



## RELEVANCE OF INDUSTRY AND MARKET RESEARCH IN BUSINESS PLANNING

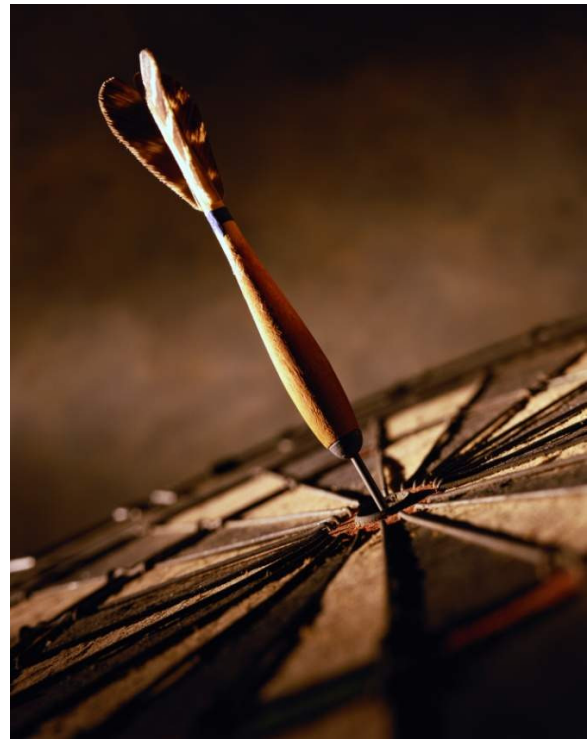
by Mohamed Raouf, CPA, CIA, CFF

### 1 Why research

While many business ideas blossom into successful businesses, there are many others that did not move beyond the business plan or offering memorandum. And among those that get funded and started, many fail eventually. While there can be many reasons for business failures, often these were due to flaws in the business concept or the business model that rendered them vulnerable to the difficulties encountered. Recognizing the relevance of research in business planning has become even more crucial in the current economic scenario with funding getting difficult as banks, other financial institutions and venture capitalists are bound to put business propositions through a most rigorous assessment process.

Research indicates that many ventures fail on account of market and industry factors. Yet, very often we come across ambitious entrepreneurs starting ventures without having researched the market and industry to determine the viability and sustainability of the business concept.

The significance of research stems from the fact the success of a business does not depend only on the entrepreneur's perspective on the



service or product offered. It also depends greatly on what the customers want or need. And here the customers to be considered are the target customers and how they would respond to your product or service. The litmus test to success will be to how well you can differentiate your product or service and provide benefits that can bring customers to you.

### 2 Differentiate between industry and market

Research for a business plan needs to be done both for the industry and market. It is necessary to appreciate in this regard the differences between the two terms, i.e., market and industry as often these two terms are used interchangeably or in a composite way which is quite erroneous.



The industry in which you plan to operate is made up of all the sellers of the products and services that compete with your product or service.

Market comprises of all actual and potential customers for your product or service. To fine tune the concept further, the available market comprises of those potential customers who have both interest and ability to buy and your target market is the part of the available market that you decide to pursue due to limitations that may get imposed due to geographical or other constraints or even by design to cater to a niche market.

### 3 What to seek from industry research

First and foremost, it is necessary to define clearly the industry in which you will be competing, whether it would be with the manufacturers, the distributors or retailers.

Having defined the industry, some of the key questions market research should seek answers to are the following:

- What is the current size of the industry?
- What trends are being observed?
- Where does it fall from an industry life cycle perspective?
- How does the industry relate to the five competitive forces, i.e., new entrants, buyers, suppliers, substitutes, rivalry among firms?

### 4 What to seek from market research

Analyzing the market and potential customers is necessary in order to be able to position the product or service in a way it can meet buyer needs also recognizing buyer attitudes and behavior.

Some of the key questions market research should seek answers to are the following:

- What needs of the customer will the business address?
- What benefits will your product and service provide that others don't?
- What evidence exists that customers will buy your product or service?
- How large is the market you are targeting and is it likely to grow?

### 5 Assessing research findings

Research often provides new insights on the business concept. It could also bring up flaws in the business concept that were not evident earlier. It may be possible to fix the flaws by adopting the idea to market needs. On the other hand if that appears to be not possible, one should explore other business opportunities

*This article was written by Mohamed Raouf, CPA, CIA, CFF, Partner at Horwath Al Muhanna & Co. He has assisted various companies and entrepreneurs with their business planning needs. His email address is:*

[mraoof@horwathalmuhanna.com](mailto:mraoof@horwathalmuhanna.com)