



Researching Your Industry



Sharpen your research skills to gain knowledge about your industry, target market, and competitors



Learning Objectives

- At the end of this module, you will be able to:
 - Distinguish between the various types of research options available to you.
 - Identify a combination of research options to evaluate and analyze your business.
 - Locate information sources.
 - Seek additional guidance on other industry specific information.



About FDIC Small Business Resource Effort

- The Federal Deposit Insurance Corporation (FDIC) recognizes the important contributions made by small, veteran, and minority and women-owned businesses to our economy. For that reason, we strive to provide small businesses with opportunities to contract with the FDIC. In furtherance of this goal, the FDIC has initiated the FDIC Small Business Resource Effort to assist the small vendors that provide products, services, and solutions to the FDIC.
- The objective of the Small Business Resource Effort is to provide information and the tools small vendors need to become better positioned to compete for contracts and subcontracts at the FDIC. To achieve this objective, the Small Business Resource Effort references outside resources critical for qualified vendors, leverages technology to provide education according to perceived needs, and offers connectivity through resourcing, accessibility, counseling, coaching, and guidance where applicable.
- This product was developed by the FDIC Office of Minority and Women Inclusion (OMWI). OMWI has responsibility for oversight of the Small Business Resource Effort.



Executive Summary

- Before starting your business, you should conduct research in several ways on a specific industry or market.
- Both macro- and microeconomic studies can help you develop a clear picture of your industry.
- Other types of research (primary, secondary, qualitative, and quantitative) can give additional insights into your business or industry.
- Various external sources can help you access information and guidance as you conduct market research.



Macroeconomic Study

- Macroeconomics helps you examine general economic factors, including interest rates, inflation, changes in employment and unemployment, and national productivity.
- Know the overall market conditions, for example:
 - **Economic backdrop.** This helps to picture overall supply/demand scenarios. Examples are gross domestic product (GDP), inflation, money supply, unemployment, etc.
 - **Market analysis.** This helps to understand the cyclical nature of all businesses. Examples are industry trends, commodity prices, S&P ratings, indices, analyst reports, etc.
 - **Transactional activity (M&A).** This highlights phases within a given industry. Examples are consolidation, divestitures, etc.
- Have some broad understanding of major policy decisions that drive world-wide economic performance.



Microeconomic Study

- Microeconomics focuses on business decisions and how they affect the supply and demand of goods and services, which determines prices, and how prices, in turn, determine the quantity supplied and quantity demanded of goods and services. Specifically:
 - Businesses: How they determine what to charge for their product.
 - Consumers: How they determine what to purchase and how much they will pay for it.
- Intrinsically related to microeconomics are two laws that determine the overall price of a product:
 - Law of supply: Amount of a product or service businesses will provide at a given price.
 - Law of demand: As price goes up, consumer demand goes down.
- Understanding the microeconomics for your specific industry (what competitors are charging and what consumers will spend) will help you define your pricing terms.



Develop Your Research Worksheet

- Before you conduct any kind of research, answer the following questions:
 - What are the key questions you want your research to answer?
 - What is the monetary size or profitability of this opportunity?
 - Which other companies provide similar products/services?
 - What other product/service lines could compete with you?
 - How many clients do your competitors have?
 - What is their pricing strategy?
 - How would you attract your customers?
 - What are consumers paying for similar products now?
 - What laws or regulations would affect the offering of such products/services?



What is Objective Based Research

- Answer the following questions when conducting any type of research:
 - What do I want to discover?
 - How do I plan on discovering it?
 - What am I going to analyze?
 - How can I access the source of this information?
 - What are my biases/views about this topic?
 - Do I know or have an idea what the research results will indicate before I start?
 - How can I overcome my biases from my research?
- Use your answers to help you with the expectations, methodology, and results from your research project.
- Understanding any preconceived ideas, biases, or prejudices you have prior to conducting research will help you be impartial in your research.



Four Types of Business Research

1. **Primary:** Research data that you collect directly from research subjects such as target customers. Generally, time consuming and expensive.
2. **Secondary:** Research that analyzes, compiles, or compares existing research data collected by others. Generally, less time consuming, but somewhat inaccurate.
3. **Quantitative:** Cold, hard facts expressed by numbers. Generally, statistical results and financial or demographic data.
4. **Qualitative:** Insight and subjective analysis expressed in words, not numbers. Generally, commentary-based recommendations or analysis of a given topic.



