

1.2.1 Customer Needs

Customer needs can be split up in to 4 key areas, they are:

- ☐ Price
- ☐ Quality
- ☐ Choice
- ☐ Convenience



Price

The price of the products and services must be priced accurately. Customers will tend to have a price that they would expect to pay for their goods and services.

Quality

The quality of the products must be of a satisfactory standard to the customer. E.g. the higher the price of a car the more you expect it to run, and not run into any faults.

Choice

Not all customers are the same so having a range of products will help to target a wider audience. E.g. different shades of lipsticks

Convenience

This is any element of customer experience that saves the customer time and effort. This could be:

- ☐ Location of a store
- ☐ Usability of a product (is it easy to use)
- ☐ Reducing time consumption
- ☐ Delivery times
- ☐ Opening hours (24 hours)



1.2 Spotting A Business Opportunity

Importance Of Identifying & Understanding Customers

Generating Sales

A business needs to generate sales in order to survive and remain open. The ways in which businesses can generate sales is through:

- ☐ Product pricing (lowering price, sales etc.)
- ☐ Promotion (advertising through various media)
- ☐ Improving existing products (more features. E.g. the latest phones normally have added features)

Business Survival

If a business can not identify its customers needs then it will most likely not survive. It is important that the business can identify its customers needs

- ☐ They must find out the customers needs
- ☐ Provide a product/service that will meet these needs

Many businesses often misjudge their customers needs and this results in failure to survive.

1.2.2 Market Research

The purpose of market research can be split into the following:

- ☐ Identify & Understand Customer Needs – This will help to identify what the customers want, and how they can meet that need. It will also identify the types of customers.
- ☐ Identify Gaps In The Market – these are markets which may have little to no products/services available
- ☐ Reduce Risk- By finding out about the customers needs and what they expect
- ☐ Inform Business Decisions- Market research can help businesses to make more informed decisions with regards to any future plans. Research can be used to decide whether it would be a good idea to proceed with products/services.

Market - A market is any place where buyers and sellers meet to trade products

Methods Of Market Research

Primary Research- this is data gathered by the researcher themselves. This information will not exist on the internet or in any other media.

Examples include:

- ☐ Survey e.g. to measure customer satisfaction
- ☐ Questionnaires- open and closed questions
- ☐ Focus groups- group of potential customers talk about the a new product or service idea
- ☐ Observations- e.g. customer spending habits, did they take a certain route around the store?



Secondary Research

This is research which has already been collected by somebody else. Examples include:

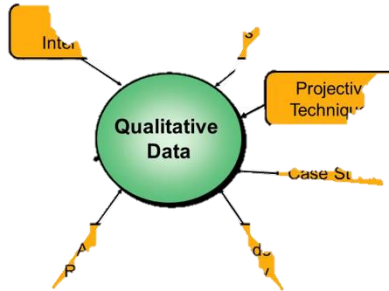
- ☐ Internet- searches can be used to find research. Also information about competitors
- ☐ Market Reports- companies like Mintel are constantly assessing change in culture, economy and society. Reports can be purchased.
- ☐ Government Reports- Office of National Statistics provide demographic information. These can be used to make business decisions



Types of Data

Qualitative

This form of data is used to gain information which can not be numerically analysed. It is more aimed at gaining the thoughts about a product/service. Such as discussions in a focus group, opinions, open ended questions which have no specific answers.



Quantitative

This is data which can be organised into graphs and charts as it gathers numerical data. E.g. multiple choice questions can be broken down into a graph form.



Role of Social Media in Collecting Market Research Data

- ☐ Low cost if any compared to other methods
- ☐ Large audience
- ☐ Real time and up to date responses
- ☐ Items such as trends can be tracked on platforms such as Twitter and Facebook



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The Importance Of The Reliability Of Market Research Data

It is important that the data collected is accurate and up to date. Without this could lead to the business failing to launch a product or at worst not being able to survive.

The business then needs to decide if the data can reliably be applied to a wider audience. E.g. they may have had 100 responses to a survey but have thousands of customers. Will they all think the same?

1.2.3 Market segmentation

Breaking down a market into sub-groups is called market segmentation.

Market segmentation splits up a market into different types (segments) to enable a business to better target its products to the relevant customers.

Markets will be segmented in the following ways:

- ☐ Location- A business may decide to sell its product in one area / country. E.g. it is more likely that the England football shirt will sell more in England than France.
- ☐ Demographics- These are characteristics of a market. Characteristics such as race, ethnicity, gender, age, education, profession, occupation, income level, and marital status, are all typical examples of demographics that are used.
- ☐ Lifestyle- The way of living a consumer is pursuing. This may be a combination of values attitudes, perceptions, beliefs This may also include hobbies and interests.

Market segmentation Continued

- ☐ Income- The population can be segmented according to their salary (e.g. £12,000, £40,000 etc.) or low income, middle income and high income. They could also look at the disposable income, this is the money left over after all bills are paid.
- ☐ Age - Market segmentation could be by consumer age groups such as:
 - ☐ 10-15
 - ☐ 16-21
 - ☐ 22-27
 - ☐ 28-35
 - ☐ 35+

Each age group will have different needs and wants in terms of products and services.

