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4.4 Market research

Why and how organisations carry out market research

Why organisations carry out market research

Market research, or marketing research, allows companies to gain up-to-date and relevant information on their customers and competitors, and on other external stakeholders who may affect them.

Reasons to carry out market research may include:

- identifying consumers' needs and wants and understanding consumers' purchasing behaviour
- identifying potential changes in the market, such as changes in consumer spending patterns
- establishing what consumers like and dislike and testing new products
- evaluating existing marketing efforts in attracting consumers
- investigating new possibilities in existing or new markets

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Figure 1. The electric vehicle market has been growing in the past years. Businesses may need to research the industry to see if there is room for new opportunities in this or related markets (such as electric charging stations or batteries).

Credit: Greg Pease, Getty Images

Social enterprise tends to focus on meeting a human need. Social enterprises may carry out research to identify which human needs they should address through their work or how well their activities manage to meet the need.

Activity

Learner profile: Inquirers
Approaches to learning: Thinking skills (transfer)

Social enterprises aim to address a human need either directly or indirectly through their activity.

Browse the UNDP Business Call to Action (https://www.businesscalltoaction.org/membership-page#membership-members) page, which profiles a number of international social enterprises.

Find a business that interests you and identify a human need that the business is addressing. (Human needs were discussed in more detail in Section 1.1.2. (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-doughnut-economics-model-id-36500)) Consider the following questions:

1. How did the business identify the existence of the human need?

2. How did the business go about addressing the need?

Market-oriented businesses are likely to base their strategies on the results of their market research and to centre the strategies around the seven Ps of the marketing mix (see **Table 1**). (You were introduced to the seven Ps in Section 4.1.1 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-market-and-marketing-id-37436) and will learn more about them in Subtopic 4.5 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-39004)).

Table 1. The seven Ps of the marketing mix.

Type of research	Description
Product-based research	When a company tests a new product, it releases the product to a specific area for a limited time. This enables the company to gain large amounts of information about how closely the product meets the needs of its target market. If test markets are successful, the product will enjoy a full-scale launch. If not, the product can be redesigned or scrapped.
Price-based research	In highly competitive markets, new companies may be forced to base their prices on those of their competitors. If this is the case, companies must regularly research the market to find out the pricing strategies of competitors. Their own prices will then be adjusted to ensure that they are in line with the competition.
Promotion-based research	It is important for companies to understand which media their target market accesses. If a company selects the wrong media and customers do not see or react to the message, then money has been wasted.

Type of research	Description
Place-based research	Selecting the right distribution channels – the ways to distribute the product – can be the difference between success and failure. A range of research methods may be used for this. Interviewing consumer experts or simply asking the target market themselves can provide valuable insights.
People-based research	It is important that people representing a brand are well trained in how best to inform and support the customer. They need to offer the type of experience that would make the customer want to make further purchases. Businesses rely on research to understand the type of customer service experience that will ensure clients become repeat customers.
Process-based research	Process-based research focuses on how to implement an appropriate process for delivering the service. It may involve benchmarking or comparing a company's service quality and speed to that of leading competitors.
Physical evidence-based research	Market research around physical evidence involves researching the sensory and visual experiences of the customer. In a store, for example, this might include branding, the layout of the store or the store's ambience. Supermarkets very often perform a type of research called 'shelf testing', which helps them to understand where to best place a specific product.

Market research is a key part of the marketing process/cycle. A business will rarely launch a new enterprise without performing thorough research.

Figure 2. Supermarkets and food producers often carry out 'shelf testing' to work out where to best place a product.

Credit: Jacobs Stock Photography Ltd, Getty Images

Exam tip

Market research and research and development (R&D) are two similar-sounding activities. Both take place during the development phase of a product.

Market research is how a company gains information on its customers and competitors, using methods such as surveys and interviews.

R&D is how products are developed. This involves experimentation, creating new designs and building prototypes.

