

IGCSE Business Studies Marketing Research

The role of market research

Market research is the process of gathering, analyzing and presenting information about a specific market, its customers and market trends. It provides information for decision-making and can help to reduce risks because the business has a better understanding of its market. The research might include information on:

- Changing customer needs in domestic and international markets
- The prices charged by the business in the past and present, and by competitors
- Market size in terms of revenue, profits or market share
- Competitors; domestic and foreign

Hence, market research is essential for a business to gain a competitive advantage over its rivals because it enables the business to adapt to changing market trends. However, market research can have its limitations, such as biased findings and outdated information being collected. Market research can be categorized as either qualitative or quantitative.

Qualitative research seeks to understand how and why people behave in a certain way, such as why customers might prefer one brand over others. Examples of qualitative research includes in depth interviews, target groups and observations. Quantitative research involves the use of numerical and quantifiable data, such as financial records and government statistics. It is often used to establish trends and relationships.

Market research can also be categorized as primary research; new data that has yet to be collected for a specific purpose, or secondary research; data that has already been collected by someone else.

Primary Research

Primary research is also known as field research, is the collecting of new data that does not already exist. It is not usually possible to collect data from every existing or potential customer (the population). Therefore, businesses use sampling methods to get statistically valid results from a portion of the population known as the sample. The main sampling methods are:

- Random sampling. Each and every person has an equal chance of being chosen for sampling, perhaps by choosing names out of a hat or from a customer database.
- Quota sampling. The sample is broken down into segments, for example; by age, gender or income, will respondents be selected from each of these market segments.
- Systematic sampling. Using a methodical system to select the sample.
- Stratified random sampling. This is a combination of quota sampling with random sampling so that each segment has respondents chosen by pure chance.

There are numerous methods of primary research, including:

- Questionnaires. –These are paper based surveys, such as ones conducted by an interviewed or sent in the post for people to respond. Hotels often use questionnaires to get feedback from their customers.

- Online surveys. –They are similar to questionnaires; online surveys make use of email or the Internet to conduct primary research. These have grown in popularity as they are cheaper and faster than questionnaires.
- Interviews. –This involves an interviewer asking individuals a series of questions. The two main forms are 'face to face interviews', which is conducting the research in the presence of the interviewees, and the telephone interviews, which uses telecommunications to conduct the interviews.
- Observations. –This method involves the business observing and recording what people do and how people behave.
- Target groups. –This involves asking in depth questions to a small group of people (the panel) when a business wants to gauge opinions about a product, forecast market trends or when launching a new product.
- Test marketing. –This involves experiments being conducted in selected areas to test the response of customers before launching a product on a mass scale. To launch a new product is often very expensive, so test marketing helps a business to reduce risks of launching unsuccessful products.

The advantages of primary research includes:

- Relevant data is collected for the specific needs of the business
- Updated information
- Uniqueness of the data as no one else has collected it
- Confidentiality can exist as no one else has access to the primary data that has been collected
- Control over what and how data is collected is improved as the researcher can decide on requirements such as the sampling method and the time frame of the research
- Closed questions in interviews and surveys have definite answers, so it makes it easy to combine the results of the respondents
- Open questions allow businesses to gain insight to the views and opinions of respondents by allowing them to develop their answers

The disadvantages of primary research includes:

- Time consuming processes of primary data collection and analysis- it is usually quicker to use secondary data sources
- Expensive, as the information is not readily available
- Validity of the primary data may be questioned: the chosen sample size may be too small, so the results are not representative, the sampling method used may be bias, poor research design and the possibility that research data becomes outdated by the time the investigation is completed.

Secondary Research

Secondary research, also known as desk research involves the collection and analysis of information that already exists. The information can come from internal sources or from external sources.

The advantages of secondary research includes:

- Cheaper and less time consuming to collect as the information has already been gathered by someone else
- Faster access to data as the information can be readily available
- More accessibility

The disadvantages of secondary research includes:

- Outdated information; it is not new, meaning that it is not valuable to the business

- Incomplete data is likely to exist as the secondary data was originally collected for a different purpose
- As there is potentially so much secondary data, most of the information may prove to be irrelevant or inappropriate for the purpose of the business
- Widely available data means that rival companies also have access to the secondary data, therefore reducing any competitive advantage that the business might have