

Chapter 17: Market research

Why is market research needed?

Any business should find out what people want to buy and how many people are going to buy that product before producing a product since the chances of failing are very high. Usually, **market research** try to answer these questions:

- What **feature** of the product do they **like/dislike**?
- Are people **willing** to buy the product?
- What **price** are people prepared to pay?
- **Location** of the selling point of the product.
- Type of **customer** who buys the product.
- Type of **promotion** that will be **effective**.
- **Competition** in the same industry.

Businesses need to know these things as well as **consumer wants** to be more competitive. There are **two** main **types** of **information** that can be gathered from market research:

- **Qualitative information:** information where **opinion** or **judgement** is necessary.
- **Quantitative information:** information about the **quantity** of something.

There are two ways to gather any information for market research:

- **Primary research** or **field research**.
- **Secondary research** or **desk research**.

Primary research

Primary research is gathering **original data** which may require **direct contact** with

customers. There are several ways to do primary research:

- **Questionnaires**
- **Interviews**
- **Consumer panels**
- **Observation**
- **Experiments**

Note: Questionnaires, interviews and consumer panels are all types of **surveys**.

The process of primary research

1. Identify the **purpose** of the market research.
2. Decide on the best **method of research**. (primary, secondary or both)
3. Decide on the **size** and **type** of **sample** (group of people who will be asked)
4. **Carry out** the research.
5. **Collate data** and **analyse** results.
6. Produce a **report**. (may include recommendations of action paths to take)

Methods of primary research

Questionnaires

Questionnaires involve asking people questions. Deciding **what questions** to ask since sometimes questions may **mislead** people and make them answer what they don't really think.

Pros:

- **Detailed qualitative** information can be gathered.
- Customers' **opinions** can be gathered.

Cons:

- If the **questions** are bad it could **mislead** customers.
- Takes **time** and **money** to collate the results.

Interviews

Interviews are face-to-face **conversations** with customers where the interviewer has a set of **prepared questions**.

Pros:

- The interviewer can **explain** any questions the interviewee does not **understand**.
- **Detailed** information about customers' **opinions**.

Cons:

- **Interviewer bias**. The interviewer might unconsciously lead the interviewee to answer in a certain way.
- **Time consuming** and **expensive**.

Samples

A **group** of people who are chosen to do market research on. There could be:

- **Random sample**: A random number of people are selected.
- **Quota sample**: People are selected for some certain **characteristics**.

Consumer panels

Consumer panels are groups of people who agree to provide **information** and **spending patterns** about a product. They may even **test** it and give feedback on likes and dislikes.

Pros:

- They provide **detailed information** about a product.

Cons:

- They can be **time consuming**, **expensive**, and **biased** if opinions of some is influenced by others.

Observation

Observation involves:

- **Recording:** e.g. meters can be fitted to a monitor to see what people are watching.
- **Watching:** e.g. see how many people go into a shop and actually buy something.
- **Audits:** e.g. counting inventory to see what has sold well. (inspecting)

Pros:

- It is **inexpensive**.

Cons:

- Only provide **basic figures** and not **reasons** why people do things.

Experiments

Experimenting involves giving products to consumers to see what they think about it.

Pros:

- **Easy to set up, carry out,** and gather consumer **opinions**.

Cons:

- People might give **wrong feelings** to avoid **offence**.
- **Representatives** of **samples** may not be asked, just people who shop in an area.
- Many **potential customers** may not be asked.

Secondary research

Secondary research means taking information that has been already collected by others.

Internal sources of information

Data collected from past researches could easily be used again if it is needed. Examples of internal sources of information include:

- **Sales department:** sales records, pricing data, customer records, sales records.
- **Distribution and PR personnel.**
- **Finance department.**
- **Customer service department.**

External sources of information

Data collected from sources **outside** the business. The data may still be useful but there are many **limitations** since it has been gathered for other purposes. Sources include:

- **Internet:** gives all sorts of information, but the info must be validated.
- **Trade and employer associations:** gives info about things in an industry.
- **Specialist journals.**
- **Research reports.**
- **Newspapers:** about the economy and disposable income of workers.
- **Government reports and statistics:** contains things such as age groups and culture.
- **Media reports.**
- **Market research agencies' reports:** detailed reports on the economy. Expensive to buy.

Secondary research is often a much **cheaper** way of obtaining information. It also gains access to data which cannot be gathered by primary research such as **government issues** or the economy.

Who carries out market research?

Normally, research is done by any business who needs it. In smaller businesses, owners use secondary research since they cannot afford to conduct primary research. However, if a business has enough money, it can afford to have a **specialist market research agency** to do the research for it.

Accuracy of market research information

The accuracy of market research depends on **how the research was conducted** and **how carefully samples have been selected**. Here are some ways to make information from market research more accurate:

- A **sample** needs to be truly **representative** of the total population, hence a **quota sample** is normally used.
- The **larger** the sample, the more accurate the results.
- Questionnaires need to be **tested** on a small group of people to see if there are **misinterpretations**. The questionnaires will be **modified** to be as clear as possible.

Concerning secondary research, there are a few problems with it:

- Data collected by others may not be accurate since it was used for other **purposes**.
- Data can be **out of date**.

All in all, it must never be assumed that information collected from market research is completely correct.

How to design and use a questionnaire

Firstly, you need to ask yourself some questions:

- **What** do I need to find out?
- **Who** do I need to ask?
- **Where** will I carry out my questionnaire?

Writing the questions

- Ask **no more** than **12** questions. (impatience)
- Make the questions **simple**. The answers should be **simple enough** to collate. (e.g. Yes/No answers)
- Use choice of **age groups**.

- **Avoid open-ended** questions.
- **Avoid misleading** the interviewee with questions. (don't want to cause offence)
- The **order** of the questions should be **logical**.

Carrying out the questionnaire

First you need to figure out:

- **How** you will **ask** the questions.
- **How** you will **collate** the results.

Then:

- **Where** are you going to ask the questions.
- **Who** are you going to ask?

And finally:

- **How many** people will be asked?
- **When** will you ask the questions? (time)

Analysing questionnaires

Analysing the results should be straightforward if you have easily collated the data. It simply involves reading the answers and thinking about what they mean. It takes practice, so open your books to pages 271 and 271 and let's do the case studies!