



What is Market Research?

Retailers make important business decisions daily. Since these decisions have a lasting impact on their business, they need information that will help them make the best decisions. How do they get their information? Marketing information is obtained through market research. Market research is the process of gathering, recording, analyzing, and reporting information regarding customers or potential customers. Most retailers conduct some type of market research. A portion of this information can be collected through a dialogue with sales associates while other information is gathered through more formal methods.

Uses of Market Research

Retailers have many reasons to use market research. They need information about their customers, their merchandise, and the services they offer. Market research is also used to provide retailers with information about the target market. It helps identify what services customers want, what merchandise to offer, customer satisfaction, sales forecasting, measuring market potential, and product mix information. The application of market research continues to grow and the uses are numerous. Today the growth of the global market adds the element of international competition, which needs to be understood in an already competitive business environment. Market research can provide the information that helps retailers hone their competitive edge in these areas.

Main Idea

This unit explores the topic of market research. We will define and learn the uses and the process of market research. Focus on exploring the sources of data and types of market research will guide our learning. Then we will review mathematics related to market research.

After completing this lesson you will be able to:

- Outline the five major steps in the market research process
- Describe how surveys can be used to learn about customer behaviors and competition
- Analyze the results from a market research survey, and explain how data may affect your business plan
- Compare and contrast qualitative and quantitative research
- Calculate the percentage of responses to a specific survey question
- Compute the cost associated with a market research survey

Key Terms

- Market Research
- Data
- Primary Data
- Survey
- Observation
- Focus Group
- Sample Size
- Secondary Data
- Qualitative Research
- Quantitative Research

Market Research Process

As the definition states, market research is a process. There are five steps in the process: identify the problem, obtain data, analyze data, choose the best solution, and follow up on the results.

1. Identify the Problem: In this step the retailer states the problem and the information needed to solve it. The problem must be stated as simply and as clearly as possible so that research questions can be developed to provide the information needed.

2. Obtain Data: Data are facts discovered in the market research process. In this step, data related to the problem are collected and studied. There are two main sources of data: primary data and secondary data.

Primary data are facts collected for the first time for the problem under study. Primary data can be obtained through the use of surveys, observation, and focus groups. A survey is a series of questions asked to a select and representative group of people to obtain quantitative data. Observation involves watching people by using other people or by using a camera. Observation gives information about what people do, but not about why they do it. A focus group is a small group of 8–15 people who provide qualitative data through their opinions about a business, its products, or other issues under the direction of a discussion leader.

Market research surveys ask questions of select groups of people. These people are called the sample. The number of people questioned for a survey is called the sample size. The larger the sample size the greater the cost of the survey, but the more accurate the results. Using a small sample size reduces the cost of the survey, but also decreases its accuracy. Retailers who use surveys to obtain marketing information must find a balance between the cost of the survey and the accuracy of the information derived from the survey.

Secondary data are facts that have been collected previously for a purpose other than the problem being studied. Secondary data are less expensive to obtain than primary data. Businesses often pick the secondary data they will use first and then decide which primary data to collect. Secondary data can be gathered from internal or external sources. Internal sources are those from inside the business and include past sales and buying records. External sources are those from outside the business, such as trade associations, trade publications, Internet sources, government sources (federal, state, and local governments), and market research companies.

3. Analyze Data: In this step the data are compiled, studied, and interpreted. It is important to note that data should be assessed carefully and objectively since the same data may mean different things to different people.

4. Choose the Best Solution: Once the data have been studied and analyzed conclusions can be drawn. There are usually several conclusions that lead to several recommendations for

solutions to the problem studied. In this step the best solution is recommended along with the reasons why it is the best option. Recommendations should be presented in a written report.

5. Follow up on the Results: Once the research is complete and the recommendations have been implemented, it is time to evaluate against the marketing results. The business owner will want to know if the actions recommended by the research were successful or not.

Types of Market Research

Market research is broken down into two types: qualitative research and quantitative research. The type used depends on the problem identified. A combination of both types of research is used in most market research.

Qualitative Research

Qualitative research is used to discover consumer information whose validity can then be assessed with quantitative research questions. Questions to gather this type of information generally begin with “how” or “why.” This type of research is used to obtain information from smaller numbers of people. Often qualitative research will guide the development of quantitative research for a larger sample.

Quantitative Research

Quantitative research is often used to answer questions about quantities and amounts using a large sample of consumers. Questions used to gather this type of information often begin with “how many” or “how much.” This type of research can help assess validity and bring further scrutiny to qualitative data, and is most often used to obtain information from a large number of people.

Summary

This unit has provided information about market research. We began by defining market research and identifying some of its uses. We then reviewed the steps of the market research process and the types of data used in the process. We next studied the types of market research—qualitative and quantitative research. Lastly, we reviewed some mathematics associated with market research.

Key Math Concepts

CONVERTING NUMBERS TO A PERCENTAGE OF RESPONSES

Analyzing the data obtained from research questions requires converting numbers to a percentage of responses to a specific question. Use this formula:

$$\text{Percentage of Responses to a Specific Question} = \frac{\text{Number of Responses to Specific Question}}{\text{Total Number of Responses}}$$

FINDING THE AVERAGE OR MEAN OF A GROUP OF NUMBERS

To find the average or mean of a group of numbers, add the numbers together and then divide the total by the amount of numbers added.

Key Terms

Market Research

The process of gathering, recording, analyzing, and reporting information regarding customers or potential customers.

