

When going gets tough, the tough turn to research

by Scott Watkins, Anderson Economic Group



There is no doubt that everyone in Michigan has been impacted by the economic woes here at home, and that the impact only deepens as the downturn spreads across the country.

With the seemingly endless stream of negative economic news, it's surprising to step back and see that business still goes on. And the simple fact is that a vast majority of people still wake up every day and go to work, stop at the dry cleaners, rent DVDs, order carry-out, and spend some time each week shopping.

So, while business for many is slow, this is a good time to step back, assess the market, and prepare for opportunities that emerge as conditions continue to change.

New realities

For retailers, this begins with acknowledging some new economic realities. Consumers have quickly changed shopping behaviors by adopting an intense focus on value. It is important to note that value and low price are not one and the same.

Value is created by maximizing what a customer receives for the dollars. This is difficult to do if you rely solely on price adjustments. Convenience, service, comfort, and quality, as well as a number of intangibles, also enter the equation. Figuring all of these elements out, however, is easier said than done, but the task starts with using market research to build a more complete understanding of your customers. In the process you will also become aware of emerging opportunities and threats, and be better able to anticipate and react to changes.

Market research does not mean hiring a consultant, paying for surveys, and purchasing data. There are times when such steps are appropriate, but doing so is hardly necessary, nor advisable, if you haven't already done your own homework. When getting started, it might be helpful to think about market research as having four steps: 1) defining the market 2) getting data 3) understanding the data and 4) listening to the data.

Defining a market can be approached just like reporting the facts—think who, what, when, where, why, and how. Who is your customer (college students), what do they buy (pizza), when and how do they buy it (late night by carry-out), why do they buy it (it's tasty and affordable), and where are they located? The "where" element is often the unknown, but the data to answer the question are often available from sales receipts, delivery records, or can be gathered from in-store surveys.

Filter the data

Getting the data and understanding it can seem daunting, mainly because there is so much information available. To overcome this, filter the data to focus only on the market being targeted. For college students and pizza, relevant data may include university enrollment trends, the location of student apartments, occupancy levels at these apartments, and your observations on topping preferences and price sensitivity. To understand these data, it often helps tracking them over time to observe trends and patterns.

Most businesses that fail do so not because they don't know their market or they don't have and understand market data. Most fail because they don't listen to the data.

What the data say will often be discomfoting because it will show change is occurring. The data may also reveal uncertainty, and a need for more information. The ability of a business to understand the nature of changes in the market, and then adapt to stay aligned with the market, is a key component of success, especially in today's tough economy.

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