Type 1: Primary Research

- Primary research is any type of research that you conduct and collect yourself.
- Examples applicable to business include:
 - Surveys
 - Client interviews
 - Opinion polls
 - Focus groups
- Not all businesses can solicit direct customer feedback. Primary research allows you to use a sampling to obtain valid results.
- Advantages: Current, specific, relevant, and proprietary.
- Disadvantages: Difficult, expensive, and sampling errors.



Type 2: Secondary Research

- Secondary research is based on information from studies previously performed by government agencies, chambers of commerce, trade associations, and other organizations.
- Secondary research is available in local libraries, the Internet, books, business or industry publications, magazines, and newspapers.
- Although less expensive than primary research, secondary research may not be as accurate or as useful because your specific parameters were not used to provide customized research.
- Examples include:
 - A report written based on U.S. Census data.
 - Compilations of data from a number of sources.
 - Articles based on interviews with those who conducted primary research.



Type 3: Quantitative Research

- Quantitative research gathers data that is absolute, such as numerical data, so that it can be examined in as unbiased a manner as possible.
- Quantitative research generally comes later in a research project once the scope of the project is well understood.
- Quantitative research focuses on separating things so that they can be counted and modeled statistically, such as:
 - The total consumer spend on a product.
 - Past growth rates of an industry.
 - Target market size and purchasing power
 - Numerical results of consumer surveys.



Type 4: Qualitative Research

- Qualitative research gathers more subjective data, such as customer opinions of your service.
- Qualitative research is exploratory in nature and is suited to looking at general questions about your business.
- The focus of qualitative studies may be more apparent as time progresses, such as:
 - Experts' observations on what motivates customers.
 - Customer experience mapping.
 - Forecasts for future trends.
 - Client feedback.



Information Resources

- For various industry trends, you can use thousands of industry and professional associations to get information. These associations monitor market size, demographics, costs, regulations, and a variety of other issues specific to those industries.
- For industry classification, visit the North American Industry Classification (NAICS) web site at [census.gov/eos/www/naics/](https://www.census.gov/eos/www/naics/).
- For financial and other industry-related research, visit these websites:
 - *Yahoo! Finance*
 - *MSN Money*
 - *Google Finance*
 - *Hoovers*
 - *Thomson Research*



Information Sources

- If you want more industry specific information, please visit the Stat-USA website at stat-usa.gov/ or subscribe to paid research services which are typically available by industry. For example, technology-related research services can be obtained via:
 - *Gartner*
 - *Forrester*
 - *Yankee Group*
- Some credit rating agencies provide independent, easy-to-use measurements of relative credit risk. This information generally increases the efficiency of the market, lowering costs for both borrowers and lenders. Some leading firms that provide these services are:
 - *Standard & Poor's*
 - *Dun & Bradstreet*
 - *Moody's Investor Services*
 - *Fitch Ratings*
 - *Morningstar*



Federal Sources of Information

(Slide 1 of 2)

- The Small Business Administration (SBA) is the federal government's main provider of counseling to the small business owner. SBA provides the following guidance:
 - **Business education and training:** SBA provides a wide range of publications and audio-visual materials. This material is geared toward technical assistance and management of a small business in different sectors.
 - **International trade:** SBA provides guidance to businesses in the export trade area.
 - **Women's business ownership:** SBA provides training conferences specifically for women who are prospective and established business owners.
 - **Loans & Grants:** SBA provides loans and grants, as well as information about different financing options.



Federal Sources of Information

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- Contact your nearest SBA office by:
 - (1) looking in the blue pages of your telephone directory under U.S. Government,
 - (2) accessing the SBA's home page at sba.gov, or
 - (3) calling 1-800-827-5722.
- Here is the A-Z Index of U.S. Government Departments and Agencies usa.gov/directory/federal/.



Wealth of Additional Information

- Use the Bureau of the Census ([census.gov/](https://www.census.gov/)) for a wide variety of information. Below are some of the Bureau of the Census publications that you can use to research your new business:
 - Census of retail/wholesale trade, etc.
 - Census of selected services/manufacturers etc.
 - Census of population, state and metropolitan area data book etc.
 - County and city data book, county business patterns, etc.
- Get additional statistical information from the Department of Commerce website at [trade.gov/data.asp](https://www.trade.gov/data.asp)
- Use the SCORE website at [score.org](https://www.score.org) for information targeted to small businesses.



Key Takeaways from This Module

- Both macro- and microeconomic information help small business owners understand overall business drivers.
- Prior to conducting any research, create an industry research worksheet based on objective based research principles.
- Because many types of industry research exist, use the best techniques based on speed to market, budget, and level of information needed.



Sources and Citations

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