

Why Do Market Studies Cost So Much?

By Jesse Yoder

As someone who has been writing market studies since 1990, I've encountered a lot of skepticism over the years about the value of these studies. Many people cannot grasp why these studies are so expensive. Others would like to buy a market study, but don't really understand what their value is. I thought that in this article I'd address the issue of cost, and then talk about what you can expect to gain from a market research study.

Most market research studies today are in the \$3,000 to \$5,000 range. This seems high to a lot of people. The main reason that market studies cost so much is that they have a limited audience. Most market studies are aimed at the manufacturers of the products they cover. In many instrumentation markets, there may only be 15 to 40 or so of these companies. This means that there is a limited number of potential customers for the study. If the studies were sold for \$300, for example, there would be no possible way to recover the cost of writing the study. This logic applies not only to Flow Research studies, it applies to most market studies produced in the industry.

What are the costs of writing a study? Typically, market studies require from 3 – 6 months of research. Flow Research produces studies by contacting each supplier and asking them a list of questions about their products, sales volume, growth rates, etc. These interviews are done by a combination of phone, fax, and email. Since nearly all our studies are international in scope, this requires contacting people in different time zones in whatever way they prefer to be contacted. So it's not so unusual to get up at 4:00 in the morning sometimes to call Europe, for example. Contacts with Asian companies tend to be mainly by fax and email, due in part to language barriers.

Some studies are unique. Our Volume VI, Worldwide Survey of Flowmeter Users, was an example. For this study we administered a 14-page questionnaire to 299 flowmeter

users worldwide. This was a very expensive proposition because we decided to include flowmeter users in Europe and Asia, as well as in the U.S. and Canada. All surveys were administered by telephone. The surveys had to be translated into French, German, Japanese, and Chinese, and people had to be called at their plants during the day to answer the questionnaire. Once the surveys were complete, they had to be tallied, then presented in graphical form so they could be understood. The price tag for this project was more than \$50,000. Yet it has provided us with some extremely valuable insights into this market; insights that no other market research company could begin to have. Most other market research companies do not do user surveys as part of their market studies.

Turbine and PD Studies Expensive to Produce

The turbine and positive displacement flowmeter markets were another challenge. While there are only about fifteen suppliers of Coriolis meters worldwide, and 35 or so magnetic flowmeter suppliers, we identified 90 suppliers of positive displacement meters and 140 suppliers of turbine meters. We did the two studies together. Contacting each of these companies individually to find out their market position took nine months. This task was made more difficult by the fact that no studies had been done on these markets for ten years. So we started pretty much with a completely blank spreadsheet, building up the market size as we contacted one company after another. This proved to be a lengthy process, but it resulted in extremely high quality data. The difficulty level of writing these two studies was a 10 on a scale of 1 to 10 because of the sheer number of suppliers and the lack of existing data to start with.

Unlike some other market research companies, Flow Research does not ask companies to commit to buying studies ahead of time. What we normally do before actually completing a study is to contact people ahead time to find out how much interest there is in the study. However, we rely on the manufacturers within a product area to support the research. Without their support, market research studies could not exist.

Market studies cost what they do because this is what it costs to support the research that goes into these studies. Without market studies, there would be no objective way to determine market size, or to compare how different market participants stack up against each other. Market studies also identify which industries and applications are growing, and which are declining. This information is very valuable to companies that are investing thousands or millions of dollars in their product lines.

Sometimes people say “Why should I give you this information about our company?” This is a legitimate question. The answer is that, if the suppliers cooperate in providing information for these studies, everyone benefits because this data is valuable to everyone. While we make every effort to crosscheck and independently verify any and all data we receive from companies, the fact is that the ability to perform successful market research requires a substantial amount of cooperation from the manufacturers. Without this cooperation, it would not be possible to provide reliable data. While Flow Research does not pay for data for these studies, we do provide a discount on the resulting studies to participants.

Companies that don't use market research may bring out products that users don't want, or may target industries or applications with declining growth. A good market research study is an investment in the future of your company and its products. Market studies may seem expensive, but they are a lot less expensive than the price of a failed product line. And that's an expensive proposition!