

Researching Your Business Idea

Georgeanne Artz

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What Do You Need to Know?

- Industry Trends
- Consumer Trends
- Competition
- Target Market

Why Do You Need to Know It?

- Evaluate the probability of success
- Identify your target market
- Tailor your product to customer needs/wants
- Differentiate your product

How Do You Go About It?

- Two approaches
 - Primary research
 - Research conducted from scratch
 - Secondary (desk) research
 - Research using data already collected by someone else

Usually best to use a combination of these two approaches

Primary research

- Types
 - Surveys
 - Interviews
 - Focus Groups
 - Product tests
 - Data from your business records

Primary research

- Advantages
 - Tailored to your specific idea
 - Gives you “new” information
- Disadvantages
 - Can be costly
 - People’s responses may not be reliable
 - May be difficult to interpret the findings

Secondary research

- Sources
 - Government data sources
 - Census
 - Consumer Expenditure Survey
 - Commercial data sources
 - Business directories
 - Trade associations/ journals
 - Reports, newspapers, magazines

Secondary research

- Advantages
 - Easy to collect, inexpensive (free!)
 - Often many years of data available
- Disadvantages
 - May not provide the detail you need
 - May be difficult to assess new ideas
 - May not be reliable or current



Industry Trends

- What does the industry look like?
 - Is it growing?
 - Who are the industry leaders?
 - What role does technology play?
 - Are there government regulations?

Industry Trends

- Sources of information
 - Trade Associations
 - [American Nursery and Landscape Association](#)
 - Standard and Poor's Industry Guides
 - Magazines, trade journals, newspapers, reports
 - [Progressive Farmer](#)
 - Government data sources
 - [Consumer Expenditure Survey](#)

Industry Trends Affecting Precision Agriculture

“The farmer is looking for new ways of improving his economic position. At the same time, society is requiring the farmer be more environmentally conscious. The uncertain hope of precision agriculture is that it can help meet these complicated and interacting goals”.

- -John F. Reid, “The Impact of Precision Agriculture on US Agriculture; an industry and an academic perspective”
- <http://www.age.uiuc.edu/age221/precag/Impact%20of%20Precision%20Ag.html>

Competition

- Who is your competition?
 - What are their strengths/weaknesses?
 - How long have they been in business?
 - Do they have brand recognition?
 - How is the market share distributed?
 - Is there a dominant player?
 - Are there major and minor players?

Competition

- Sources of information
 - Business directories
 - Yellow pages
 - Industry reports, trade associations

