

## Qualitative Market Research for Start-Ups

***Don't miss one of your biggest opportunities to influence the success of your product***



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*“Of course we’ll do market research....when it’s time to market the product.”*

What’s wrong with that statement? For many early start-ups, and perhaps most companies in general, nothing appears wrong with that statement. But they may be missing their biggest opportunity to influence the success of their product.

### **What is Market Research?**

Let’s start with the basics – what IS market research?

By definition it is any formal or informal process for eliciting information and feedback from prospective customers. But it is so much more than asking ultimate customers what they think or feel about your product.

“Aha!” you say. “We already get feedback from customers. We have a couple of excellent physicians who advise us on the product and we ourselves come from this industry so we know the market inside and out. And in the end, if this product is as great as we think it will be, it will sell itself.”

### **Putting the Cart before the Horse**

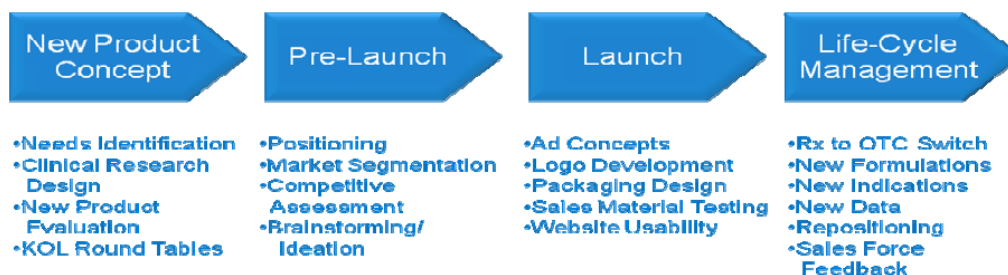
Start-up companies spend significant sums of money on product development but almost nothing on understanding the market, in part because funds are precious, and also because they believe they already know the market.

However, it is on the front end of product development where insights can have the greatest impact on the product itself, giving you the opportunity to tailor that product to the needs of the market. Once the product is developed you are left doing market research to tweak the marketing of a product that perhaps isn’t ideal. It is the difference between thinking, “I need to have a product before I can find out what people think about it,” and thinking, “I need to find out what people need and want before I develop the product.”

Additionally, doing market research very early on may save you from spending time and money on a product that has limited market potential. Big, established companies may be able to afford this once and a while, but a start-ups’ viability is dependent on the success of their first product.

So, why don't start-ups do more market research?  
There are several reasons:

- ❑ Founders often come from R&D, (science and engineering) backgrounds and have had little exposure to the value of market research.
- ❑ Belief that precious resources will be spent to learn "what I already know."
- ❑ Entrepreneurs are often so passionate about the products they are developing that they "don't need to ask anyone for feedback."
- ❑ Misperception that market research is done when the product is ready for "marketing."



### The Four Phases of a Product's Life Cycle

There are four phases of a product's life cycle and there are numerous questions that should be asked during each phase. We will focus on Phases I and II since these are most relevant for a start-up company. Examples of the types of questions that might be asked include:

- ❑ Phase I: New Product Concept/Early Clinical
  - Is there a need for the product?
  - How do we tailor the design of the product to best meet customer needs?
  - Is the market big enough to justify development?
  - How should we design the clinical trials for maximum impact?
- ❑ Phase II: Late Clinical/Pre-Launch
  - Who are my customers?
  - What aspects will be important to different segments?
  - What is the competition doing and how do we compare?
  - What price points will be acceptable?
  - What happens if.....?
  - How will our data be interpreted?

Every new product begins as a new idea, but is there a need for it?

*Company A had some proprietary drug delivery technology that would allow them to deliver medication through the rectal mucosa (suppositories). They were convinced that this would be a welcomed new delivery mechanism for pain medication, particularly for patients who had difficulty swallowing. However, early market research with medical oncologists, anesthesiologists and neurologists uncovered that this was a very poorly accepted route of administration. In cancer patients, the primary target for the medication, there is variable absorption due to variances in sphincter tone and rectal mucosa is very fragile. Additionally, regular usage, as would be needed for cancer patients causes discomfort, and for bedridden patients, bedsores often make it painful to move the patient on a regular basis for pain medication administration. They did not proceed with the product.*

How could the product be better designed to meet the needs of the market?

