

SMR Tutorial—Getting to Know Your Industry

Module 2: Secondary Market Research for Industry Analysis

Understanding an industry is a critical factor for being successful within it. Industry research is a process where you gather information about economic drivers, trends, and social factors that impact a specific industry. Ultimately, this will help you gain insight into your consumers, your competitors, and the overall market. Having information about other companies, products, and their environments can help you better position your product or business among them.

Industry research might be able to answer questions around your specific industry, such as, *what are the risks, trends, opportunities and outlook for this industry? Who are my target customers and what factors affect their decisions? What is the size of my market? How much share of the market do this industry's leading companies hold?*

It is sometimes difficult to differentiate industries and markets. An 'industry' is a group of companies that are related, sometimes within a broader sector, based on their primary business activities. For example, Shoe and Footwear manufacturing is an industry, and within it, you will find product markets such as men's footwear, women's footwear, children's footwear, and athletic footwear, which is made up of key companies like Nike and Adidas.

According to Investopedia, the term 'Market' has multiple definitions. It can refer to the wholesalers, retailers and consumers of an industry's products, or the general environment in which a business operates. A market is the people or companies with the interest and means to buy a product or service, or it could refer to the investment market where securities are traded. The market research that we do should address all of these definitions as we analyze an industry, competition, and consumer behaviour.

The Lean Startup movement introduces the notion of four different market types: existing, re-segmented, new, and cloned. These are helpful to know when you are new to industry research and deciding between primary and secondary methodologies.

For example, a well-established existing market such as clothing retail would likely have a wide variety of industry information available.

Cloning a market refers to when you're copying an existing venture idea from one geographic region and applying it to a new one. Make sure to take your target geography and demographic into consideration when considering market cloning.

If you are looking to re-segment a market where the companies involved are monopolies or duopolies, such as electricity, you will probably benefit most from focusing on consumer research.



Finally, if you are entering a new or emerging industry, you will have to take a broader approach to your research, because information may not yet be published on your specific industry.

Before you begin your market research, think about what information might be available, and where it might be published. Private research firms may offer pre-packaged industry or market research reports that can contain a wealth of qualitative and quantitative analysis of markets, industries, companies and consumer trends; however, these should not be considered a golden ticket with all the answers. First, they are usually produced by market research firms primarily for established industries, and some of the reports can be expensive. Second, you should always validate and triangulate data using other sources, even if the first source is expensive and seems to answer many of your questions.

Another way to think about secondary research is by breaking it down into external and internal sources. For example, the financial outlook of the industry is sometimes available from various external sources, based on typical or average data. You might be able to investigate revenues, expenses, key ratios, and benchmarks. A specific private company's profit and loss statements, sales figures, production costs, inventory, and balance sheet are all examples of internal information and thus may not readily be available to you.

If you need background information and raw statistics, trade association websites will often include sections for research, press releases, news or other articles. Government agencies such as Industry Canada, Statistics Canada, or even local agencies may also have useful information or relevant industry surveys you can consult.

To identify competitors, business directory listings can offer basic information about companies, such as their location, contact information, number of employees, and sometimes even estimated revenue. Likewise, an association's membership list offers an easy way to identify market competitors. But keep in mind that there are many different business directories out there so you'll need to review more than one to compile a comprehensive list.

Information produced by or about large public companies, such as strategic documents, annual reports or published articles may also provide insight into how they've handled industry challenges that you could also face.

Different types of databases, such as general article indexes and specialized databases for researching specific industries or companies include licensed content from a wide variety of publishers. Check your local public or academic library for access, and if you visit in person, librarians can often provide tips on how to use databases effectively.

Also, research guides are helpful online tools that identify shortcuts to reliable sources on a specific subject. Academic libraries create these guides as tools to support student



coursework. Public libraries also create them to assist the general public in navigating their collections.

Take your time to study industry and market trends, such as technological innovation and breakthrough products. Every industry changes, and the sooner you know how to adapt, the better. Keep in mind, though, the most useful information could come from a source you'd never expect. Always remember to be flexible, creative, and – most importantly – thorough with any research that you conduct.

