



Will people like the dog product idea I have?

?????

Is there a demand for lighted holiday decorations for cars?

I have an idea for a screenplay/movie/TV show... what will people think?

White paper

Market Research 101 for Startups: Essential practices for avoiding the dead pool.

I want to know if families with kids will use my service?

customers prefer?

Which dish should I add to my cafe's menu?

Hmmm... which feature should we implement first?

Which name should we choose for our new product?

It would be great to have a market research report ready for my meeting with investors tomorrow...

If I can add this research to my business plan, my bank might be willing to give me a credit line for my business.

Should I change the name of my product?

It would really impress my professor if I can show the results of my research by the next class.

What price point is attractive for our target customers?

Which service option sounds better to my customers?

How can I reduce the risks and discover new business opportunities?

Would my customers prefer a loyalty program or mailed coupons?

Would people be happy in a restaurant with all booths and no tables?

Should I spend more advertising my service on Facebook?

Which logo best portrays my brand's story?

Which concept should I pitch to my prospective new client?

Should I add an extra selection of products to my online store?

Will students be interested in my new service?

Which name of my product is better for the single parents market?

Market Research 101 for Startups: Essential practices for avoiding the dead pool

Introduction

Why Should Startups Do Market Research?

We entrepreneurs building startups are possessed by the ideas we've channeled into this world. We're convinced that our latest vision is the next killer XYZ. Yet, we all have to face our demons and stare the same abyss in the face: "Will anyone want to buy what I'm building?", "Will they pay for it, how much?", "Did I pick the right domain name, product name, logo, tagline, color palette, etc?" and a myriad of other questions from the great unknown. We

are all in uncharted territory, especially if we are doing something original. Hopefully we have identified a real pain point of our target customers and conceived the solution that they will be willing to buy. We all know that, beyond luck, execution is the largest ingredient in the recipe of success. But the fact is, not all of our ideas are killer; some are lame but we're married to them and blinded by our love. How can we afford to risk our time and money to execute before obtaining any real market validation? Yet, that's exactly what the vast majority of startups do. And, in the end, most startups end up in the dead pool.



Businesses of every size or age can benefit from market research. It's far less expensive to test before you build, invest or buy than to make a major business error and suffer the lost resources and time. Startups can benefit from market research even more than established businesses. For one thing, with startups, there is less room for error. Cash reserves and opportunities for access to capital are typically far less in startups than established successful companies. In some cases we have investors watching every decision that we make. With a startup, everything we are doing is unproven. Every assumption is just that. Do we have a market fit? Does our product or service have ready customers? Does our branding send a message that resonates with our target market? Does our pricing maximize our revenues and profitability? Are we leaving too much on the table?

Many founders of startups act like market research doesn't exist. It may be ignorance in some cases but with some founders, it's the fear of being told that your baby is ugly. Ignorance is not only devoid of bliss, it can send you right into the dead pool.

If you are looking for funding, your mission will be far easier if you can lay objective market research data on the table to show that you have done your homework and aren't simply flying by your gut intuition.

What techniques can startups living on ramen employ to get some validation in the real world? A major part of building startups is a lot about managing and reducing risks. Wouldn't it be awesome if we could identify our target market and go ask them our most important questions before we invest any time and capital building anything, before the first line of code is written or a die is cast and name is found? Well, we can.

In this white paper, we are going to review the ways that scrappy startup founders just like you have performed market research on the cheap and teach you newer approaches to getting the business intelligence you need to survive and achieve the success of your dreams.

SOLUTIONS

Guerilla market research

Aaron Patzer, who founded Mint.com and took it in a few years to a \$170 MM exit, [surveyed his target market](#), face to face, at the Mountain View Train Station. It may be challenging for you to define your target market. We'll address that subject a little later but for now, If your target market is simply "normal people", as Patzer states in his case, then his method of guerilla market research costs you only your time and enables you to get opinions from your target market.



