

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.

$$\text{MARKET SHARE} = (\text{SALES OF A PRODUCT OR BUSINESS} / \text{TOTAL MARKET SALES}) \times 100$$

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 laid out as a matrix where the 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.

Key Words:

Topic 1.1 Meeting Customer Needs

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.

NICHE 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.

Dynamic Markets

- Markets can change in a variety of ways, e.g.:
 - consumer preferences
 - innovation
 - the way in 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 but 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 distinguish their products from rivals.
- Reliability and quality - businesses can maintain a good reputation if it sells products that is 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.

Market Research

PRIMARY MARKET RESEARCH: when a business does market research by gathering new information that does not exist.

- Methods include questionnaires, surveys, observations, 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.

ADVANTAGES	DISADVANTAGES
• More cost effective.	• Less detail.
• Objectivity and accuracy.	• Artificiality.
• Faster and easier.	• Limiting.

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.

ADVANTAGES	DISADVANTAGES
• It provides depth and detail.	• Time consuming.
• It encourages discussion.	• More difficult to generalise.
• It allows for more flexibility.	• Relies on skilled researchers.

- Quantitative research and closed questions give data that can be statistically analysed, which makes analysis quicker and easier. But qualitative research may be more informative as the responses can be more flexible.
- The most effective type of market research combines both qualitative and quantitative research:
 - Using qualitative data to identify issues or obtain information on variables not found in quantitative surveys.
 - Generating hypotheses from qualitative research that can be tested by taking a quantitative approach.
 - Using qualitative data to better understand unexpected results from quantitative data.