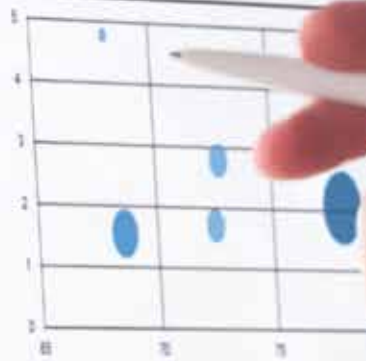


MARKET



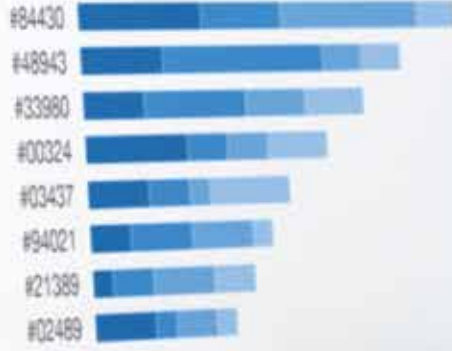
Products positioning



Sales per countries



Top 8 products



Market research is the eyes and ears of a company's strategic and tactical development and operational processes

Making strategic decisions?

Identify good from bad market research

Trustworthy and dependable market research can help your company resolve inscrutable issues that keep management teams awake at night, and ultimately, it can be used to benchmark the performance of those decisions in markets.

Eyes and ears of your company

Market research is the eyes and ears of a company's strategic and tactical development and operational processes. Some-

times it is informal, using unplanned feedback channels from customers, procurement, and sales teams. Sometimes it is formal using sophisticated studies and data gathering. In either case, the core purpose of market research is to inform and to reduce the risks of decision making.

The classic definition of market research is the process of obtaining market information to support the 4 "Ps" of marketing: product (which ones), place (how to be successful in chosen sales channels), promotion (marketing), and pricing

(how much to charge). Great market research supports decisions by **truly understanding customer wants and needs so that subsequent products address real value propositions in a world where competing solutions will not be far behind.**

Not all market research companies do the same work

Market research comes in two general types: one concerning the markets between businesses and the other be-



Great market research supports decisions by truly understanding customer wants and needs so that subsequent products address real value propositions in a world where competing solutions will not be far behind

tween businesses and consumers. Consumer research is often based on large data-gathering methodologies about actions, behaviors, and preferences. Focus groups are a popular method for deeper dive into the market or market tests. Metrics like click-throughs and sell-through statistics drive consumer market decision making.

Business-to-business (B2B) or industrial market research can use modified forms of consumer research methodology. Industrial markets can be measured from hundreds to low thousands of cus-

tomers (e.g., for businesses in manufacturing) whereas consumer markets (or segments) start in the millions and go to the hundreds of millions. The fragmented and proprietary nature of industrial market research requires additional skills and techniques to be applied to get meaningful results.

Finding the truth that lies out there by posing the right questions

There is a lot of information and much misinformation as well. As a market re-

search buyer, one needs to ensure not only that the market research gathered is valid, but that it answers the right questions for your company.

Therefore, taking an industrial market of a thousand customers will require the research to be very targeted in order to be meaningful. A big challenge in the industrial market research is getting people to share real information. Whether you are a supplier, channel partner, or buyer, your information and your time is considered valuable, and it often isn't shared without some reciprocal benefit. The best independent market research firms know how to **gain the trust of their primary information sources**. These firms also have transparent methodologies regarding quality control and use secondary research and market models to challenge outlying data points.

Having an **expert on your market research team can help with sifting**

through the debris and will give credibility to the data. An expert will understand your customer's customers and will keep an eye on what new technology might aid or how it can disrupt the current domain. Through conversations, an expert will also consider what is not being said, what is being emphasized, and all this will help to ensure that the data you receive gives a better representation of the industry.

Meanwhile, the world is also littered with underperforming products whose development teams didn't do adequate market research to match their products' features and benefits to what the customers' prioritized needs actually were. The corollary is developing a product with just one or two customers' inputs and then getting stuck with a product that has a narrow customer base – not enough to be profitable.

The best market research is actionable and can reduce the risk of answering questions such as:

- Which product feature sets or types of solutions should be offered?

Having an expert on your market research team can help with the sifting through the debris and will give credibility to the data

- Should I choose this new technology (buyers' perspective)?
- When should we 'end-of-life' a certain product?
- Will the customer be willing to pay for after-sales and service support?
- Will customers "value" the trade-off of higher acquisition costs against lower operational costs?
- How valuable would a market education campaign be in driving demand?
- Who are the best channel partners to work with?
- How should I respond to my competitors' actions?

