The Fundamentals of Performing Market Research

COMMUNICATING THE NEED

The first step in conducting market research is communicating the core business need or opportunity that is being researched and the application or solution requirements, if known, to the Vendor and IT industry. The information must reach the IT industry early in the process for many reasons:

- It allows vendors to identify potential a "commercial off-the-shelf" (COTS) product or services that can meet the requirements and business needs. It may also identify if suppliers can meet the requirement by modifying their products as a "modified off-the-shelf" (MOTS)
- It provides the upfront analysis of flexibility in the industry solutions which may lead a project to modify their technical or business requirements to allow for the flexibility needed.
- It allows the IT industry to better prepare responses during subsequent procurement phases. It is important to communicate the requirements early so that the industry can easily understand the need and provide to the agency the best and most current information.
- Finally, it provides the IT industry the opportunity to offer suggestions which can aide in shaping the procurement strategy, product description, SOW components of the solicitation evaluation and even post contract management factors.

MARKET REEARCH—STEP BY STEP

Step 1. Define the Objectives. Perhaps the most important step in market research is defining the business problem and objectives of the project. The core of defining the objectives is to ask questions that will achieve quality market research outcomes. By allowing the Industry to understand the objectives clearly, the research will be more focused and effective. Developing an outline or mock-up report (beginning with the end in mind) can also help focus market research efforts. Ultimately, your goal is to gather enough information to make an informed decision.

Step 2. Determine the Research Method. Plan out the type of research deliverable that will best obtain the necessary data (e.g. a detailed plan of attack). Identify the types of data needed to conduct the analysis, which will dictate the structure of questions to ask, and plan how to conduct research (telephone, in-person, mail, internet, etc.). The research methodologies will be based on the nature of the data collected.

Research methodologies can be further defined by classification or type, as a means to segment the data collected. For example, below are two types of classifications:

- **Exploratory Research** –Used when the topic is not well defined or understood, the hypothesis is not well defined, and/or the knowledge of a topic is vague. Exploratory research will help gain broad insights, help narrow the focus, and learn the basics necessary

to go deeper. Common exploratory market research techniques include focus groups, interviews and demonstrations. An RFI at this level should contain high level details questions and/or surveys.

- **Descriptive or Qualitative Research** – Used for research requiring detailed data on a specific topic. The goal of this form of market research is to measure specific topics of interest, usually in a quantitative way. Surveys are the most common research instrument for descriptive research. There are also mini focus groups or focused vendor industry briefings/ pre-procurement discussions. An RFI at this level should contain detailed level questions and/or possible sampling of requirements.

Step 3. Design and Prepare the Research Deliverable. If using an RFI, survey or questionnaire, begin by writing and forming the questions. Include the business and technical requirements. If a focus group is the preferred choice, start preparing questions and materials for the moderator. If complex research is needed, be sure to test the survey instrument or RFI with a small group prior to broad deployment.

- Prepare the deliverable with the end in mind. Let the questions drive the response.
- Do not prepare a RFI questionnaire or survey in the same format of a solicitation document.
- Always express to the industry that an RFI deliverable is not a procurement/solicitation vehicle.

Step 4. Administer and Collect Your Data. Administer the RFI, survey, etc.; run the focus groups; conduct the interviews; hold pre-bid conferences, demonstrations etc. Collect and thoroughly record the answers, choices, and observations in spreadsheet format or create a way to organize the data. Though collection of data can take many forms (spreadsheet, charts, etc.), the way it is collected should be meaningful and should be customized to provide, stakeholders, project teams, business and technical staff, end users, SME's and executives clear and unbiased data that leads to sound decision making.

Step 5. Analyze Your Data. Analyze the outcome and read through all the data. Compile the data in a clean organized format. Run summaries and scenarios with the information by building spreadsheets, tables and graphs, and segment the results by groups or needs. If ratings and rankings are used for building recommendations, consider computing a mean, or average. Ensure that all project participants involved have an understanding of the feedback and have sufficient input into analyses, or the outcome of results. Provide participants the chance to carefully review and discuss the findings.

