of the organization's operation.

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**Table 1**  
**Marketing Research Application/Technique Link**

	<i>Secondary data</i>	<i>Observation</i>	<i>Surveys</i>	<i>Experimentation</i>
<b>Industry Analysis</b>	<p><i>Examine:</i></p> <p>trade publications for industry trends</p> <p>patent applications within the industry</p>		<p><i>Survey:</i></p> <p>by phone, or at a trade show, industry "lead-users" about industry trends</p> <p>suppliers about industry trends</p>	
<b>Competitor Analysis</b>	<p><i>Examine:</i></p> <p>external secondary sources (newspapers, trade journals, etc.) for competitor product offerings, prices, promotions, etc.</p> <p>internal sales records to ascertain the impact of a competitor's marketing effort</p> <p>patent applications of competitors</p> <p>court records involving competitors</p>	<p><i>Observe:</i></p> <p>the number and location of competitors</p> <p>customer flow into a competitor's place of business</p> <p>a competitor's products at a trade show</p> <p>a competitor's web site</p>	<p><i>Survey</i> a sample of competitors at a trade show to assess intentions, strategies, etc.</p>	
<b>Customer Analysis (Buying Behavior)</b>	<p><i>Examine:</i></p> <p>internal complaint and/or compliment records for insight into customer satisfaction and/or failure points</p> <p>return slips for trends</p> <p>sales invoices for customer zip codes and/or addresses</p> <p>sales invoices to identify your best/worst customers and/or best/worst products</p>	<p><i>Observe:</i></p> <p>and/or video tape customer flows through your store</p> <p>and/or video tape products considered and/or time spent considering them</p> <p>license plates in your parking lot</p>	<p><i>Survey:</i></p> <p>at the point of sale, a sample of customers to assess wants and needs</p> <p>a sample of customers to assess satisfaction and/or dissatisfaction</p>	

	<i>Secondary data</i>	<i>Observation</i>	<i>Surveys</i>	<i>Experimentation</i>
<b>Environmental Analysis</b>	<i>Examine</i> popular literature for environmental trends (political, regulatory, legal, social, technological, economic, etc.)	<i>Observe</i> the world around you	<i>Survey</i> a naturally-formed sample of people (old, young, etc.) to assess social trends	
<b>Market Potential Analysis</b>	<i>Examine</i> census data for insight into market size and/or growth	<i>Observe</i> traffic flow on the street and/or sidewalk		
<b>Forecasting Analysis</b>	<i>Examine</i> internal sales records for general trends, seasonality, cyclical behavior, etc.		<i>Survey</i> a sample of your customers to assess future purchase intentions	<i>Systematically alter</i> assumptions and/or the marketing mix to assess impact on sales (test marketing, "what-if" analysis)
<b>Pricing Analysis</b>	<i>Examine</i> internal accounting records for cost and/or profit data	<i>Observe</i> and/or video tape customers—do they compare price		<i>Systematically alter</i> prices to assess elasticity of demand
<b>Product Analysis</b>	<i>Examine</i> internal service and/or warranty records for product failures and/or rates	<i>Observe</i> scanner data for product sales	<i>Survey</i> a sample (via a focus group) to generate new product ideas and/or assess reaction to a new product concept	<i>Systematically alter</i> product versions to assess various concepts, names, packages
<b>Distribution Analysis</b>	<i>Examine</i> internal records for delivery failures and/or damage	<i>Observe</i> trends in store locations, layout, atmospherics, etc.		<i>Systematically alter</i> hours of operation, methods of delivery, shelf space, shelf positioning, etc.
<b>Promotion Analysis</b>	<i>Examine:</i> listener/reader/viewer characteristics of various media to assess reach and fit  redemption rates of coupons	<i>Observe</i> conversations between customers and salespeople	<i>Survey:</i>  a sample of the target market to assess awareness  a sample (via a focus group) to assess reaction to advertising and/or other promotional materials	<i>Systematically alter:</i>  advertisements to assess media, placement, timing, messages  compensation plans to assess impact on sales, effort, motivation  point of sale promotions  sales presentations and/or sales call frequency  direct mail pieces