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A Practical Guide to Primary Market Research

This is new material that was only covered at a high level in *Disciplined Entrepreneurship*. I want to express my thanks to my colleague Elaine Chen at the Martin Trust Center for MIT Entrepreneurship, as well as the entire marketing group at the MIT Sloan School of Management, especially Professors Catherine Tucker, Duncan Simester, and Drazen Prelec, who provided important intellectual contributions and consultations with regard to this chapter. The good ideas are theirs, and I take full responsibility for interpretations or extrapolations to the entrepreneurial environment that might be more controversial.



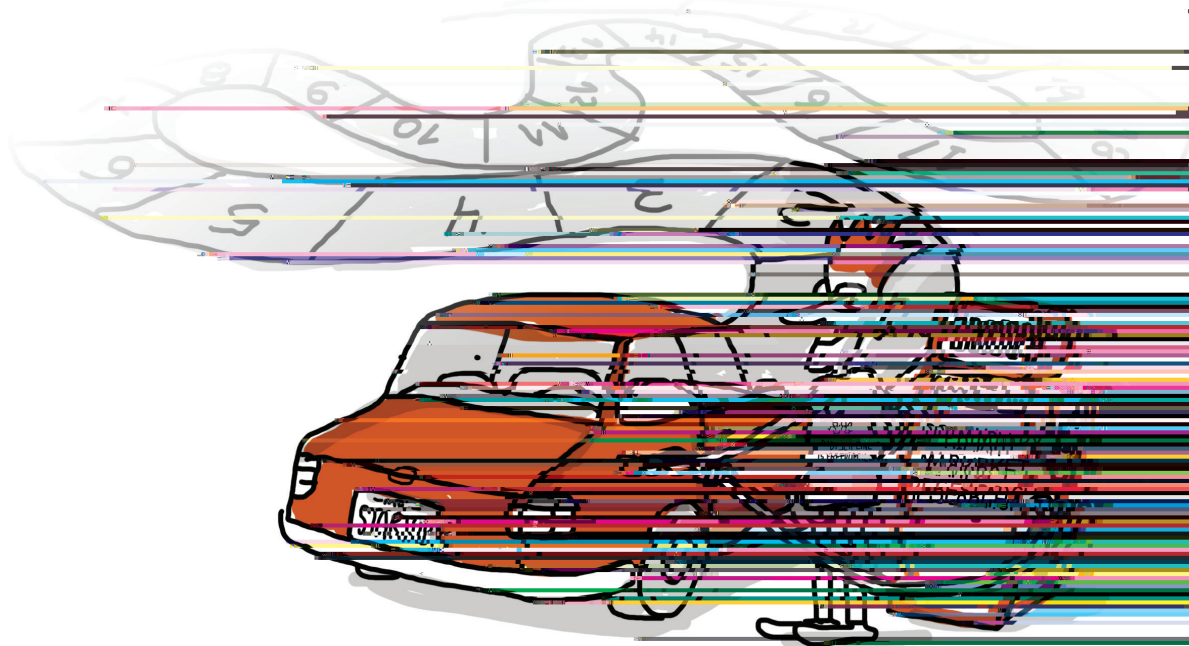
Primary market research is direct interaction with customers to understand their situation. The skills required to do effective primary market research are required to complete almost every step of the 24 Steps. Step 1, Market Segmentation, is heavily fueled by primary market research, but you never stop doing primary market research when you want paying customers.

I've added this supplemental material to help you develop a fundamental skill that underlies the entire process of starting a company—the knowledge and ability to do good primary market research. *Disciplined Entrepreneurship* gives an overview of the topic, but this chapter will help you research much more efficiently and effectively.

The entrepreneurship community has lagged behind in incorporating primary market research into startup formation, which is a missed opportunity. Customer-focused companies such as Procter and Gamble and leading product design firms such as IDEO and Continuum Innovation have long practiced primary market research in their user-centered design processes.

More recently, with terms like Steve Blank's "customer discovery," primary market research is becoming less intimidating an idea for entrepreneurs. But primary market research has deep roots, and this chapter explores the depth and breadth of academic and practitioner insights on the topic.





Primary market research feeds into the 24 Steps all along the way and is the fuel that keeps the process going in the right direction.

