

Market Research

What is market research?

Market Research is the process of collecting information and data about a firm's customers, the market place the firm operates within (sells to), and the activities of competitors within that marketplace.

Market research involves study of ;

- the size of the market in terms of numbers of customers and value of sales,
- the niches or segments that exist within the market
- how competitor firms behave
- the demographic make-up of the consumers i.e. how old they are, sex mix, incomes etc.
- the emotional and rational ties that customers have with the firm's products and competitor products.

Market research is big business. Because of the expense of launching new products, the cost of maintaining market share and the profile of existing products and brands; firms regard having an understanding of the market place as a major corporate priority. After all, with firms like Lever Bros. (producers of soap powders), spending over \$300m a year on marketing, when it comes to designing new products and marketing campaigns, firms do not particularly like taking a jump in the dark.

The objective of market research is therefore, to gain detailed knowledge about the market that exists for the firm's current or future products, so that the firm can be as confident as possible that each marketing

and product development £ spent, has been a £ well spent.

Themes of market research.

Market research focuses on three main themes. These are:

- **The market**
- **The product**
- **Activities of competition.**

The Market. The objective here is to gain an understanding of the make up of the market. Firms will aim to discover:

- The nature of the market - who are these customers, why do they purchase the product?
- Is the market sub-divided or segmented - can the market be separated by geographical, socioeconomic, or other differences.
- Rate of growth of the market - how quickly is the market growing? Or on the other hand is the market shrinking?
- Barriers to entry to the market - is it easy for competition to enter the market?
- Does effective participation in the market depend on high levels of investment or existing expertise?

The Product. Here the objective is to gain an understanding of the sales and profit potential of the product, and its likely future success. Market research will attempt to discover:

- At what stage is the product in its life cycle - is it near maturity, or in decline?

- Is it worth investing in extending the life cycle of the product - should we use extension strategies?
- For new products, the objective is to test consumer response, and so aid product development.
- Is promotion of the product achieving its intended aims - does the target market know of the product and its uses and purpose?

The competition. Here the firm attempts to understand the nature of and activities of major existing and potential new competitors. Market research will attempt to discover:

- The form of the market - is it highly competitive, or is it an oligopoly with just a hand full of major competitors?
- Who exactly are the competition - what are their financial and other strengths?
- In what ways are the competition different from or the same as us - what pricing strategies do they use, is their marketing mix different?

These then are the objectives of market research, but it is worth noting that most market research carried out will look at just one or two of the above, aiming to gain specific information, not generalized information.

Types of Market Research.

Field and Desk Research—primary and secondary research.

One way of categorizing market research is to divide it into one of two types :

- **Field Research** - primary research
- **Desk Research** - secondary research

Field research gathers first hand information. This means that the data gathered is new, and should also be directly relevant to the needs of the company. Field research is carried out when there is a need to collect information for company or product specific purposes or objectives. For example, a firm carrying out or funding research, may want to know who buys which competitor products and the reasons for the purchases. Alternatively a new product may be tried out on potential consumers to judge responses. Field research is often called primary research as it results in the collection of primary data. Within field research various methods can be used to collect the information required. These field research methods include;

Test marketing - a trial release of the product in a restricted area, to gather customer responses and make changes based on these responses, before final launch

Focus groups - these are groups who meet regularly to have chaired discussions, on themes set by a market researcher. Political parties often use these so that they can understand the issues that are of greatest concern to different groups within a population.

Questionnaires - these are designed to gain specific information, based on a series of questions. Can be carried out face-to-face, but increasingly information is gathered through postal surveys.

Consumer Panels - similar to focus groups, but are more product orientated, and are made up of consumers of products. The objective here is to gain opinions on different aspects of a product, such as taste, packaging, shape etc.

Desk Research—secondary research

Desk research involves the use of previously collected information. So with desk (or secondary) research, the information used has not been gathered specifically for the firm, but is instead adapted for its use. Desk research data is more easily available and accessible at a lower cost than field research. Methods of Desk Research include:

Use of internal information- such as sales and customer data figures

Database profiles - by the use of loyalty cards, retailers are able to build up detailed profiles of their customers and their spending habits.

Official publications - a huge variety available, the most popular for desk research are census reports and Social Trends Surveys.

Trade Press - virtually every industry has its own 'in house magazine', these provide a wealth of information on specific retail and product areas, for example *The Grocer* is a must read for all food retail marketing professionals.

The Internet - IT competent firms can gather user and customer profiles, by the process of registration and customer comments on web sites.

Local Sources - Yellow Pages, chambers of commerce, ITECs, and TECs.

Because field research is an expensive and time-consuming business, firms are more and more turning to market research companies. These market research companies are continually gathering data from questionnaires, census reports, trade information sheets, sales figures etc. From the information gathered they develop a comprehensive database on the spending patterns of consumers. This

data can be interpreted in a way that meets the research needs of the customer firm.

Quantitative and Qualitative research.

Quantitative research aims to gather information based on facts that can be tested. So for example what is the average income of our customers? What is their weekly spending on food? How often do they take foreign holidays?

Qualitative research seeks to gather opinions and views. So for example, Why exactly do you like Gordon Brown? What makes the shopping experience at Tesco different from that at Sainsburys? Do you find this packaging attractive and attention grabbing?

Quantitative research produces data that can be tested—i.e. is statistically valid, therefore it must be in a mathematical form, or it can be interpreted using figures. The data is collected using sampling methods.

Advantages and disadvantages of quantitative research.

Advantages

- The requirements of the market research can be stated in very specific and set terms.
- The original research goals can be followed, so research will lead to objective conclusions, and hypothesis can be tested.
- Subjectivity of judgements can be eliminated.

Disadvantages

- Fails to encourage continuous investigation - quantitative research set paths of research with little potential for following developing findings.

- Limited outcomes (restricted amounts of information gathered) due to closed type questions and the structured format.

Qualitative Research.

This type of research tries to discover attitudes and motivations of consumers and consumer groups. Focus groups (as described above) are one of the major methods of gathering qualitative research information.

Advantages and disadvantages of qualitative research.

Advantages

- It helps a more realistic feel of the world of the consumer, their true feelings, that is difficult to interpret from the numerical data and statistical analysis gathered from quantitative research.
- It gives the researcher the ability to interact with the research subjects and discussions are not limited to set questions.

Disadvantages

- Difficult to analyse data gathered, so it can be presented as clear findings.
- Costly to carry out.
- Difficulties in obtaining representative sample in a focus group.
- Can lack consistency as different techniques and questioning methods can be used.

Notes