

May, 2010

Volume IV Issue 5

www.market-intell.com

What kind of quantitative market research do you need?

By Jack Miller

Last time we talked about qualitative research: focus groups, in depth expert interviews, and the like. This month we'll talk about quantitative research.

Broadly speaking, there really are two different types of research that are called "quantitative." People in industry often want to know how big the market is, what the trends are, what the major segments are, etc. On the other hand, market researchers often refer to "quant" in connection with surveys that require a sufficient number of inputs to permit extrapolation of the figures to the entire market – that is a "sample" sufficient to allow estimates of the "population." Two different approaches to two different types of questions.

What's the difference, what technique should you use, and when?

First, let's talk about industry market estimates. In the best case, industry associations collect and publish the data from producers. In the U.S., there is some pretty good data available for market size and trends for paper, print, and packaging.

But what if you need estimates for markets for which there is no good data? Maybe you want to sell flexible packaging in China, or digital presses in India. There are three approaches to questions like these, and the best methodology involves using all three and cross referencing the results. First, take a top-down approach. Get macro-economic data: population, per capita income, literacy rates – whatever is relevant. Correlate this data with data for countries for which you have good data, and make estimates. Second, conduct in depth interviews with industry "experts" – ask them what they think. Finally, take a bottom up approach. Interview companies in the marketplace, ask them how big they are, how big their competitors are, what their market share is, and then do the math. These three methods all have their limitations, but if the value of getting it right is high, and the budget permits, use all three and compare and interpret the results.

Or, what if you need to dig deeper? What if you need to know how many printers are likely to install digital presses in the next three years, or how many print buyers will pay a premium for "green" printing, or how much brand companies will pay for sustainable packaging? Now, you might need a survey, and the

degree of detail you need, the degree of precision you need, and how finely you need to slice and dice the data will determine the type of survey you need.

For surveys, there are free calculators on line that tell you how big a sample you need. In consumer research, populations are very large and a relatively small sample can provide surprisingly accurate results. For example, if you want to know what percentage of people recycle their magazines, 384 survey respondents (much less than one one-hundredth of one percent of the population of the U.S.) will give a 95% confidence that your results are within plus or minus 5%. Of course, if you want to slice the data and get figures for men, for women, for college educated people, for people in California versus New York, you'll need 384 respondents for each slice.

Surveys with small populations become problematic, and this is often the case with industrial market research. If you want to quantify how many food producers will pay a premium for green packing, or how many large printers will pay a premium for green paper, a quantitative survey may not be the right way to go. If there are only 100 companies in your target group, you will need to reach 80 of them to get the same level of accuracy and confidence as in the example above. There's probably a better way. In cases like these, a smaller number of expert interviews will be more practical and effective.

Be sure to choose the right methodology. Also be sure that the budget is appropriate for the value of the business decision.

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