Market Research for the 1%

For over 100 years, businesses that sell to consumers have conducted market research to improve their product development and enhance their promotional results. For example, surveys designed to uncover consumers' needs and preferences, and the market segmentation strategies derived therefrom, are staples of consumer marketing that enable B2C companies to introduce products that better meet the needs of their various customer segments, maximize profitability, and minimize waste in advertising and promotion.

But in the business-to-business (B2B) world? Not so much.

With the exception of occasionally asking customers and prospects about their needs (which typically happens during the sales process as opposed to the new product development process) and targeting by industry or geography, most B2B companies do little, if any, market research or market segmentation. The result of which is high rates of business failure.

In fact, a recent study by Bank of America showed that business formation, too, is down more than 30% since before the recession – primarily due to uncertainty about demand, and technology disruptions. Clearly, knowledge about market needs could go a long way towards easing the fear, and reducing the probability of failure, to say nothing of improving results.

But market research and market segmentation have traditionally been viewed, in B2B at least, as luxuries affordable only by the largest players. Most B2B companies run on margins too thin to afford them, and instead operate on instinct or imitation for their product direction and their marketing. At best they use attributes such as company size or industry as stand-ins for need, and segmentation parameters, simply because these demographics are easily available on the commercial databases from which their prospect lists are drawn, not because they actually help.

But consider a B2B company like a software developer, accounting firm or manufacturer whose products apply across all industries. What's the impact of advertising to a bunch companies if only 1% of them have a current need, and even fewer respond? If you accept a low response rate because email is seen as inexpensive, or inbound alleges to deliver "warm prospects," then you're excusing inefficiency (in an effort with >99% waste), you're not overcoming it. Making matters worse, the excuses themselves are questionable, and the numbers don't improve with scale. The fact is that you're giving up on targeted marketing for the guarantee of getting lost in the noise of the Internet, while being victimized by the arms dealers who gatekeep it.

But what if, instead, you could actually identify and target only the 1% of the businesses out there that have an actual need for your products or services? Would you? For most businesses, the answer is obvious - of course you would.

The reason most companies don't do this, of course, is because if you had to survey all businesses in order to identify the 1% who actually have a need, you'd be no better off than if you had your salespeople pitching each of them. So primary market research (e.g. doing surveys) doesn't accomplish anything for the typical B2B business, at least in terms of targeting.

But what if you could find out who the 1% were by using so-called "secondary" sources - data that's just out there? Not using demographics, which tell you nothing, but using *actual statements and indicators of need and applicability*. What if you could simply search a database for companies that explicitly need your company's products or services, would you? Of course you would. And that is exactly what secondary research does: it appropriates for your purposes data that was created for other purposes.

To be clear, the data we're talking about won't be found in a commercial list of businesses, or an email list that's been passed through the meat grinder. Such lists may help identify company names or employee size, or may provide some email addresses or phone numbers. But what you *first* need to do is figure out the companies whose address or employee size you actually want, and only then should you get the contact information. This is because having contact information on companies that don't need your product is the problem (waste comes from too much data, not too little), not the solution.

What you should look for specifically, in the data that's out there, are "indictors of need." That is, the information you need to find consists of statements by the company, its employees or other interested parties that the company has a business problem that you can solve. For example, if you're a software company, look for data indicating that a business has a problem that your software can fix. If you're an accounting firm, look for data indicating that a company has a financial management issue. Or if you're a manufacturer, look for data indicating that a company has a production problem that your product can solve. The problems you solve are unique, so you have to formulate a unique search to find companies that have the problem. But that's where the process starts.

Once you know what to look for, where do you search in order to find these statements? Simply put, they're on the Internet: in blog postings, on social media, in press releases, on search engines, and on the millions of Web pages, RSS feeds, and other bits of electronic noise that surrounds us.

The challenge then is knowing where and how to look, and then knowing how to interpret the data. But with all of the information out there – and there's a lot of it – it's almost a crime not to take advantage of it. And it's not to hard to do, if you know what you're doing.

One of the secrets to putting together a good secondary research strategy is to recognize that if a company is spending money on something, it's generally to meet a need that they have. (They wouldn't do it otherwise.) So a "follow the money" strategy is always very helpful. The problem, of course, is that – almost by definition – what they're spending money on is a substitute for your solution (otherwise they'd be calling you directly), so you'll have to make inferences from their spending. But regardless, you need to identify what substitute solutions exist that have a footprint in the data.

- For example, industrial engineers attend trade shows in order to identify solutions to production problems; therefore attendee lists can be very helpful in homing in on potential prospects.

- Other companies belong to user groups for their software infrastructure – an ideal source for identifying prospects for an add-on.

- And many people post their needs to discussion groups so they can get suggestions on how to solve their problems, which often also gives you the ability to contact the person.

Ultimately, this phase may require some creativity, but it can pay off handsomely if you do it right.

Once you've identified data sources, the challenge then becomes one of acquiring it efficiently. This is because if you have to do it manually, it can be quite burdensome and inefficient. But if you can automate the process, you can simply push a button and come back an hour later with the data.

Another reason to automate it is that, if it takes too much work to acquire the data, there's a tendency to just give the list to your salespeople to call. This just brings you back to the bad-old-days of banging the phones. But it also misses the most powerful aspect of secondary market research: matching.

That is, the big reason to automate the process is because data mining like this gets even more powerful when you start to accumulate a lot of data, match various data sets, and begin to segment it. For example, if you cross-reference the companies above with a list of companies that recently signed new leases, you can find the ones that are growing – which is often an indicator of receptivity to new things. Or if you match it to companies who are issuing a lot of press releases, it's likely that they are looking for ways to grow.

Think of it like a Venn diagram: If you have multiple lists, it's not the sum that you want to target, but the overlap. That's where the payoff in efficiency is.

Summary

Buying lists may be the standard operating procedure for today's B2B marketer, but the inefficiency is so profound, and the response rates are so low, that many companies simply run out of money chasing the holy grail of the "good list."

Instead, companies should be using secondary market research, and actually get the results they're looking for.