Home-made research

Another technique you can use to "research before you build" is to use one of the many online survey tools such as Survey Monkey. These tools have a gazillion features but generally have the drawback that they require you to round up the respondents. This can be a pain in the butt. It may be especially difficult to get the opinions of the right segment of people that represents your target market. If you have a mail-



ing list, already comprised of your target market, then you're good-to-go so long as they won't feel spammed by your request to have them fill out a survey. You can also post your survey on your blog or spread it through your social graph. But, be careful because you may not be getting opinions from your future customers. Friends and family may skew results since their opinions may more reflect their best wishes for your success rather than the real opinions of people who might purchase your product or service someday. In any event, if you haven't identified your target market and obtained their opinions, then your mission has not been accomplished.

Traditional Quantitative Market Research

It's not exactly a scrappy technique, but has to be mentioned in case you have a large budget and the time to spare. Traditional market research is very expensive and it isn't agile. You can hire professional researchers to write and analyze your survey. They will rent respondents from a traditional consumer panel company such as eRewards. Be prepared to pay at least \$5-15 per respondent plus professional fees that will push the project into the several \$1000s or much higher. Also, expect the process to easily take several weeks or longer. That's millennia in startup time.

Traditional Qualitative Market Research

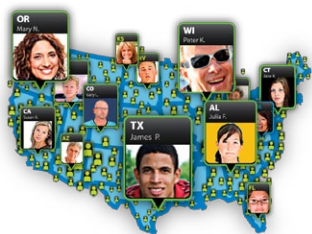
Talking to your target market is important because they can give you fresh insights that are more difficult to obtain through quantitative studies. Aaron Patzer did just that. More traditional techniques of qualitative research such as telephone interviews and focus groups can be powerful tools but also are generally expensive options. Focus groups typically are composed of 10 or more potential target customers who have been carefully recruited and gathered in a room for a discussion session with a professional moderator present. The moderator guides the discussion using a script and keeps everyone focused on the predetermined issues about which you want opinions. The data is the transcript and video that comes out of the session. The revelations can be excellent but interpretation can be challenging and a big part of the budget. Expect to pay at least \$5-10,000 per focus group session or more. The things you learn from qualitative research can provide a good source of direction for follow-up quantitative studies.

Secondary Market Research: Social Media, Google, The Census Bureau and Your Public Library

People talk, tweet, blog, chat and buzz all the time in the social networks. And yes, chances are they are already discussing the very idea or at least the pain that you have discovered is going unaddressed. There are many tools to tune in and listen to the global crowd discussions and fish for the trends or answers that you are looking for. A great example is [Google Alerts](#) - a no-brainer to use. There is a world of secondary research data available on line and can easily be sleuthed with the new Google Instant search. Your local research librarian can introduce you to an array of printed resources that compile every kind of demographic data. For instance, if your target market is women in the Denver metro area with household incomes over \$50,000, you should calculate the exact size of your market. That data is available from the US census bureau and other sources. The problem with secondary market research is that it's not customized for you exact situation. You're not going to read out in the world whether your solution solves a pain or if your brand portrays the right image to resonate with your target market. Well, you won't discover that by listening to the buzz until you've launched. And, at that point and for all time, you better listen.

Lean Startup Model: Build, Test, Iterate

Building a [minimum viable product](#) (MVP) is another alternative to flat-out market research testing before you build. MVP has been defined as "... that version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort." The MVP approach reduces risks because sometimes you can commit very limited resources, and potentially develop a minimalist prototype that you can then test. Because, sometimes it can be as skeletal as a landing page combined with testing consumer response using Google Adwords, it's a scrappy approach every startup might consider in order to seek some market validation. But, the MVP approach is not simply about building a minimal product; it's more about a strategy for testing your ideas with potential real customers **as you build**. Then, as [Eric Ries](#) teaches, you need to rapidly iterate, test and pivot. Learning from your customers is essential. Just the same, you might not be building and iterating for your ultimate target market; real customers, ready and willing to pay for your product or service at a price and volume that will leave you with a sustainable business. However, to use it you still do need to produce something semi-presentable - more than an idea in your head. And then there is always this annoying perfectionist voice in your head: "Would they love it more if I designed it better, added few more features before doing the first test?"



