



3.2 Market Research

Contents

- * The Role of Market Research
- * Primary Market Research
- * Secondary Market Research
- * Presenting and Using Market Research Data



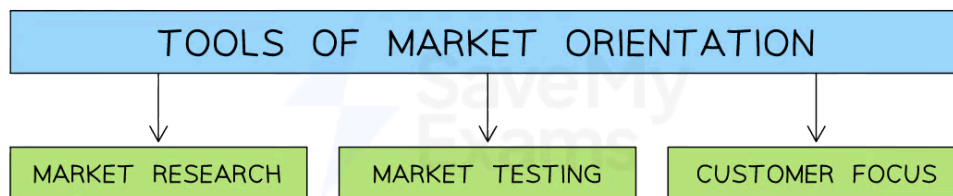
What is market research?

- **Market research is the objective collection, compilation and analysis of information about a market**
- Effective market research will help the business to
 - **Reduce risk** when launching new products or entering new markets
 - Identify and understand the **future needs and wants of customers**
 - Understand **consumer behaviour**
 - Identify how much consumers are **prepared to pay**
 - Identify potential **gaps in the market** (market niches) which can be exploited to increase sales
 - **Identify competitors** and gauge their potential strengths and weaknesses
- With effective market research businesses are well-placed to **make informed decisions** about the **most effective way** to use their valuable resources and **develop a suitable marketing mix**
- **On-going market research** helps businesses to update their **marketing strategy** in line with customers' changing needs and preferences

Market orientation

- **Market orientation** is an approach to marketing that focuses on the **needs of consumers** and uses this information to design products that meet customer needs
 - **Consumers are at the centre of marketing decisions**
 - **Products which respond to consumer needs are developed**
 - Market-orientated businesses are usually more **adaptable** to to changing customer needs
 - For example, universities often develop new courses based on the feedback they receive from students and the changing requirements of employers
- Market orientation should lead to a business benefitting from increased demand, increased profits, and **a valued brand image** as its products are more desirable than those of rivals

Tools of market orientation



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Your notes

Market orientation combines market research and market testing with a customer focus

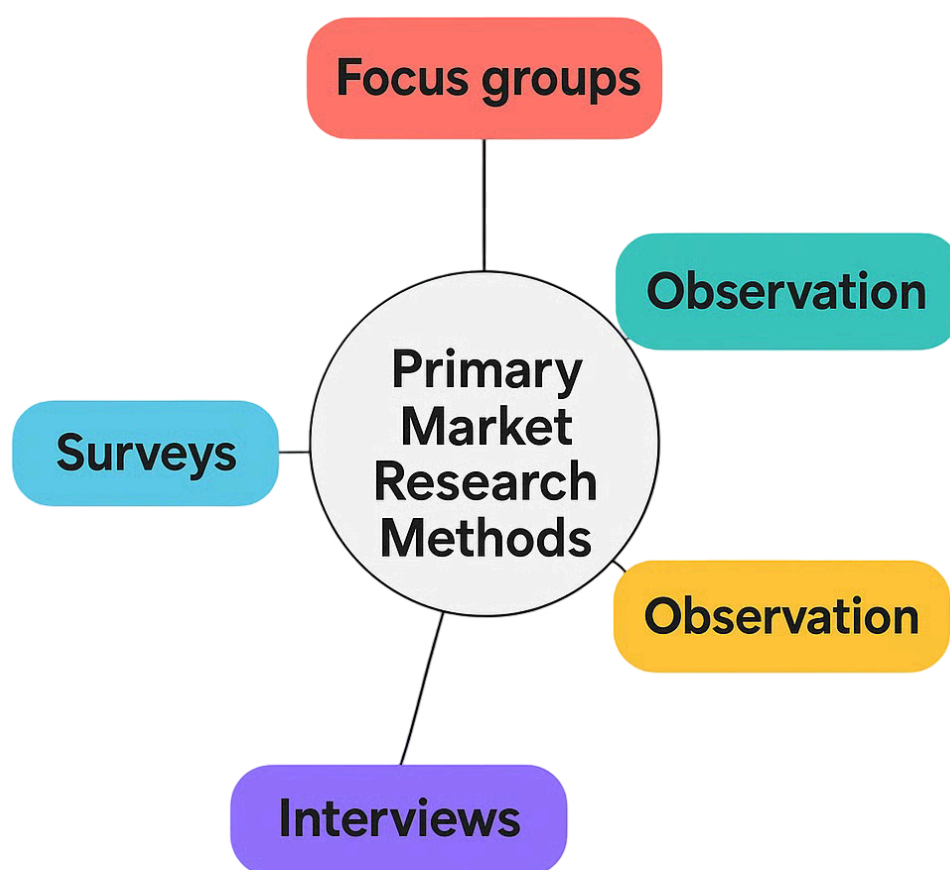
- **Market testing** is the process of assessing customer reaction to a product or service before it is launched
 - It **determines whether there is a potential market** for the product or service
 - **Features** that are likely to be most appealing to consumers
 - For example, a healthcare business may conduct a **focus group** for a new brand of toothpaste
- Customer focus means **putting your customers' needs first**
 - Customer-focused businesses focus on **enhancing customer satisfaction** and building strong customer relationships



