

# MARKET RESEARCH (3.2)

( Chapter 17 - AS level 3.2)

**Market research** is the process of collecting, analysing and interpreting information about a product. Market research is undertaken before any key decisions regarding products are made (in market oriented businesses.)

Market research data can be **quantitative** (numerical-what percentage of teenagers in the city have internet access) or **qualitative** (opinion/ judgement- why do more women buy the company's product than men?)

Market research will answer a lot of the business's **questions** prior to product development :

- ★ Will customers be willing to buy this product?
- ★ What price will they be willing to pay for it?
- ★ What is the competition in the market like?
- ★ What kind of packaging would potential customers prefer?
- ★ Are there any improvements that can be made to the product to make it more desirable?
- ★ How would customers prefer the product to be distributed? (online, in supermarkets etc.)

Firms need to conduct market research in order to ensure that they are producing goods and services that will sell successfully in the market and generate profits. If they don't, they could lose a lot of money and fail to survive.

There are many benefits that come from doing market research, while the only limitations would be it **can be expensive, time consuming** and that it **doesn't always guarantee success**.

## Benefits of market research :

- ✓ **Reduces risk of failure** - you know there is at least some demand for your product
- ✓ Helps to **predict future changes**
- ✓ Helps stay on top of spending **patterns and trends** - allowing business to remain profitable

## Market research process

As market research can be an expensive process, it's important it's done right. The general market research process is as follows :

1. **Identify the problem** - Why are our sales falling? Who is our customer base? Etc.
2. **Develop a research plan to solve problem** - what info is needed? Which research method are you going to use to obtain this information?
3. **Conduct research** - using secondary or primary methods of research
4. **Analyse and report findings** - analyse results and decide what to do
5. **Take action** - after evaluating the information gathered, go with the best course of action

## Primary and secondary research

Market research methods can be categorised into two - **primary** and **secondary** market research.

### Primary Market Research (Field Research)

**The collection of first-hand data that is directly related to the business's situation.** It involves collecting information from existing or potential customers.

Primary research can be **expensive** and **time consuming** - but it is also **specific to the business, up to date**, and **isn't available to competitors** which gives the business an edge.

Examples of primary market research methods include **questionnaires, focus groups, interviews, observation**, and **online surveys** and so on.

### Methods of primary research and their advantages and disadvantages :

**1. Questionnaires:** Can be done face-to-face, through telephone, post or the internet. Online surveys can also be conducted whereby researchers will email the sample members to go onto a particular website and fill out a questionnaire posted there. These questions need to be unbiased, clear and easy to answer to ensure that reliable and accurate answers are logged in.

#### Advantages of questionnaires:

- Detailed information can be collected
- Customer's opinions about the product can be obtained
- Online surveys will be cheaper and easier to collate and analyse
- Can be linked to websites to encourage customers to fill out surveys

#### Disadvantages of questionnaires:

- If questions are not clear or are misleading, then unreliable answers will be given
- Time-consuming and expensive to carry out research, collate and analyse them

**2. Interviews:** interviewer will have ready-made questions for the interviewee.

#### Advantages of interviews:

- Interviewer is able to explain questions that the interviewee doesn't understand and can also ask follow-up questions
- Can gather detailed responses and interpret body-language, allowing interviewers to come to accurate conclusions about the customer's opinions.

#### Disadvantages of interviews:

- The interviewer could lead and influence the interviewee to answer a certain way. For example, by rephrasing a question such as 'Would you buy this product' to 'But, you would definitely buy this product, right?' to which the customer in order to appear polite would say yes when in actuality they wouldn't buy the product.

- Time-consuming and expensive to interview everyone in the sample

**3. Focus Groups** : A group of people representative of the target market (a focus group) agree to provide information about a particular product or general spending patterns over time. They can also test the company's products and give opinions on them.

