

Small business, big opportunity?

Why research firms should stop ignoring small businesses

When my small business was born, I thought I was doing something special. In the years that have passed since my company's birthday, though, I have learned that starting a business is not an uncommon activity at all; actually, the numbers are staggering. There are almost 30 million companies in the United States, and 99.7 of those are small businesses (for our purposes here, defined as having less than 500 employees). Small businesses employ more than half of all workers in the U.S., and account for 44 percent of the national payroll. Sixty-four percent of all new jobs are in small businesses, and 627,000 new businesses are born every year¹. That is equal to more than one new business being created every minute of every day, in the United States alone.

So, whether or not my pride was justified, it certainly was not unique; there are a tremendous number of small businesses being formed every day. But how many of the individuals reading this article have ever executed a research project for this half of our potential nationwide clients? We, as researchers, have thus far done a poor job of serving this market - to their detriment, as well as to the detriment of the research industry.

With this in mind, my experience has placed me in a somewhat unusual position in the space of market research firms, in that mine is a small business itself and also has the explicit goal of serving other small businesses in their research needs. Thus, we have acquired a perspective on the issue from both sides: that of the business manager struggling to understand his market and that of the consulting agency hearing the wants and needs of other business owners, themselves engaged in that struggle. This has taken place through working relationships as well as informal conversations with several small business owners and employees.

In this article, I hope to use these insights to expose some of the ways in which market researchers are missing an opportunity to benefit from this underserved market, some reasons why this may be taking place and a suggestion or two for ways in which this situation can be improved.

Three important reasons

Why are small businesses not currently more active purchasers of research services? Their marketing



By Wilson Readinger

snapshot

The author, himself a small business owner, argues that marketing research firms need to do a better job of helping small businesses with their research needs.

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dollars have increased, corresponding to several factors including the availability of more user-friendly campaign approaches such as Google AdWords and the set of social media advertising opportunities. Franchises such as the PRstore have appeared on the national landscape, geared exclusively toward small business marketing efforts. But research expenditure has not followed suit. I suggest there are at least three important reasons for this condition.

First, many small business owners are not aware of their need for market research insights. The “you don’t know what you don’t know” problem is not unique to small business owners, but it is particularly acute in this case. Small businesses tend to be new businesses and new businesses often do not have the benefit of years of experience in a particular consumer market, geographical area or product category. Relatedly, the decision makers in these businesses may not be aware of the wealth of information that well-executed market research can uncover. Their need for it, along with its potential value to them, may be obscured.

Of course, some small business owners certainly do overcome this level of unawareness and decide they could benefit from research services. They will attempt to do the work in-house (and we will consider this situation later). But those who have a question they need answered, or have information they would pay to have, may not know where to turn. If our hypothetical business owner is aware of the existence of many of the large research agencies, she would (rightly, I think, in most cases) assume that her needs were of a scale too small for their attention. More likely, though, she would search online or ask colleagues or mentors for recommendations. In the larger metropolitan areas, many options exist; in less-urban locations (where many small businesses exist), the choices are significantly fewer. In any case, selection of a firm is difficult. How many research firms specialize in work-

ing with small businesses or even explicitly state that they welcome inquiries from such entities?

Finally, at the root of this issue (like so many others) is money. If our most resourceful and persistent small business owner has sourced some firms and requested bids for her project, she will probably find that the costs are beyond her means (or, at least, more than she hoped to pay). Among the individuals who have shared their opinions on this topic, the most common complaint (by far) is that market research is too expensive for most small businesses. Owners and decision makers agree that a professional could do a better job than they could do themselves and they tend to believe that there are techniques and methods of which they themselves are simply unaware or unable to execute efficiently. But even for the best imaginable results, the cost simply cannot be justified. This sentiment is echoed in a common refrain among this group of individuals: “I would LOVE to be able to spend that kind of money on research.”

Must reach out

How can research firms respond to this? In general, I do not believe it is a question of simply being less expensive. Awareness, value and efficiency, though, are the keys. This begins with a “soft” solution; research must reach out to small businesses. The first critical step is to make decision makers aware of the fact that we recognize their need for reliable, actionable information, and we are willing and able to help them reach their goals as their business grows. In this regard, the market research industry has tremendous room for growth, mirroring exactly that growth that this set of potential clients hopes to realize.

Partnering with marketing firms is one way to overcome some of these obstacles. In these cases, awareness of the need for research is often present, as the professionals in charge of creative, media buying and advertising and other marketing efforts will know when the intel-

ligence they have (or their clients have) is insufficient. This has the added advantage for the business owner of creating an integrated team of marketing and research that can work together on their behalf, without the need for them to serve as messenger or middleman.

Research firms must also be able to prove their worth, in a variety of different ways. Case studies and professional references are an important part of this point, as small business owners will recognize that other businesses have had similar problems or needs and have benefitted from professionally-executed market research. At least as important, though, is quantitative data regarding the benefits of research. While this is notoriously difficult to obtain, its importance cannot be overstated. Imagine two statements: 1. “A market segmentation study was conducted and led to the creation of an effective targeted marketing campaign.” 2. “A market segmentation study was conducted and led to the creation of a targeted marketing campaign that increased revenue by 55 percent over three months and immediately reduced advertising spending by 25 percent.” Our clients should demand the second sort of statement from us, and most small business owners I have dealt with, indeed, do. If we want their business, we must be prepared to furnish that sort of support for our claims of research value and effectiveness.

Pushed too far

There is, however, an even more important step that can be taken with regard to how many research firms do business. Custom research is appropriate for many occasions but the concept is sometimes pushed too far. Indeed, not all research must be custom research. For example, large parts of questionnaires can often be reused and repurposed for multiple studies without reinventing the wheel for every client. Online surveys can easily be constructed to include questionnaires that are relevant to more than a single project, thus

enabling clients to share the costs of recruiting and incentives, without any sacrifice of data quality or quantity. Similarly, grouping projects together and extending qualitative sessions to include two consecutive one-hour focus group sessions with the same participants, for instance, can lead to savings (as we may offer incentives of \$40 per participant for a one-hour session, and just \$50 for two hours). In general, we researchers tend to view our work on a project basis and thus we construct methods and instruments consistent with this

notion. But each project does not have to be an island; in fact, there is much to be gained by adapting and creating new methods to take advantage of savings such as those hinted at above.

Find significant reward

Many of those individuals who start their own businesses do so because they recognize an unserved or underserved market. From the standpoint of professional market research services, these individuals themselves represent such a market, as in many

cases they have the need, the desire and the ability to afford our services. Through an examination of how we do business, and some changes to that standard model, enterprising research firms may find significant reward in targeting the market research needs of small businesses. This small business owner, for one, would welcome such a change. | Q

¹ U.S. Small Business Administration, Office of Advocacy; U.S. Dept. of Commerce, Bureau of the Census; U.S. Dept. of Labor, Bureau of Labor Statistics.