



Successful Product Development Starts with Market Research

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Introduction

Market research should be the foundation of any organization's product planning and development strategy. It is Mission Control for all product development efforts, from launch until the product lands on the market. It sends critical information to the crew to help them determine, monitor, and adjust a new product's trajectory, and it could ultimately decide the fate of the mission. In some cases, market research outcomes indicate that the product should be scrubbed altogether, preventing catastrophic failure and loss of investment.

Product development failure is real. According to Harvard Business School professor Clayton Christensen, 95 percent of new products fail. Yet in the product design and development process, many organizations forego research and rely simply on a hunch or past experiences—risking product failure. It's easy to understand why some organizations are tempted to skip market research: they may lack the research skills or capabilities, be unclear about the benefits or ROI, or feel as if they do not have the time or budget to invest.

This white paper provides clarification to help companies understand why it is critical to include research in product design and development. It also explains different market research methodologies, benefits, and key considerations for successfully conducting and applying market research to product development decisions. While market research is often deployed throughout the entire product development life cycle, including in usability testing and UX refinement, this white paper focuses on conducting research in the early planning stages of product development, where the risks and uncertainties are often greatest.

Why Market Research?

Organizations can easily begin their examination of customer needs and market potential by conducting secondary research, which is the collection of existing data and analysis from external sources such as the government, industry trade organizations, analyst reports, media, or other businesses. Relying solely on secondary research for product development decisions is likely to be inadequate, however. While it can save time and money, secondary research may also be dated, have information gaps, or be irrelevant to an organization's specific needs, leaving an organization with incomplete or incorrect information that could result in misguided product development decisions.

Primary research—the collection and analysis of new data—provides original and targeted insights that are more relevant, comprehensive, and specific to a company’s objectives. It is thus the most effective method to guide strategic product decisions such as adding, enhancing, or sunseting a product, as well as understanding the potential market and use cases for new products.

Building Customer-Centric Products

High-performing companies have a customer-centric approach to product development. They rely on building product features and functionality through the lens of their customers’ needs. This enables companies to differentiate based on customer experience—a key competitive advantage. In Business-to-Business (B2B) markets, primary research among customers and prospects can provide critical insights such as:

- **Business Issues** – Key business challenges and priorities
- **Current Processes** – Trends and KPIs for current manual and automated processes
- **Technology and Automated Solutions** – Automation tool interest, usage, and familiarity
- **Purchasing Process** – Purchaser/influencer/user personas (e.g., roles, functions) buyer journey experience, purchase channels, marketing touchpoints, purchase drivers and challenges, and sources for researching technology and solutions
- **Competitive Products and Brands** – Specific brand usage/share, brand awareness, competitive positioning (market perception), brand loyalty, and competitive Net Promoter Score® (NPS)
- **Product Feature Analysis** – Software product functionality requirements, feature prioritization, and product satisfaction

Market Research Methodologies: Quantitative vs. Qualitative

A typical stumbling block for organizations contemplating primary market research for early product development decisions is confusion around which methodologies to use: *quantitative* or *qualitative*. Companies may be familiar with only one methodology or uncomfortable deciding which one to use. Each has inherent differences, and their use should be decided according to an

organization's objectives, budget, and time frames. They can be conducted separately, or they can be combined as a mixed-methods approach for the most robust outcomes.

The key attributes of the two types of primary research are:

- **Quantitative Research** – Designed to explain, predict, validate, or test a theory. The data is presented as numeric, typically using statistical analysis. The sample must be sufficiently large and representative of the target population or market. Online surveys are the most common form of quantitative research.
- **Qualitative Research** – Designed to explore, describe, explain, or create a theory. The data is reported in a textual format, based on loosely structured or unstructured observations or interviews from a small sample. Focus groups and phone and in-person interviews are the most common forms of qualitative research.

First Steps: Conduct Market Analysis and Proof-of-Concept Studies

Before leaping into product design and development, organizations should first, at a minimum, conduct two primary market research activities: market analysis and a proof-of-concept study. A market analysis study informs companies who their potential customers are, how large their target market is, and who their competition is. A proof-of-concept study then validates ideas, helps determine whether a new product or feature is viable, and explores key issues regarding usage, features, and messaging.

Market Analysis Study

A market analysis study helps organizations develop their strategies for entering new markets, making investments, and evaluating other opportunities. The information collected during a market analysis study enables organizations to identify and analyze key market trends, market sizing and growth rates, sales/distribution channels, and the competitive environment. Typical market analysis studies include:

- **Market Landscape Mapping** – Evaluates and ranks competitors in a given space, placing the organization within that market for a realistic view as to its own standing.

