Market Research

Anything a business does to find out potential customers' wants and needs is called market research.

Primary methods of research generate new data through **surveys**, **focus groups**, **observations** and **interviews**. Data can be expensive to gather, especially if a large amount is needed, but it will be more likely to suit a business's research needs.

Secondary sources of market research, such as **competitor research**, **government publications**, **books** and **newspapers** use data that already exists. Data is cheaper to obtain and quicker as it has already been generated. The data might not be fully applicable to the business's research needs though.

Data generated from research will either be **quantitative** (numbers and percentages) or **qualitative** (written thoughts and opinions).

Sampling

The people a business asks to take part in their research are known as the **sample**. How this sample is selected is known as a **sampling method**.

- **Cluster** – selecting people within a particular group (e.g. age)
- **Convenience** – selecting people who are near and willing
- **Random** – choosing people without thought
- **Quota** – people from each group represent the full population.

Customer Profiles

A Customer Profile is a detailed description of a business's main target customer. They're really specific depictions, so they often include the customer name and picture as well as other key details such as their age, gender, spending habits and lifestyle.

Market Segmentation

Market segmentation is the process of dividing a market into groups – customers are grouped based on key characteristics such as their **age**, **gender**, **occupation**, **income, location** or **lifestyle** (e.g. Poundland™ segments by income).

Businesses segment their market so they can tailor products to suit their target audience and so they can aim their marketing efforts at their target customer.

Customer Profile Example

Name: Gary Asher
Age: 39
Occupation: Decorator

Gary lives in Derby with his wife who he married in 2015 and their two children, Izzy and Abbie.

He works full time and, as he has two young children, lives a busy life. He enjoys eating out with his family and plays football at the weekend with a group of friends. He is trying to save as much money as possible to put towards a new house.

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Key Calculations

Revenue:

Selling Price x Number Sold

Total Costs:

Fixed Costs + (Variable Cost for 1 x Number Sold)

Profit or loss:

Revenue – Total Costs

It's a loss if the answer is negative

Break-even:

$$\frac{\text{Fixed Costs}}{\text{Selling Price} - \text{Variable Cost per Unit}}$$

The answer is given in units, not pounds

Design Mix Model

This is the combination of what a product does (**function**) with how it looks (**aesthetics**) and how much it costs to make (**economic manufacture**).

New products start as ideas, presented as **mind maps**, **brain shifters**, **mood boards**, **sketches** or **drawings**.

Pricing

When businesses set a price for a product or service, they consider many factors including being able to cover their costs in order to make a **profit**.

Pricing strategies are specific approaches businesses can use when setting their prices and include:

Competitive Pricing – where businesses base their prices on those of their rivals.

Psychological Pricing – where businesses avoid round/whole numbers for their prices.

Price Skimming – where businesses set a high price for a new product and lower this price over time.

Price Penetration – where businesses set a low initial price, later increasing this price.

Risk and Viability

Setting up a new business or launching a new product can be **risky** for a person/business. Market research helps reduce this risk.

Viability refers to how successful a product might be – often based on finances – is the break-even point realistic, for example.