Competition for Go-Cart Track in Ames

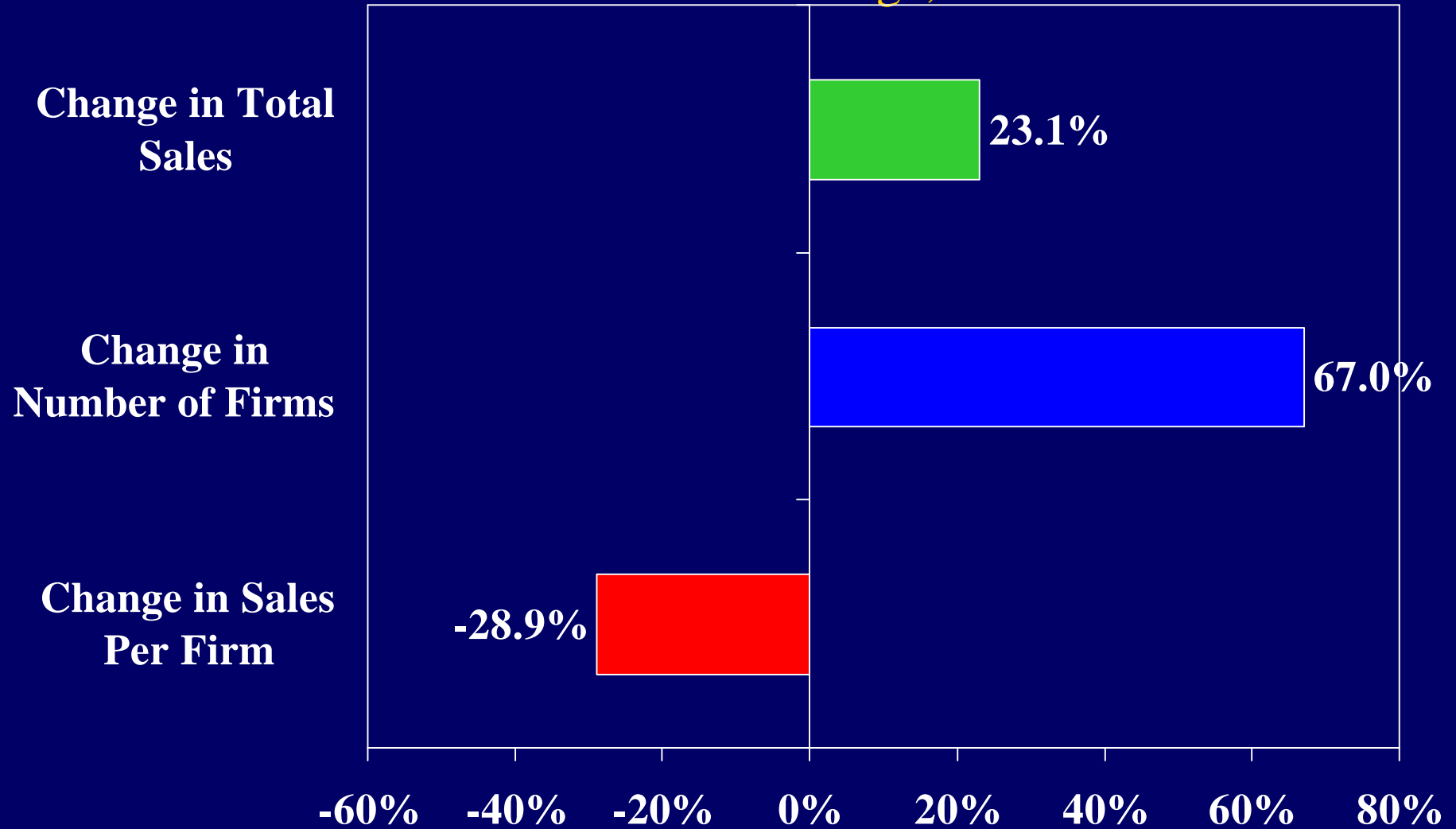
- Other recreational activities
 - Roller skating/ice skating
 - Bowling
 - Movies
 - Other?

Competition

- Can the market support another business?
 - Threshold levels – average number of consumers needed to support a business
 - Average number of firms per town
 - Trends – growing, declining, consolidating, saturated