How organisations carry out market research

All market research can be broken down into two areas: primary market research and secondary market research (see **Figure 3**).
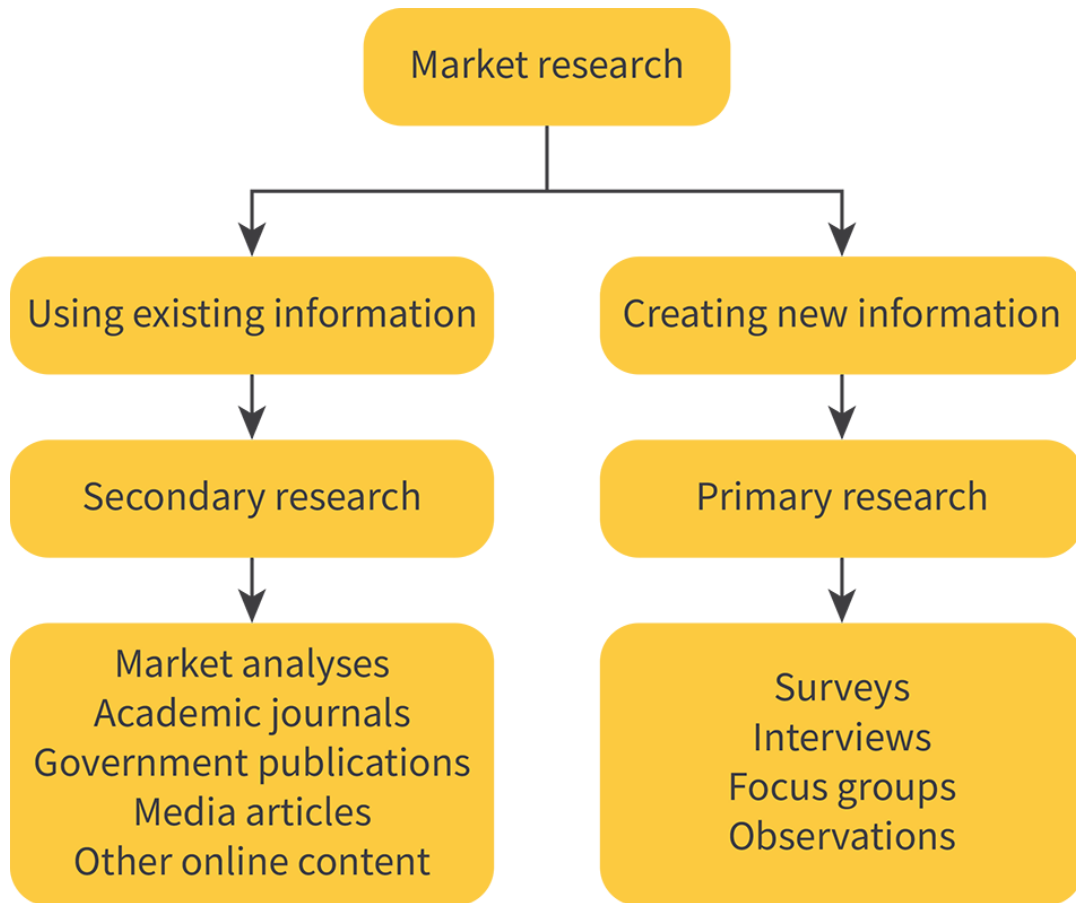
Figure 3. Primary and secondary market research.

Primary market research

Sometimes referred to as 'field research', primary market research involves creating new information, gathered by the business through surveys, interviews, observations, focus groups or other methods. Primary research aims to answer a specific research question. The information it produces is up to date and relevant. For example, by selecting specific people to interview, the business can focus its research on its target audience. The business can find out about the individuals' tastes and preferences, the reasons why they make purchases, or whether they like the product. The main methods of performing primary market research (which are explained in Section 4.4.2 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/primary-market-research-methods-id-38997)) are:

- surveys
- interviews
- focus groups
- observations

Making connections

In the IBDP Design course, user research is a very important part of the design process. Understanding the needs and wants of the people who will be using the products that a designer creates is a critical part of the 'investigating and analysing' and 'developing ideas' stages of the design cycle. Thus, the skills for a designer and a market analyst are very similar.

Secondary market research

Secondary market research uses information gathered by others. This means that it can be carried out rapidly and can give a quick overview of a market. A business can use secondary research to learn general information about its target market and the external environment (STEEPLE factors). For example, a business can use secondary research to learn about the age structure of the population. Secondary research can also be used to learn about whether the economy of an area is growing, or what the major sociocultural trends are.

In Section 4.4.3 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/secondary-market-research-methods-id-38998), the following sources of secondary research are analysed:

- a market analysis
- academic journals
- government publications
- media articles
- online content

Exam tip

For your Business Management internal assessment (IA), you will be expected to 'base [your] research on primary and/or secondary research, selected for its suitability, depth and breadth' (IBDP Business Management guide).