

Using Market Development To Grow Your Business

by Carrie O'Donnell

Most successful business owners spend a fair amount of time selling themselves and the company. Unfortunately, in our zeal, we sometimes forget to listen to our customers. Market development is a process that will help you to grow your business, increase your revenues, and increase market share.

Market development is very simple: work closely with your customers to simultaneously shape your brand or product and at the same time build stronger relationships with your customers. Market development can be broken into three phases:

- Targeting your customers.
- Assessing their needs.
- Communicating with them and, ideally, building a community.

Targeting Customers

Does your company have different types of customers with different needs? Does a single person make the purchasing decision for your offering? Or, do various customers provide some input? How do you segment your customers, for example, by demographics, or industry, or size of company?

My company sells to businesses in the knowledge industry. We can segment our customers by their industry segments, such as higher education, or library/reference companies. We can also segment our customers by type of company, such as educational publisher or technology provider. Each of these segments has different needs and motivations, and each can or should be targeted differently. In addition, the purchase of our services is often a complex decision with input from a number of players. The division head or president endorses us, the executive with P&L responsibility signs the contract, and the line manager is our day-to-day contact. Each of these players has different needs and motivations.

As you think about market development, you need to target your various customers, and be clear that you are listening to and communicating with each segment.

A market development example...

As we explore market development, we'll look at Kristin's headhunting business, which focuses on recruiting marketing executives in Fortune 1000 companies. As the economy began to plummet, hiring slowed to a trickle, and the recruiting industry took a nose dive. She struggled for new ways to grow her business. This could include offering new products or services to existing client companies, or finding new customer bases. She tended to focus on the financial services and pharmaceutical industries. She decided that her market development efforts would target her existing customers (directors of either human resources or marketing at big companies), plus legal, financial and accounting directors in her client companies.

In addition, she would target human resources directors at mid-market financial services and pharmaceutical companies.

Kristin asked her team to put together a list of companies and people to target. They began with their internal database of companies and names. They did some Web and library research to put together lists of mid-market companies. They were also able to gather names of CFOs, marketing directors and human resource directors at many of these companies. In a few weeks time, they had built a list of 400 current and potential customers. They put all of this information into an Excel spreadsheet that would be used for tracking customers throughout the market development process.

Assessing their Needs

It is easy to make expensive decisions based on a few stories or sales calls. By using tried and true research tools, you can gather input and feedback systematically, rather than anecdotally. And, this information can be used to help you increase sales and make better business decisions.

Qualitative research. Conduct qualitative research to explore the needs and motivations of the various customers you have targeted. The two primary methods to use are:

- In-depth interviews, which enable you to probe more deeply into each customer's needs, behavior and motivation. They also enable you to gather feedback and refine your ideas and assumptions.
 - Focus groups, which are the best vehicle for brainstorming. Focus groups can range from formal meetings facilitated by a professional to bringing a few clients around a conference table to brainstorm. A good facilitator will harness the dynamics and creativity of a group of customers to provide you with great ideas and solutions.
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- Here are a few tips to keep in mind as you conduct qualitative research:
 - Make sure your participants include customers from each group or segment that you are targeting.
 - As a rule of thumb, try to conduct no less than 15 or 20 interviews. Different people from your organization can be assigned a batch of interviews to conduct. Similarly, if you are going to use focus groups, conduct more than one, as each group will have its own personality and can move down a path that is very different from the next group.
 - Create a guide so that each interview or focus group covers the same ground, and so that you are comparing apples to apples.
 - Move from broad to specific. Ask broad questions about trends, emerging issues, challenges and ways that your customers or market are changing. Get a little more specific, probing about the ideal world or the ideal product for your customer's needs. Narrow down to your company and how you might fill a gap in the changing or emerging market. Finally, gather feedback on some of your ideas.
 - Write down your findings after each interview or group. Be systematic. And, try to be objective. Writing down the findings enables you to focus on what you have heard, rather than what you want to hear.
 - Analyze your results. Look for similarities and differences. Look for ideas to test further. Most important, look for the questions that the research raises.

Quantitative research--surveys. After you gather in-depth feedback from a small sample of customers (with qualitative research), you need to validate your resulting assumptions. This is the time to conduct a larger survey of customers. If your interviews identified 5 potential areas of focus for your company or a number of potential product features, then your survey will help you decide which of these is most important.

Here are a few tips to keep in mind as you conduct qualitative research:

- Go back to your target audience to help you plan your survey. How many customer segments do you want to address? As a simple rule of thumb, you should try to gather at least 20 to 50 responses from each customer segment.
- Based on your target response, you can determine the most efficient and cost-effective method to gather that feedback. The mail, phone, e-mail and the Web are the most common methods for delivering a survey. To get a high response from key clients, we often use a combination: recruit participants by phone to fill out a Web survey. If you have a list of e-mails and your customers are computer savvy, the Web is the most efficient way to survey your customers. There are a number of inexpensive Web survey companies out there, such as zoomerang.com.
- If you conduct a Web or mail survey, you generally need to offer an incentive. You may be able to conduct a phone survey without one. We typically offer a \$20 gift certificate from Amazon.com for a random selection of about 20 respondents.
- Keep it simple. Jot down your questions, then cut half of them out. Don't ask a question if you know the answer. To make sure that you can distinguish the responses from different segments of customers, ask simple yes/no or closed-ended questions about the segments. And, ask questions that will help you gauge relative responses, such as "how useful or important are each of the following?"
- Take the time to analyze your results. This doesn't have to be fancy. It can be as simple as a few charts and tables, for example a pie chart showing that 60% of your market chooses red and 40% prefers blue. This document should be used as a starting point for discussions among your internal team.

Communicating and Building Community

Turn your market development participants and other target customers into your advisory panel and treat them like insiders! The key here is that you give them something, rather than just asking them to buy something.

You have gathered information through your research that is important and interesting to your customers. So, send them a summary of what you have learned. And, ask them to respond. Which issues are most interesting to them? What ideas do they have for overcoming these types of problems? Then, send out a periodic newsletter that publishes their responses. As the dialog progresses, you can experiment with ways to build the panel into a community; these could include hosting an event at an industry conference, a threaded discussion on your Web site, or introducing clients to others with similar experiences or needs. A note of caution: you have to be careful about how you turn potential competitors into a community.

The market development example...

Let's revisit Kristin's company. After conducting interviews with about 30 current and potential customers, Kristin was armed with a handful of ideas for new products and services. She also had a list of issues and challenges to which her company could respond. So, she sent a brief e-mail survey of 10 questions to her 400 targets; one of her employees used the phone to recruit existing customers to fill out the survey. She and got a terrific response of 75 surveys. A number of these came from loyal customers.

Kristin learned that customers from large companies, who have taken much of their recruiting in-house, were now struggling with a burdensome workload. She wrote a letter, thanking people for responding, and providing an executive summary of the research findings. Then she asked her panelists to provide some examples of things they were doing to be more efficient and found that several were all too happy to share experiences. Her company turned these ideas into a newsletter, and eventually into some new products that would ease the administrative burden for her customer

Is Market Development For You?

By now, you are probably thinking that your company doesn't have the time or money for this process. I will argue that you can't afford NOT to target your customer, really listen to their needs, and communicate with a select panel of them. Like Kristin, you don't need to spend a lot of money. You just need to invest the time. You have to think it through, be systematic about your process, and be really objective as you assess your customers' needs.

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