



How to Keep Your Customers Happy: Market Research Is the Key

Market research is helping many nonprofits fulfill their missions. Here are some examples.

BY BILL SHERMAN

S *treetwise*, the Chicago-based newspaper sold by homeless men and women, was having trouble attracting advertisers. Our market research firm offered to help on a pro bono basis. Our hypothesis was that many businesses resisted advertising in *Streetwise* because they assumed the paper's readers were, like most of its vendors, poor, with no disposable income. We designed a reader survey that included questions on lifestyle, spending habits, and individual and household earnings. The findings showed an overwhelmingly middle-class readership. Since the study was completed, *Streetwise's* ad revenue has soared.

Increasingly, nonprofits like *Streetwise* are using market research techniques. Why? For the same reason American businesses have conducted research for decades: It works. Research works because it tells businesses what their customers want.

If you don't yet think of your clients and contributors as *customers*, you're going to need more than market research to survive the next decade. If you read this department of *Nonprofit World* regularly, however, you've probably gotten into the habit of thinking in



**View market
research
as an investment.**



terms of customers. Now you're ready to start conducting some research to keep those customers happy.

Here are the main benefits you will reap from conducting your own market research:

Benefit #1: When you ask a question, inevitably, you will get an answer.

This is why research works, and it's also why, when the execution's off, it doesn't work. Paradoxically, while this is the greatest benefit of market research, it's also the number-one pitfall.

Most folks like giving their opinions on all matters great and small. Most of the time they want to cooperate with the person asking the questions. Sometimes people need an incentive (such as cash) to open up, but in most survey situations compensation is unnecessary. This basic dynamic—respondents answering questions designed by a researcher to achieve specific informational objectives—is central to virtually all market-research.

The problem is this: On paper, data from a poorly designed survey look just as good—*just as valid*—as data from a well designed survey. In other words, your questions may be biased, obscure, garbled, slanted, or botched; your respondents, bless 'em, will still give you answers (even if they have to make them up!) Programmers call this phenomenon "GIGO," which is short for "Garbage In, Garbage Out."

In a recent national survey, an overwhelming percentage of people said they thought our government spends too

much on foreign aid. Was the finding a mandate for Congress to slash foreign aid funding? Probably not. The researchers had the good sense to ask respondents exactly how much they thought the government spends on helping other nations; on average, respondents assumed it was 15 percent of the budget. In actuality, it's less than one percent! Because their answers were so far off the mark, it's clear that many respondents hadn't the slightest idea how much was spent on foreign aid. Yet, because they were asked the question, they felt compelled to give an answer.

That's an example of asking a question for which respondents lack sufficient information to answer meaningfully. But there are at least a dozen ways to get misleading data. Here's another:

- Omitting the phrase "or not" from some questions will skew your findings toward "yes" responses. "Would you be willing to spend an extra \$50, or not?" will yield more accurate data than asking, "Would you be willing to spend an extra

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\$50?" The first version does not lead the respondent; the second does.

How questions are worded, the order in which they appear, the type of scales used, the number of "open-ended" questions, how interviewers are trained—all affect the outcome of the research. And yet no matter the magnitude of the mistakes or oversights, you will still collect data. That's both the biggest blessing and worst curse of primary research: When you ask a question, inevitably, you'll get an answer.

Benefit #2: Conducting research forces your organization to focus on its objectives and goals.

The heart of every good research study is a list of specific questions. Sometimes the list can be developed in short order. For example, a nonprofit serving seniors spends a lot of time and money setting up a program through which its members can get specially-designed insurance policies. At first, the program is a success: The organization is swamped with applications. But after a few months a different story emerges. Subscribers in large numbers are canceling their policies and demanding refunds. Distraught, the nonprofit decides it needs to do research. If you were paying for the research, what questions would you want answered? You would probably come up with questions such as these:

- What factors cause people to cancel their policy? Which of these factors are most important? Which can be remedied, and which are beyond our control to change?
- How do people who cancel differ from those who don't cancel? Is it possible to identify people with a high likelihood of canceling *before* selling them policies? Should we offer more than one version of the product based on these distinctions?
- What are customers' initial expectations? To what extent have their expectations been met? What drives

customer satisfaction? What can we do to improve overall satisfaction?

Simple, direct questions. Market research isn't brain surgery. It's mostly common sense. But the point is this: Conducting research will force you to think about your organization's goals and objectives. Why do you want this information? How will you use it? How will it help you fulfill your mission?

Benefit #3: Market research gives you reliable, predictive, and actionable information about your customers (or your employees, contributors, etc.)

Information is power, as the saying goes, but getting information takes money, which is a scarce commodity at about 99 percent of nonprofits. Furthermore, unless you come from a strong marketing background, you are likely to undervalue research. If so, you need to change that attitude. View market research as an investment: The cost of collecting information will be more than offset by the value it adds to the decision-making process. Conducted properly, market research shows nonprofits what they need to do to succeed and expand, and, just as important, what they should *not* do. Here are a few examples:

- A marketing consultant designed a mail survey for a synagogue that was having trouble maintaining its membership level. The findings revealed that worshippers put a higher priority on activities and education for children than on religious services or adult activities. With the information obtained from the research, the board of directors was able to allocate funds to areas deemed most important by members.
- A market research company conducted focus groups and surveys for a credit union. A primary objective of the research was to test product concepts. By sampling its membership, the credit union could identify popular concepts *before* committing time and money to making them

available. The organization also found a high level of community and "ownership" among core members: Many of those surveyed thought it important to offer certain services, even if the services didn't benefit them directly.

There are many applications of market research and almost as many research methods. The resources listed under "Selected References" will give you some ideas. Whatever method you choose, market research will give you valuable data about your customers, employees, and investors. Such information will help you make better decisions, achieve your mission, and meet the needs of the people you serve. ■

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