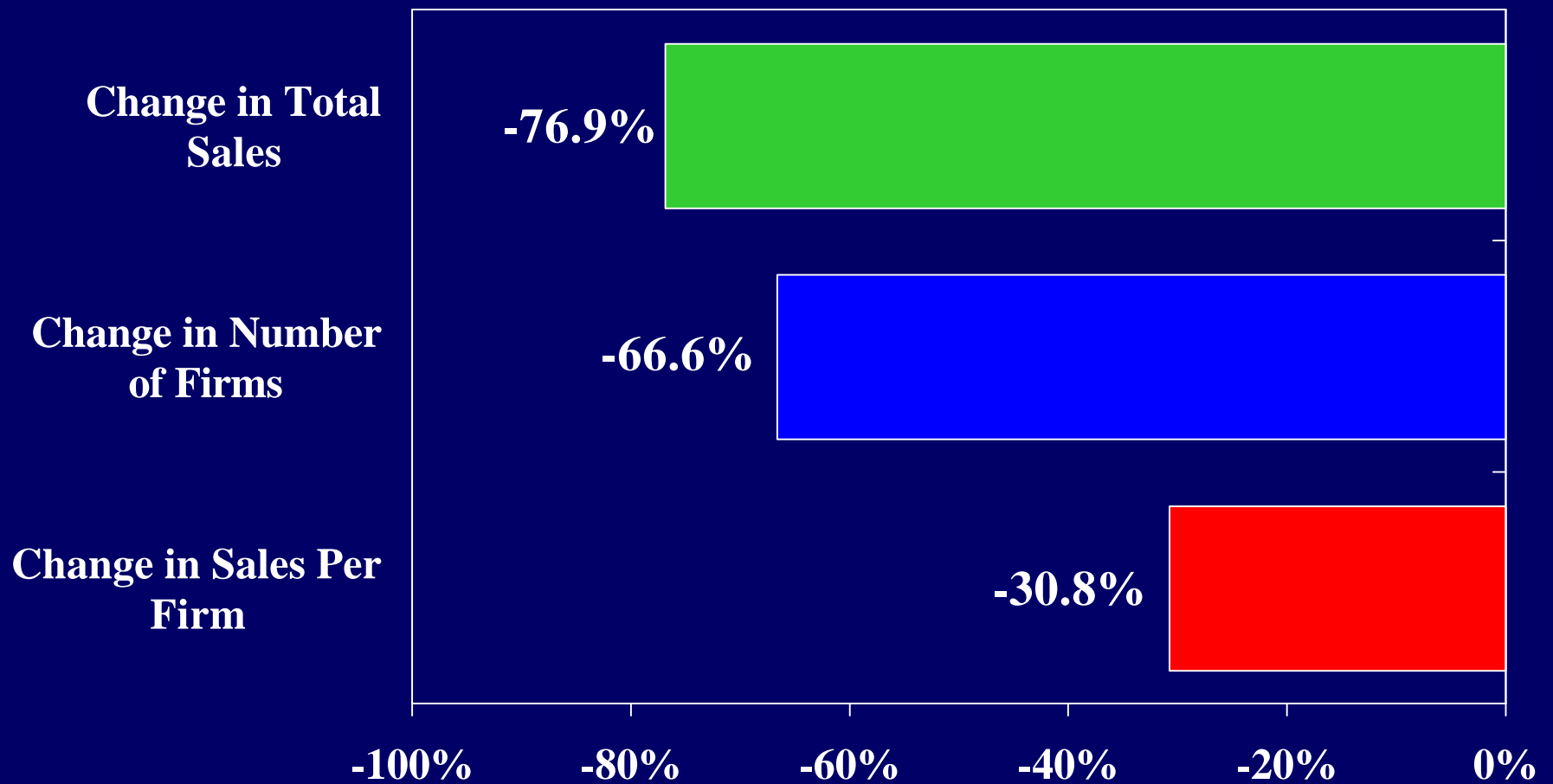
Saturated

Automobile Parts Stores Change, 1976 to 2001



Declining

