UNIT 3
Market and Demand Analysis

1. IDENTIFICATION OF TARGET MARKET

Target market identification is the process of defining and analyzing specific customer segments that a project's output (product/service) will serve, ensuring resources are focused on the most viable and profitable market opportunities.

Types of Market Segmentation:

1. Demographic Segmentation

- **Age**: Different age groups have varying needs and preferences
- **Gender**: Male vs. female market preferences
- **Income Level**: Purchasing power and price sensitivity
- **Education**: Influences product complexity and communication
- **Occupation**: Professional needs and usage patterns
- **Family Size**: Household consumption patterns

2. Geographic Segmentation

- **Region**: North, South, East, West India have different preferences
- **Urban vs. Rural**: Infrastructure and lifestyle differences
- **Climate**: Product adaptation for different weather conditions
- **Population Density**: Distribution and logistics considerations

3. Psychographic Segmentation

- **Lifestyle**: Health-conscious, luxury-oriented, eco-friendly
- **Values**: Traditional vs. modern values
- **Personality**: Conservative, adventurous, status-conscious
- **Attitudes**: Brand loyalty, price sensitivity, innovation adoption

4. Behavioral Segmentation

- **Usage Rate**: Heavy, medium, light users
- **Benefits Sought**: Quality, price, convenience, status
- **User Status**: Non-users, ex-users, potential users, first-time users, regular users
- **Loyalty Status**: Hard-core loyal, shifting loyal, switchers
- **Readiness Stage**: Unaware, aware, informed, interested, intending to buy

2. CHOICE OF MARKET STRATEGY

Market strategy defines how an organization will compete in the target market, including positioning, competitive approach, and value proposition to achieve project objectives.

Porter's Generic Strategies

Michael E. Porter proposed that businesses can achieve a competitive advantage in the marketplace by following one of three broad strategies, known as generic strategies.

1. Cost Leadership Strategy

A cost leadership strategy is when a company aims to become the lowest-cost producer in its industry while offering acceptable quality to customers.This strategy helps to attract price-sensitive customers and gain market share by offering lower prices than rivals.

- The firm focuses on achieving efficiencies in production, operations, and supply chain.
- Standardized products are offered at lower prices than competitors.
- Large-scale production (economies of scale) and tight cost control are essential.

2. Differentiation Strategy

A differentiation strategy is when a company seeks to offer products or services that are perceived as unique in ways that customers value.This strategy helps to stand out from competitors by offering distinctive benefits that justify higher prices.

- Uniqueness may be based on design, features, technology, customer service, or brand image.
- Customers are willing to pay a premium price for the uniqueness.
- Innovation, strong branding, and customer loyalty are emphasized.

3. Focus Strategy

A focus strategy is when a company concentrates on serving a particular segment of the market rather than the entire industry. The target is a narrowly defined market segment (geographic, demographic, or product-specific). Resources are directed toward serving the unique requirements of this segment better than competitors. This strategy helps to gain a competitive advantage by specializing and tailoring offerings for a specific market group.It can take two forms:

- **Cost Focus:** Competing on cost within a niche segment.
- **Differentiation Focus:** Offering unique features that cater to the specific needs of a niche segment.

Digital Age Market Strategies

1. Direct-to-Consumer (D2C) Strategy

- Bypass traditional intermediaries
- Direct customer relationships
- Better margins and customer data
- Example: Boat (audio accessories) D2C success

2. Platform Strategy

- Create ecosystems connecting multiple parties
- Network effects and scalability
- Example: Flipkart connecting buyers and sellers

3. Subscription Strategy

- Recurring revenue model
- Customer lifetime value focus
- Example: Netflix, Spotify in Indian market

4. Freemium Strategy

- Basic service free, premium features paid
- Large user base monetization
- Example: Zoom, Spotify free tiers

Omnichannel Strategy:

- Seamless experience across all touchpoints
- Online and offline integration
- Consistent brand experience
- Example: Reliance Retail's online-offline integration

3. PROJECTION OF DEMANDS USING PRIMARY DATA AND SECONDARY DATA

Demand Projection

Demand projection is the process of estimating future customer demand for a product or service using various data sources and analytical techniques to support project planning and decision-making.

Primary Data Collection Methods

Primary Data: Original data collected specifically for the research purpose at hand, directly from the source through various research methods.

1. Survey Research

Survey research is a method of collecting primary data by asking respondents a structured set of questions, either in written form (questionnaires) or orally (interviews), to obtain quantitative or qualitative information about their attitudes, preferences, or behaviors.

- It can be conducted through personal interviews, telephone, online forms, or mail.
- Provides standardized data that can be statistically analyzed.

2. Focus Group Discussions

A focus group discussion is a qualitative research method where a small group of individuals (usually 6–12 participants) are guided by a moderator to discuss specific topics, products, or ideas, providing insights into attitudes, perceptions, and motivations.

- Useful for exploring new product concepts or consumer reactions.
- Encourages interaction and idea-sharing among participants.

3. In-Depth Interviews

In-depth interviews are one-on-one, unstructured or semi-structured conversations between a researcher and a respondent, aimed at gaining detailed insights into personal experiences, attitudes, and motivations.

- Allows probing and clarification.
- Generates rich, qualitative data.

4. Observational Research

Observational research is a method where the researcher systematically watches and records the behavior, actions, or interactions of people in real-life settings without direct questioning.

- Can be participant or non-participant observation.
- Useful for studying consumer behavior in natural environments (e.g., shopping habits).