Primary market research

- **Primary market research** is the process of **gathering information directly from consumers** in the target market
 - This process gathers **information that** does not already exist and is specific to the needs of the business collecting it
- **Surveys, interviews and focus groups** are common primary market research methods
 - Many of these methods make use of **questionnaires** to **organise research questions and responses**

Primary market research methods



Methods of primary market research

1. Surveys



Your notes

- Surveys are the most widely used tool to gather primary research
- Surveys may be **face-to-face**, **online**, carried out by **telephone** or by **post**
- A series of questions are posed to a defined number of people (**respondents**)
- A wide range of respondents can be reached using **online survey tools** such as Survey Monkey

2. Observation

- A market researcher **studies consumer behaviour** during their interaction with a business
- E.g. Shoppers may be accompanied as they shop in a store or consumer traffic is measured at a particular location and time
- Common focuses for observation include
 - The impact of **packaging** on the products consumers select
 - The impact that the **placement of a product** in a store may have on consumer choice

3. Interviews

- A **more formal meeting than a survey** between a researcher and a customer
- Questions may be **similar to those in a survey** but the interviewee may be asked **follow-up questions** to gather **detailed information** as well as cues such as **body language**

4. Test marketing

- Free samples are provided for a limited period to the target market to **gauge their response to the product**
- Recipients of samples are asked to **review products** and provide **detailed feedback** to allow **changes** to be made **before the product is formally launched**

5. Focus groups

- Free-range discussions led by a marketing specialist collect **detailed feedback** on all aspects of the **marketing mix** from the target market
- Usually limited to a **small group** of 12–15 people who **may meet more than once**
- Group members are usually **rewarded for attendance**



Examiner Tips and Tricks

A business will often use **more than one method** of primary research in order to build up a reliable understanding of the market. The data can then be **analysed** and used to **make data-led judgements** such as how much to charge for a new product and where to sell it

Evaluating the use of primary market research



Your notes

Advantages	Disadvantages
- Information gathering is focused on the needs of the business and will not be available to its rivals - Some primary research methods allow in-depth information to be gathered from respondents, such as reasons for certain behaviours or choices - Primary market research is up-to-date and can be used to ask specific questions and so will be more relevant to business decisions	- The sample size may be too small and unrepresentative of target customers, leading to unreliable results Bias may mean that researchers guide respondents to answer questions in a particular way - A business may need to hire a specialist market research agency to help making the process expensive and time-consuming

