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Research Tip

Keep your business on track

[Financial ratios](#) help you to determine whether or not your business is on track.

Find out if you are matching your industry's average performance of lagging behind it.

Canadian Business Research Intro

Benefit of Business Research

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No matter how thorough your initial business research is, there is no way you will be able to anticipate every problem or issue that your business will face. Your ability to meet each problem however will be more effective if you have a complete understanding of your business and how it operates. Some of the initial assumptions derived from your business research will be wrong.

The key is being able to identify which assumptions were inaccurate and why. Perhaps you underestimated the competition. Perhaps you overestimated your sales ratio. No matter what the problem, by already having an answer that has been carefully thought through, you will have a frame of reference from which to develop a strategy to correct the situation.

By regularly comparing actual business results to your initial research, you will know quickly when some aspect of your business is not operating as you expected it would.

For example: A small business decides to launch a direct mail advertising campaign.

They anticipated that 10% of households would respond to their flyer. In reality though, when the campaign is over, only 2% of households responded. An entrepreneur, who has not taken the time to develop a habit of conducting business research, will dismiss the low response rate with some vague excuse such as *“the economy has been bad.”*

On the other hand, the entrepreneur who has researched her business will look at possible reasons why the expected 10% response rate was not achieved. She will realize that the initial research question - *how many potential customers will a direct mail flyer attract?* - still stands as a valid question but that her answer to it (*10% of households*) proved to be inaccurate. She will realize that she needs to answer more questions:

Were all the flyers delivered?

The entrepreneur could conduct spot checks on a few households, consult with her delivery agent and have the flyers redelivered if necessary.

Was her target market reached?

The entrepreneur could re-examine the profile of her best customers and compare it to the demographics of the whole geographical area of the flyer campaign. Perhaps the delivery area needs to be revised. Or is there a seasonal variable affecting response rates. (e.g. The target market is at the cottage!)

What is the standard response rate for flyer advertising?

She could ask other business people what success they have experienced with this method of advertising. She could ask herself and her neighbors how often they purchase a product or service advertised in a flyer. She could consult secondary sources on marketing techniques. This method of advertising may naturally have a lower response rate than originally expected. The business may have to deliver flyers to more households in order to attract the desired number of customers.

Whatever solution is determined to be the most appropriate, the informed entrepreneur will also understand the effects that implementing it will have on her operations. In a small business, advertising, finances, sales and production all lean in on one another. If you adjust the time and financial requirements of one, they will all need to be adjusted. Your business research not only helps you identify a solution but anticipate its overall effect.

By conducting research beforehand you will know exactly how your business works and what time and money are available to make adjustments to keep it successful. It is true

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that small businesses can react quickly to problems but they must first:

- 1. *be able to recognize a problem exists***
- 2. *be able to identify possible solutions***
- 3. *understand how each solution will impact their business***

Every business experiences its marketplace differently. Throughout your first years of operation you will constantly find your estimates need to be adjusted. To be effective, your business research must be complete and unbiased. This alone puts you in a position where you will recognize when your results are not matching your expectations. You will see clearly what questions need to be answered. You will know when to seek advice and exactly what advice you need.

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