

Market Analysis

Meaning of Market Analysis

A marketing analysis is a study of the dynamism of the market. It is the attractiveness of a special market in a specific industry. Marketing analysis is basically a business plan that presents information regarding the market in which you are operating in. It deals with various factors and should not be confused with market analysis.

Elements in Market Analysis

As markets constantly change, businesses must analyze various aspects of the market to make changes to marketing strategies that allow them to remain on top. Also, newer businesses must perform adequate research so that they can know what products will provide the highest benefits to customers.

1. Market Size

Businesses must know the market size. They can determine the market size based off information collected from trade associations, customer surveys and market information from major businesses and government data.

2. Market Trends

Market trends give businesses opportunities to make a huge profit on these trends by creating products that fulfill new desires. However, trends can also lead to new threats, especially if the trends are alternatives to products that the company normally sells.

3. Market Growth Rate

Companies must predict how much a market will grow. They can do this by looking at the current market growth rate and estimating the future growth rate based off of this. Companies can also look at growth data from complementary markets to guess the growth rate of the targeted market. Business growth can peak when businesses have marketed to all of the customers willing to purchase the product. Market growth can also decline due to increasing

competition, decreasing customer brand identification and technological innovations replacing older products.

4. Distribution Channels

Businesses must understand the distribution channels available to them to get products to the consumer in the first place. Businesses that notice emerging channels can identify and tap into the channels before competitors get inside. As businesses develop more brand value, they can ask for a higher profit margin from the distributor, since distributors will want to sell products that will draw in customers.

5. Profit Potential

Before selling a specific product, businesses must understand the profit potential for the product. Products won't be profitable if consumers purchasing the product lack the buying power to buy the product. Products also won't be profitable when there's a high barrier to entry, making the product too expensive to release.

6. Business Strategies

Depending on the business's market, various factors can cause the business to come out on top. For example, some businesses will dominate the market when they achieve technological superiority. Other businesses will expand their sales to the point where they achieve economies of scale. Exclusive access to distribution channels and resources also give businesses the competitive edge.

7. Market Demand

When establishing a business in a new market, companies must perform an analysis of the demands of a particular product or service. Some products are considered essential by consumers, such as housing and transportation. Demand for these products can change as populations shift and as local incomes change.

8. Business Environment

Businesses must understand the environment that they operate under. Political and regulatory constraints can change the strategies that businesses must use to be competitive in an unfamiliar market. Businesses must also understand unique societal factors in a given area, such as the preferences of local ethnic cultures.

Steps to Conduct a Market Survey

1. Set a clear goal.

Start by setting a clear objective when starting your market research and survey.

- Why are you doing the survey?
- What do you want to find out?
- Is it for product improvements with an existing audience?
- Are you looking to launch a new product into the marketplace and therefore need to know if there's sufficient demand.
- What people are prepared to pay for it?

Be precise about the outcome you're seeking in order to get the answers you need for your marketing plans moving forward.

2. Know what target market to survey.

This starts with knowing which market you're targeting.

Identify parameters for potential customers such as people living or working in a certain region, market size, or those that fit a particular demographic.

Use regional data to attain precise information about the target audience whose data you need, and narrow it down to support your ultimate goal.

If you want to build on your customer offering by introducing a priority service, for example, you may just want to gather information from people living in a certain area or earning over a certain amount.

3. Know what you want to investigate.

This will be informed by your marketing goals. If you're launching a new product, for example, you may want to investigate what the demand is, how aware people are of it, if they currently buy from a competitor, and how frequently they buy.

Knowing what you want to investigate will help you identify what sort of information you need. Think about whether a qualitative or quantitative approach works best.

Uncovering consumer attitudes towards a brand, for example, or current frustrations with existing products, could reveal some invaluable insights that will guide your strategy from end to end.

4. Get help from the people who know surveys.

This means getting access to an established panel. By turning to the experts in market survey data, you can ensure you ask the right questions to the right people, and get a sample size that gives you the most accurate insights.

5. Consider the best way to get your answers.

No longer exclusive to phone surveys and focus groups, surveys can now be carried out either via an interviewee or an online questionnaire.

Market surveys can also be carried out in groups or on an individual basis. Once again, the optimum approach for your brand will depend on your goals and the information you're trying to capture, as well as your target audience, market potential and their overall preferences.

