

4.4 Market research

Primary market research methods

Primary research is the creation of new information. Businesses carry out primary market research when they need specific, up-to-date information.

The research methods that businesses use will depend on research objectives. Budget and time constraints will also be considered. The main methods of primary market research are surveys, interviews, focus groups and observations.

It is very expensive to conduct market research. It takes time and resources to plan and conduct the research, and then process the results. Most businesses are not experts in carrying out market research. The business may need to train researchers or hire specialists from outside the business to conduct the research. Primary market research needs to be done well so the business can be sure that the results obtained are reliable and unbiased.

Making connections

In Business and Information Technology you may sometimes hear the term 'GIGO' – or 'Garbage In, Garbage Out'. This term refers to the idea that biased or faulty input data will result in inaccurate conclusions, which may guide a company towards poor business decisions.

When conducting primary research, it is important to reduce the likelihood of bias – as far as possible – by considering the procedure as well as the language used for questioning respondents. Leading language may encourage respondents to answer the questions in the way that they think the business will want to hear. As a result, this research data may not reflect the market accurately. In the worst case scenario, a product may test well, but fail when launched.



Figure 1. GIGO: Research that uses poorly chosen inputs will lead to results that are useless at best.

Credit: Ngampol Thongsai / EyeEm, Getty Images

Surveys

Surveys collect data from large numbers of respondents in a relatively short time. They are well suited for gathering quantitative data rather than qualitative data. Surveys come in many forms, including:

- online surveys sent out by email, or website evaluations
- surveys by phone, asking customers to rate the service they have received from a telephone call centre
- face-to-face surveys, which may take place on crowded streets or in shopping malls

Exam tip

Take care not to confuse the words 'questionnaire' and 'survey'. A questionnaire refers only to the form that is distributed and completed. Surveys can be conducted by questionnaire or by lengthy interviews, for example.

A survey is the process; a questionnaire is the method used to carry out the survey.

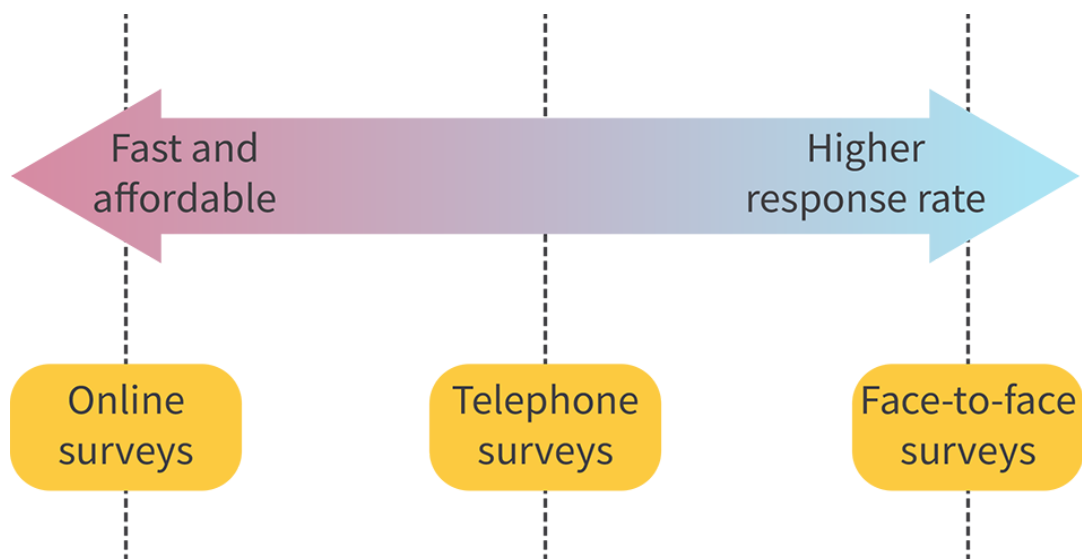


Figure 2. Surveys have a trade-off between affordability and response rate, depending on how they are conducted.