5. Experimental Research

Experimental research is a method of collecting primary data in which the researcher manipulates one or more variables (independent variables) and observes their effect on other variables (dependent variables) under controlled conditions.

- Often conducted in laboratories or controlled test markets.
- Helps establish cause-and-effect relationships.

COLLECTION METHODS FOR PRIMARY DATA		
Method	**Definition**	**Key Features**
Survey Research	A method of collecting primary data by asking respondents a structured set of questions, either in written form (questionnaires) or orally (interviews), to obtain quantitative or qualitative information about their attitudes, preferences, or behaviors.	Standardized, can be large-scale, statistical analysis possible.
Focus Group Discussions	A qualitative method where 6–12 participants are guided by a moderator to discuss specific topics, products, or ideas, providing insights into attitudes, perceptions, and motivations.	Interactive, exploratory, idea-generating.
In-Depth Interviews	One-on-one, unstructured or semi-structured conversations between a researcher and a respondent aimed at gaining detailed insights into personal experiences, attitudes, and motivations.	Rich qualitative data, probing possible.
Observational Research	A method where the researcher systematically watches and records the behavior, actions, or interactions of people in real-life settings without direct questioning.	Natural setting, real behavior, can be participant/non-participant.
Experimental Research	A method in which the researcher manipulates one or more variables (independent variables) and observes their effect on other variables (dependent variables) under controlled conditions.	Controlled, cause-and-effect testing, often lab-based or test markets.

Secondary Data Collection Methods

Secondary Data: Secondary data refers to information that has already been collected, compiled, and published by other individuals, organizations, or institutions for purposes different from the current research but which can be utilized for demand analysis and decision-making.

Internal Secondary Data Sources

1. Sales Data Analysis

Sales data analysis involves examining past sales records and transaction histories within the organization to identify trends, seasonal patterns, and customer preferences that can be useful for demand forecasting.

2. Customer Database Analysis

Customer database analysis refers to the use of existing customer information (e.g., purchase history, demographics, loyalty program data) stored by the company to understand buying behavior and predict future demand.

3. Marketing Campaign Data

Marketing campaign data consists of information collected from previous advertising, promotions, and other marketing efforts within the company, which can be analyzed to assess the effectiveness of campaigns and estimate future responses.

External Secondary Data Sources

1. Government Statistics

Government statistics are official data published by government agencies, such as census data, economic surveys, trade data, and demographic statistics, which provide reliable and large-scale information for market and demand analysis.

2. Industry Reports and Publications

Industry reports and publications are documents produced by trade associations, consulting firms, and market research agencies that provide detailed insights into industry trends, market size, consumer behavior, and forecasts.

3. Competitor Analysis

Competitor analysis involves the systematic collection and evaluation of publicly available information about competitors, including their products, pricing strategies, financial data, and market activities, to inform strategic decisions.

4. Academic Research

Academic research refers to published studies, articles, and reports by universities, scholars, and research institutions, which can provide theoretical frameworks, empirical findings, and conceptual insights for market and demand analysis.

COLLECTION METHODS FOR SECONDARY DATA			
Category	**Source**	**Definition**	**Key Features**
Internal	Sales Data Analysis	Examining past sales records and transaction histories within the organization to identify trends, seasonal patterns, and customer preferences.	Historical, trend-focused, demand forecasting tool.
	Customer Database Analysis	Using existing customer information (e.g., purchase history, demographics, loyalty program data) stored by the company to understand buying behavior and predict demand.	Customer-centric, behavioral insights.
	Marketing Campaign Data	Information from previous advertising, promotions, and marketing efforts within the company, analyzed to assess effectiveness and forecast responses.	Measures marketing ROI, campaign impact analysis.
External	Government Statistics	Official data published by government agencies, such as census data, economic surveys, trade data, and demographics.	Reliable, large-scale, authoritative.
	Industry Reports and Publications	Reports by trade associations, consulting firms, or market research agencies offering insights into industry trends, market size, consumer behavior, and forecasts.	Industry-focused, current trends, competitor insights.
	Competitor Analysis	Systematic collection and evaluation of publicly available competitor information, including products, pricing, financials, and strategies.	Comparative, strategy-oriented.
	Academic Research	Published studies, articles, and reports by universities, scholars, and research institutions providing theoretical frameworks and empirical findings.	Conceptual depth, credible, research-backed.

4. PROJECTION OF DEMANDS USING QUALITATIVE MODELS

Qualitative Demand Forecasting: Qualitative demand forecasting methods rely on judgment, intuition, and subjective assessments rather than on past numerical data to predict future demand. These methods are particularly useful when historical data is unavailable, insufficient, or unreliable, such as in the case of new product launches or rapidly changing market environments.

- Based on expert opinions, experience, and insights.
- More suitable for short-term forecasts or when quantitative data is lacking.
- Often used in combination with quantitative methods for better accuracy.

Expert Opinion Methods of Demand Forecasting

1. Executive Opinion (Jury of Executive Opinion)

The Jury of Executive Opinion method involves gathering the views and judgments of senior executives and managers within an organization to forecast future demand. The forecast is based on their collective experience, industry knowledge, and strategic insights.

- Simple and quick to implement.
- Useful when experienced executives are familiar with the market.
- Risk of bias or dominance by influential members.

2. Delphi Method

The Delphi Method is a structured forecasting technique that collects the opinions of a panel of experts through multiple rounds of anonymous questionnaires, with a facilitator providing feedback between rounds. The process continues until a consensus forecast is reached.

- Ensures anonymity, reducing the influence of dominant individuals.
- Iterative process improves accuracy and refines expert opinions.
- Time-consuming and requires careful coordination.