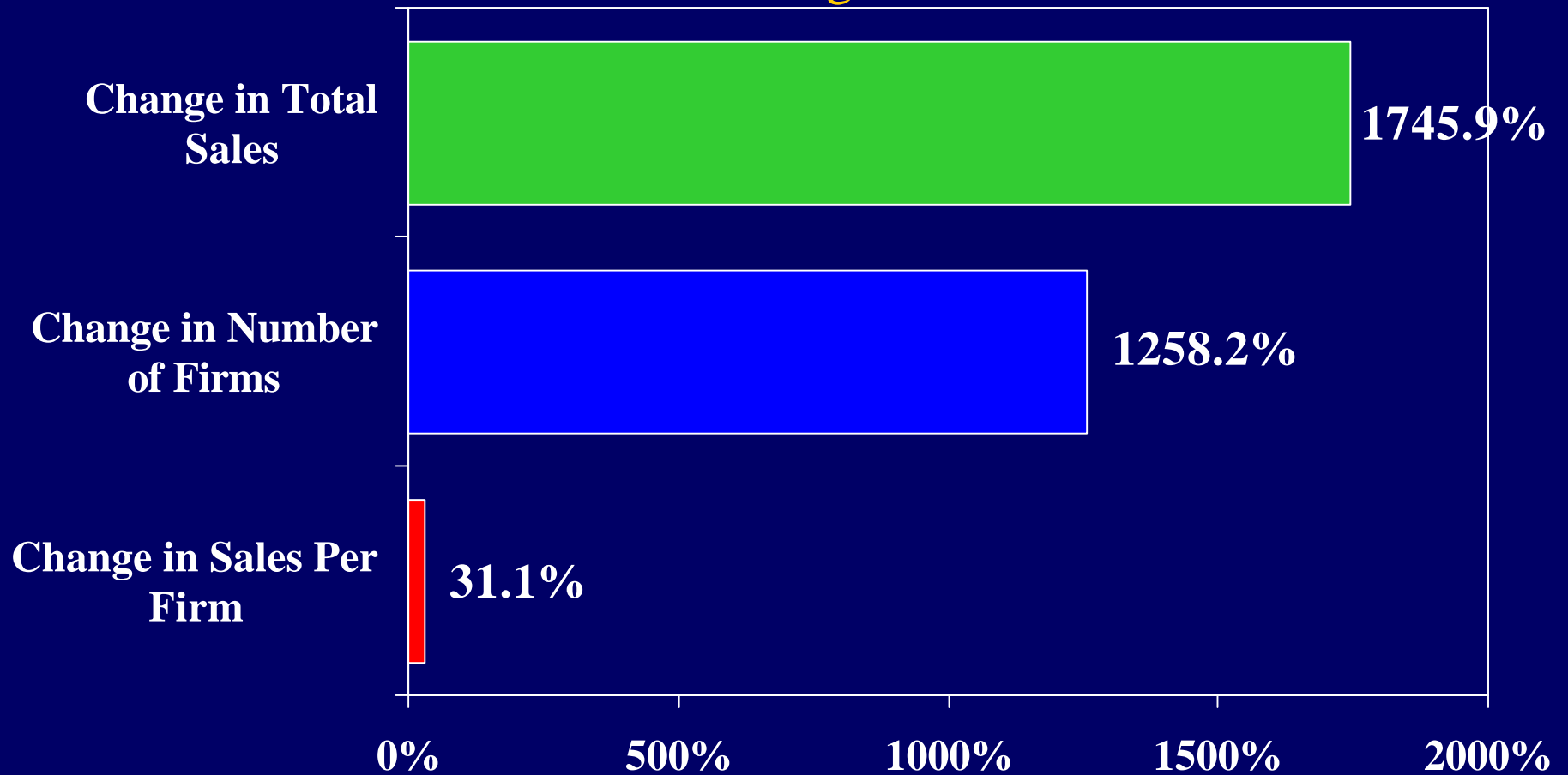
Men's Apparel Stores Change 1976 to 1998



Figures have been adjusted for inflation.

