What Is Market Research?

Idea In Short

Market research is the disciplined collection and analysis of information about available solutions, suppliers, prices, capacity, risks, and market conditions. It helps an organization test whether its need is realistic, understand what alternatives exist, and choose a sourcing approach grounded in evidence. Begin with a decision question, use multiple credible sources, and record assumptions and limits. Research should remain proportionate to the decision and should not favor a supplier through unequal access or premature commitment. Done well, it reduces avoidable uncertainty while leaving room for competition, innovation, and informed judgment.

Start with a decision question

Market research is useful when it answers a real question. A team may need to know whether several suppliers can meet a requirement, whether a service can be delivered in a different way, what drives price variation, or how much capacity exists. A broad request to learn everything about a market wastes effort and can produce information that does not change a decision. Define the decision at stake, the information gap, and the time available before selecting research methods.

Research can inform a new purchase, a contract renewal, a specification update, or a choice between internal delivery and external supply. It helps decision-makers understand the shape of the market before they commit to a solution. The World Bank's procurement planning framework uses market analysis to connect project needs, market capability, risk, and procurement strategy, a disciplined approach that generalizes to other sourcing decisions.1

Map solutions and suppliers

Market research should look beyond familiar suppliers and current product labels.

Researchers can identify substitute technologies, service models, distribution routes, and emerging approaches that meet the underlying need. They can map supplier types, geographic reach, subcontracting dependencies, and capacity constraints. A capability map can reveal whether a requirement would exclude viable providers without adding meaningful value.

Supplier conversations are one source, but they should not dominate the evidence base. Organizations can review catalogs, technical standards, public case studies, trade data, market reports, and prior performance. They should document who participated and avoid implying a future award. The Asian Development Bank's strategic procurement planning materials describe how market analysis informs a fit-for-purpose procurement strategy and supplier engagement.2

Compare prices on a like basis

Price research requires comparable scope. A quoted unit rate may exclude setup, maintenance, training, delivery, financing, or transition costs. Researchers should identify assumptions about volumes, contract duration, service levels, currency, and risk allocation. If comparisons cannot be made directly, they should explain the adjustments and uncertainty rather than present false precision.

Useful evidence may include historical purchases, published rate cards, supplier budget estimates, independent cost models, and market indexes. Each source has limitations: list prices may not reflect transaction prices, and a supplier's estimate may be designed to influence the requirement. OECD research on competition in procurement discusses how market structure and tender design affect competition and value, helping buyers interpret price information in context.3

Test requirements and assumptions

Research can show that a requirement is too narrow, too ambitious, or no longer aligned with market capability. A technical standard may be outdated; a delivery schedule may exceed normal capacity; a service level may require costly redundancy. Researchers should ask what evidence supports each important requirement and whether a less restrictive option could achieve the same outcome.

Consultation should be structured. Ask suppliers the same core questions, provide equivalent background, and record responses consistently. If suppliers offer proprietary information, clarify how it will be handled before collecting it. The European Commission's guidance on innovation procurement encourages buyers to understand market capability and communicate needs in ways that can reveal new solutions.4

Evaluate risk and change

Markets change through cost shocks, technology shifts, regulation, consolidation, and capacity disruptions. Research should identify where supply depends on a small number of sources, critical components, logistics routes, or specialized labor. It can also reveal opportunities to reduce exposure through alternative specifications, phased implementation, or supplier development. Risk findings should be proportionate and tied to practical decisions.

Researchers should record the date, method, source quality, assumptions, and known gaps. A conclusion based on a small set of supplier conversations should be labeled accordingly. OECD guidance on managing procurement risks emphasizes identifying and assessing risks across the purchasing cycle, including supply and market risks.Managing risks in the public procurement of goods, services and infrastructure

Turn findings into a sourcing choice

Research should lead to a documented decision. The team can explain how findings influenced the specification, competition method, schedule, contract structure, evaluation criteria, and risk allocation. Where evidence is mixed, decision-makers should see competing interpretations and what further information would change the recommendation. This makes research useful even when it does not produce a single definitive answer.

The market may change between research and commitment. Refresh important assumptions when prices, technology, supplier capacity, or the business need shifts. Keep a proportionate record so later teams can understand why a strategy was chosen and whether conditions still support it. Market research is not a one-time report; it is a decision tool that helps an organization respond intelligently to real supplier options and market behavior.

Keep research current and useful

The value of a market report decays at different speeds. Supplier capability may remain stable for years, while commodity prices or delivery capacity can change in weeks. Teams should label findings with source dates and set a refresh trigger for critical assumptions. A new regulation, product release, supplier acquisition, or sharp cost movement may justify an update. Researchers should record what changed and whether it affects the strategy rather than simply republishing old conclusions. This discipline prevents outdated benchmarks from becoming false certainty. It also lets decision-makers focus research effort where change could materially alter the outcome. The 5 offers guidance on systematic evidence and evaluation.

- 1Project Procurement Strategy for Development guidance
- 2Strategic procurement planning
- 3Competition in public procurement
- 4Guidance on innovation procurement
- 5UK Magenta Book

Summary

Market research creates value when it changes a decision. It can expose an outdated requirement, reveal alternative delivery models, show where capacity is constrained, or identify risks hidden by headline price. Researchers should distinguish facts from estimates, disclose uncertainty, and update findings when conditions change. Buyers should share information fairly during sourcing and preserve a record of how research influenced requirements and strategy. A focused, documented approach gives decision-makers a clearer view of the market and helps organizations select solutions that meet real needs at sustainable cost and risk.