Identifying high-quality research

How do you determine that the market research you are going to purchase is of high quality?

Independent and unbiased

Sometimes market research conclusions do not align with the wishes of powerful internal entities who are at risk of losing out in one way or another. This, of course, has been the topic of many business books, perhaps most famously captured by Clayton Christensen's book "The Innovator's Dilemma." Sometimes really good independent market research conclusions can be painful. Well managed companies figure out a way to create a culture of healthy debate and overcome internal blindness so that new information is soberly considered.

One of the challenges independent market research has is to stay free of the sponsoring company's bias and its effect on the results. Sponsoring company's messaging about products and technolo-

Selecting a high-quality market research company for assistance in making important decisions in regards to the company's business will pay off in the long run

gies can creep into study results. There have certainly been many market studies that end up parroting the company's talking points rather than reflecting an unbiased appraisal of the market landscape. This type of research can add to the hype distortion and give sellers and buyers the wrong information rendering them unable to make good decisions. **Good independent market research can minimize the effects of this type of bias.**

A comparison of this type of market research bias can be drawn through the analogy of software development,

on how projects can be biased, and the end-result modified throughout the process. This "Sandra and Woo" comic depicts a rather humorous picture of this process.

Actionable insights

The best market research **guides real strategic and tactical decisions directly**. It should not consist of just numbers without any context. In the example: Should we raise prices? (or from the buyer's perspective, should we demand a discount?), market research that characterizes the supply and demand dynamics is

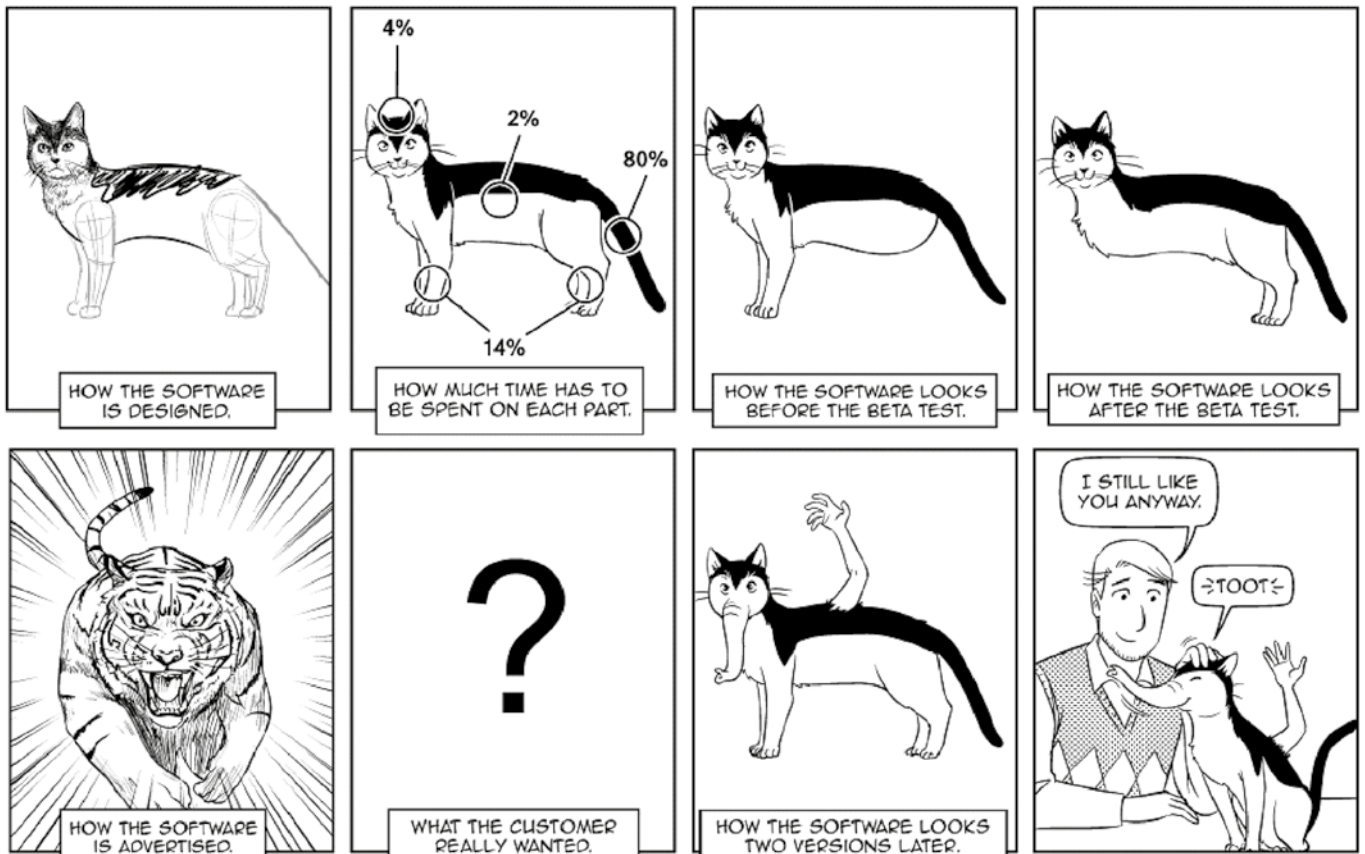
very useful. What market share do I have? (or how big a customer am I really) plays directly to the gaming exercise that is contract negotiations. Knowledge is power.

