

# HL IB Business Management



Your notes

## 4.4 Market Research

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## Types of Market Research



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### Why Conduct Market Research?

- **Market research is the objective collection, compilation and analysis of information about a market**
- Effective market research will help the business to
  - **Reduce risk** when launching new products or entering new markets
  - Identify and understand the future **needs and wants of customers**
  - Determine potential **gaps (market niches) in the market** which can be exploited to increase the sales volume
  - **Identify competitors** and gauge their potential strengths and weaknesses
- Market research helps the business to **make informed decisions** about the most effective way to use their valuable resources
- Market research enables the firm to develop an appropriate marketing mix
- **On-going market research** helps businesses to keep changing their **marketing strategy** in line with customers changing needs and preferences



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## Primary Market Research

- **Primary research** is the process of gathering information **directly from consumers** in the target market using field research methods such as surveys or interviews
  - This gathers **information that is new** and does not necessarily exist in any format

### Primary research methods

- Businesses can choose from a **range of primary market research methods** and may combine a selection of methods to obtain comprehensive first-hand data

Primary Market Research Methods

Method	Explanation	Advantages	Disadvantages
Surveys	<ul style="list-style-type: none"> <li>▪ The most widely used method of gathering primary research is to conduct surveys</li> <li>▪ This is where you would ask a series of questions to a certain number of people (<b>respondents</b>)</li> <li>▪ The results from the 'sample' are used to make <b>inferences</b> in which the results of the sample are <b>extrapolated</b> to be true for the wider population</li> <li>▪ A wide range of respondents can be reached using <b>online survey tools</b> such as Survey Monkey</li> </ul>	<ul style="list-style-type: none"> <li>▪ A <b>large amount</b> of data can be collected relatively <b>quickly</b></li> <li>▪ Well-designed surveys can be <b>completed easily by the respondents</b>, especially online surveys</li> </ul>	<ul style="list-style-type: none"> <li>▪ Poorly-designed and conducted surveys will result in poor results</li> <li>▪ Poor response rates are typical, especially when a random sampling method is used</li> </ul>
Observation	<ul style="list-style-type: none"> <li>▪ This involves hiring someone to stand in an appropriate location and <b>study consumer behaviour</b> in a store or perhaps judge the potential consumer traffic at a particular location                             <ul style="list-style-type: none"> <li>▪ Researchers may observe the impact of packaging</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ A useful method to capture data on <b>human behaviour</b></li> <li>▪ <b>Large numbers</b> can be observed in a <b>short period of time</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Observation needs to be <b>combined with other primary research methods</b> to understand the causes of behaviour</li> </ul>



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	on consumer choice, or the impact that the particular <b>placement of a product</b> in a store may have on consumer choice		
<b>Interviews</b>	<ul style="list-style-type: none"> <li>The questions may be set up in a very similar way to a survey, however, an interviewer asks the questions</li> <li>This method <b>takes longer</b> but does allow the interviewee to ask <b>follow-up questions</b> and gather the information that can easily be missed when conducting surveys</li> </ul>	<ul style="list-style-type: none"> <li>In-depth question provides <b>detailed opinions and perceptions</b> from participants</li> <li><b>High response</b> rates can be achieved</li> </ul>	<ul style="list-style-type: none"> <li>A <b>time-consuming</b> process as interviews are carried out one-to-one</li> <li>Interviewer <b>bias</b> can affect the validity of results</li> </ul>
<b>Test marketing</b>	<ul style="list-style-type: none"> <li>Free samples are provided for a limited period to the target market to <b>gauge their response to the product</b></li> <li>Adjustments to the product or other elements of the marketing mix can be made following feedback</li> </ul>	<ul style="list-style-type: none"> <li>Perceptions and opinions can be gathered <b>prior to a full product launch</b></li> <li>Can attract <b>early attention</b> from potential customers</li> </ul>	<ul style="list-style-type: none"> <li>Producing and distributing free samples can be <b>expensive</b></li> <li><b>Competitors may become aware</b> of new products to be launched</li> </ul>
<b>Focus groups</b>	<ul style="list-style-type: none"> <li>Free range discussions led by a marketing specialist to collect <b>detailed feedback</b> on all aspects of the marketing mix from the target market</li> <li>Usually limited to a small group of 12–15 people</li> <li>The group typically meets for 90 minutes to 3 hours</li> </ul>	<ul style="list-style-type: none"> <li><b>Detailed information</b> on opinions and perceptions can be gathered</li> <li>Small groups make focus groups relatively <b>easy and inexpensive</b> to organise</li> </ul>	<ul style="list-style-type: none"> <li>Participants may be <b>reluctant to share their true opinions</b> in a group situation</li> <li>Rewards for participation make focus groups <b>more expensive than other methods</b> such as surveys or observation</li> </ul>

