

The Importance of Market Research for Validation and Decision Making



In today's rapidly shifting market landscape, the ability to make effective data-driven decisions is crucial for a variety of essential business operations across an organization.

Consider the following scenarios:

- A CEO who is thinking about making a large acquisition to enter a new market
- A product developer working to stay ahead of shifting trends
- A management consultant advising a client on how to reboot their business
- A brand manager creating buyer personas to shape marketing efforts
- An entrepreneur building a pitch to secure funding from venture capitalists

Each of these individuals may have previous experiences and gut instincts that inform their thinking and planning, but they must also incorporate high-quality data and analysis into their decision-making process in order to understand the bigger picture, persuade key stakeholders, and back up their conclusions.

Risk is inherent in each of these situations, and a fumble at the wrong moment can lead to serious consequences for an individual's career success and a company's longevity. When the competition is fierce and the margin of error is thin, relying on faulty assumptions can be fatal.

As we'll explore in this white paper, high-quality market research can mitigate these risks by helping to test your hypotheses, validate your insights, and build your sense of confidence.

Warning: Your Internal Data May Be Misleading



It may be tempting to rely on your company's own internal data for business intelligence purposes, rather than sourcing research from an external provider. After all, most companies have access to a growing volume of data from a variety of departments such as sales, accounting, customer service, product development, marketing, web analytics, and inventory management. Many companies tend to trust their own data more than outside sources, but that can prove to be a costly mistake.

Using misleading data can lead to overvaluing your market share and other mistakes.

According to the [Harvard Business Review](#), data quality is in worse condition than most managers realize. In a study involving 75 executives from a broad range of companies and government agencies, only 3% found their departments met basic quality standards.

When viewing their company's low data quality scores, most executives in the study were "shocked, even horrified," particularly given the critical nature of their work.

Using faulty data creates unintended ripple effects up and down an organization and can be extremely expensive. Poor-quality data costs the U.S. economy a stunning \$3.1 trillion a year, according to [IBM's estimate](#).

"The most dangerous animal in life is a recently minted MBA student with software," quipped [Liam Fahey](#), executive director at the Leadership Forum, an education program for senior leaders in business intelligence and knowledge management.

Insights must be questioned and considered tentative until they are corroborated. It's vitally important to cross-check and supplement company data through the use of third-party market research conducted by trained analysts. Combining multiple points of view, rather than relying on one, can help overcome knowledge gaps, misinformation, and systemic biases.

Why You Need an Outside Point of View



Since 2000, more than half of the companies in the Fortune 500 have merged, gone bankrupt, or been acquired, [according to Forbes](#). A new generation of innovative companies has sprung up, creating unique business paradigms for the organizations of tomorrow.

In this volatile environment, it's not enough to just predict or forecast within the existing scope of business (though you should). To avoid getting "Ubered" like the cab industry, companies must leverage accurate data and qualitative assessments about the industry direction and identify gaping holes in customer satisfaction that outsiders may prey on. Rigorous analysis should be used to drive decision making and adapt in a timely manner, and in this regard, third-party market research can protect you in more ways than one.

Market research can open your eyes to products and trends beyond your own company and help you become more aware of influential variables such as:

- Disruption
- New technology
- Rising competitors
- Shifting consumer preferences
- Socio-economic changes
- New regulations
- Growing and shrinking markets
- Potential new partners and suppliers

With adequate research, you can seize valuable opportunities for product development and new market entry. You can also make more prudent investments—increasing spending on markets that still have room for growth and re-evaluating investments in markets with lower demand.

Market research can also give you the foundation you need to make other pivotal shifts in your business. For example, you may find that you need to build new external partnerships to quickly adapt to technological changes (such as cloud computing, virtual reality, or automation), or it may be in the best interest of your company to acquire a start-up to maintain a foothold in an evolving industry (such as Walmart acquiring Jet.com to boost its e-commerce side of the business).