Step 6. Document the Data and Communicate Results. Compile the data into a report or presentation. Start with the research objectives and business problem that were identified in Step 1. Restate the business questions, and present recommendations based on the data, to address those issues. Include present insights and recommendations.

When completing the steps to conduct Market Research, be aware this requires time. Many Agency/state entities are often strapped for time and budget and may take shortcuts that can later backfire.

FURTHER CONSIDERATIONS

Start Early and Perform Market Research Often. Begin market research early, while the solution requirements are still flexible! Early research can support the development of the requirements document.

Always Involve Users (Critical Partners/Stakeholders) Involve users in the market research process, not merely in just defining the requirements. Try to involve users formally in working groups, and maintain constant informal lines of communication between them and the market research analysts. Users in the field most likely will have access to new technology and new product information that needs to be conveyed to those who define the business and technical project requirements. Users also play a major role in identifying problems with the current equipment or service.

Communicate Good communication across all project members, functional, business and technical areas, SME's, the vendors/ industry, users and executives is the most important factor to the success of market research. For this reason, an extensive and collaborative market research approach will always work best as a team effort. The effect of linking each member's prior experience and area of expertise with the information gathered will guarantee more balanced, "best-value" decisions.

Tailor the Research Effort The amount of time and money spent on market research should be related to factors such as the value of the project and the complexity of the business need. If market surveillance/research information tells you there is little potential for commercial use, further market research should be minimal. If commercial potential is high, an extensive more detailed market research may be called for. Do not invest more in market research than are warranted by the potential benefits received from the business need.

Refine as You Proceed The research should always proceed from the general to the specific. Acquire a little bit of information on many producers and products and a lot of information on the few products/services that are likely to fit and meet the requirements. The market research should be structured to acquire only enough information to decide whether to proceed to a more detailed examination of possibilities.

Common pitfalls in market research include

- Using only secondary research. Relying on the published work of others doesn't give the full picture. It can be a great place to start, of course, but the information you get from secondary research can be outdated. It can miss out on other factors relevant to your business.
- Using only web resources. When you use common search engines to gather information, you get only data that are available to everyone and it may not be accurate.
- Surveying only the products you know. Agency/state entities sometimes interview only those commonly used or historically used products or services when conducting research. To get the most useful and accurate information, you need to talk to real customers about their needs, wants and expectations.

MARKET RESEARCH METHODS

The following are example methods used to conduct market research:

- Acquire technical and or business analysis publications information about products, trends, product availability, business practices, product/service reliability and prices
- Contact via phone, email, or physically knowledgeable individuals in State or other government and industry regarding market capabilities to meet requirements.
- Conduct unbiased industry briefings/ pre-procurement discussions via phone, email, or physically with potential suppliers to discuss solution needs. Ask about the purchase history of same or like solutions to collect data to help determine the level of competition, prices and performance results. Be sure to seek advice from procurement when pursuing this approach.
- Discuss with agency or central procurement the option of publishing and processing a Request for Information (RFI) to survey the market.

WHO SHOULD BE INVOLVED?

For successful research that leads to successful procurements, consider the following when identifying who should have input to the market research:

- Who are the stakeholders (Counties, Local Agencies, other Agencies/state entities)?
- Who would know what information is needed to make the decision to buy from the commercial market?
- Who would know of the product/services need, or maintenance and operations?
- Who Is testing or tracking success metrics for the product, services, or solution?
- Who would know the business practices and standards?
- What practices are standard for the insertion of new technology?

The agency project team responsible for market research may be composed of the following:

- Procurement
- Executive management
- Technical Staff/Technical Leads
- Business/Functional/Project Management Staff
- Stake Holders/End Users/Users/Critical partners (may include outside agencies)
- Subject Matter Experts (SME's)
- Cost Analysts/Rough Order of Magnitude (ROM)/Budgetary staff
- Legal Representatives