

IB Business Management

4.2 Market Research – Summary Notes



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THE ROLE OF MARKET RESEARCH



Market research: The process of collecting, recording and analysing data about customers, competitors and the market.

Market research is a broad and far-reaching process. It is concerned not just with finding out, as accurately as possible, whether consumers will buy a particular product or not, but also with trying to analyse their reaction to:

- Different **price** levels
- Alternative forms of **promotion**
- New types of **packaging**
- Different methods of **distribution**.

The results of market research can have a great impact on decisions made in all areas of the marketing process:

1. To reduce the risks associated with new product launches

By investigating potential demand for a new product or service the business should increase the likely chances of a new product achieving satisfactory sales.

Although market research cannot guarantee success, market research is still a key part of new product development (NPD).

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THE NPD PROCESS – THE MARKET RESEARCH PROCESS

Summary of how NPD is supported by market research:

Stage of New Product Development:		Market research to support each stage:
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

2. To predict future demand changes

A travel firm may wish to investigate social and other changes to see how these might affect the demand for holidays in the future. For instance, the growth in the number of single-person households may suggest that there could be a rising demand for 'singles' holidays.

3. To explain patterns in sales of existing products and market trends

Market research is not just undertaken for new or planned products, it needs to be conducted for existing products too. Sales at the fashion retailer Gap had, by the end of 2008, fallen in 28 of the last 31 months. Unless Gap managers were prepared to find out why this happened, they would not be able to take remedial action.

4. To assess the most favoured designs, flavours, styles, promotions and packages for a product

Consumer tests of different versions of a product or of the proposed adverts to promote it will enable a business to focus on the aspects of design and performance that consumer's rate most highly. These can then be incorporated into the final product.

MARKET RESEARCH CAN, THEREFORE, BE USED TO DISCOVER INFORMATION ABOUT:

- **Market size** and consumer tastes and trends
- The **product** and its perceived strengths and weaknesses
- The **promotion** used and its effectiveness
- **Competitors** and their claimed unique selling propositions
- **Distribution methods** most preferred by consumers
- Consumers' preferences for **packaging** the product.