Entire books have been written on this topic, so I am going to try to synthesize it down to what entrepreneurs really need to know to be successful. As Dharmesh Shah says, one of the key things you need to do to be successful in a startup is to start. It is right there in the name. So don't get overwhelmed by the magnitude of this task; just get started.

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- **Primary Market Research:** When you (or someone you hire) directly interact with the potential customer to gain knowledge specific to your potential new venture. I will often call this “bottom-up” market information. Depending on where you are in the 24 Steps, you may be interacting with the end user or with other individuals within the company, such as the people who make spending decisions (the “economic buyers”), the people who will advocate for the purchase of your product (the “champions”), or others who influence or control the procurement process (collectively, the entire group is called the “Decision-Making Unit,” which I will get into much more detail in Step 12).
- **Secondary Research:** Material you get from sources other than the potential customer. It is indirect. It is generally not specific to your business. These are the industry and government reports that you can find on the Internet or buy from a source that has already done them. I will refer to this as “top-down” market information.
- **Qualitative vs. Quantitative Research:** Qualitative research is exploratory research that helps you generally understand a topic, and is often conducted through a small number of open-ended in-person interviews. Quantitative research uses a much more structured approach and focuses on gathering specific data to prove or disprove the hypotheses created in the qualitative phase.

- **Ethnographic Research:** Technically defined as the systematic study of people and cultures. In primary market research, it turns out that customer psyche plays an important role in decision making. Sometimes, it is even more important than a rational or economic perspective. However, you can't ask people directly why they do what they do, because people are bad at explaining their habits. And yet it is essential for you to understand this behavior. Anthropologists

any information that runs counter to your hypothesis. A good way to counter this tendency is to set up criteria beforehand that will confirm or disprove your hypothesis so that you don't change the metrics for success once you start. Even then, bias can still creep in based on how you structure your questions and surveys, inadvertently prompting the customer to provide the answers you want to hear. You must be neutral and not "lead the witness."

4. **Selection Bias:** The people you interview, whether during qualitative or quantitative research, may not be a good representation of the opinions of the group as a whole. Think about Internet polls that allow everyone to vote without controlling for demographics. The type of people who vote do so in percentages that far exceed their true representation of the broader population. As such they produce wildly inaccurate projections. This is why political candidates like U.S. presidential aspirant Ron Paul, with a very passionate base, have done so well on Internet polls, despite not gaining traction in general elections. You need to really understand what your sample should look like to produce meaningful results and control for variations between people that will affect your results. Sometimes, selection bias can be exacerbated by not clearly defining who your customer is. If your end user is "women" and you are at the mall interviewing or observing potential end users, will a 15-year-old affluent urban female have similar opinions as a 40-year-old middle-class suburban mother of three kids? Think about whether your definition of end user is too broad to achieve reliable research results.¹
5. **Social Acceptability Bias:** If you engage with family or friends, they will most likely not give you accurate answers because they don't want to offend you by not liking your ideas. They will be polite rather than brutally honest because they want to keep their social relationship strong. You need brutally honest feedback from unbiased people, so it is best to interact with people who do not have a social connection with you. Similarly, on sensitive topics like race or sexuality, you may have trouble getting honest answers, particularly with in-person or phone interviews as compared to anonymous surveys.

There are other biases such as the IKEA effect (once you build a product, your confirmation bias gets much stronger), giving the more entertaining interview more weight, giving the last interview more consideration, etc. It is good to realize your biases and always be on the lookout for them. Being data-driven is good, but the data can be made to mislead as well, so that is not a sufficient answer. A great way to minimize biases is to have multiple people conducting the research who have been trained on the biases inherent in research, so that multiple perspectives will keep things honest.

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This is the streamlined process I have used and encouraged others to use. It is not as comprehensive as 33.59835 0 0 6.12.

5. **Initial Contact:** Now that you have your initial list of people to contact (a list that should continually be growing as you do your research), things get real. You have to persuade your contact to give you at least 15 minutes of their time, depending on how many questions you have, and that is not easy if you are working with a “cold lead” where you are making first contact. When you initially contact the candidate, it is good to reference someone they know.

group size that you can go deep in each interview to understand what is causing the phenomenon you feel is important. A bigger “n” gives you more candidates but less in-depth understanding. In the qualitative stage the smaller “n” is better; then, in the quantitative stage, the larger “n” becomes more relevant to test it out more broadly once you understand the hypothesis in a robust manner.