Advantage of focus groups :

- They can provide detailed information about the consumer's opinions

Disadvantages of focus groups:

- Time-consuming
- Expensive - having to pay the many that participate
- Opinions could be influenced by others in the group

**4. Observation:** This can take the form of recording (eg: metres fitted to TV screens to see what channels are being watched), watching (eg: counting how many people enter a shop), auditing (e.g.: counting of stock in shops to see which products sold well).

Advantage of observation :

- Inexpensive

Disadvantage of observation :

- A form of quantitative research that only gives basic figures. Does not tell the firm why the consumer buys them
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## Secondary Market Research (Desk Research)

**The collection of data from second-hand sources.** Data and information that has already been made available by others. Second-hand data about consumers and markets is collected from already published sources.

Secondary market research is **less expensive** and **easier to access** in a **shorter amount of time**. However, it **isn't always up to date**, may **not be accurate**, can be **available to competitors** and **doesn't always meet the specific needs** of the business. (as it wasn't done with that particular business in mind.)

The sources of secondary market research could be **internal** (from within the business) or **external** (from sources outside of the business. Internal sources are related to the business but may not be recent, external sources can be recent but not be directly related to the business.

#### Internal sources of secondary information :

- **Sales department's sales records**, pricing data, customer records, sales reports
- **Opinions** of distributors and public relations officers
- **Finance department** - can tell you what the most sold/least sold item is
- **Customer Services department** - can relay the information told to them by customers

#### External sources of secondary information :

- **Government statistics**: will have information about populations and age structures in the economy.
- **Newspapers**: articles about economic conditions and forecast spending patterns.
- **Trade associations**: if there is a trade association for a particular industry, it will have several reports on that industry's markets.
- **Market research agencies**: these agencies carry out market research on behalf of the company and provide detailed reports - this will cost money, but be less expensive than primary research
- **Internet**: will have a wide range of articles about companies, government statistics, newspapers and blogs.
- **Library** - will have books and papers on pre-existing studies done (definitely out of date)

## The importance of samples

**A Sample is the group of people taking part in a market research survey selected to be representative of the overall target market.**

This is done because when doing research, it is often impractical to survey every member of a particular population because the number of people is simply too large. Selecting a sample is called sampling.

Sampling helps the business **save time** and **money** as instead of conducting research on a whole population you're instead doing research on a small percentage of that population.

However, there **may be bias** within the group chosen or a business may choose to do research on **only a few people** in order to save costs - both cases won't lead to a truly representative sample. ( wasting their money as the information gathered is virtually useless.)

#### Types of sampling :

- **Random sampling** - individuals are selected at random to be a part of market research - a list of people in the target population are assigned a number and a computer

generates the who will be chosen. Random sampling provides the best results as there is no bias

- **Stratified sampling** - researchers divide subjects into subgroups called *strata* based on characteristics that they share (e.g., race, gender, educational attainment). Once divided, each subgroup is chosen at random using another probability sampling method
- **Quota sampling** - when people are selected on the basis of certain characteristics (age, gender, location etc.) for research. Different from stratified as it is not random. Can result in bias.

### The reliability of data collection

The reliability and accuracy of market research depends upon a large number of factors :

- **How carefully the sample was drawn up**, its size, the types of people selected etc.
- **How questions were phrased** in questionnaires and surveys
- **Who carried out the research** : secondary research is likely to be less reliable since it was drawn up by others for different purposes at an earlier time.
- **Bias**: newspaper articles are often biased and may leave out crucial information deliberately.
- **Age of information**: researched data shouldn't be too outdated. Customer tastes, fashions, economic conditions, technology all move fast and the old data will be of no use now.