If you want to gather in depth information from mums of toddlers in a particular town, for example, face-to-face interviews in the vicinity of a play area might work well, allowing the interviewee to do the hard work and ask follow up questions that dig a little deeper.

Using quantitative panel data to back this up, market researchers can come away with powerful insights and market analysis you know you can trust.

6. Administer the survey effectively.

Once you're clear about your goals, the data you need, the people you need to talk to and the best way to gather this survey data, it's important to maximize the sample size.

This means reaching people at the right time, setting a realistic timeframe for them to share their thoughts, and identifying where they're likely to be.

Once again, think about your target audience. If you're physically interacting with people, think about the places they're likely to visit and at what times.

If it's an online market survey, understand which social media platforms or websites they are likely to hang out on, and at what times they tend to be online.

Data analysis ahead of the survey can help make the survey easier to reach the right audiences with.

7. Conduct a thorough survey analysis.

Once you've gathered the market survey responses, these need to be analyzed thoroughly to pull out key trends and findings and to allow you to draw actionable insights from the data.

- Examine qualitative answers for telling quotes and detailed feedback about attitudes and behaviors.
- Interrogate quantitative answers to calculate averages.
- Compare results against global and local data with large-scale market surveys.

8. Uncover the wider implications.

Conducting a market survey is invaluable to brands, but when carried out in isolation, can lack the real-world relevancy to action results with confidence.

To get more from your analysis, large-scale market survey data allows you to compare your findings across multiple data points. You can cross-reference with local subgroups and compare against global averages, to see clearly where the value truly lies.

Reasons to conduct a market survey

- You are starting a new product and you want to estimate demand.
- You are changing an existing product and you want to find out acceptance in the market for this changed product
- You want to find out competitor's market and what are the features which make the competitor's product a hit.
- You want to find out the most effective distribution channel out of the various channels that you are using.

Characterization of the market

Based on the information gathered from secondary sources and through the market survey, the market for the product / service may be described in terms of the following:

1. Effective demand in the past and present: To gauge the effective demand in the past and present, the starting point typically is apparent consumption which is defined as:

$\text{Production} + \text{imports} + \text{exports} - \text{changes in stock level}.$

In a competitive market, effective demand and apparent consumption are equal.

2. Breakdown of demand: To get a deeper insight into the nature of demand, the aggregate (total) market demand may be broken down into demand for different segments of the market. Market segments may be defined by

- Nature of product
- Consumer Groups
- Geographical division

3. Price: Price statistics must be gathered along with statistics pertaining to physical quantities. It may be helpful to distinguish the following types of prices:

- manufacturer's price quoted as FOB (free on board) price or CIF (cost, insurance, and freight) price,
- landed price for imported goods,
- average wholesale price, and
- average retail price.

4. Methods of distribution and sales promotion: The method of distribution may vary with the nature of product. Capital goods, industrial raw materials or intermediates, and consumer products tend to have differing distribution channels. Further, for a given product, distribution methods may vary. Likewise, methods used for sales promotion (advertising, discounts, gift schemes, etc.) may vary from product to product.

The methods of distribution and sales promotion employed presently and their rationale must be specified. Such a study may explain certain patterns of consumption and highlight the difficulties that may be encountered in marketing the proposed products.

5. Consumers: Consumers may be characterized along two dimensions as follows:

Demographic and sociological

- Age
- Sex
- Income
- Profession
- Residence
- Social background

Attitudinal

- Preferences
- Intentions
- Habits
- Attitudes
- Responses

6. Supply and competition: It is necessary to know the existing sources of supply and whether they are foreign or domestic. For domestic sources of supply, information along the following lines may be gathered: location, present production capacity, planned expansion, capacity utilization level, bottlenecks in production, and cost structure.

Competition from substitutes and near-substitutes should be specified because almost any product may be replaced by some other product as a result of relative changes in price, quality, availability, promotional effort, and so on.

7. Government policy: The role of government in influencing the demand and market for a product may be significant. Governmental plans, policies, legislations, and fiats which have a bearing on the market and demand of the product under examination should be spelt out. These are reflected in: production targets in national plans, import and export trade controls, import duties, export incentives, excise duties, sales tax, industrial licensing, preferential purchases, credit controls, financial regulations, and subsidies / penalties of various kinds.