Market Mapping

- ☐ This is used to identify gaps in a market
- ☐ Identifies the features of competitors products
- ☐ Enables you to make your product different

In order to identify a gap in the market, it may be useful for a business to create a diagram of where competitors are on two axis (e.g. price and quality). An example of supermarkets is below:



1.2.4 The Competitive Environment

Competitive Environment – This is where a business operates in a market where other businesses are selling similar products and services. The more companies the more competitive the environment.

Strength and Weaknesses of Competitors

The strengths and weaknesses of the competition can be decided by the following factors:

- ☐ **Price**- in a competitive environment competition may compete on price. This will lead to:
 - 1) Lower prices = lower profits
 - 2) business will have to lower costs e.g. employing less staff
 - 3) This could also start a price war



- ☐ **Quality**- Businesses may compete on quality which leads to:
 - 1) A business decides to improve the quality of its products this will increase costs
 - 2) Costs increase mean less profit
 - 3) Customers may care more about the price



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- ☐ **Location**- In a competitive market a business may decide to compete on location e.g. :
 - 1) Having a convenient location for customers e.g. close to a housing estate
 - 2) Being able to offer free customer parking
 - 3) Located close to other competition to steal customers



- ☐ **Product Range**- competitors may compete on product range:
 - 1) Locating out of town so that the business can have a large store and offer a larger product range than the competition
 - 2) Providing the customers with a larger choice to suit their needs
 - 3) More range of products leads to increased costs of production



- ☐ **Customer Service**- competing on customer service leads to:
 1. Retailers that provide customers with a helpful and friendly service will win their loyalty.
 2. Poor customer service will result in customers not purchasing goods repeatedly

The Impact Of Competition On Business Decision Making

The level of competition can impact decision making e.g.:

- ☐ Should the business aim to lower prices?
- ☐ Should they increase their product range?
- ☐ Do they require more staff training to improve customer relations?
- ☐ Is more advertising required?
- ☐ Do new products need to be developed?

In order to make smart business decisions the business may require further information from market research.

Benefits of Competition

- ☐ Improved customer service
- ☐ Improved products against competition
- ☐ Competitive pricing

Effects of Weak Competition

Weak or no competition – Few larger firms. If there is a little or weak competition, this gives a business considerable market power.

Where a single business dominates the market And does not have any competition this is known as a **monopoly**



Revision Questions

These questions are based around the previous slides. Test your knowledge to see if you can answer them!

1. What is the definition of a market [1]
2. Explain why the following are important to a customers needs:
 - ☐ Price[1]
 - ☐ Quality [1]
 - ☐ Choice [1]
 - ☐ Convenience [1]
3. What is the difference between primary and secondary research?[2]
4. What is meant by market segmentation?[1]
5. What are some ways in which a market could be segmented?[4]
6. How do qualitative and quantitative data differ from each other?[2]
7. Why should a business consider using social media as a platform to promote their business / product? [4]
8. Why is it important to ensure that market research collected is reliable?[2]
9. State 3 reasons why a business would use market mapping?[3]
- 10.What is meant by a competitive environment?[1]
- 11.Explain how the following could be a strength and a weakness in a competitive market
 - ☐ Price [2]
 - ☐ Quality [2]
 - ☐ Location [2]
 - ☐ Product Range [2]
 - ☐ Customer Service [2]
- 12.What are 3 benefits of having competition?[3]
- 13.What is meant by a monopoly?[1]



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14. Which is a method of primary research?[1]
 - ☐ Government Reports
 - ☐ Internet Reports
 - ☐ Surveys
15. Which of the following are ways to generate sales? Pick three [3]
 - ☐ Product pricing
 - ☐ Reducing product range
 - ☐ Promotion
 - ☐ Improving existing products
16. Which is a method of qualitative data?[1]
 - ☐ Graphs
 - ☐ Focus group discussions
17. Improving the quality of a product can result in the which two of the following?[2]
 - ☐ Higher production costs
 - ☐ Lower production costs
 - ☐ Lower profits
 - ☐ Higher profits
18. Market research can be used to identify which of the following: [2]
 - ☐ Increased Risk
 - ☐ Gaps in the market
 - ☐ None of the above
19. What are the benefits for the customer of a competitive market?[1]
 - ☐ Competitive pricing
 - ☐ Lower quality product
 - ☐ Poor customer service
20. What is a monopoly?
 - ☐ When a single business dominates a market
 - ☐ When there is no market leader
 - ☐ Two businesses are most dominant in a market



Tips

For an essay style question use the following tips to ensure that you are maximizing your marks:

- ☐ Read through the question underlining any key points
- ☐ For these types of questions an extended answer is expected.
- ☐ Discuss both the advantages and disadvantages of the given context
- ☐ When discussing a point ensure that you contextualise your answer. This means give examples which relate to the scenario

21. Jayden is thinking of opening a electronic repairs shop in his local area. Currently there are several other competitors locally who offer similar services. How would the amount of competition impact on Jayden's decision making? [10]