Finally, Market Research 2.0

The good news is that you can take advantage of market research without leaving your office, blowing your budget, asking your mom/friends' opinion, listening to the buzz, waiting a few weeks or even building a prototype. Newer market research alternatives combine the survey tool and the consumer panel into one integrated experience so that you can DIY, pay a lot less and get results far faster than ever before (sometimes within a few minutes after launching your survey). Examples include, Ask500people.com and LinkedIn Polls. Both allow you to ask a single question to a group of people. The pros of these options is the cost and fast results. They significant have limitations, not the least being the single question inability to ask more than one question. Nonetheless, LinkedIn is an excellent option if you only need to ask one question and your target market is comprised of professionals and business-to-business.

We'd like to introduce you to AskYourTargetMarket.com (AYTM)

AYTM is the web's first full-fledged target market research platform with a built-in US consumer panel. What does that mouthful mean? First, you define your target market (the respondents you want to answer your survey). Then you write your survey. You launch it. Then within minutes, results come streaming back into your account for review and analysis.



So, AYTM is an online survey tool. But, it is so much more. You can write surveys and utilize sophisticated features such as embedding images into any question or answer. You can upload an introductory video that respondents must watch before they answer your survey. That's a perfect opportunity to demo your product, service, website, TV commercial or movie trailer. There are advanced survey-building features such as skip logic. But, what really sets AYTM apart is the built-in US consumer panel. You can define your target market, the respondents you wish to answer your survey, by setting a combination of 9 different demographic parameters. You can get even more precise by adding a psychographic prescreening question so that only the people you are really interested in surveying become your respondents. Say you only



want women 25-50 years old who love sushi to answer your survey... no problem. Need to survey iPhone 4 owners, no problem. Survey results start streaming back into your account within minutes where you can slice and dice the results to analyze them from any angle. AYTM is easy and fun to use. It's available 24X7. But, is AYTM affordable? Absolutely. Surveys start for as little as \$29.95 to ask 50 US consumers 3 questions. You can ask up to 1000 consumers surveys as long as 25 questions. AYTM owns and manages its US consumer panel and utilizes quality assurance techniques not found anywhere else.

AYTM also has qualitative market research. You can pitch your product or service by webcam or upload any video and get webcam recorded responses from your target respondents.

Special Considerations

How to Discover Your Target Market When You Don't Yet Know Who They Are.

AYTM is perhaps the most affordable and scalable option for helping you identify and find your target market. Maybe you have a winning idea. But often your target market isn't whom you think. You can wait for your real target market to discover you. Lots of outbound marketing may eventually reach the ears of your target market and bring them to you. That's an expensive process and takes a lot of time to develop. Again, time and money is a luxury few of us can afford. What if you could survey a large sample of US consumers and then retrospectively discover the demographics of those who are poised to be your target market customers ready to buy? The AYTM survey results pages includes tools for retrospectively segmenting how different subsets of the respondents answered. It also includes tools for ferreting out survey answer patterns. By performing a large sample survey with questions designed to determine consumer interest in your product/service, you can utilize the AYTM toolset to find and discover your target market.

Using Market Research Surveys to Determine Pricing

Many businesses use market research to help them explore and test set their pricing. Establishing optimal pricing is a real challenge for all startups. Entrepreneurs want to maximize growth, profitability and never leave any more on the table than is necessary. This is a complex topic and cannot be fully addressed in this whitepaper. But it's worthy of some discussion since pricing questions are very common in surveys launched by startups on the AYTM platform.

There are a number of techniques for performing price sensitivity market research. There are lots of pros and cons for each strategy and you'll find lots of debate about which approach to use and when. Here we will review some of the most popular approaches.

Conjoint Analysis

Many experts consider conjoint analysis to be the gold standard for breaking down how consumers value a product or service's individual features as a contributor to overall value and price. Conjoint Analysis comes in several variations and the design and analysis of these types of studies is fairly rigorous and probably beyond the scope of non-professionals. Nonetheless, conjoint analysis is not always the ideal approach to studying pricing: If your product/service's features are already set, the features don't have a range of variance or you simply want to test the overall price. Remember that conjoint analysis is used to look at the inter-relationship of variable attributes of a product/service as contributors to the overall perceived value.