### The pros and cons of primary market research

- Traditionally, primary research has been relatively difficult and expensive for businesses to gather



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- The **rise of social media platforms** such as Facebook, Twitter, Instagram and TikTok has changed this and now provides businesses with incredible primary research opportunities
  - The **speed of communication** between businesses and customers can be almost instantaneous e.g. by using online polls thousands of responses can potentially be received in several hours
  - The **cost of gathering this information** can be very low e.g. Online polls take a few minutes to set up and software automatically gathers and analyses the results
  - Social media helps businesses to generate an **interactive relationship** with their customers which helps to strengthen brand loyalty
  - Customers are also able to **feedback quickly** on products - or to express innovative ideas about how they want the products to be changed
  - This feedback may help the firm to develop extension strategies in their product life cycle
  
- Businesses need to take care to choose a method of primary market research that allows them to **capture the correct form of data** that can support decision-making
  - Analysing the advantages and disadvantages of primary research improves decision making

### The Advantages & Disadvantages of Primary Market Research

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ Information gathering is <b>focused on the needs of the business</b> and will not be available to its rivals</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>The sample size may be too small</b> and unrepresentative of all of the customers leading to unreliable results</li> </ul>
<ul style="list-style-type: none"> <li>▪ The business can get <b>in-depth information</b> from respondents, for example, reasons behind certain behaviour</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bias may mean that researchers can guide respondents to <b>answer questions in a particular way</b> <ul style="list-style-type: none"> <li>▪ Similarly, respondents may be influenced by the responses of others, or not provide accurate information</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>▪ Primary market research is <b>more up-to-date and</b> can be used to <b>ask specific questions</b> and so will be more relevant</li> </ul>	<ul style="list-style-type: none"> <li>▪ A business <b>may need to hire a specialist market research agency</b> to help and the process can be <b>expensive and time-consuming</b></li> </ul>