Making smart business decisions—and gaining buy-in from stakeholders along the way—is much easier when you have credible evidence to back up your strategies.

How to Use Market Research to Validate Insights



Using research to support decision making may sound appealing in theory, but how do companies actually use market research in practice? What are the common approaches?

MarketResearch.com recently conducted dozens of in-depth phone interviews with corporate clients in different roles—including product managers, insight analysts, marketing directors, and category and portfolio leaders—at Fortune 500 companies in health care, food and beverage, financial services, manufacturing, publishing, and global management consulting.

During these interviews, we asked open-ended questions to better understand the role of market research at these companies. Across different industries and types of companies, our client's feedback repeatedly underscored the importance of market research for validating insights and supporting decision making.

Here's a summary of how the companies we interviewed use market research to get a reality check:

- **Gather points of comparison:** Compare how different researchers define and segment a market. Contrast internal and external estimates for market size, market growth, and market share to arrive at the most accurate conclusions.
- **Deepen your knowledge of the market:** Validate numbers and understand the “why” behind the data. Where is the market going? What are the major market trends, drivers, and inhibitors to growth? What technologies or materials are gaining traction? Are there adjacent opportunities to pursue?
- **Assess the competitive landscape:** Get different points of view to better understand your company's position. How do you stack up against the market? Who are the key players, and who are your biggest competitors? What companies are disrupting the market? Market research can also provide information on private companies that is otherwise difficult to gather.
- **Fill in gaps of consumer knowledge:** Explore new products and categories and how consumers are using them. Create a story about consumer trends and quantify opportunities. Understand how consumer habits and motivations are changing. Evaluate the role of technology in influencing consumer behavior.
- **Disseminate insights across the organization:** Use market research as a means to educate employees at different levels of the company. Incorporate the information into sales meeting presentations, marketing and new product development initiatives, executive reviews, and strategic-planning sessions.

As the clients we interviewed put it, third-party research shows you “how the marketplace is being perceived” and provides an “inside track on what’s happening.” When making important business decisions, market research is sometimes “the deciding factor on whether to green light or hit the kill switch.”

Data Points and Information You May Find Useful



Depending on your business priorities, you may look at a variety of specific factors to validate your insights and enhance decision making, such as:

- Market size estimates—historical trends and growth
- Key economic indicators
- Category sales
- New product activity
- Pricing trends
- Retail channel trends and purchasing patterns
- Market share estimates

- Company performance and profiles
- Mergers and acquisitions
- Distribution deals and partnerships
- Competitive strategies
- Marketing and distribution
- Consumer trends—product usage, consumption patterns, and brand usage
- Demographic insights
- Regulatory issues and government initiatives
- The role of technology in the market

Market Research Options to Consider



When acquiring market research, a variety of content delivery systems and formats are available to fit different needs, budgets, and preferences.

Syndicated market research reports: The type of industry research listed above (in the previous section) is often provided within ready-made reports of varying lengths. You can find reports from hundreds of well-known publishers on [MarketResearch.com](https://www.marketresearch.com).

Your task will determine what form of research you need. Full reports, slices and sections, and even custom projects are available.

Sections and slices: Depending on the research provider, you may be able to stretch your budget and purchase individual sections of a report—such as chapter, table, or chart—if you only need to access specific data points. MarketResearch.com’s in-house publishers and [Profound solution](#) provide this option.

Subscription platforms: Alternatively, if you or your team need a more comprehensive understanding of an industry and want consistent access to a larger volume of research, you can purchase a research subscription on a particular industry. These subscriptions may come with added tools and benefits that save you time and money, as is the case with MarketResearch.com’s [Knowledge Centers](#).

Custom research: If you are researching a niche area not covered in an “off-the-shelf” market research report, you can also commission a [custom market research project](#) to fit your unique specifications.

Before You Buy: Assessing the Credibility of a Market Research Provider



If you search for market research on Google, you are likely to pull up millions of results. Unfortunately, not all market research providers are credible. If you rely on low-quality vendors, your own research and conclusions may be equally flawed. The adage “garbage in, garbage out” applies all too well.