Growing

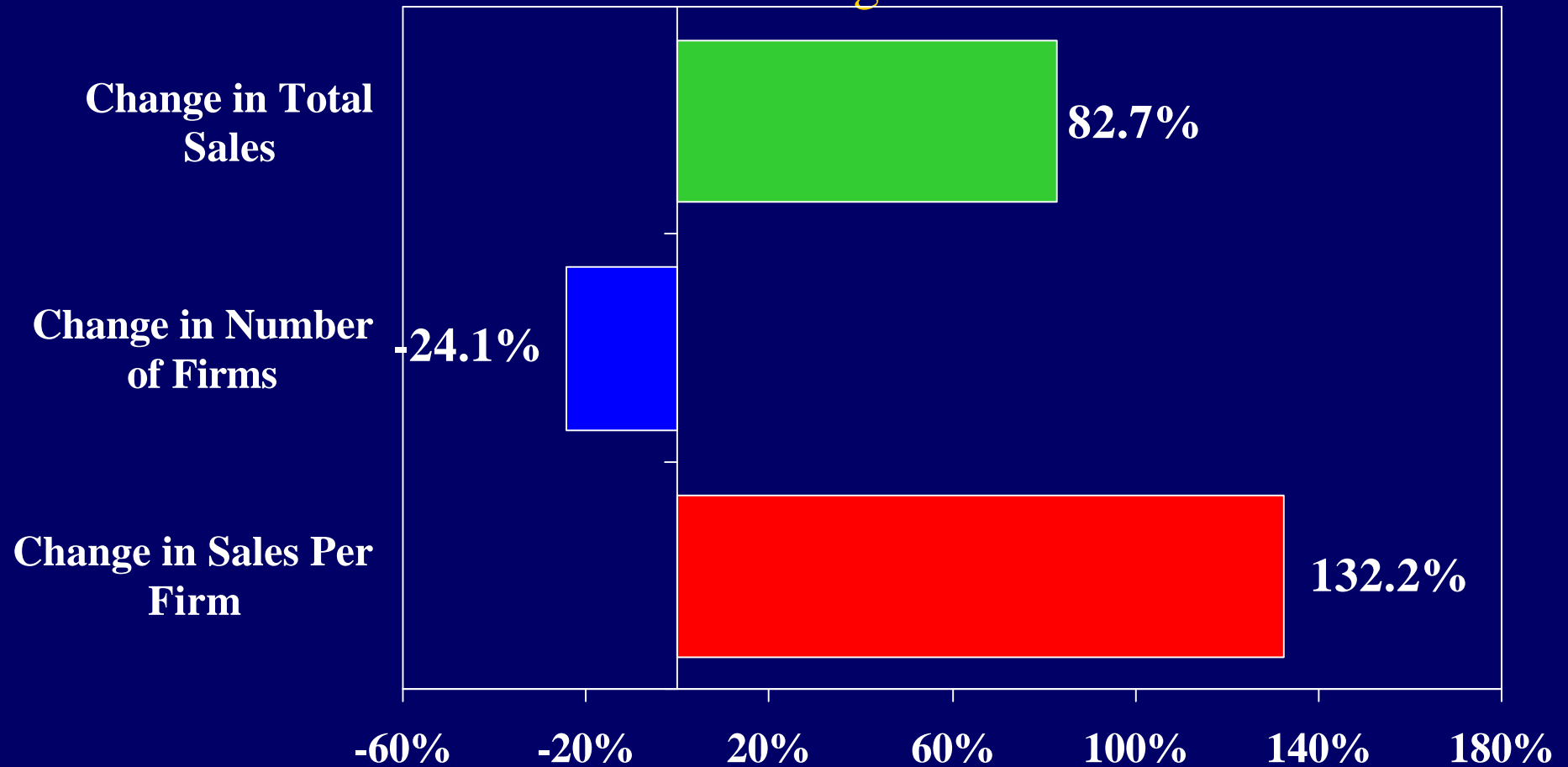
Building Maintenance Change 1976 to 1998



Figures have been adjusted for inflation.

