

Market research

Read introducing the topic

Why did Nivea use both existing and new market research data?

*Explain **four** uses of the data collected to Nivea*

To what extent did the data contribute to the product's success?

Market research is

Not just about finding out whether consumers will buy a particular product or not, but trying to analyse **their reaction** to:

- Different *p_____* levels
- Alternative forms of promotion
- New types of packaging
- Preferred means of distribution etc.
- Companies don't just collect their own data but specialist market research firms collect and sell data to other firms

The NPD process		The market research process
identify consumer needs and tastes	→	primary and secondary research into consumer needs and competitors
product idea and packaging design	→	testing of product and packaging with consumer groups
brand positioning and advertising testing	→	pre-testing of the product image and advertisements
product launch and after launch period.	→	monitoring of sales and consumer response.

Table 15.1 Summary of how market research supports NPD

Why do we need market research?

Activity 15.1

The market research process:

1. Management problem identification

By setting out the problem accurately, the rest of the market research process can be directed to correctly solving it

2. Research objectives

3. Sources of data

KEY DEFINITION

primary research the collection of first-hand data that is directly related to a firm's needs

secondary research collection of data from second-hand sources

Which method should be used for a firm gathering data for a new product launch? Why?

The book outlines data that can be collected from secondary research ('desk research')

Sources of secondary research:

- 1.
 - 2.
 - 3.
 - 4.
 - 5.
 - 6.
 - 7.
- A great range of **secondary data** exists nowadays, especially from the Internet. Business planning and new product development can be **greatly assisted** with this data.
 - Secondary data should always be the **starting point** for market analysis.
 - *However, on its own, it is rarely sufficient and some primary research is often required*

Advantages	Disadvantages
<ul style="list-style-type: none"> • often obtainable very cheaply – apart from the purchase of market intelligence reports • identifies the nature of the market and assists with the planning of primary research • obtainable quickly without the need to devise complicated data-gathering methods • allows comparison of data from different sources. 	<ul style="list-style-type: none"> • may not be updated frequently and may therefore be out-of-date • as it was originally collected for another purpose, it may not be entirely suitable or presented in the most effective way for the business using it • data-collection methods and accuracy of these may be unknown • might not be available for completely new product developments.

Table 15.2 Advantages and disadvantages of secondary research

Advantages	Disadvantages
<ul style="list-style-type: none"> • up-to-date and therefore more useful than most secondary data • relevant – collected for a specific purpose – directly addresses the questions the business wants answers to • confidential – no other business has access to this data. 	<ul style="list-style-type: none"> • costly – market research agencies can charge thousands of dollars for detailed customer surveys and other market research reports • time consuming – secondary data could be obtained from the internet much more quickly • doubts over accuracy and validity – largely because of the need to use sampling and the risk that the samples used may not be fully representative of the population.

Table 15.3 Advantages and disadvantages of primary research

Methods of primary research

Primary – or field – research can itself be divided into **qualitative** and **quantitative** research

KEY DEFINITIONS

qualitative research research into the in-depth motivations behind consumer buying behaviour or opinions

quantitative research research that leads to numerical results that can be statistically analysed

Qualitative research

Attempts to find out the 'why?': Why or why not a consumer will buy a particular product?

Quantitative research might establish the size of the market for a new luxury ice-cream, **but** will consumers buy it for the quality of its **ingredients** or because it's promoted as a **life style-branded product** that will reflect well on the consumers themselves?

*Only **qualitative research** can establish the **why** and this will influence how the business in its **pricing** and **promotion** decisions for the product.*

Focus groups

Possible drawbacks are **time**, **difficult to analyse** and **bias** due to observers and researchers presence.

Quantitative research

1. Observation and recording

2. Test marketing

3. Consumer surveys

Can be used for both qualitative and quantitative research:

- *'How many foreign holidays did you take last year?'*
- *'What do you look for when in an ideal foreign holiday?'*

1. Who to ask?

2. What to ask?

3. How to ask?

4. How accurate is it?

1. Who to ask? –Sample size and sampling methods

KEY DEFINITION

sample the group of people taking part in a market research survey selected to be representative of the overall target market

Impossible to seek evidence from the total 'population' – total potential market that the firm is aiming at

- Generally, the larger the sample, the more confidence in the results
- The smaller the sample, the less accurate it is likely to be
 - i.e. a small sample: the first 10 may show a positive reaction and yet another 10 may show a negative reaction
 - 'Chance' would play a big part: a sample of 100 or 1000 would reduce 'chance' and distortion of results
 - Why not just ask 1000? Well, mostly time and money

1. Probability sampling:

- **Simple random sampling**
- **Systematic sampling**

- **Stratified sampling**

- **Quota sampling**

- **Cluster sampling**

2. Non-probability sampling

- ***Convenience sampling***

- ***Snowball sampling***

- ***Judgemental sampling***

- ***Ad hoc quotas***

What to ask – questionnaire design

It is very challenging to design a questionnaire. Too many questions and the respondent can become bored. Personal questions should be avoided as much as is possible (but sometimes needed)

KEY DEFINITIONS

open questions those that invite a wide-ranging or imaginative response – the results will be difficult to collate and present numerically

closed questions questions to which a limited number of pre-set answers is offered

How to ask? – Self-completed questionnaire or direct interview?

How **accurate** is primary research?

1. Sampling bias
2. Questionnaire bias
3. Other forms of bias

Summary of the worksheet in your own words (in English and Chinese):

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Vocabulary check:

English	Chinese