

SelfInformed

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NASE Member Max Maxwell helps other small-business owners find the appropriate database solutions for their business.



Look Before You Leap:

Researching the Market Before You Start a Business

By Sallie Hyman

Somewhere between that “ah-ha” moment of a great business idea and cashing your first paycheck should be a lot of research to determine what the market is like for your idea.

Many entrepreneurs are very good at coming up with services or products that sound like they fill a need, but fall short in how to enter the market. Often they will blindly jump into the business arena, only to find that they either failed to do any market research or grossly misunderstood the market.

The cold, hard facts are that the majority of small businesses will fail within the first five years. Only a solid look into the market will let you know if there is truly a need for your product or service, if the market is already flooded with similar businesses, and if there are any unique barriers or challenges associated with establishing a particular type of business.

The challenge for many entrepreneurs at this point is what to research. Most people with a great product idea or service do not have formal business training and get lost when it comes to doing anything other than coming up

with ideas. However, it’s really not that hard once you break it down into a few simple questions.

- Does my proposed product or service fill a need?
- Who are my competitors?
- How am I different than my competitors?
- Who is my target market?

To run a successful business, you need to learn about your customers, your competitors and your industry. Market research is the process of analyzing data

to help you understand which products and services are in demand, and how to be competitive. Market research can also provide valuable insight to help you reduce business risks, be aware of the problems in your industry, and identify sales opportunities.

Fortunately for entrepreneurs, there are resources available, many of which are free, to help investigate the marketplace for your idea or service. A little time spent online or in the library can provide much of the research you require. Unless your business has very specific market research needs, it is usually not necessary to hire a market research company.

Google It

Technology today puts many resources at our fingertips. It is very easy to do a search of the service or product you have in mind to see what is already out there. See if someone has already come up with your million-dollar idea. There is no point in spending time and money developing a product that someone else has already put on the market or patented.

Search to see who potential customers are. What demographic group do you see yourself targeting? Look on websites of similar products/services to see what the demographic of their customers look like. Do you want to try to reach the same or a different demographic? If you are not sure what your customer demographic should be, check out online forums that relate to your product or service. Join the conversation and ask forum members a little about themselves. Are they retirees? College students? You can use these forums and communities like a free online focus group. Ask questions about what consumers liked or didn't like about a particular product or service. Knowing who spends time in these forums and what they are saying will help you know who will want your product/service.

Search to see who potential competitors are, both locally if you are a brick and mortar business, as well as in cyberspace. Sites such as Google, Facebook, Twitter, and LinkedIn are a good place to start.

Once you find out who your competition is, you can find out more about them. Most businesses have a website. Check it out. Does it look professional? Does it explain their product or services? How many employees do they have? Review sites such as Yelp and Angie's List to see what actual customers are saying about these businesses.

NASE Member Theresa Cassiday, owner of Catena Creations, LLC, in Bellevue, Neb., used the Internet to find out what to charge for her services. Said Cassiday, "I actually did my first market research a couple of years before I started my business. I had been offered a couple of very big freelancing projects, and needed to figure out what I should charge. At that time (nearly 7 years ago!), I did a lot of research online, looking for freelancers' websites to see what they charged and what their skills were."

David Hollender, online communication strategist at Mind Sky in Reston, Va., says to look at your competitors' websites from a different perspective as well.

Just because a company has a beautiful website doesn't mean they are a great business. Find out their relevance and credibility by doing a little research. First impression are usually right, if a website looks unpolished, it is probably telling of the business as a whole. Google's page rank of a website is based on how relevant and credible they are. Credibility is partly based on how many other websites link to a given webpage. This implies that other web entities believe the site to be legitimate. This will let you know if they are a legitimate business competitor.

The Internet can provide you with a lot more information about a business than just its website. You can search any number of review sites such as Yelp and Angie's List to see what actual customers are saying about these businesses.

Visit It

We sometimes get caught up in all that we can find searching on our computers, but if your competition has a brick and mortar store within a reasonable distance, go visit in person. Be a customer. See who is shopping there and what their demographics are. This will help you determine if this is the same market demographic you intended to serve or

if you were seeking a different group. And talk to other customers as you shop. Not only will you get to experience what the competition has to offer as far as products and customer service, you might even get to speak with the owner and learn about what is working, or not working, for them.

Take a Trip to the Library

The public library is an excellent source of reference and data books that can help you with your research. It is also a great source for business books in general. And it's free!