*Company B was developing a new scope design that would be the first design that allowed the tip of the scope to be maneuvered from right to left AND up and down. Engineers developed 6 prototype handle designs, each with a different means of moving in the right/left direction and the up/down direction. Market research with the end users included videotapes of them “using” each handle and providing feedback. Engineers were able to take feedback on what was intuitive, what was awkward, potential limitations, potential designs that would produce hand fatigue, etc and use these within the confines of the engineering constraints to design the most ideal handle for the scope. The research also provided insights into other factors such as magnification, force needed to push a button, and other features that enabled them to make tradeoffs on the end design according to what was important.*

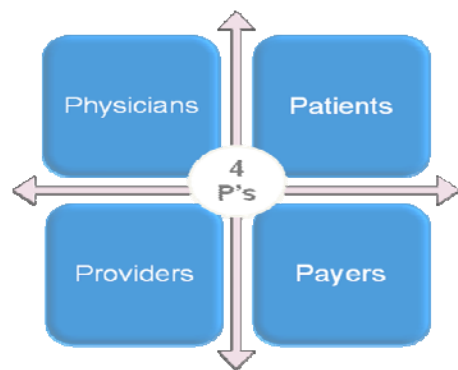
It might seem odd to think of marketing research in terms of clinical trial design – after all doesn't the clinical department do this? But the primary objective for the clinical group is to design a trial with safety and efficacy endpoints that will get the product approved. From the marketing perspective there are other critical considerations - this is going to be the basis for any “claims” that can be made when the product launches. Can you claim the product is faster? (Was that tested in the trials? Does speed matter – i.e. will this impact revenues?) Can you claim that patients like it better? (Was that tested in the trials and was it measured in a meaningful way?) If you know what is going to give your product an edge when it comes to market, how can you incorporate that into the trial design?

*Company C was developing a new prescription product for GERD (gastroesophageal reflux disease, otherwise known as “acid reflux”) which would have a different mechanism of action than the existing PPIs (e.g. Nexium, Prilosec). They had many options for the design of the clinical trial, all of which would impact the indication it received and hence the claims they could make. Options included indication for GERD, showing efficacy*

*versus placebo, indication for GERD showing efficacy versus other PPIs, indication for non-responders (i.e. second-line therapy), and an indication for Functional Dyspepsia, understanding that it might also be used for GERD. All options had pros and cons from a clinical design and investment perspective. Research was done with physicians to determine how each of these indications would impact the way they would view the product and prescribe it and also with MCOs to determine how the product would be placed on the formulary under each scenario, which would significantly impact use. Results were critical for designing the most effective trial for the product.*

### Knowing Your Customers

It's not enough to just know your product, sometimes the biggest challenge in the early stages of development is to understand who is the right customer. If market research is the process for eliciting feedback from potential customers, who are your customers? In healthcare, the customer isn't just the physician who is going to use the product or prescribe the product. There are many stakeholders influencing the success of your product. We like to think of them as the 4 P's of healthcare stakeholders:



- ❑ Physicians - Likely using your product or prescribing your product.
- ❑ Providers - Nurses, pharmacists, others who have contact with patients and products and may influence usage.
- ❑ Payers/Purchasers - Not only insurance carriers but also those making purchasing decisions in the hospitals.
- ❑ Patients - The ultimate beneficiary of your product or technology...may include family members or caregivers.

So hopefully at this point, you believe in the value of market research - there is actually much to be gained from doing this in the early stage of the start-up. Now the question is who is going to do this? I can hear many of you saying, "How hard can it be to go out and talk to a bunch of customers? I can do that myself."

### Why Use a Professional?

There are many reasons to use a professional researcher to conduct the research:

- Company employees tend to lack the discipline and objectivity necessary for the research.
- Respondents are more likely to be completely honest regarding downsides or dislikes when talking to an outside person versus the person who developed it.
- Company employees often don't want to "hear" what the customer is saying.

Good market research professionals not only have the skill and training to effectively moderate groups and individual interviews, but they also have the ability to objectively analyze and interpret the findings, effectively communicate them, and provide strategic direction.

Market research professionals have many important roles when they take on a project:

- Research Consultant
- Project Coordinator
- Facilitator/Moderator
- Analyst/Communicator/Strategic Advisor

### What to Look for in a Professional

One of the most important roles of the research professional is that of facilitator/moderator for the groups or interviews. In medical marketing research, the moderator must be able to quickly assimilate the essentials of the therapy areas, products, procedures, and treatments, to effectively probe topics raised in the groups or the interviews. They must understand the potential impact that each stakeholder (physician, provider, payer/purchaser, patient) can have on the product's success.

And they should understand more than just market research. Professional researchers bring the most value when they understand the overall business.

- Experience in healthcare  
Understand the nuances and the players of the healthcare market
- Focus on qualitative research  
Understand how to do the research to get the needed insights.
- Big-picture perspective  
Understand what the insights will mean to your business.

*"Of course we'll do market research....when we start our product development efforts."*

Market research in the early development phases of a project is similar to investigating new raw materials, technologies or production processes. It should be considered a critical part of the development cycle where the investment is more than likely to yield a healthy return.

Don't miss one of your biggest opportunities to influence the success of your product. Market research early in the product development can help you tailor your product development for the greatest market impact.