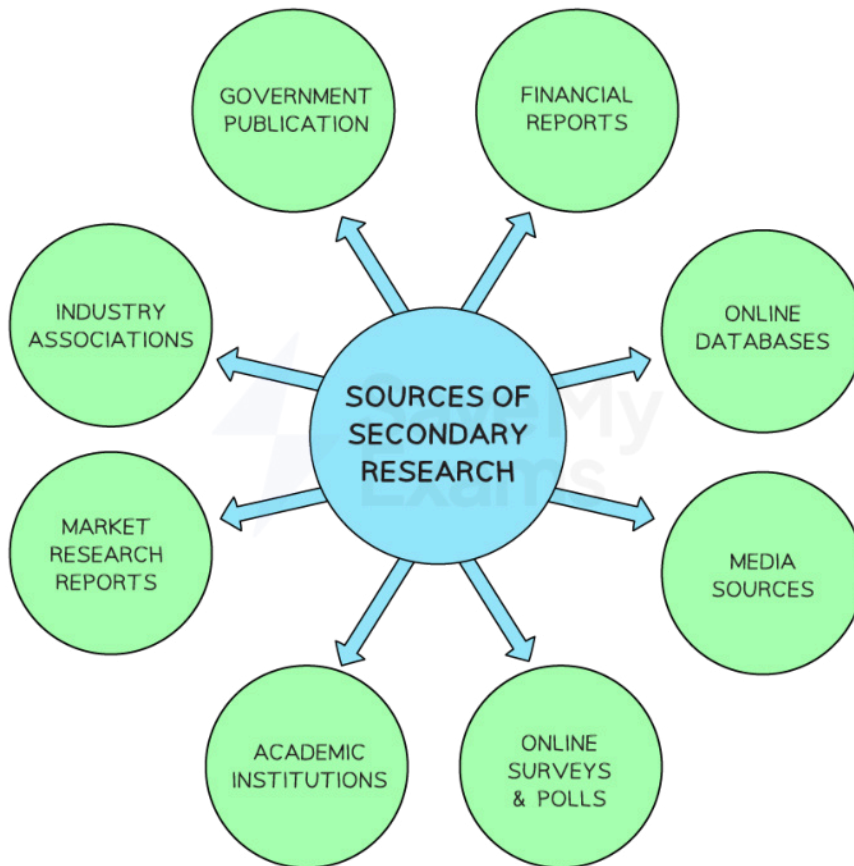


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## Secondary Market Research

- **Secondary research** involves the collection, compilation, and analysis of data that **already exists**

### Diagram Showing the Many Sources of Secondary Research



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**Businesses can consult a wide range of secondary sources to gather market research data**

- **Government Publications:** National governments and trading blocs such as the EU publish reports and statistics on topics such as the economy, demographics, industry trends and consumer behaviour
- **Academic Institutions:** Universities and research institutions conduct studies and publish research papers which provide valuable insights and data on specific industries, consumer behaviour and market trends
  - For example, *Stanford University* is a globally significant research centre for engineering and medicine



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- **Industry Associations:** Trade associations and industry-specific organisations provide detailed information about specific sectors, including market size, growth rates and industry benchmarks
  - E.g. The *International Organisation of Motor Vehicle Manufacturers* conducts and collates research on production and sales statistics
  
- **Specialist Market Research Reports:** Companies specialising in market research produce and sell in-depth reports on various industries, markets and consumer trends
  - E.g. *Mintel* is one of the leading private companies supplying market research information
  
- **Financial Reports:** Public limited companies are required to publish financial reports, including annual reports which can provide valuable information about a company's performance, market position, and future plans
  
- **Online Databases:** There are various online databases and research platforms that provide access to a wide range of secondary market research
  - E.g. *Statista* and *Euromonitor International*
  
- **Media Sources:** Newspapers, magazines and online publications often contain articles, opinion pieces and investigative reports that can offer insights into market trends, consumer behaviour and industry developments
  - E.g. The *Financial Times* and the *Wall Street Journal*
  
- Businesses must weigh up the **reliability** of secondary market research and aspects such as **cost, relevance and availability** of data should also be carefully considered

### The Advantages & Disadvantages of Secondary Market Research

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ Information is <b>already available</b> and so is <b>quicker to collect</b> than primary research thereby saving time</li> </ul>	<ul style="list-style-type: none"> <li>▪ Information has been collected for other purposes and so <b>may lack relevance</b> or may <b>not be</b> factually correct e.g. Wikipedia</li> </ul>
<ul style="list-style-type: none"> <li>▪ Information is often free (e.g. government websites and internet sources such as Statista) and is <b>cheaper to collect</b> leading to <b>lower costs</b> compared to primary research</li> </ul>	<ul style="list-style-type: none"> <li>▪ Can be <b>expensive</b> to purchase market specific secondary data from specialist companies e.g. MINTEL reports</li> </ul>
<ul style="list-style-type: none"> <li>▪ Suitable for a <b>small business</b> that lacks a large marketing budget and/or expertise</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Information may be out-of-date</b>, especially in dynamic markets</li> </ul>



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## Quantitative & Qualitative Data

- **Market research data** can be quantitative or qualitative
- **Quantitative data** is based on numbers and could include financial reports (e.g. sales, costs), market data (e.g. markets share) or summaries of data gained from primary research (e.g. on a scale of 1–10 rate our customer service)
- **Qualitative data** gathers descriptions or explanations based on conversations, discussions, impressions, and emotional feelings and is usually gathered through primary research
- Both forms are useful and any data analysis should ideally include a combination of the two