Direct Open-Ended Questioning

Simply asking the respondents "How much are you willing to pay?" or "How much would you expect to pay?" arises a straightforward approach and worthy of consideration. Make sure the respondents fully understand your product or service before asking this question. If they understand and have a need for a product/service, consumers are often capable of establishing its dollar value to them. Measuring their need for a product is critical, If they don't have a need for the product they won't be willing to pay nearly as much for it.

Monadic Pricing Surveys

Monadic pricing studies are one of the purest techniques for testing what people will pay for something. Respondents are shown a single price for each product version and asked to rate the likelihood they would purchase. In order to test different price points, the survey must be run to different sets of respondents. That way, each respondent sees only one price point. Monadic studies have weaknesses and it's critically important to minimize any psychographic and demographic variations between the respondent groups.

Price Laddering surveys

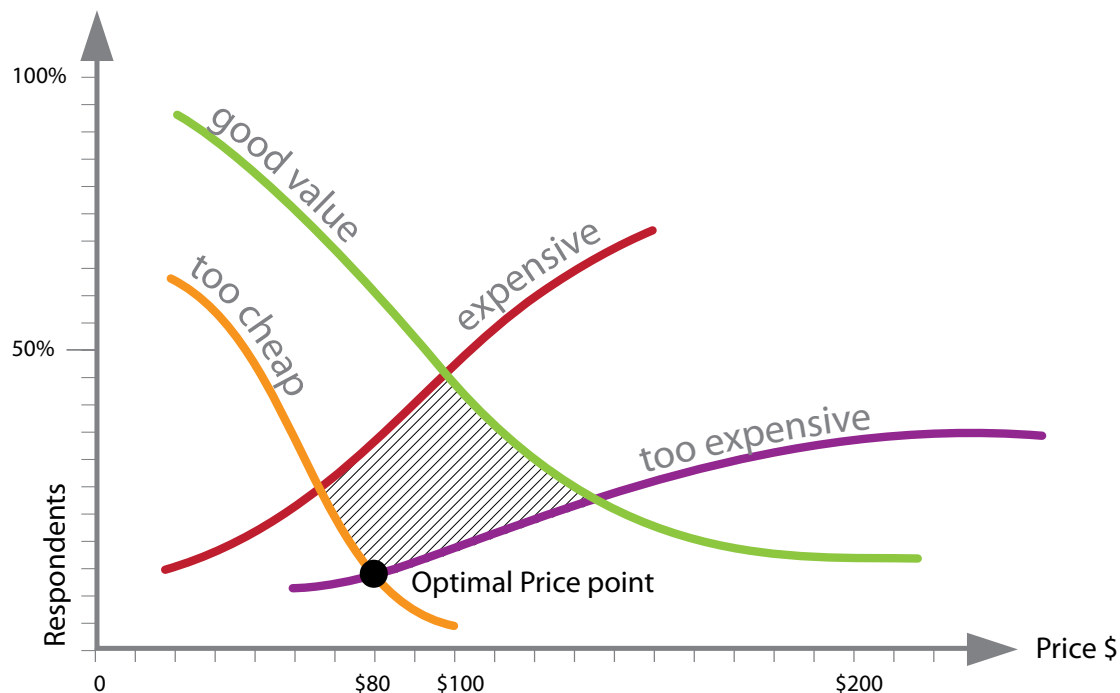
With price laddering, respondents are initially shown a single version of the product/service and tested with a single price for likelihood to purchase as in the monadic strategy. But, those respondents who express a lower than desired purchase intent are asked in follow-up to reconsider if they would purchase at a lower price now put before them. The process can be repeated through a few iterations, typically three. Price laddering has the obvious advantages of reusing the same set of respondents. That reduces survey cost and eliminates the issue of having to minimize psychographic and demographic variations since the same respondent group is used. Technically such method could be easily programmed using the Skip logic.

The Van Westerdorp Price Sensitivity Meter

The Van Westerdorp technique is one of the most commonly used pricing tools and involves based upon asking the respondents four questions about a product/service and requires them to rank each price on a scale from too cheap to too expensive.

1. At what price would you consider this product/service to be cheap? ("good value")
2. At what price would you consider this product/service to be too expensive? ("too expensive")
3. At what price on the scale would you consider this product/service to be priced so cheaply that you would worry about its quality? ("too cheap")
4. At what price would you consider this product/service to be too expensive to consider buying it? ("too expensive")

The results are then plotted as frequency curves and analyzed to find the optimal price point.



