

PROCUREMENT TOOLBOX

MARKET RESEARCH

MARKET RESEARCH — Gathering and analyzing information on the capabilities and limitations in the commercial marketplace, as well as determining the best method to obtain the required goods and services. The goal of market research is to better understand the marketplace and suppliers.¹

About Market Research

- **The Process** — Gather and assess information to align your needs with available products and vendors.
- **The Supply Base** — Look for potential vendors for the appropriate product or service.
- **Analysis** — Identify vendors in the market. Are there several, or only a few? Narrow down your list to identify those that meet your qualifications.
- **Ongoing Research** — Continue to monitor the market for innovations and potential suppliers.

Example of market research: Looking for all companies that supply playground equipment for public parks. Talking with the park services to determine the exact specifications needed. Researching all potential suppliers capable of delivering the specified product to determine approximate costs, logistics, and other info.



¹ Procurement U. (2020, May 8). Procurement 101: Foundations of Public Procurement. [Online course]. MyAbsorb. <https://procurementu.myabsorb.com>

Benefits of market research:

- Critical to determining appropriate procurement methodology
- Helps identify exact needs
- Keeps project up-to-date on rules and regulations
- Identifies primary and alternative suppliers
- Identifies new and emerging solutions



THE FOUR COMPONENTS OF MARKET RESEARCH

1. Data Collection — The gathering of information from internal and external stakeholders and markets to determine the specific needs for a good or service and align those needs with potential products on key factors such as quality, delivery, cost, and other performance indicators.

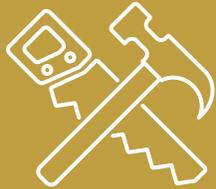
Importance of data collection — key for understanding and prioritizing the exact needs of the agency customer and the performance requirements and specifications for the goods or services to be acquired. Used to identify potential suppliers and vendors in the marketplace, comparable products, and cost feasibility.

Primary market research — identification of specific user needs by the procurement officer through direct data collection such as surveying each primary department that uses a potential commodity or service to get their input in narrowing down specifications.²

• Primary Research Tools

- Interviews
- Surveys
- Questionnaires
- Focus Groups

²Procurement U. (2020, May 8). Procurement 101: Foundations of Public Procurement. [Online course]. MyAbsorb. <https://procurementu.myabsorb.com/>



TOOLS TO LEARN MORE

Take the Procurement U, [Procurement 101: Foundations of Public Procurement Course](#) to build up your building block knowledge of public procurement!

Read, [State and Local Government: A Practical Guide](#), to learn more about market conditions and many facets of procurement.



Secondary market research is data that others have already gathered and made available, such as subscriptions to market research online tools or data from trade associations regarding industry trends or regulations.³

- **Secondary Research Tools**

Examples: Trade association publications, government agency resources, cooperative contracts, internet research, and available information from other organizations with similar projects

NASPO membership includes access to these professional market research tools designed for public procurement.

- [Procurement IQ](#)
- [GovWin](#)

2. Market Conditions⁴ include information about the supply and demand, competition, and distribution of market share in each industry.

Supply and Demand affects the cost, delivery, and availability of a service or good. Predict the impacts on supply and demand by considering a few ideas:

- Who else might need the good or service?
- Who is the competition?
- What are the impacts of emerging technologies and trends in the marketplace?

Competition can be described as perfect or imperfect.

- Perfect competition: No one supplier can overly influence the price or availability of a good or service.
- Imperfect competition: One or more suppliers can overly influence the price or availability of a good or service.

Market Share is described in three ways:

- The percentage of total market output produced by a single firm.
- The ability of a business entity to capture a large segment of the market.
- A company's percentage of the total market in which it is a dominant player

³ Procurement U. (2020, May 8). Procurement 101: Foundations of Public Procurement. [Online course]. MyAbsorb. <https://procurementu.myabsorb.com/>

⁴ Procurement U. (2020, May 7). Procurement 102: Introduction to market research. [Online course]. MyAbsorb. <https://procurementu.myabsorb.com/>

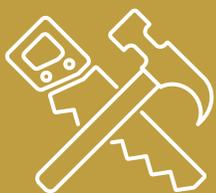


3. **Market Capabilities**⁵ is the process and result of evaluating if there are enough vendors in the market that can meet the requirements of a project.

- Capability: the ability to supply or deliver a product or service.
- Capacity: having enough resources to support the product or service requirements.

4. **Market Intelligence**⁵ is the process and result of gathering and analyzing information for unforeseen and future occurrences which could impact a project. Market intelligence requires thinking ahead about factors such as:

- Supply
- Risk Management
- Category/Commodity
- Supplier health/Performance
- Financial planning



TOOLS TO LEARN MORE

Take the Procurement U, [Procurement 102: Introduction to Market Research](#) course is to define market research and how it influences decision making in public procurement..

Read the NASPO blog, [ProcurementPulse](#) to learn more about innovation in procurement.

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- [Procurement IQ](#)
- [GovWin](#)

⁵Procurement U. (2020, May 7). Procurement 102: Introduction to market research. [Online course].MyAbsorb. <https://procurementu.myabsorb.com>