### The Limitations of Qualitative & Quantitative Research Data

Limitations of Qualitative Data	Limitations of Quantitative Data
<ul style="list-style-type: none"> <li>▪ <b>The sample size used to gather data may be too small</b> and unrepresentative of all of the customers leading to unreliable results</li> <li>▪ Bias may mean that researchers can guide respondents to <b>answer questions in a particular way</b></li> <li>▪ Respondents in <b>focus groups</b> may be influenced by the responses of others, or not provide accurate information</li> <li>▪ A business <b>may need to hire a specialist market research agency</b> to help gather primary data and the process can be <b>expensive and time-consuming</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Information has been collected for other purposes and so <b>may lack relevance</b> or may <b>not be</b> factually correct</li> <li>▪ Can be <b>expensive</b> to purchase market specific secondary data from specialist companies such as MINTEL</li> <li>▪ Numerical data <b>may be out-of-date</b>, especially in dynamic markets</li> <li>▪ <b>Data analysis and interpretation</b> is a skill and individuals within the business may draw incorrect conclusions which are then used to guide business strategy</li> <li>▪ Looking at a small amount of data and then extrapolating the results can provide wrong assumptions from which strategic decisions are made</li> <li>▪ Numerical data may provide insights, but does not provide the reasons for the insights e.g. data may reveal sales volumes are falling, but <b>not the reason for the decline</b></li> </ul>



 **Examiner Tip**

When answering questions about theory-rich topics like market research it is tempting to write down everything you know about the subject. Instead, try to focus more on weighing up the advantages and disadvantages of the market research methods presented and justify, in context, which method(s) might be more appropriate.



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## Sampling Methods

### Primary Market Research Sampling Methods

- Sampling involves **getting opinions from a selected group of people** in order to find out about the market as a whole
  - It is **expensive** and **time-consuming** to collect data from the whole population of a market
  - Market researchers use carefully designed sampling methods from which **conclusions can be drawn about the market as a whole**
  - In general, **the larger the sample size, the more likely that results from market research activities will reflect the market as a whole**

- There are a **range of sampling methods** a business can use to carry out market research which include:

#### Quota sampling

- The aim is to obtain a **representative sample** by determining **specific proportions of each group of the population** upon which to carry out research
  - E.g. a researcher carrying out a survey for a family car manufacturer may look to interview a sample of 25% between the ages of 18–24, 50% between the ages of 25–45 and 25% aged 46 and above

#### The Pros and Cons of Quota Sampling

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Quick and easy way of obtaining a sample</li> </ul>	<ul style="list-style-type: none"> <li>Not random so there is <b>some risk of bias</b></li> <li>Need to <b>understand the population</b> to be able to apply results to the market as a whole</li> </ul>

#### Random sampling

- This method makes sure that **every member of the population has an equal chance** of selection
  - E.g. a survey of members of a gym may be sent to a random selection of customers taken from the membership database

#### The Pros and Cons of Random Sampling

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Simple to design and interpret</li> <li>As anyone in the population can be asked <b>bias should be avoided</b></li> </ul>	<ul style="list-style-type: none"> <li>As anyone may be selected, the sample <b>may not be representative of the market</b> as a whole</li> <li>Researchers need a complete and accurate population listing</li> </ul>



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## Convenience sampling

- This method uses those who are **willing to volunteer and easiest to access** in the study
  - E.g. a cafe owner may ask regular customers during a quiet period of the day to fill in a written survey regarding their experiences of the menu and customer service

### The Pros and Cons of Convenience Sampling

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ Respondents taking part in research are readily available</li> <li>▪ Large amounts of information can be gathered quickly</li> </ul>	<ul style="list-style-type: none"> <li>▪ The sample is <b>likely to be biased if those known to the researcher are chosen</b></li> <li>▪ The sample is <b>unlikely to be representative</b> of the market as a whole</li> </ul>

## Choosing the sampling method

- The **choice of sampling method** will depend upon a wide range of factors including
  - The time available
  - Knowledge of the target population
  - Skills of researchers
- Where **little time is available** to carry out market research a **quota sample** may be the most appropriate sampling method as it is usually very quick and straightforward to organise
- Where a business has a **good knowledge of the target population** a **random sample** is likely to provide a set of research data that lacks bias and can be interpreted with insight
- Where researchers **lack experience or expertise** in market research a **convenience sample** is likely to provide a useful set of data that can be easily interpreted

### Examiner Tip

A research population refers to the group of people in whom the business has an interest when conducting market research - a common mistake is to assume that research focuses on, say, the whole population of a country or region.