- **Adopter Trends Analysis** – Reveals the characteristics of customer/user trends (e.g., by size, industry, and maturity) within a given market or for a particular product.

Proof-of-Concept Study

A proof-of-concept study for new products and product modifications helps companies estimate the demand and understand the potential success of their products. These types of studies may investigate usability, pricing, and other value perceptions for new or existing markets. Understanding how customers make choices about competing products and services is a critical element in product design and positioning, and choice modeling analytics can help identify which potential product features and attributes (including pricing) offer the greatest market potential or resonate the most within specific market segments. Types of product development studies include:

- **Software Functionality Evaluation** – Shows customers' software requirements, identifying usage trends, feature prioritization, and product satisfaction.
- **Gaps and Improvements Identification** – Explores any potential gaps or opportunities in the current feature set that have not yet been identified.
- **Use Case Testing** – Reveals whether a potential new feature or product is needed by customers and how it would be perceived.

Key Considerations

Below are six important considerations that can help guide organizations conduct successful primary market research for early-stage product development.

1. Determine the appropriate research methodology(s) based on objectives and in-depth conversations with business executives, Product, R&D, Marketing, Engineering, and Sales stakeholders. Involving these key stakeholders in conversations ensures that all strategic objectives and expectations within the context of product development are clearly explained and considered. They each have an interest in the success of the product and should be included in key decisions regarding product roadmaps, customer needs, product functionality, sales, competitive

positioning, and other decisions that shape and direct the product research. Consult with in-house or external research experts to help create well-defined objectives and to plan and execute the research according to these objectives.

2. Conduct objective primary research, using best practices for design and data collection. Designing surveys (for quantitative research) and discussion guides (for qualitative research) requires specific knowledge and experience in order to choose the structure, form, length, and other proven methods that conform to industry guidelines and research best practices. Sample sizes, data collection methods, and objective execution and analysis are all key determinants of accurate and reliable research results that could mean the difference between product success and failure. Organizations that do not have this internal capability or skill set should work with a qualified research firm that understands and can provide these requirements.

3. Leverage both research and subject matter experts (SMEs) to design and interpret the research. In addition to the skills and expertise of researchers, the domain expertise of an SME is crucial for understanding the depth and details of business and technology issues to provide context and to aid in the interpretation of the research. SMEs have a deep level of understanding about specific markets, competitors, and products through extensive research, consulting engagements, and pertinent industry experience, and they can provide objective insights and actionable recommendations from the research that generalists cannot. Organizations seeking qualified third-party research partners should require domain expertise as a prerequisite.

4. Develop models to better visualize and understand quantitative and qualitative data. Familiar models such as personas, buyer journeys, use cases, and user stories are derived from the analysis of quantitative, qualitative, or mixed-methods research methodologies. These customer-centric models inform and support the product design process by describing the characteristics of customer segments and customer needs; defining customer purchase criteria and challenges during the awareness, consideration, and decision stages; and providing customer usage scenarios and insight into how they would use and interact with the product. Expert

research teams, in collaboration with product development teams, should design market research studies from the ground up to create these models.

5. Apply actionable recommendations from the research to inform product development decisions. When the research and analysis is complete, organizations must communicate the results, along with actionable recommendations for product development decision-makers, using clear, compelling visualizations to convey the key messages. Wherever necessary, the methodology and potential limitations of the research should be explained, and an objective and honest framework should be used to deliver the results, along with prioritized actions, what-if scenarios, and full transparency about not only the opportunities, but also any potential risks of pursuing the product development initiative(s).

6. Step away or reconsider product development activities if the research reveals too many red flags. Sometimes market research indicates that a product development project is more complicated than anticipated or a company's product or business model is ill-suited for the market. In addition to financial risks, companies also put their brand reputation on the line when uninformed or misinformed product decisions lead to creating products or features that customers do not want. Product failures, such as New Coke and Google Glass, are reminders that incorrect assumptions about products and markets can be costly and have detrimental effects on brands.

Market research is integral to the entire product development process, and it is particularly important in the early stages, at the height of strategic decision-making and risk management. By skipping this crucial step, organizations risk proceeding blindly on a product development course without the guidance from Mission Control to help ensure their success. The ROI is clear: high quality primary market research drives informed decisions about customers, markets, and products and reduces the risks of poor product development decisions. If your organization lacks expert market research experience and expertise, seek a qualified market research partner with applicable domain expertise that can help launch, navigate, and successfully complete your next product development mission.

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