Finding Business Opportunities
The Importance of Market Research

Identifying “the next big thing” is no easy task, but companies must constantly seek out new business opportunities in order to sustain long-term growth in an increasingly competitive environment. Finding ways to generate additional revenue is at the cornerstone of any successful organization, and it’s particularly important now, as disruptive innovation, shifting trade policies, and rapidly evolving technologies force companies to adapt quickly.

Business development may involve evaluating and recommending new markets and product lines, or suggesting new ways to reach existing markets and better meet the needs of current customers. For example, a company may look to increase profits by selling products and services in other countries or through different channels, or reposition an existing brand to reach an important target demographic more effectively.

“External research is essential. We can’t operate in a vacuum, and we can’t do much of anything without MR. It’s our eyes and ears on the market — without it, we can’t make the multimillion dollar decisions we need to make.”

—A global education publisher

Business development is a strategic function that requires you to think at a high level, develop hypotheses about large-scale opportunities, and estimate the potential impact on your business. For those working to develop new business opportunities, the stakes are often high. Investing in a faulty business opportunity can waste valuable time and resources, so it’s critical to use high-quality data and analysis in order to recognize and vet potential new ideas successfully.

Any sound business strategy must be grounded in a deep understanding of the customer, competitive landscape, industry, and business environment. As we’ll discuss in this white paper, market research can help you gain a more objective and comprehensive understanding of these four elements — giving you valuable insights into possible avenues for increased revenue and growth.
Voices and Perspectives from the Field

Throughout this white paper, you will see quotes highlighting the different ways companies use market research to help identify business opportunities. We solicited this feedback during in-depth phone interviews we conducted with clients at leading companies in a variety of industries. These insights give you a glimpse into the ways experienced professionals use third-party research to gain a competitive edge and drive business growth.

Understanding the Customer

There are many different sources for new business opportunities, but according to Raffi Amit, a professor of management at the Wharton School, perhaps the most promising ideas come from listening to customers. “That is something we ought to do continuously, in order to understand what customers want, where they want it, how they want a product or service supplied, when they want it supplied, and at what price,” he said.

But surveying your customers or analyzing data from your own website alone could result in a substandard pool of the information available to you. Surveys can be answered by the most responsive or positive of your customers. Website analytics show customer activity but miss potential customers and their needs.

Syndicated, third-party research can reach into trends from all consumers, not just those current among your customer bases. Using market research to analyze the customer on multiple levels will help you evaluate whether the demand for the product/service is real, and whether expanding into the market is worthwhile for your company.

Start by asking fundamental questions that shed light on the customer and their purchase situation:

• Who is the customer?
• What does the customer want to buy?
• When does the customer want to buy?
• Where does the customer buy?
• How does the customer pay?
• What price is the customer willing to pay?

As you conduct a customer analysis, identify consumers segments that share common characteristics. These may include demographic factors such as age, gender, education, income, occupation, and place of residence, or softer variables such as lifestyle and values.

“Our marketing and strategy departments use MR to inform the primary research they conduct — it serves as a knowledge base and helps with innovation efforts. What does the consumer want, and how do we apply our own solutions to that?”

—A leading global food & beverage company
Evaluating consumer motivation may be a particularly fruitful source of innovation. As Scott Anthony, coauthor of the book Dual Transformation: How to Reposition Today's Business While Creating the Future, describes in the Harvard Business Review, simply asking “what job is the customer trying to get done?” can reveal the frustrations and desires that drive purchases.

When you find a job not done well — for instance, when a customer’s key criteria is not being met, or when there are barriers constraining consumption — you can begin to identify possible opportunities for business innovation and expansion.

Analyzing the Competition

Knowing who your key competitors are and assessing their strengths and weaknesses is another essential step that can illuminate specific growth strategies and ways to differentiate your products and services. When analyzing the competition, consider the following:

- Who are the main industry participants, and what is their market share?
- What products or services do they sell, and what is their value proposition?
- Which products and brands are growing more significantly and why?
- What are the strengths and weaknesses of your competitors?
- What strategies can you employ to build an advantage?

You may also want to look closely at indirect competitors. For example, airlines may want to consider how else people travel long distance (via bus or train), and how they can persuade customers to take a plane instead. Southwest’s low-cost airline service attracted people who might otherwise take the bus or not travel at all.

