

Introduction to Business

Topic 1: Marketing

Lecture 2: Market Research

Learning Objectives

- What is
 - Market Research



What is Market Research?

- Market research involves gathering and analysing data from the marketplace (i.e. from consumers and potential consumers) in order to provide goods and services that meet their needs.

Identify Target Markets

- Management have to identify those customers with whom they want to trade.
- The choice of target markets will be influenced by the wealth consumers hold and the business' ability to serve them.

Collecting Data

- Market research is a method of collecting data which will make a business more aware of how the people, they hope to sell to, will react to their products or services.



Why is Market Research Used? -1

- To find out:
 - Whether the products or services are needed
 - Who might want to buy the products (the business may have defined the wrong type of person)
 - What age, sex, income, occupation etc are the people that the business wants to sell to.

Why is Market Research Used? - 2

- If there are changes taking place and how this might affect what the business sells - (there might be an up and coming decline in the demand for what they are about to sell).
- How much demand there is for what the business hopes to sell - (they may need to increase or decrease their production depending on the results).

Why is Market Research Used? - 3

- Who will or will not buy what the business hopes to sell - (this will help their promotional plan as it enables them to target the right people).
- What price people would be prepared to pay - (this will help when the business set out their pricing policy).

Primary or Field Market Research

- Involves the collection of data that does not already exist.
- When performing primary research, businesses are obtaining first hand data, specifically targeted at a particular marketing problem.
- This can be an expensive, and possibly slow method, but is well targeted at the problem.

Primary Research

- In Primary Research, information can be gathered in three ways:
 - Observation
 - Questionnaires
 - Experimentation

Observation

- Involves watching people and monitoring and recording their behaviour
- For example:
 - Television viewing patterns
 - Cameras which monitor traffic flows
 - Retail audits which measure which brands of product consumers are purchasing



Questionnaires



- Questionnaires is one of the most common ways to carry out market research.
- Questionnaires are about gaining information that can be used for making marketing decisions.

Designing Questionnaires

- When designing a questionnaire thought must be given to:
 - The purpose of the survey
 - What decisions have to be made and why.
 - Which people to target for the survey in order to get the information needed (For example if asking about lipstick colours, asking men might not give the answers needed for the research!)
 - What questions to ask and how to phrase them to make sure the person understands what is being asked.

Structure of the Questionnaire

- The introduction
 - it must be persuasive, and it usually must qualify the person as someone who belongs in the sample.
- The body or content
 - consists of questions that cover information needed to solve the marketing problem - facts, knowledge, opinions and attitudes, motives, and possible future behaviour.
- Basic data
 - includes demographics about the household, aspects such as family size and nature, income, etc.

Class Activity

- In groups, discuss a well known product and think of questions you could ask to find out marketing information about it.
- For example:
 - Where they have seen it advertised
 - If they like that product
 - If they use it
 - Why they use it
 - Where they use it etc.

Mail Surveys - 1

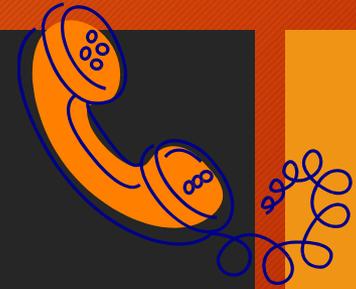


- Much bigger population/ target area can be covered
- Relatively low cost as business doesn't need to send people out to conduct the surveys

However:

- low response rate - people are not motivated to reply as there is no 'win' for them in doing so
- A mailing list needs to be compiled, which can be time consuming (unless it is bought from a bulk mail agency but then the cost goes up)

Telephone Survey



- Allows surveying of people at greater distances.
- However, calls are often received negatively.
- For those who are willing to answer questions, the calls should be as brief as possible and questions need to be highly targeted to get the best results.

Experimentation

- Involves the introduction of a variety of marketing activities into the marketplace and then measuring the effect of each of these on consumers.
- For example, test marketing, where a new product is launched in a small, geographical area and then the response of consumers will decide whether or not the product is launched nationally.

Advantages of Primary Research

The main advantages of primary research and are that the data is:

- Up to date
- Specific to the purpose - asks the questions the business wants answers to
- Collects data which no other business will have access to (the results are confidential)
- In the case of online surveys and telephone interviews, the data can be obtained quite quickly

Disadvantages of Primary Research

- The main disadvantages of primary research are that it:
 - Can be difficult to collect and/or take a long time to collect.
 - Is expensive to collect.
 - May provide misleading results if the sample is not large enough or chosen with care; or if the questionnaire questions are not worded properly.

Secondary or Desk Research

- *Secondary data* is information that has already been gathered by others and is not designed specifically for the study in question, but is still relevant.
- Secondary data is cheaper and quicker to gather than primary data, but it can be out-of-date by the time that it is researched.
- The information may be enough for the purpose of the research on its own, or suitable for background information as a support to primary data

Secondary Data

- The main sources of secondary data are reference books, government publications and company reports - this is known as *external secondary data* and is data that has been published by other organisations.
- Sources of secondary data can come from within the business itself - this is known as *internal secondary data*.

Internal Sources of Secondary Data - 1

- This is information that is stored within the organisation itself. Each department will have its own records that represent a potential source of valuable data.
- For instance, if details of enquiries from new or potential customers have been recorded, these can provide useful information about current market demand and give ideas for future projects
- The use of loyalty cards has enabled retail companies to gather a wide range of valuable information on customer buying habits, allowing them to target promotional campaigns more effectively.

Internal Sources of Secondary Data - 2

- The data obtained from internal resources as usually been gathered over a longer time-span than that collected from primary data. Therefore, it is possible to use the history of the company to help with future plans
- For example, past sales figures can be used to spot trends and forecast future figures.
- Details of production costs including the materials needed and overhead costs compared with the money gained from the sale, can show which are the most profitable products in the company and allows comparison with competitors products, as their costs are likely to be similar.

External Sources of Secondary Data

- External secondary data may be available through:
 - Newspapers, magazines
 - Specialist marketing reports from independent research companies
 - Industry magazines
 - Government statistics and reports
 - The Internet
 - Professional bodies
 - Specialist libraries

Advantages of Using Secondary Data

- Easy to find and collect secondary data
- Cost effective
- Several resources
- Relatively quick to obtain
- Easy to establish trends

Disadvantages of Using Secondary Data

- The information and data may not be accurate. The source of the data must always be checked.
- The data is often more than two years old.
- Data needed may not be available.
- If the problem being researched is complex, the information available may be too general

Class Activity

Answer the following questions - true or false:

Research is essential to identify consumer needs.	
Desk research is more expensive than field research.	
Field research is less valuable than desk research.	
Secondary data is totally reliable.	
The first step in the research process is gathering data	
Referring to your own firm's sales records is an example of primary research.	

Conclusions

- Market research is for discovering what people want and need.
- Market research is generally either primary or secondary.
- Primary and the secondary research will provide the business with data relating to its markets and its consumers.
- This enables businesses to predict what will happen in the future in the marketplace, and to explain the trends that have occurred.

Topic 5 Lecture 2

- Any questions?