Primary market research is becoming cheaper

- Traditionally, primary research has been **relatively difficult and expensive** for businesses to gather
- The **rise of social media platforms** such as Facebook, Twitter, Instagram and TikTok provides businesses with incredible primary research opportunities
 - The **speed of communication** between businesses and customers can be almost instantaneous
 - Online surveys or polls allow large numbers of responses to be received in a short period of time
 - The **cost of gathering this information** can be very low
 - Online polls take a few minutes to set up and software automatically gathers and analyses results
- Online businesses** can collect primary market research via electronic means
 - Customers are also able to **feedback quickly** on products or to express innovative ideas about how they want the products to be changed
 - Feedback may help a business to develop extension strategies in a **product's life cycle**

The purpose of sampling

- Primary market research is conducted with a small representative **sample** of the market as a whole
 - It would be both too **expensive** and **time-consuming** to collect data from the whole market

- Market researchers use carefully designed sampling methods from which accurate **conclusions can be drawn** about likely customer preferences and behaviour
- In general, **the larger the sample size, the more likely it is that results of market research activities will reflect the market as a whole**



Your notes

Explaining the different sampling methods

1. Quota sampling

- **Specific proportions of each group of the population** are selected to participate in research
 - E.g., a focus group for a **car manufacturer** may include a sample of 25% respondents between the ages of 18–24, 50% between the ages of 25–45 and 25% aged 46+

Advantages	Disadvantages
▪ Suitable for research where there is a time limit to conduct the study ▪ Relatively easy and low cost	▪ Not random so there is some risk of bias ▪ Need to understand the population to be able to apply results to the market as a whole

2. Random sampling

- This method makes sure that **every member of the population has an equal chance** of being selected
 - E.g., a survey of **gym members** may be sent to a random selection of clients in its membership database

Advantages	Disadvantages
▪ Simple to design and interpret ▪ As anyone in the population can be asked to participate, bias should be avoided	▪ As anyone may be selected, the sample may not be representative of the market as a whole ▪ A complete and accurate list of all consumers in the target market would eliminate bias, but is unlikely to be available

3. Convenience sampling

- This method uses those who are **willing to volunteer and are easiest to access** in the study
 - E.g., a **cafe** owner may ask regular customers to fill out a written survey during a quiet period regarding their experiences of the menu and customer service



Your notes

Advantages	Disadvantages
▪ Respondents taking part in research are readily available ▪ Large amounts of information can be gathered quickly	▪ The sample is likely to be biased if those known to the researcher are chosen ▪ The sample is unlikely to be representative of the market as a whole

Which sampling method should be used?

- The **choice of sampling method** will depend upon a wide range of factors, including
 - **Time** available
 - **Knowledge** of the target population
 - **Skills** of the researcher(s)
- Where **little time is available** to carry out market research a **quota sample** may be the most appropriate sampling method as it is usually very quick and straightforward to organise
- Where a business has a **good knowledge of the target population** a **random sample** is likely to provide a set of research data that lacks bias and can be interpreted with insight
- Where researchers **lack experience or expertise** in market research a **convenience sample** is likely to provide a useful set of data that can be easily interpreted



Examiner Tips and Tricks

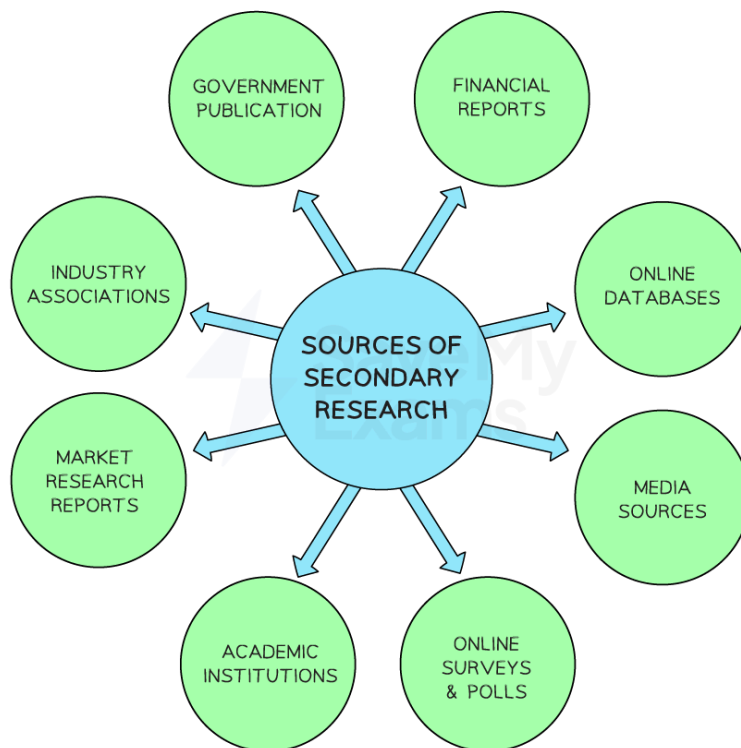
A **research population** refers to the group of people in whom the business has an interest when conducting market research, not the population of the entire country.



