

Determining the Right Price Not as Easy as it Looks

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Market research is an important but challenging requirement for operating a successful business. Many big businesses and franchisers are masters of knowing how to gather and how to interpret market research data. For smaller businesses, many times the owners feel that no market data is available.

Market research falls into two categories, primary and secondary. Secondary data is the easier to gather. This is data that has already been compiled and just needs to be accessed and interpreted by the business owner. Primary data is data that is gathered directly by such means as doing surveys, analyzing data, observing the competition, and performing focus group studies. This type of data is very valuable and should be utilized on a regular basis.

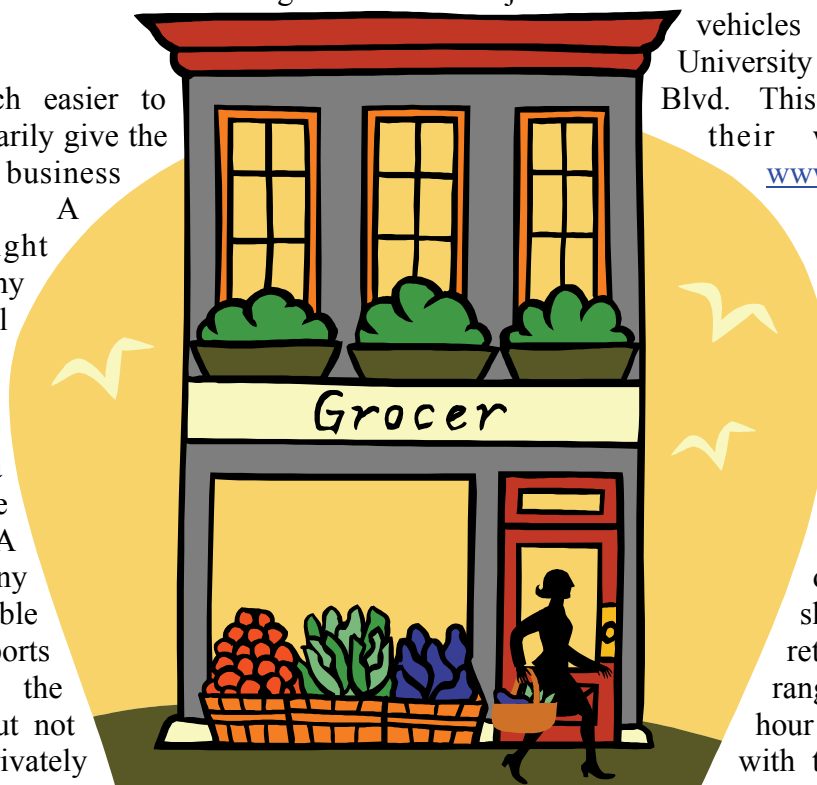
Secondary data is much easier to gather. It doesn't necessarily give the answers that many business owners want however. A typical scenario might involve a call into my office by an individual wishing to open a bookstore. They would like to know how to find the sales statistics of a competitive shop on the other end of town. A publicly traded company such as Barnes & Noble must issue annual reports that give statistics for the company as a whole, but not for the local store. Privately

held businesses, such as Wisebird Bookery, The Bookshelf or Jorgensen's Book and Gift though do not have to disclose this data to the public.

For this business owner, I can provide some secondary market research data and advise them of some primary market research that they may wish to perform on their own. Some of the more obvious market research data includes population and income levels. Depending on the type of bookstore, it may need to locate near high densities of people who fall into certain age groups, ethnic groups, income groups or religious groups. Going to www.census.gov and drilling down through the data for a while will provide much of this data.

The Utah Department of Transportation gathers average daily traffic counts on most roads in the state. For example, 2005 data shows that 19,375 vehicles passed by on Main Street just north of Antelope Drive in Layton, 47,900 vehicles traveled I-15 just south of the 2700 North exit and 44,390 vehicles passed Weber State University in Ogden on Harrison Blvd. This data can be found at their website at <http://www.udot.utah.gov>.

By going to the Department of Workforce Services at <http://jobs.utah.gov>, I can find statistics on what the bookstore will have to pay their clerks. Here I find data from May 2006 showing wages for retail sales persons to be ranging from \$6.94 per hour to \$11.19 per hour with the average at \$10.42



and the median at \$8.59.

And a favorite of mine is the Utah Tax Commission at <http://tax.utah.gov>. The UTC gathers sales data by SIC codes. By digging through their data I find that there are 25 businesses listed under the bookstore SIC code in Weber County that had total 2004 sales revenues of \$6,414,308. Similarly Davis County had 34 bookstores for total sales of \$15,395,134. Neither Box Elder nor Morgan County listed any bookstores. If I do a simple math calculation on the two counties, the average bookstore sales in Weber County are \$256,572 and Davis County are \$452,798.

Now comes the interpretation part. Remember the calculation gives an average only. Davis has a couple bookstores that are the big name bookstores, compared to Weber having smaller, local type of shops. This is going to change the averages. My business owner may need to do primary market research on the type of shop she sees her store competing with. This primary market research may involve surveying residents in her area on their book buying habits, shopping and generally hanging out at the competition and talking to her American Booksellers Association Rep.

I want to stress again that data is just data, it needs to be interpreted and then follow-through analysis should also be performed. Raw data can be misleading such as the differences between bookstore average sales in Weber and Davis counties. Many businesses have found that the high traffic counts on Harrison Blvd do not equate to successful businesses. Relying on secondary data alone can be very risky, but it is there if you know where to look. Don't hesitate to contact my office or someone else who knows how to drill down through the websites to find this data. It can take time and experience helps.