10. **You Should Be Surprised:** As Catherine Tucker points out, the goal of qualitative primary market research is to develop new hypotheses; so if you are not surprised, you are probably not learning anything. That defeats the purpose of the process. It would also be a pretty clear sign of confirmation bias if you never learn anything, and that is not a positive thing.
11. **Moving to Quantitative:** Once you have developed credible hypotheses for the small “n” sam-

Toward the end, Step 23, you will be setting up a unified full systems test for the MVBP, which will be the ultimate test for your product. It is likely you will find many surprises—or as I call them, learning opportunities!—when you build the MVBP. But your goal is to find as many of these surprises earlier, especially ones that can be fatal if caught too late in the process. That is why throughout the



7. Outcome-driven innovation: This framework is also known as “Jobs to Be Done,” created by Anthony Ulwick and popularized by Harvard Business School Professor Clayton Christensen. Outcome-driven innovation is based on the concept that customers have measurable outcomes they are trying to achieve in their day-to-day (aka when they are doing a job), and a company should link its innovation to those customer outcomes because customers buy products to get jobs done.

In the end, because entrepreneurs don’t have much time or money, they focus on 1–4. They might do some other creative things, like a mystery shop of the closest product (I want to encourage this and other creative ideas). For sure, focus groups are falling out of favor with entrepreneurs, with reason. The methodology of 6 and 7 offer interesting alternatives to creative entrepreneurs, and understanding them to make tools 1–4 better designed and more effective is time well spent.

Primary market research is an imperfect process and can be messy, but it is critically important.

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- *Talking to Humans* by Giff Constable: If you read one book on this topic, it should be this one. Very easy read and yet packed with practical knowledge about how to do interviews.
- User Innovation edX course with Professor Eric von Hippel: Excellent, easy way to get knowledge from the originator of the concept. Great content and examples that make the fundamental concept easy to understand and apply. The online class is available at <https://www.edx.org/course/user-innovation-path-entrepreneurship-mitx-uinov8x-0>; he also has a website with extensive free downloadable information at <https://evhippel.mit.edu/books/>.
- Elaine Chen’s portfolio of primary market research materials: Elaine is on the MIT faculty and our go-to practitioner for doing primary market research. She has a long history of doing ethnographic research and using it to build products, both working at startups and as a consultant to other startups. Here is a list of her easy-to-read yet very practical materials:
 - “3 Go-to Techniques for Primary Market Research,” *Huffington Post*, http://www.huffingtonpost.com/entry/three-go-to-techniques-for-primary-market-research_us_577d4001e4b0746f5648b963
 - “How Startups Can Run Better Landing Page Tests,” *Xconomy*, <http://www.xconomy.com/boston/2016/04/07/how-startups-can-run-better-landing-page-tests/>
 - “A Primer on Primary Market Research,” <http://www.slideshare.net/chanelaine/primary-market-research-an-overview-on-qualitative-and-quantitative-research-techniques>
- Templates and samples:
 - Research protocol template: <http://www.slideshare.net/secret/epzen6sYi1gWGGr>
 - Sample discussion guide: <http://www.slideshare.net/secret/d4a2d3FzWdDnNU>
 - Sample recruitment questionnaire: <http://www.slideshare.net/secret/iIMMrhNvWJhv1h>
 - Sample recruitment form for internal use: <http://www.slideshare.net/secret/JzXpLWZmlLoAGq>
- Jobs-To-Be-Done: See <http://strategyn.com/customer-centered-innovation-map/> as a starting point.

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Name & contact info	Profile type	Source	Why you want to engage with this person plus any other info to build rapport

Primary Market Research Worksheet II: Execution

Make a new copy of this worksheet for each market segment you analyze.

I.	W	a	-g-g)	_____
))	_____

6. Why do you think it is important to have a clear objective for your research?

7. Why do you think it is important to have a clear objective for your research?

8. Why do you think it is important to have a clear objective for your research?

9. Why do you think it is important to have a clear objective for your research?

Name & contact info	Profile type	Why does the current candidate think we should engage with this person, plus any other info to build rapport

10. Why do you think it is important to have a clear objective for your research?

a. _____

b. _____

c. _____

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 -g a -g() a 3)

a. _____

b. _____

c. _____

d. _____

) a)

a. _____

b. _____

c. _____

d. _____

e. _____

f. _____

g. _____

h. _____

i. _____

j. _____

II. a) -g g)