Secondary market research

- **Secondary research** involves the collection, compilation, and analysis of data that **already exists**
- Businesses must weigh up the **reliability** of secondary market research and aspects such as **cost, relevance and availability** of data when making a decision on which secondary data to use

Sources of secondary market research



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Businesses can consult a wide range of secondary sources to gather market research data

- **Government Publications:** National governments and **trading blocs** such as the EU publish reports and statistics on topics such as the economy, demographics, industry trends and consumer behaviour
- **Academic Institutions:** Universities and research institutions conduct studies and publish research papers which provide valuable insights and data on specific industries, consumer behaviour and market trends
 - E.g., *Stanford University* is a globally significant research centre for engineering and medicine



- **Industry Associations:** Trade associations and industry-specific organisations provide detailed information about specific sectors, including market size, growth rates and industry **benchmarks**
 - E.g., The *International Organisation of Motor Vehicle Manufacturers* conducts and collates research on production and sales statistics
- **Specialist Market Research Reports:** Companies specialising in market research produce and sell in-depth reports on various industries, markets and consumer trends
 - E.g., *Mintel* is one of the leading private companies supplying market research information
- **Financial Reports:** Public limited companies are required to publish **annual reports** which can provide valuable information about a company's performance, market position and future plans
- **Online Databases:** There are various online databases and research platforms that provide access to a wide range of secondary market research
 - E.g. *Statista* and *Euromonitor International* make a large volume of data on international commerce available
- **Media Sources:** Newspapers, magazines and online publications often contain articles, opinion pieces and investigative reports that can offer insights into market trends, consumer behaviour and industry developments
 - E.g. The *Financial Times* and the *Wall Street Journal*

Evaluating the use of secondary market research

Advantages	Disadvantages
▪ Information is already available and so may be quicker to collect than primary research, thereby saving time ▪ Information is often free (e.g. government websites and internet sources such as Statista) and cheaper to collect, leading to lower costs compared to primary research ▪ Suitable for a small business that lacks a large marketing budget and/or expertise	▪ Information has been collected for other purposes and so may be difficult to analyse, may lack relevance or may not be factually correct, e.g., Wikipedia ▪ Can be expensive to purchase market specific secondary data from specialist companies, e.g., MINTEL reports ▪ Information may be out-of-date, especially in dynamic markets

The accuracy of market research data

- The **reliability and accuracy** of market research depend upon a large number of **factors**, including
 - How **questions are phrased** in **questionnaires** or other tools used to conduct surveys



Your notes

- Questions should be written in such a way that they do not elicit a particular response
- How **carefully the sample is selected**
 - Including its **size, types of respondent** chosen and how closely these reflect the intended **target market**
- **Who conducts the research** including their **experience**, research **skills** and **source** (primary or secondary?)
- Potential for **Bias** when conducting research or analysing results
 - The research and its analysis should be as objective as possible
- **When and where** the research is conducted
 - Customer tastes, fashions, economic conditions and technology change, giving data a relatively short period of usefulness
 - Customers in different geographic areas can have very different opinions



Examiner Tips and Tricks

When answering questions about market research, it is tempting to write down everything you know about the topic. Try to focus more on weighing up the advantages and disadvantages of market research tools and methods, justifying which method(s) might be more appropriate, and explaining why **in context**.



