

Avoid mistakes, find opportunities with market research
Appeared June 27, 2004, in the Tri-City Herald

"It's better to eat a little crow than to launch a turkey."

That's how John Heaton, president of Kennewick-based Pay Plus Benefits, summed up the impact of marketing research on his business strategy.

Heaton made the observation at the May gathering of the Three Rivers Venture Group, where he teamed with Pamela Henderson, president of Meridian Strategies in Richland, to demonstrate how marketing research can help small technology businesses avoid mistakes and identify promising opportunities.

Pay Plus Solutions provides online human resource services to small and medium-size businesses nationwide. Meridian Strategies is a marketing research firm whose clients range from start-ups to major corporations.

In search of ideas

"No single idea will go on forever," Heaton said. "Tech companies need new ideas to diversify and expand. The danger is that most of us owners and product developers get so attached to our ideas that we expect others to love them, too."

Heaton consistently looks to marketing research for an outside perspective in evaluating new products and markets, developing strategies and assessing current offerings, so that he can channel resources to ideas with the best potential for success.

Using the Pay Plus experience as an example, Heaton and Henderson shared three product ideas, each of which had a different fate when examined in light of market conditions.

Henderson takes a three-phase approach to research: demand assessment, market strategy and marketing plan development. There are decision points at the end of each phase to determine whether the product is shelved or moves forward. She said that the graduated commitment works to keep costs in line and activities focused.

Interview for insight

At all phases, in-depth interviews are the center of Meridian's research. "We select individuals across markets and at different levels within companies, approach them as experts and focus on their needs," Henderson said. The result is richer insights than usually gained by traditional survey methods, as well as valuable, often unexpected returns, she said.

For instance, online enrollment is a Pay Plus concept to provide new employee hiring forms on the Web, with a barcode that allows human resources

departments to track signed returned forms. The first phase of research assessed demand in small to large companies in multiple industries.

Interviews with current and potential clients defined the most promising target market, product format and key selling point. While the interviews also revealed confusion in customers' minds about the product description, there was enough positive response to warrant a decision to proceed with product development.

The second round of research focused on promotional language and branding. This group of interviews not only identified additional competitors, it also provided insights that led to the product's name. Pay Plus intends to launch Employee-on-Board to current customers and will proceed with research for a full-blown marketing plan when the product is ready for a broader market.

Eating crow

The second idea, online financial education to prepare employees for 401k selections, never made it through Phase 1. The idea was shelved after the interviews found that there was no viable market - yet.

"I never cease to be amazed at how wrong I am," Heaton said. "I would have sworn there wasn't anything the researchers could have done to change my mind about that idea."

Henderson said that the 401K experience illustrates a critical aspect of the research relationship: keeping an open mind. "You're spending money to find opportunities, including the opportunity to avoid going down the wrong path," she said.

The third Pay Plus idea was a system for putting employee data, such as paychecks and benefits, online for offsite access. The company had developed the system for current clients and was considering offering it to new customers. The initial study revealed a good news/bad news situation.

The bad news was that potential buyers were limited to those using the same software as Pay Plus. The good news was that the interviews identified a key competitor that was interested in partnering and that Pay Plus has since purchased.

A new name

The news got better in the second round of research, when it took only six interviews to eliminate one market, zero in on another and decide on a product name. Moreover, the move into a slightly different market led Pay Plus Benefits to offer its new products under a separate name: Pay Plus Solutions. That change is the focus of market planning research, now under way.

Heaton said the best time to begin a market research effort is when product development is far enough along to have something real to talk about. "You also have to be coachable and willing to act on the results," he said.

"I've certainly found that an independent research team can bring your internal team together, cutting through egos and focusing attention on the real objective - doing everything possible to stack your cards in favor of success."