Interviews

Carrying out personal interviews is a lengthier surveying method and allows researchers to gain large amounts of qualitative data. Personal interviews can be conducted face-to-face, over the telephone or through video conferencing.

Interviews allow researchers to ask follow-up questions, so it is possible for the interviewer to get more detail on an idea or opinion. It is normal for interviews to be recorded so that they can be replayed and transcribed (written down) at a later date. Interviews may take a large amount of time to complete, so interviewees may need a financial incentive to take part.



Figure 3. Interviews allow researchers to gather qualitative information.

Credit: baona, Getty Images

Focus groups

A focus group is an interview conducted with a small group of individuals, usually with similar characteristics. For example, a small group of parents with young children might be asked about children's products. The researchers will ask the participants to share experiences of the particular market or product in question.

As with interviews, focus group participants may be offered some sort of financial reward for taking part. The small number of people in a focus group may make it more comfortable for participants to take part in the conversation and share opinions freely. The researcher may organise the setting and the questions, or they may simply lead the conversation in a particular direction.

The following video explains in more detail how focus groups work.

How do focus groups work? - Hector Lanz



Video 1. Focus groups and how they work.

Observations

Observations allow for natural reactions of customers to be studied. For example, supermarkets use in-store security cameras to observe their customers. Individual consumers can be followed around the store and details such as the route they take and which promotions they notice are recorded. This can help managers design more effective layouts for their stores. Another example is websites that gather similar information. Many websites will automatically record every click a visitor makes on a page and the length of time a visitor spends on the site. This information can be used by a business to improve its products, promotions or processes.

Concept

Ethics

You may have heard that websites use cookies to 'track' visitors' clicks and preferences. Watch the video below explaining how advertisers target customers online.

How ads follow you around the internet



Video 2. How advertisers target customers online.

After watching the video, think about the following questions:

- Were you aware that your online movements may be tracked so extensively by advertisers?
- What are the benefits of tracking through cookies? What are the drawbacks?
- Some people may argue that such tracking violates people's right to privacy. To what extent do you find online tracking ethical?

Recently, some governments have started to require disclosure of data use, which means you may have seen pop-ups informing you about how your data will be used.



Figure 4. Companies are now required to let the user know how their data will be used.

- To what extent do you think governments have an obligation to change companies' behaviour towards more ethical treatment of personal data?

Primary research is often thought of as being conducted by the business itself, however this is not always the case. Often an organisation does not have the in-house capacity to carry out such research and may outsource the work to a company that specialises in research.

Case study

Ipsos is a French multinational company that specialises in market and political research.

An example of the type of service that Ipsos provides in order to help understand shoppers' behaviour is as follows:

- Ipsos uses interviews, secondary research, analysis of previously collected data and collecting data on the reputation of a business from online sources, such as customer reviews and social media.

- Ipsos collects 'in the moment' information on purchases and conducts post-purchase interviews.
- Ipsos uses shopper store behaviour by recording via video spy glasses, by in-store observation and recording, and by passive metering.

Questions:

1. Outline two reasons why a business may want to outsource its primary market research to a company such as Ipsos. [2 marks]
2. Identify one example of primary market research and one example of secondary market research in the text above. [2 marks]



Figure 5. Market research companies can use video spy glasses to record a shopper's experience.

Credit: Ekkasit919, Getty Images

Exam tip

You are likely to use primary and secondary research for your IB Business Management internal assessment (IA). Primary research is best used when looking at a local business, and it may include the following methods:

- face-to-face and online surveys/questionnaires
- face-to-face and online interviews
- focus group discussions

(From the IBDP Business Management guide)

A common problem students face when conducting primary research for the internal assessment is arriving at an appropriate sample. Sampling methods will be further discussed in [Section 4.4.5 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/sampling-methods-id-39000\)](/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/sampling-methods-id-39000).