Data

Facts discovered in the market research process.

Primary Data

Facts collected for the first time for the problem under study.

Survey

A series of questions asked to a select and representative group of people to obtain quantitative data.

Observation

An information-gathering technique that involves watching people by using other people or by using a camera.

Focus Group

A small group of 8–15 people who provide qualitative data through their opinions about a business, its products, or other issues under the direction of a discussion leader.

Sample Size

The number of people questioned for a survey.

Secondary Data

Facts that have been collected previously for a purpose other than the problem being studied.

Qualitative Research

Research that is used to discover consumer information whose validity can then be assessed with quantitative research questions.

Quantitative Research

Research often used to answer questions about quantities and amounts using a large sample of consumers.

Market Research

1. A bookstore owner is conducting market research to forecast estimated sales for the coming year. The bookstore is open 360 days a year and out of the 1,200 people who pass the store each day, 8% of them enter the store and make a purchase. The average amount of each sale is \$18. What is the estimated amount of sales for the coming year?

2. What is the total cost to conduct a market research survey with a \$500 base fee plus \$3 per question and \$1.25 per person surveyed? The survey has 12 questions and will be sent to 300 people.

3. A customer service survey was conducted of 400 customers—200 men and 200 women. The data on one of the questions show that 115 of the men and 165 of the women rate the customer service as excellent. What percentage of the men gave an excellent rating? What percentage of the women gave an excellent rating? What was the total percentage of customers giving an excellent rating?

4. Your business has conducted three market research surveys in the past year. The cost per survey is as follows:

Survey 1 \$1,250

Survey 2 \$925

Survey 3 \$1,075

What is the average cost of the market research surveys?

GOAL: To use market research to better understand your potential customers.

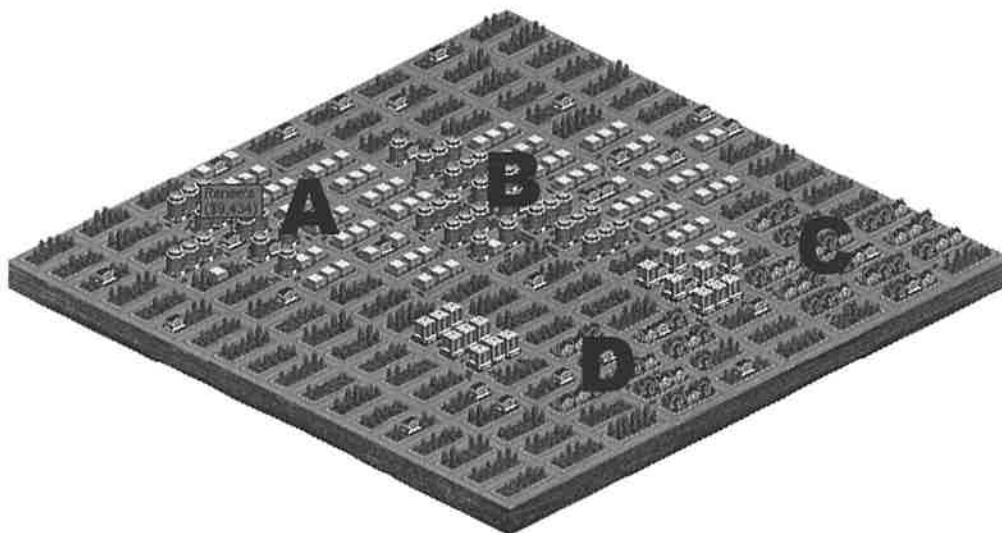
YOUR SITUATION: In this lesson, you control Market Research. All other actions are controlled for you.

1. Run the **Market Research** section of the **Tutorial**.
2. Open the **Market Research** lesson.
3. Using **Actions->Market Research->New Survey**, do a survey asking 300 customers "Where do you live?," "Where do you work?," "What is your occupation?," "Where did you shop this week?," "What product do you need most often?," and "What radio station do you listen to most?"
4. Click **OK**. Change **Question** to "What product do you need most often?".

QUESTION 1: What products do customers need most often? List those that were mentioned by 5% or more of the respondents.

5. Change the **Question** to "Where do you live?". Click **Show Results in City View** and choose **Both (connected)**.

QUESTION 2: Looking at the **City View** and the diagram below, what section of the city has the highest commuting density?



Continued

5. Click **Return to Survey Results**. To answer the remaining questions, you will need to use the Segment button on the **Survey Results** screen. (Here is a step by step guide for answering a similiar question: What products do students need?)
 - a. Change **Question** to “What is your occupation?” Click the **Segment** button. Uncheck the boxes next to **Office Professional** and **Retired**. Click **Apply**. You now have the “segment” that is just students. Click **OK**.
 - b. Back in the **Survey Results** window, select the question, “What product do you need most often?” The blue bars represent the responses of customers within your segment (students). The answer to the question is all the products for which the blue bars have height greater than 0. This includes milk, detergent, nacho chips, oat cereal, shampoo, bread, and coffee.

QUESTION 3: Using the process illustrated above, answer the following. (You will have to “Clear” your segment each time you want to look at answers for a different demographic.)

- a. What radio station do most office professionals listen to?

- b. Looking at the **City View** and the diagram from the previous page, what section of the city do most customers of Renee’s store live in?

- c. Do any surveyed customers of Renee’s come from dormitory or classroom sections of the city?