Oldies but Goodies

Technology often makes us forget that there were ways of doing market research long before the advent of the computer and those organizations who have been helping for decades have a lot of knowledge. Contact your local **Small Business Development Center**, **Chamber of Commerce**, and **Better Business Bureau**. Many of these groups have data on what types of businesses are in the area, how many there are, and how long they have been in business. Plus, many of these groups offer free or low-cost business mentoring and start-up assistance.

Resources for Conducting Market Research

- **The U.S. Census Bureau** has the stats and demographics you need to know.
- **USA.gov** is a well-designed, easy-to-navigate portal to the government online. Click on the "Business and Nonprofits" topic.
- Your local **Chamber of Commerce** can be an indispensable resource for local information for your new business.
- **Columbia Books & Information Services** publishes two comprehensive directories to help identify associations relevant to your business. Check out the **National Trade and Professional Associations Directory** and the **State and Regional Associations Directory**.
- Two excellent resources are the **Small Business Development Centers (SBDCs)** and **SCORE (Service Corp of Retired Executives)**. Each SBA service offers free and low-cost help to small-business owners and entrepreneurial wanna-bes, and should have a local office near you.
- Don't forget about the **NASE's small-business experts!** They're available to answer questions and offer guidance about your market research plans.



“The Internet can provide you with a lot more information about a business than just its website.”

Associations

Don't forget about associations. You can look up what associations are available for your product or service. Many association websites let you search for members in your area, so you can find local competitors. Join up to reap the benefits of membership which often include the latest news in the business, tips specific to the industry, and access to lots of education, colleagues, and vendors at their annual meeting.

Additional Sources

Trade groups, business magazines, academic institutions and other third parties gather and analyze research data about business trends. If you know to whom you wish to target your product or service, but don't know how to find them, ask at your local printing shop. Many print shops now have access to databases that can pull the mailing addresses of very specific demographic groups. Want to find the 24 to 29-year-old male, extreme sports enthusiasts in a 100-mile radius of your locale to market your new extreme sports snacks to? No problem. Usually for a small fee, they can pull up all the people within a given radius who fit your customer demographic. That can help you decide if there is a large enough customer base in your area (if you are brick and mortar) and you also get your first mailing list.

Starting a business starts with a great idea, but don't let it end due to poor planning. Take some time to research the marketplace and how you see your business fitting in. A little effort, made much easier with today's resources, can make the difference as you leap into the entrepreneurial world. ■

Sally Hyman writes on small business issues and owns and operates her own small business in Purcellville, Va.



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Ask The Experts

Q: *I've been a licensed professional counselor and marriage and family therapist for 21 years, and I've been in solo private practice since 1999 and have always rented office space. My wife and I are in the beginning stages of looking into arranging for me to work out of our home. Could you please provide us with any ideas or issues we need to be paying attention to in this endeavor?*

A: Your question breaks down into three areas: technical considerations, effect on your family, and practice identity (image). As for the technical side, you need to look into local ordinance and/or registration, effect on your home owner's insurance, construction, operating costs, tax considerations, etc.

The second, the effect on your family, is yet to be revealed. While operating a business from the home has some sound basis and sounds good on the surface, some people do not do well being so close to the home. It depends on personal relationships, kids, neighbors, and other factors. Having been in an outside office atmosphere for 21 years and making a considerable financial investment into the project, it will be very important that you do everything you can to be sure that operating your practice out of your home is a workable situation. Locating the business in an area of the home that is only used for that purpose and setting rules about work hours and family interactions during work hours are also important.

The third component is actually the most important—your clientele. Particularly in a professional position such as yours, some clients may place an image value on you by operating out of your home. If it is a common practice in your area it probably is not an issue. However, if the professional population operating out of their homes is small in your area, you could see reluctance of clients to accept it. A lot depends on the neighborhood you will live in, your existing clientele, where you get new clients from, and numerous other issues.

Gene Fairbrother, Business Strategy Expert ■

GET MORE ANSWERS

The NASE's small-business experts are here to help you understand the ins and outs of operating a successful small business. And access to these professionals is free with your NASE Membership!

Just go online to the [NASE's Business Learning Center](#) where you can ask the experts questions about:

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Member Spotlight

Database Whisperer

Max Maxwell has been an NASE Member since 2011. He owns SANDIGITAL, LLC, in San Tan Valley, Ariz.

