

## Chapter 11: Market Research

### Key terms

1. Product orientated business: is one whose main focus of activity is on the product itself.
2. Market orientated business: is one which carries out market research to find out consumer wants before a product is developed and produced.
3. Marketing budget: is a financial plan for the marketing of a product or product range for some specified period of time. It specifies how much money is available to market the product or range, so that the marketing department knows how much they may spend.
4. Market research: is the process of gathering, analysing and interpreting information about a market.
5. Primary research: is the collection and collation of original data via direct contact with potential or existing customers. Also called field research.
6. Secondary research: is information that has already been collected and available for use by others. Also called desk research.
7. Questionnaire: is a set of questions to be answered as means of collecting data for market research.
8. Sample: is the group of people who are selected to respond to a market research exercise, such as a questionnaire.
9. Random sample: is when people are selected at random as a source of information for market research.
10. Quota sample: is when people are selected on the basis of certain characteristics(such as age, gender, or income) as a source of information for market research.
11. Focus group: is a group of people who are representative of the target market.

## **1. The role of market research and methods used**

### **1.1 Product-oriented and Market-oriented**

- **Product-oriented** : business is one whose main focus of activity is on the product itself. It is often basic necessities required for living, such as agricultural foods. These products generally do not have a brand.
- **Market-oriented** : Business is one which carries out market research to find out consumer wants before a product is developed and produced. This is better to survive since it adapts based on changes in customer tastes.

### **Why is market research needed?**

Market research : is the process of gathering, analysing and interpreting information about a market. There are 2 types which are

- **Quantitative information** : which answers questions about the quantity of something. Eg. How many people in the family drink coffee?
- **Qualitative information** : which answers questions where an opinion or judgement is necessary. Eg. What do you think about “Toffee Nut latte”.

### **1.2 Primary research and secondary research**

**1.2.1 Primary research** : is the collection and collation of original data via direct contact with potential or existing customers.

- There are many types of primary research ,which are Questionnaire, Interview, Observation and Focus group.

**Methods of primary research**

Methods	Advantages	Disadvantages
<p><b>1.Questionnaire</b>                      : It is mainly made up of lists of the questions.</p>	<ul style="list-style-type: none"> <li>• Detailed qualitative information can be gathered about the product and service.</li> <li>• Customers' opinions can be obtained.</li> <li>• It can be carried out online which is cheaper and easier to collate and present the results.</li> <li>• They can be linked to prize draws to encourage people to do questionnaires .</li> </ul>	<ul style="list-style-type: none"> <li>• It takes time and money for carrying out, collating and analysing.</li> <li>• If the questions are not well thought out, answers to then will be inaccurate.</li> </ul>
<p><b>2.Interview</b></p>	<ul style="list-style-type: none"> <li>• The interviewer is able to explain questions.</li> <li>• Detailed information can be gathered.</li> </ul>	<ul style="list-style-type: none"> <li>• It might be inaccurate due to interviewer bias.</li> <li>• It is time-consuming to carry-out.</li> <li>• It is also expensive to gather information.</li> </ul>
<p><b>3.Focus group</b></p>	<ul style="list-style-type: none"> <li>• They can provide detailed information about customers' opinions.</li> </ul>	<ul style="list-style-type: none"> <li>• They can be time-consuming, expensive.</li> <li>• They can be biased if some people are influenced by the opinion of others.</li> </ul>
<p><b>4.Observation</b></p>	<ul style="list-style-type: none"> <li>• It is quite an inexpensive way of gathering data.</li> </ul>	<ul style="list-style-type: none"> <li>• The information only gives a basic figure.</li> </ul>

1.2.2 **Secondary research** : is the use of information that has already been collected and is available for use by others.

- **Internal sources of information** : it's from the firm's own records. It is cheap and ready to use. E.g. the record from sales department, opinion from distribution, finance department, and customer service department
- **External sources of information** : information is obtained from outside the company. E.g. government statistics, newspapers, market research agencies, and the internet.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• It is less time consuming.</li> <li>• It can get information that primary cannot provide.</li> </ul> <p>E.g. Economic forecast</p>	<ul style="list-style-type: none"> <li>• It is expensive.</li> </ul>

### **Factors influencing the accuracy of market research data**

The accuracy of data that has been collected depends on

- How **carefully the sample was drawn up**
- **The way in which the question in the questionnaire were phrased** to ensure honest responses
- The **sample selected**
- The **size of sample** : The larger the sample, the more accurate the results are likely to be
- **Well-phrased questions**
- **Bias** : articles in newspapers sometimes have a bias.
- **Age of information** : Statistics can quickly become out of date and they are no longer related to current trends in consumers' buying habits.