

FACTFILE: GCE BUSINESS STUDIES

AS2 MARKET RESEARCH



Strategic Decision Making – Market Research

Learning outcomes

Students should be able to:

- demonstrate and apply knowledge and understanding of market research;
- demonstrate and apply knowledge and be able to analyse the reasons for market research;
- demonstrate and apply knowledge and understanding of the following market research methods, i.e.
 - questionnaires
 - interviews
 - observation
 - focus groups
 - consumer panels
 - surveys by post, internet, email, telephone and face-to-face;
 - test markets
 - store loyalty cards.
- analyse these market research methods;
- demonstrate and apply knowledge and understanding of the following sampling methods, i.e.
 - random
 - quota
 - stratified
 - cluster
 - sampling

- analyse methods of sampling;
- evaluate issues relating to market research such as market research methods or methods of sampling;

Market research is the collection and analysis of data from a range of sources. It is an important business activity and helps businesses to:

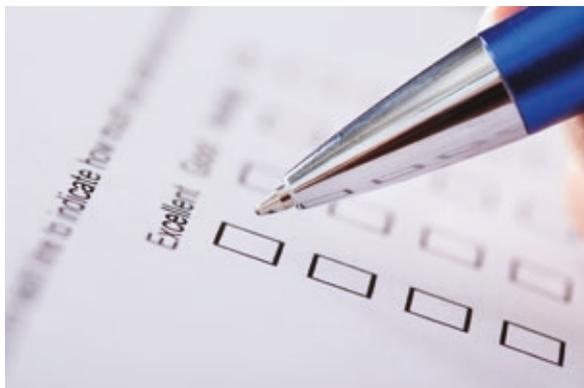
- understand their markets
- keep up with market trends and
- maintain a competitive edge.

Although it can be expensive and time consuming, successful businesses should conduct research on a continual basis. Market research can help a business to determine:

- the size of the market
- current trends within the market
- competitor activity
- public opinion on products or services
- target markets



Primary Research



Primary or field research involves gathering information from the public using questionnaires, interviews, observations, focus groups, consumer panels, surveys, test markets and store loyalty cards.

Advantages

- Information is new
- Information is up-to-date and relevant
- It can be designed to obtain specific information for the company

Disadvantages

- Time consuming
- Costly
- Accuracy of information will depend on the skills of the researchers



Secondary Research

Secondary research or desk research involves making use of information previously researched for other purposes and publicly available. It may be obtained through internet searches, published reports and other research documents.

Advantages

- Less costly than primary research
- Less time consuming

Disadvantages

- Information may not be relevant or up-to-date.
- It may not be specific to the business' needs.



Research methods

Questionnaires

Questionnaires are usually a written set of standardised questions conducted face-to-face, by mail or online. It is a relatively quick and convenient way of collecting information. Responses are usually standardised and so makes interpretation easy. In-depth opinions are not usually obtained through this method. Questionnaires do not allow the interviewer to take into account self-expression and body language. Responses may not be truthful or accurate.

Interviews

Interviews are usually conducted face-to-face and allow for more in-depth information to be obtained. They might explore attitudes and feelings and take into account expression and body language. Interviews can be time-consuming and costly. Their effectiveness depends on the skills of the interviewer. They are not easy to analyse as each interview will obtain different information.

Observation

Observations involve the researcher watching a group of people and recording their answers and opinions. The information is qualitative and its accuracy depends on the skills of the researcher and the environment in which the research is taking place.

Focus Groups

Focus groups involve a structured discussion with a group of participants and opinions and comments are recorded by the researcher. It allows for discussion to take place about topics and may reveal new information.

It can be difficult to get a representative sample for the focus group so opinions may not be accurate.

Consumer panels

Consumer panels involve a section of the public and investigate their buying patterns. Large companies use this method to get feedback on their products.

Survey

A survey involves gathering information about participants. It can take many forms, including online, postal or face-to-face questionnaires.

Test markets

A test market is a carefully selected set of participants that are used to try out a product or service. It may be restricted to a specific geographical area or age group.

Store loyalty cards

Store loyalty cards aim to generate repeat custom and have become popular in many stores, particularly supermarkets. They give loyal customers points each time they purchase within the store, which can then be redeemed for other goods and services. Being able to track what customers are buying allows stores to build up a customer profile of its customers, which gives valuable research information.

Sampling

Sampling is a process of selecting and analysing a section of the population and using it to draw conclusions as to how the general public might behave. The size of the sample and how it is selected is important in determining the accuracy of the results. There are a number of ways of doing this:

- Random sampling – selects a section without any particular criteria. As each member has an equal chance of being selected it is hoped the sample will represent the overall population. However, this is unlikely.
- Quota – the percentage of the population that falls into a particular group is known and so individuals are selected on this basis. For example if the male: female population is 50:50 then the sample of females used in the research must equal the sample of males.
- Stratified – is used when a selection is required from a number of distinct subgroups, e.g. a business may want a representative of each age group with a particular social class within its overall customer base.
- Cluster – a selection of sub-groups are selected within an unknown population.

Qualitative Research

Qualitative research explores what people think, feel or do and why. It finds out opinions and gives an insight into why people do things. The information is gathered by using open-ended questions through a focus group or interview. It can be difficult to measure the results and may not be statistically reliable.

Quantitative Research

Quantitative research presents factual information numerically, for example, with the use of percentages or graphs to illustrate the findings. Questions are structured and require respondents to choose from a specific selection of answers to ensure consistency, e.g. sales have increased by 10%, but this method would not give the reason why.

? Revision Questions

1 Explain the term Market Research.

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2 Analyse two reasons why a business would undertake primary research.

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3 Analyse two reasons why a business would use random sampling.

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4 Evaluate the usefulness of qualitative research methods which a business might use to determine the level of consumer demand for its products.

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