

Ten things you need to know about market research

Ian Marcousé provides a framework of ten concepts for your marketing revision

1 Bias

Reasons why research results may be pulled away from the true figure. This may be due to the conscious or unconscious actions of an executive, or due to a failure in the sampling process.

Example: an overrepresentation of older consumers may bias the findings in favour of the status quo instead of change.

Advantage: looking carefully for potential sources of bias may help smooth out the problem.

Disadvantage: you can't know what you don't know, so problems occur when sources of bias are not anticipated.

2 Interpretation

Research data rarely says: 'do this'. Success comes from analysing the findings with care, and interpreting what they mean for the company and its brands.

Example: research into a new product idea may show some people strongly in favour, but even more who hate it. The right interpretation might be to say 'go ahead' — 'Marmite' products that people love or hate give a better prospect for sales success than products that many consumers 'quite like'.

Advantage: intelligent interpretation of complex, perhaps conflicting, sets of data is a skill that comes from strong market understanding, and cannot be automated.

Disadvantage: most new products fail, so perhaps marketing managers' abilities at interpretation are not as strong as they think they are.

3 Primary

Information gathered first hand, i.e. direct from consumers or retailers.

Example: research among buyers of Mars Revels before deciding finally to remove the 'hated' coffee sweet from the pack.

Advantage: primary research allows a business to ask specific questions to help solve specific problems or make specific decisions. It's invaluable.

Disadvantage: it's expensive to get a professional market research agency to carry out primary research on a large sample of people (think £20,000). That's difficult to afford for a new, small business.

4 Qualitative research

Research into consumer psychology — not what they do but why they do it.

Example: what's the real reason why some prefer BMW to Mercedes? Is it the products or the image? If it's the image, what aspect of the BMW image has a hold over its customers?

Advantage: given the power of brands and branding — and the price premiums charged by Apple, Chanel and many others — it's clear that consumer psychology is a key factor in many markets.

Disadvantage: because qualitative research is small scale, there may be a problem of sample bias due to such low sample sizes (e.g. perhaps only 16 people might be interviewed).

5 Quantitative research

Research among enough people to provide relatively reliable numerical findings.

Example: Cadbury carrying out a survey of 1,000 milk chocolate buyers before launching a new Dark Milk brand. This sample would be large enough to look into sub-samples, such as how 15–24 year olds respond compared with over-55s.

Advantage: large samples enable sub-groups to be looked at, and can give reliable enough findings to enable sales forecasting to be based on the research results.

Disadvantage: however big the sample, if the questions are poorly worded, the research results can be biased and therefore inaccurate (perhaps without the company realising).

6 Sales forecasting

Using research findings or past sales figures to estimate sales volumes in future months or years.

Example: for Cadbury, it can only decide whether or not to launch Dark Milk after calculating possible future profits based on forecast sales at estimated prices, compared with the estimated operational costs.

Advantage: all business decisions are about the future, so sales forecasts are involved somewhere, in almost every business decision.

Disadvantage: the sales of every product and brand are affected by a huge number of variables, from competitors' pricing and promotional activity, to the economy, the weather, fashion and changing tastes. Inevitably, the further ahead you're forecasting, the greater the likelihood of inaccuracy.

7 Sample size

The number of people in the target market interviewed for the research survey.

Example: reputable UK research companies believe that they can forecast the results of a general election (around 30 million voters) using a sample size of 1,000 adults. Most companies would consider sample sizes of 500 to be acceptable.

Advantage: the larger the sample size, the greater the chance that the findings will reflect the views of all the customers in the target market. So executives can have greater confidence in the results.

Disadvantage: a high sample size only improves research reliability if the people chosen (sampled) are an accurate representation of all those in the target market.

8 Sampling

Trying to ensure that the people surveyed are an accurate representation of all those in the target market.

Example: interviewing Marmite buyers may give faulty data, because the key decision makers may be others in the family who eat/like the product. A parent may be the buyer, but not the consumer.

Advantage: well-drawn, accurate samples can be achieved by businesses willing to pay for the research.

Disadvantage: the use of cheaper online surveys may get high sample sizes, but unrepresentative samples (biased towards younger consumers, perhaps).

9 Secondary research

Using already-published sources of data (often free) to get a general understanding of a market.

Example: the Society of Motor Manufacturers (SMMT) publishes monthly figures on sales of new cars in the UK, in total and by brand. This would be useful to an entrepreneur planning a new business based on music systems for cars.

Advantage: much of the data is freely available, and much is precisely accurate, e.g. car sales in the UK, or the birth rate.

Disadvantage: some secondary data are very expensive. The latest Mintel report on the UK fragrances and cosmetics market might cost £1,200 to buy.

10 Technology

The growing importance of digital and online sources of data, including so-called 'big data' (see pp. 18–19).

Example: Tesco can use its Clubcard data to break down shopping habits by the age, social class and postcode of its customers. In the past this would have needed big surveys to be commissioned.

Advantage: companies that collect and harvest data with care and intelligence can have a distinct competitive advantage over those who have been slow to do the same.

Disadvantage: for the consumer, businesses such as Facebook can end up knowing more about us and our shopping habits than we might like — some feel that personal privacy is being invaded.

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