Listed below are a few common attributes of low-quality publishers:

- The table of content promises a certain level of coverage, but the content doesn’t deliver—only limited information is provided on each topic.
- Segmentation errors, including products not understood by industry veterans to be in the segment, inflate numbers. (For example, including home desks in an office furniture market, or all beds with wheels in a medical beds report.) This alone will make the research useless.
- Regurgitation of press releases or government data, rather than significant analysis.
- Unclear methodologies for seemingly detailed quantitative data. How did the analyst come up with those numbers? Some vendors may not explain their approach.
- Out-of-date analysis. (It’s probably time to stop talking about the recession of 2008.)
- Information is out of context or incorrect. This may happen when analysts are not specialists in the industry, or are unfamiliar with a particular region.
- The research includes plagiarized material or is poorly written.

To vet a market research provider before you purchase, gather enough background information so you know the research is credible. Here are a few ways you can do that:

- Review the publisher’s history and company information.
- Look up how long the publisher has been in business, and read the bios of the leadership team and analysts.
- Check the report’s abstract, table of contents, and methodology.
- Ask for a sample section or table.
- Speak with a research specialist or account manager about the publisher.
- Search a publisher’s name in [Google News](#) to see where they’ve been cited. Major and reliable reports should have a fair amount of media.
- Request a demo of a research platform, if applicable.

Once you have narrowed down your selection, you can also use the worksheet on the next page to complete your assessment.

Publisher Assessment Worksheet



This worksheet is designed to help you compare market research publishers and evaluate which ones best meet your specific needs.

	Publisher A	Publisher B	Publisher C
<p>Quality</p> <ul style="list-style-type: none"> • What are the credentials of the publisher or analyst? Is their research cited in major trade publications or credible news outlets? • Does the publisher produce a collection of reports on the same industry? • Is the research methodology explained? What information sources are used? • Does the data show consistency over time? Can you access historical data? • Is the information clear and well-written? 			
<p>Coverage</p> <ul style="list-style-type: none"> • Does the research cover the markets, geography, and products you require? • Is the research broad or granular enough for your needs? • Does the research provide information and analysis beyond publicly available information? • Will you access “hard to get” data and expert analysis that saves you significant time and gives you an outside perspective? 			

	Publisher A	Publisher B	Publisher C
<p>Cost</p> <ul style="list-style-type: none"> • Is the price point cost-effective? • Will you gain access to the amount of research you need? • Can you obtain a global site license for your team and unlimited use of a research portal? • Can you download tables, charts, or sections, if that's all you require? 			
<p>Ease of Use</p> <ul style="list-style-type: none"> • Can you find what you need quickly and easily? • Does the publisher just provide PDF reports, or can you access an online platform with added search capabilities and tools to save you time? • Can you easily build internal reports and presentations with the data provided? • Is any training provided, should you need it? 			
<p>Service</p> <ul style="list-style-type: none"> • Does the publisher provide personalized assistance through a dedicated account manager? • Can you ask questions about the research and get detailed answers? • Can you obtain custom market research when required? • Will you build a collaborative partnership that enhances your overall research capabilities, or will your relationship with the vendor remain transactional? 			



About MarketResearch.com

MarketResearch.com is the leading provider of global market intelligence products and services. With research reports from hundreds of top consulting and advisory firms, MarketResearch.com offers instant online access to the world's most extensive database of expert insights on global industries, companies, products, and trends.

In addition to aggregating reports from outside firms, MarketResearch.com offers authoritative research from several in-house publishing divisions. Each of our publishers offers a full range of custom research services as well.



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Kalorama Information supplies the latest in independent medical market research in diagnostics, biotech, pharmaceuticals, medical devices, and health care.



Simba
Information

Simba Information is widely recognized as the premier authority for market intelligence in the education and professional publishing industries.



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