Tell us about your business.

At SANDIGITAL, LLC, we specialize in custom database application design and development solutions. Whether the solution requires client-side, web-based, or a mobile-based application design, we have you covered. Our business process improvement-based approach is tuned to meet the technical needs of small- and medium-sized businesses in an increasingly complicated and IT-oriented world.

In my business, I've noticed that there are a lot of small businesses out there unaware of the right solution for their business, or they are using a solution that is the wrong fit because they think the right solution is too expensive. Our goal is to educate business owners on the right and wrong way of using everyday business products, and we specialize in helping business owners identify the point where their business has outgrown one solution and it's time to change. The cost of the solution need not always be the deciding factor, especially when the right solution could prove to be the point where a business hits its next growth point.

What challenges have you faced in your business?

My best friend and I started this business together as two veterans with Post-Traumatic Stress Disorder (PTSD) trying to keep busy. After working together for a few months, we found that our PTSD symptoms didn't mix well in running a business together and it was hurting our friendship. We decided to separate specific pieces of the business, and I bought out his share of the company. It was the hardest decision I have had to make, but we are still friends today because of it.

What's the coolest thing about your business?

Our business is designed around improving the business processes of our clients through the use of custom software. Where most software developers are experts in speaking code, we are experts in speaking the language of business and the application of code to meet those needs.

What NASE benefits and services have you used?

I love reading *SelfInformed* every month. I also used the Startup Kit as I began my business. Especially around tax time I've used the expert webinars, and I also used my membership to receive a discount on my QuickBooks Accounting software.

What's the best thing about being self-employed?

The absolute best thing for me in being self-employed is that I have the freedom to live my life on my own terms. Being a service-disabled veteran as well as having a fresh but permanent disability, it provides me the opportunity to heal, while still providing me with the ability to stay busy and to create a vision that is slowly becoming a reality, and that for me is just plain cool. ■

GET PUBLICITY FOR YOUR BUSINESS!

Your business could be featured in the *SelfInformed* Member Spotlight or another NASE publication. Let us know you'd like to be featured and tell us more about your business on our [Publicity Form](#).



113th: The Congress of Reform?

By Katie Vlietstra

The 113th Congress is underway and it seems that both Democrats and Republicans have latched on to the idea that they will be defined by the efforts they make to reform two of America's most complicated issues: taxes and immigration.

Tax Reform

The issue of tax reform has long been a goal for House Ways and Means Chair David Camp (R – Mich.), who in the 112th Congress successfully laid out his comprehensive tax reform blueprint, *Pathway to Job Creation through a Simpler, Fairer Tax Code Act of 2012* (H.R. 6169). The blueprint lays out an aggressive schedule to expedite the process for both corporate and individual tax reform, including requiring the House Ways and Means Committee to report out a bill no later than April 30, 2013.

The blueprint calls for eliminating of tax preferences that allow individuals and corporations to essentially pay no federal income taxes, capping the top individual and corporate tax rate at 25 percent, and creating a territorial system that would allow U.S. corporations to bring profits made from overseas operations back to the U.S.

The proposal is bold and the timeline aggressive, but just maybe Camp will be able to usher through the single largest reform to America's broken tax system.

Immigration Reform

Once again the herculean task of reforming America's immigration system is being tackled by a bi-partisan group of U.S. Senators: Senators Schumer (D-N.Y.), McCain (R-Ariz.), Durbin (D-Ill.), Graham (R-S.C.), Menendez (D-N.J.), Rubio (R-Fla.), Bennet (D-Utah), and Flake (R-Ariz.). The group recently released a plan, the "Bi-Partisan Framework for Comprehensive Immigration Reform."

The framework includes four legislative pillars: creating a path to citizenship for undocumented immigrants, reforming the current legal immigration system, establishing an effective employment verification system, and improving the process for admitting future workers to serve our nation's needs.

The NASE is most interested in the creation and development of an effective employment verification system and its potential impact on the micro-business community. We plan to advocate for a system that does not create an undue administrative burden.

A Productive Congress?

Congress is famously unproductive. However, given that the White House and Congressional leaders have signaled their intent to address these two major items within the next year, we might just see one of the most productive sessions of Congress in our lifetime. ■

Katie Vlietstra is Director of Government Affairs for the NASE and provides critical insight to policymakers on issues affecting our nation's self-employed. You can contact her at advocacy@NASE.org.





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