Pricing research is only one of the many reasons that entrepreneurs come to AYTM.

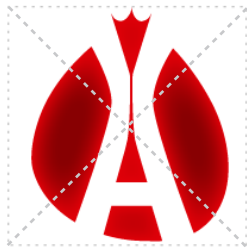


Using Market Research Surveys to Pick The Best Logo, Product, Package or Site Design

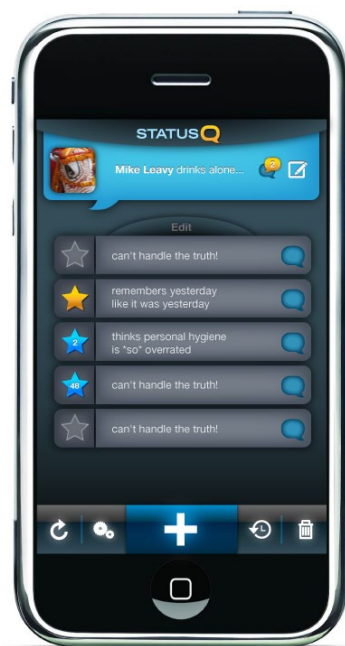
Branding is important. When it comes to spending money and deciding between several similar offerings, branding is all you have to win the first set of the match.

- Compare apples to apples. If you are comparing logos or other designs, make sure that you show respondents variants with a very similar treatment.
- For example, if all variants are black & white and one is in color, it adds a considerable bias and increases the chance that the color logo will be chosen, regardless of its other qualities. Make sure that all logos have same background color, or that the background color is brand element you are testing as well.

- Another classic mistake: some logos are designed to fit in a header and have horizontal proportions which makes them very readable with minimum height and others are perfectly fit in a square. Most professionally designed logos include a few layout modifications to fit well in different applications. When testing a logo, make sure that the different artwork fits nicely into the preview frame and has similar layout/readability qualities.



- Avoid adding long taglines that will make text too small for the respondents, and which might steal their attention away from the emblem itself. You are better off testing the tagline as text in a different question.
- Upload high-resolution graphics to make sure that the respondent has a chance to see your images at full quality. You don't want them to be rated low due to a small size or bad compression.



- When you are trying to find the best set of icons for your app GUI or Website, and you want to show them in the context of the entire page. Make sure that the respondent's attention is not distracted by other graphics and elements. It's better to show icons separately by putting sets side-by-side. You can also shade down the rest of the screen to draw their attention to the element being researched and then test the visual context in a separate question.



Using Video in the survey.

Want to go even further than testing still images? Use video illustration and show respondents an interaction with your Website's prototype, showcase your product, test a commercial, or simply get some feedback regarding your elevator pitch to make sure your points are getting across. Open your survey with a video that will be mandatory to view in full. Then, the respondent will be able to see your first question.

- Use such great tools as www.Screentoaster.com, www.jing.com, or Camtasia Studio to record your screen. You can showcase your site mockup or a give a brief PowerPoint presentation.
- You can use your Web cam to record your pitch or present your product ([see an example](#)).
- With a video explanation, you can give respondents context to a complex study, when otherwise you would have had to write a couple of pages with description and explanations. Remember, nobody likes to read long text passages of text on the Web, but watching a couple of minutes of video is fun.

Final Words

Market research is a fundamental tool for making smarter business decisions. Until recently, the costs and lack of access placed it out of reach for startups and small businesses. Besides price and access issues, traditional market research is too slow a process for startups. Startups require rapid feedback mechanisms in order to use their agility as an advantage larger competitors. Without agility, startups have no chance for survival.

For startups, market research offers the opportunity to validate their ideas before expending capital and human resources and build a product or service that has no market of willing customers. But, market research is not just for initial validation. It should be utilized throughout the life of the business to help guide strategic and tactical decisions.

With the advent of the AskYourTargetMarket.com self-service target market research platform, startups and businesses of any size can afford high quality, target market, quantitative and qualitative market research. AskYourTargetMarket.com, Serious market research at silly prices.