Taking the Pulse of the Market

Assessing your customers and competitors is not enough. You also need to obtain a broader understanding of the market as a whole and what the potential of success is in the market. Otherwise, your organization could be trapped into thinking that a few percentage points increase is enough, where there is actually much more potential. Market researchers are experts at providing the overall objective picture and can help you step away from intra-company thinking.

“We use market research to get a better understanding of consumer motivation. What portion of customers is opting for lower-cost brands that are ‘good enough?’ How can we account for differences between specific types of consumers and how they approach the buying process?”

—A manufacturer in the construction industry

“We use industry studies to get a macro-level view of what’s happening in the industry and to get a thumbs up or thumbs down sense of how various product and market segments will perform in the future.”

—A large chemical company
When analyzing a market, these high-level questions come into play:

- What is the market size?
- How quickly is the market expanding or contracting?
- How many buyers are there?
- What are the barriers to entry?
- What is the bargaining power of suppliers?
- What is the intensity of the competition?
- Is there a threat of new entrants or substitute products or services?

Pursuing adjacent opportunities can also be a winning strategy. In a five-year study, researchers analyzed the growth and performance of 1,850 corporations. They found that the companies with the most sustained profitable growth had used a systematic, disciplined approach to expand the boundaries of their core business into an adjacent space. Some companies expanded from one geographic market to another, while others applied an existing business model to adjacent segments.

Take Procter & Gamble’s Crest toothpaste brand as an example. In the late 1990s, Crest was floundering, but Procter & Gamble revitalized the brand by moving into two other categories — teeth whitening and brushing — with the introduction of Crest Whitestrips and SpinBrush. The company used the same channels to reach the same customers with the same marketing framework and added more than $200 million of new sales for each new brand in one year.

Keeping your finger on the pulse of a market will help you to maintain a proactive approach and profitably outgrow your rivals by finding ways to expand outside your core business.

**Scoping Out the Business Environment**

Another area to explore is the overall business environment, which can have a profound impact on company performance and the ways industries operate.

The business environment includes factors such as:

- Technological developments
- Government regulations
- Geopolitical shifts
- Economic indicators
- Trade policies
- Social and cultural norms

As an example, companies in the life science and healthcare sectors currently face a number of potential disruptors that contribute to ongoing uncertainty, as noted by market research firm Kalorama Information, including attempts to repeal and replace the Affordable Care Act, health IT policies, and President Trump’s statements about drug pricing. Other factors impacting
markets include Brexit, rising out-of-pocket spending on healthcare, and physician shortages. Any new business opportunity in these sectors will need to be evaluated in the context of these factors and challenges.

**Finding the Information You Need Fast**

Gathering and synthesizing information about all these categories can take significant time, effort, and expertise, but market research reports can give you a helpful leg up.

“Off-the-shelf” reports, such as those available on MarketResearch.com, can supply you with much of the information you need for a comprehensive understanding of the customer, competition, industry, and business environment. In these reports, you’ll find information on market size, market share, market forecasts, information on regulations, consumer demographics, and much more. In addition, many reports explicitly share analysis on key opportunities for future growth, next-generation product innovation, and emerging marketing strategies.

The specific contents of reports vary by publisher and topic, but they often contain the following types of data and analysis that can be useful for business opportunity identification:

- Market size estimates — historical trends and growth
- Consumer trends — product usage, consumption patterns, and brand usage
- Demographic insights
- Category sales
- Pricing trends
- Retail channel trends and purchasing patterns
- New product activity
- Market share estimates
- Company performance and profiles
- Strategic SWOT analysis review
- PESTLE insights
- Porter’s five forces analysis
- Mergers and acquisitions
- Distribution deals and partnerships
- Competitive strategies
- Marketing and distribution
- Key economic indicators
- Regulatory issues and government initiatives
- The role of technology in the market

If you are researching a niche market that is not covered in a published report, you can also commission a custom market research project to fit your unique specifications. Our expert team of in-house analysts regularly assists companies with make-or-break decisions and initiatives such as new product development, geographic market expansion, mergers and acquisitions, competitive intelligence, voice of the customer, and strategic planning.
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