Presenting market research data

- Once market research data has been gathered, it needs to be converted into a form which is **easy to understand** and capable of being used to **support business decision-making**
- Common methods of presenting data include:
 - Tally charts
 - Bar charts
 - Pie graphs
 - Scatter graphs
- Information presented in **graphs and charts** is often **easy to understand** because it is presented **visually**
- The **type of data that has been collected** and **what it is to be used for** will affect the form of presentation which will be used
 - Quantitative data** tends to be relatively easy to present in a chart or graph
 - Qualitative data** may be better presented in a report

1. Tally charts

- A **table** or **tally chart**, is a simple method used to **record data in its original form**
 - It is particularly useful for recording **frequency** of an event **as it is happening**
 - E.g., It may be used to record the number of customers entering a retail store
 - Each time a particular event happens, a small vertical line is drawn
 - Groups of five** occurrences are recorded with a **diagonal line through four vertical lines**
 - These groups of five can be easily **totaled to identify frequency**
- In many cases, tally chart data is **converted into a chart or graph** to make it more **visually appealing**

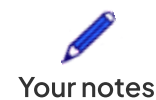


Worked Example

Susie asks her friends to select their favorite type of pet

Dog	Cat	Dog	Dog	Dog
-----	-----	-----	-----	-----

Rabbit	Dog	Rabbit	Cat	Cat
Cat	Dog	Dog	Rabbit	Dog
Cat	Cat	Dog	Dog	Dog



Represent the data in a frequency table. You can use a tally chart to help

Step 1: Draw a table with a tally and frequency column with types of pet as row headers

Type of Pet	Tally	Frequency
Dog		
Cat		
Rabbit		

Step 2: Tally the data

Type of Pet	Tally	Frequency
Dog		
Cat		
Rabbit		

Step 3: Total the tally data and add to the frequency column

Type of Pet	Tally	Frequency
Dog		11



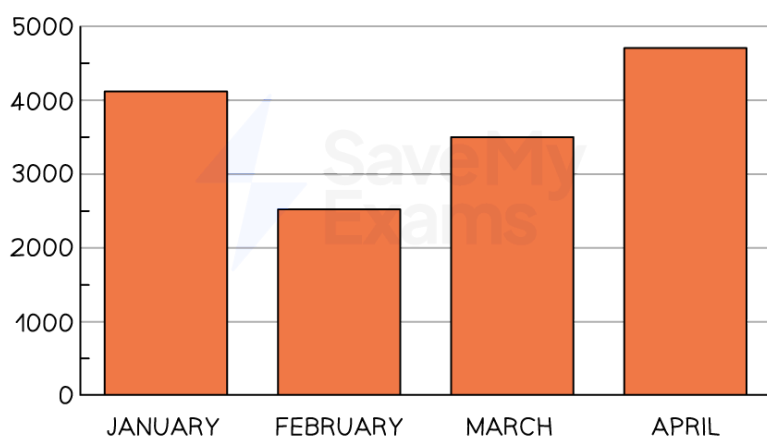
Your notes

Cat		6
Rabbit		3

2. Bar charts

- This bar graph provides a clear picture of umbrella sales between January and April and allows a manager **to compare sales** month by month

SALES OF UMBRELLAS – JANUARY TO APRIL 2023



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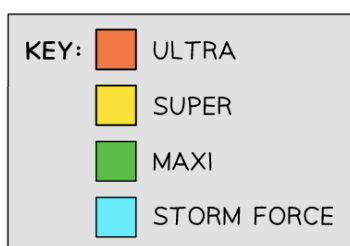
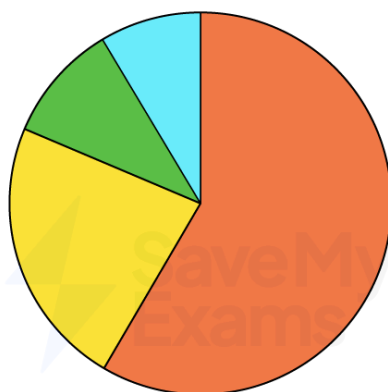
3. Pie charts

