### Market Research Definition:
The collection and analysis of market information where it can include looking at the market as a whole, the competitors, products, and the consumers in the market.

### Working out Market Share:
The proportion of sales in a market made by one firm or brand, usually expressed as a percentage.

\[
\text{MARKET SHARE} = \left( \frac{\text{SALES OF A PRODUCT OR BUSINESS}}{\text{TOTAL MARKET SALES}} \right) \times 100
\]

### Added Value

- Increasing the difference between the cost of making the product and the price that the customer pays. This usually increases profits.
- \( \text{ADDED VALUE} = \text{PRICE PRODUCT IS SOLD FOR} - \text{COST OF MAKING PRODUCT} \)
- It can be achieved by either increasing the selling price of the product or by reducing the costs of making the product.
- Lots of the strategies businesses use to gain a competitive advantage encourage customers to pay a higher price, so add value to a product.

### Market Positioning and Market Mapping

- A market map is a matrix where products or brands are positioned on it according to where they are judged to lie.
- Businesses can get a lot of information from analysing market maps:
  - Market maps can reveal gaps in the market.
  - Market maps can show a business who its closest competitors are.
  - If the sales of a product is declining, the business might use a market map to find out how customers view their product and then try to reposition it on the map.
  - Market maps can show how much customers expect to pay.
- However, market mapping can simplify things too much where the positions of products and brands on a market map are usually a matter of opinion and may be biased.

### Dynamic Markets

- Markets can change in a variety of ways, e.g.:
  - consumer preferences
  - innovation
  - legislation which customers want to shop, e.g. online shopping
  - competitors
  - changes in legislation.
- Businesses need to adapt to changes in the market in order to be successful and maintain their market share and demand.

### Competitive Advantage

A condition which allows a firm to generate more sales or be more profitable than its rivals. To achieve it, a firm needs to be doing something different to its rivals:
- **Lower costs** – producing a product at a lower cost means a firm can charge a lower price for its product, which should generate more sales.
- **Product innovation** – by producing new and unique products that consumers want to buy, sales will increase.
- **Advertising and marketing** – the more a firm advertises its products and markets it to make it attractive to buyers, the more likely it is to generate sales.
- **Product differentiation** – where firms distinguishes theirs products from rivals.
- **Reliability and quality** - businesses can maintain a good reputation if it sells products that reliable and better quality where it would enable them to charge higher prices.
- **Good customer service** – polite and knowledgeable staff can make a customer likely to make a purchase and more likely to make repeat purchases in the future.
- **Convenience** – anything a firm can do to make the buying experience quicker and easier will attract customer.

### Market Segmentation

Dividing a market into identifiable segments in which consumers share one or more characteristic. There are different ways in which a market can be segmented:
- **Demographic** - e.g. age, gender, socio-economic class.
- **Geographic** - e.g. neighbourhood, city, county, country, or world region.
- **Income** - e.g. luxury products are usually aimed at high income groups.
- **Behavioural** - e.g. amount of use, lifestyle, hobbies, and interests.

### Mass vs Niche Markets

- **MASS MARKET**: a large market with a number of customers which is not segmented into groups based on customer needs or interests.
- **NICH MARKET**: a small market that has customers with specific needs or requirements.
- Businesses in mass markets sell to more consumers than those in niche markets, meaning products sold in mass markets can be cheaper to produce than those sold in niche markets.
- Businesses in niche markets can be riskier as they sell to a smaller number and narrower range of customers.
- Mass markets have a larger market size than niche markets, but each business within a mass market is likely to have a smaller market share than each business within a niche market.
- In mass markets, there are businesses selling similar products, so there is more competition which means businesses in mass markets might focus more heavily on strong branding.

### Topic 1.1 Meeting Customer Needs

#### Quantitative vs Qualitative

**QUANTITATIVE RESEARCH:** research producing results through statistical analysis, usually assessed based on numerical data. It often involves closed questions which can be tested by taking a quantitative approach.

**QUALITATIVE RESEARCH:** research based on the opinions of customers/consumers. It often involves open questions where the answer is not restricted to multiple-choice questions.

#### Market Research

**PRIMARY MARKET RESEARCH:** gathering new information that does not exists. Methods include questionnaires, surveys, interviews and focus groups.

- Primary data is needed to find out what consumers think of a new product or advert.
- Primary data is specific to the purpose it is needed for.
- Primary data is exclusive to the firm who researched it, so competitors cannot benefit from it.
- However, primary research is labour-intensive, expensive, and slow.

**SECONDARY MARKET RESEARCH:** when a business does market research using data that is already available and exists.

- Secondary data includes information from government publications, reliable internet sources, trade magazines and market reports.
- Secondary data is much easier, faster, and cheaper to get hold of than primary data.
- Secondary data collected for a different reason may be unsuitable. It may have errors or be out of date.
- Secondary data is often used to get an initial understanding of a market. A firm may then do more specific primary research to investigate any issues or problems that are shown by the secondary data.

#### Quantitative vs Qualitative

**QUANTITATIVE RESEARCH:** research producing numerical statistics. It often uses multiple-choice questionnaires with closed questions because they have fixed, predetermined answers.

**QUALITATIVE RESEARCH:** research based on the opinions of customers/consumers. It often involves open questions where the answer is not restricted to multiple-choice questions.

#### Market Research

**MARKET SHARE** = (SALES OF A PRODUCT OR BUSINESS/ TOTAL MARKET SALES) X 100

**ADDED VALUE** = PRICE PRODUCT IS SOLD FOR – COST OF MAKING PRODUCT

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