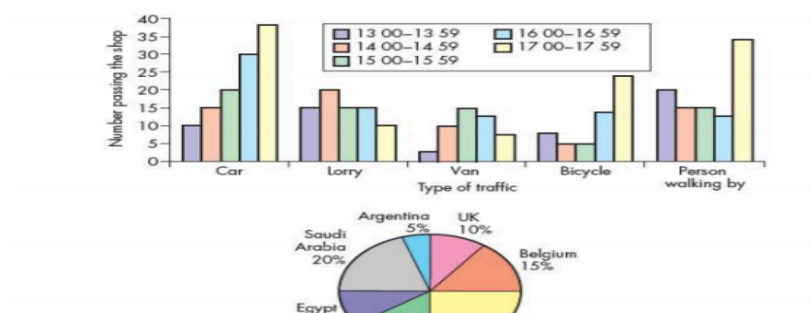
### Presentation of Data from Market Research

Different data handling methods can be used to present data from market research. This will include: (Note: Candidates will not be required to draw bar charts, pie charts, etc., or demonstrate knowledge of advantages and disadvantages of different presentation methods )

- **Tally Tables**: used to record data in its original form. Easy to understand and interpret.

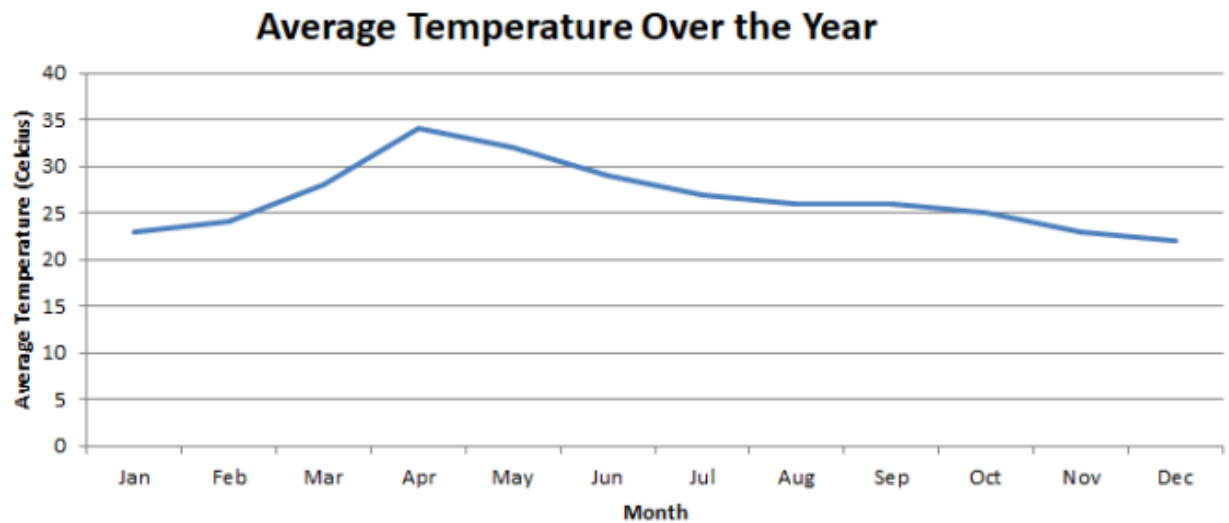
Time	Car	Lorry	Van	Bicycle	Person walking by
13 00–13 59					
14 00–14 59					
15 00–15 59					
16 00–16 59					
17 00–17 59					

- **Charts**: show the total figures for each piece of data (bar/ column charts) or the proportion of each piece of data in terms of the total number (pie charts). For example the above tally table data can be recorded in a bar chart as shown below:



(The pie chart on the previous page could show a company's market share in different countries.)

- **Graphs:** used to show the relationship between two sets of data. Helps compare information in a clear and easy to understand way.



## Statistical analysis

Here are some way in which numerical data can be analysed :

- **Mode** - the most repeated statistic, shows the most likely
- **Range** - the difference between the smallest number and the largest number
- **Mean** - the average amount (add all numbers together then  $\div$  by amount of numbers)
- **Median** - the middle amount when all the numbers are lined up from small to big
- **Interquartile range** - the 75% amount - the 50% amount

$$\text{IQR} = Q_3 - Q_1$$