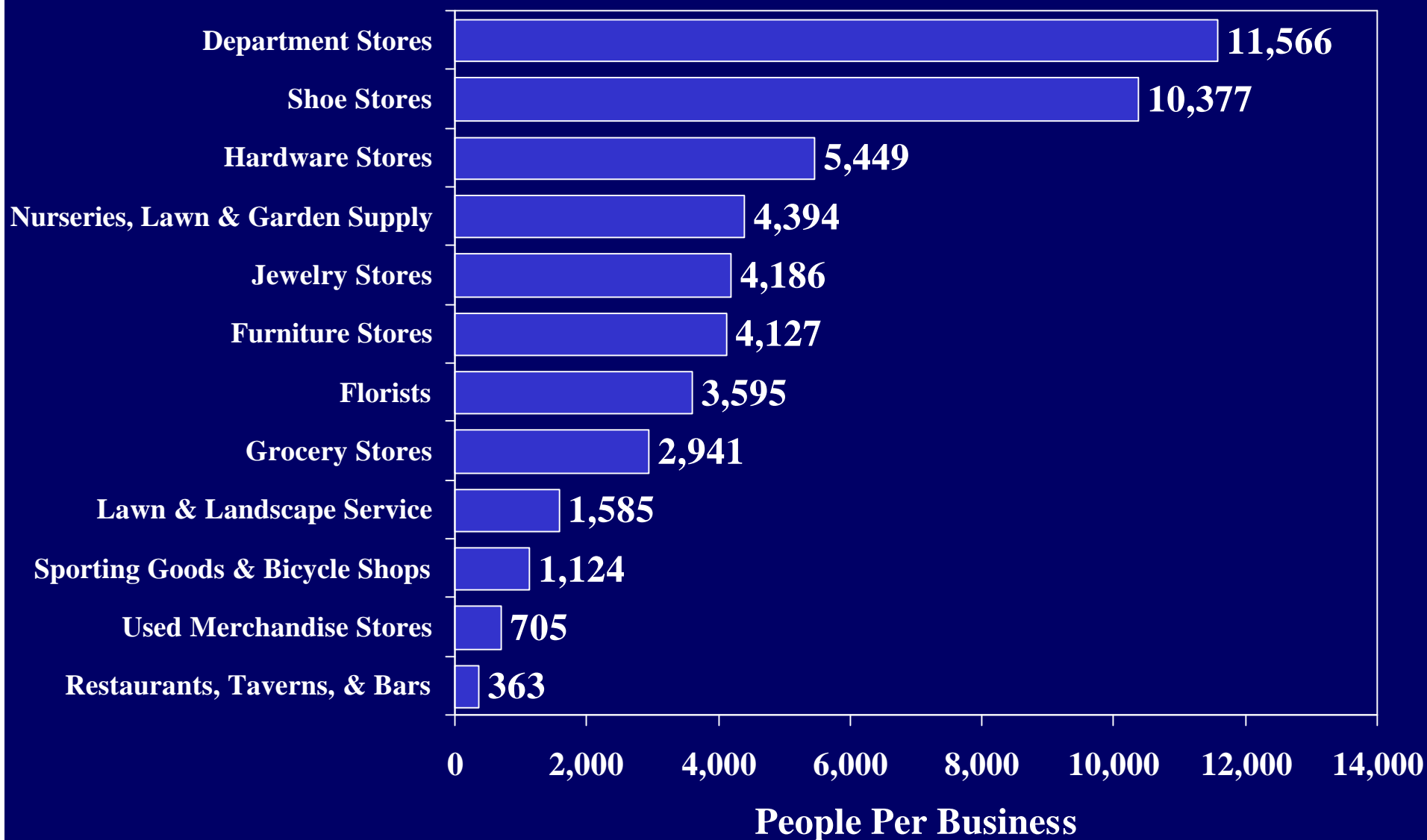
Consolidating

Department Stores Change 1976 to 1998



Figures have been adjusted for inflation.

THRESHOLD LEVELS FOR SELECTED BUSINESSES IN IOWA, 2000-2001



Competition

- What is your competitive advantage?
- How much of the market do you expect to capture?

Estimating Sales

- Per Capita Expenditure Approach



$$\$24 \times 50,730 \times 15\% = \$182,628$$

Example: A Florist Shop in Ames

Estimated
Revenue in
Year One

Is this a good estimate?

Consumer Trends

- What forces are shaping the market?
 - Demographic changes
 - Aging Population
 - Hispanics are fastest growing minority group in the U.S.
 - Lifestyle changes
 - More dual earner households, longer working hours = less time!
 - Greater Internet access = better information about products & pricing
 - Indulgence, “treat yourself” attitude
- How will these trends affect your business?

Consumer Trends Affecting Producer Owned Butcher Shop

- “The average time spent preparing meals is **30 minutes** and is projected to fall below **15 minutes** in the near future.”
- “Seventy percent of consumers don’t decide what to have for dinner until that day and 42% decide within four hours of the meal.”
- “Meat departments offer uncooked meats with stuffing—prepackaged two to an aluminum cooking container. The cooking temperature and time are clearly marked on the label. Place in the oven and set the timer, put on the minute rice, open the precut salad greens, and find Suzy to help her with those math problems.”

Thomas Murphy, Penn State University, “The Fruit Growers News, Feb. 1999

Consumer Trends

- Sources of information
 - Newspapers, magazines, trade journals
 - American Demographics
 - Personal Observation backed up by secondary data sources
 - Other business owners

Target Market

- What does your target market look like?
 - How many?
 - Where do they live?
 - Age
 - Income
 - Education
 - What do they need or want?

Target Market

- Sources of information
 - Secondary data
 - U.S. Census
 - Census of Agriculture
 - Primary data

Target Market for All-in-One Ag Consulting Firm

- In 1997,
 - 90,792 farms in Iowa
 - 49,638 operated more than 180 acres
 - 20,720 operated more than 500 acres
 - 61.3% of Iowa farmers worked some days off the farm
 - In 1978, 44% worked some days off farm

Points to Remember

- Market research will help you evaluate and refine your business idea
- It will help you document your claims and help convince others your ideas will succeed.
- Two main approaches to conducting market research
 - Best to use both
- If you need help finding information, feel free to contact me --- Email: gartz@iastate.edu

Questions ?