Business analytics and independent benchmarks

Business analytics can help automate the scrutiny of one's data, such as shipment volumes, prices, deal terms, inventory levels, etc. But the problem is that without independent benchmarks, you have no idea if you have a competitive advantage or not.

One of the recurring mistakes made by procurement organizations is assuming they have the best prices possible. Let's say they received a "good" price quote relative to what they got last time, say no increase. One might be led to believe that all is supposedly well, however, what if market prices decline by 5%. They didn't act on that knowledge, and that's a

Richard's guide to software development



Sandra and Woo by Oliver Knörzer (writer) and Powree (artist) – www.sandraandwoo.com

loss directly to the bottom line.

Accuracy

Another measure of good research is knowing how accurate were past market sizings and forecasts. No forecast can be perfect; however, the assumptions and the identified “**influence factors**” **behind the forecast can be very valuable**. Influence factors include “competitive response,” which can accelerate unit demand, however, it often comes at the cost of selling prices.

Transparency

Good B2B research does not have to be elusive. When you enlist a market research company to help with your **valuable decision making**, identifying a good company will pay off in the long run. Don't be afraid to ask questions, to check their methodology and the granularity of their data, and to ensure that the experts at the firm are independent, stand behind their data, and are available to answer those questions.

From the grid equipment perspective

For grid equipment markets, it becomes especially relevant to verify the market research methodology or the market model used. Grid equipment market research requires certain technical knowledge of the grid operation on the part of the analyst to really understand the interconnection between various equipment types and the effects of macroeconomic parameters on the grid infrastructure growth.

In addition to the points discussed before, it can be highly important to do high-level sanity-checks on the market figures using available macro-data as a first step. Being a capital-heavy industry, the developments in the power grid sector are heavily influenced by the economic stability of the country. Indicators like renewable penetration, industrial growth, construction spends, investment rankings, and to some extent GDP, are directly correlated with the capital expenditure in the power grid sector. You can also utilize specific indicators like power generation capacity (GW), utility transformation (MVA) and utility annual CAPEX etc. to cross-check mar-

Given the nature of decision making, quick sanity-checks can help identify good from the bad when it comes to market research

ket growth or to check different country's market sizes against one another. For example, India adding ~13 GW of renewables and the US adding ~12 GW of renewables would indicate similar new additions regarding the equipment used, such as medium voltage switchgear and distribution transformers in the generation vertical for both of these countries.

In addition to that, as everything in the grid is connected, market data for other equipment types (if available) can be used to cross-check market numbers of the connected equipment. Power transformers' growth will influence the high-voltage switchgear market, and growth in distribution transformers will indicate a similar trend in the medium voltage switchgear market. Similarly, growth in the transformers market would indicate a growth in fus-

es or bushings market. For example, if Turkey's market is seeing a sharp decline in power transformers market for transformers above 100 kV, it is clear that the market for HV switchgear for transformers above 100 kV will also slow down. On a more technical level, ratios like transformer additions per GW of generation added or primary switchgear per GW of generation added can be used to roughly rationalize if the data points across countries are valid or not.

Given the nature of decision making, ranging from product launch to market entry/exit strategies, quick sanity-checks like these can help you identify good from bad when it comes to market research, which in turn can make, or at least save you, millions of dollars by helping you avoid decision making based on bad data.

Authors



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Greg is a career user and creator of technology market research. He is currently a Silicon Valley based venture capital investor. Starting out his career in engineering and strategic marketing, he became an avid user of research, developing a sense of what was helpful and what was not. He later applied the learnings as a user when he worked in technology market research at Gartner and as a founder of iSuppli.



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