- This pie chart breaks down all umbrella sales into those **achieved by different models**
- It **shows** that more than half of sales were 'Ultra' umbrellas



Your notes

CATEGORY SALES OF UMBRELLAS – JANUARY TO APRIL 2023



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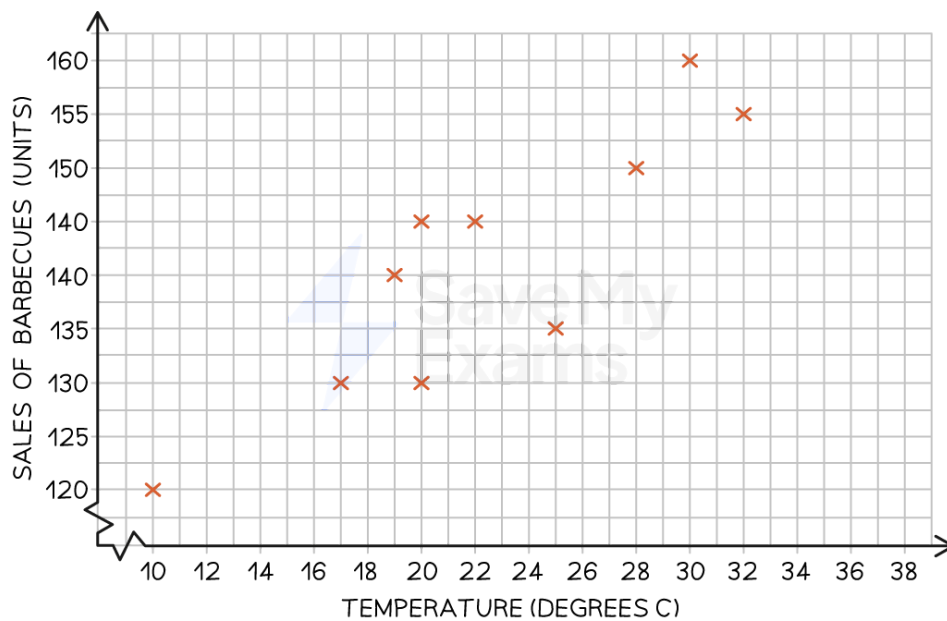
Pie chart showing the sales of umbrellas over four months

4. Scatter graphs

- Scatter graphs allow **relationships between two variables** to be identified
- The scatter graph on the right shows that there is a **positive correlation** between the temperature and sales of barbecues
 - As the temperature increases, sales of barbecues increase
- A **line of best fit** would allow a business to **extrapolate** the known data to identify likely sales of barbecues at other temperatures



Your notes



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A scatter graph showing the correlation between the temperature and the sale of barbecues

Analysing market research data

- **Quantitative** data is **statistical numeric data** that can be used to support decision making
 - Quantitative data needs to be **accurate** and **interpreted correctly** if it is to be useful
 - It may be collected from **primary** or **secondary** sources
 - **Sources** of quantitative data include
 - Financial reports
 - Survey findings
 - Marketing or sales data
 - Statistical research from the government or research organisations
- **Qualitative** research data often **requires considerable skill and insight** to be interpreted appropriately
 - It involves comparing and drawing conclusions from **opinions, insights, feelings and preferences**
 - It is **mainly collected from primary sources** such as focus groups, detailed surveys/interviews and test marketing
- Both forms of data **can help business managers forecast sales**, identify **trends** and **make decisions** about product development, promotional planning, pricing tactics and other important **marketing mix** elements



Examiner Tips and Tricks

You are often required to interpret quantitative data in exam questions, so ensure that you practice these skills and understand how data can be used to inform decision-making. Make sure that you also consider relevant qualitative factors, **especially where a decision is not straight-forward**. Some powerful qualitative factors can include the wishes of the business leader, the impact on stakeholders, and whether the business has aims that are not purely financial.



Your notes