

Quadrant II – Notes

Course Code: COS101

Module Name: Marketing Research & Development of Marketing Plan through Analysis

Meaning of Market Research

Market research is an organized effort to gather information about target markets and customers: know about them, starting with who they are. It is an important component of business strategy and a major factor in maintaining competitiveness. Market research helps to identify and analyze the needs of the market, the market size and the competition. Its techniques encompass both qualitative techniques such as focus groups, in-depth interviews, and ethnography, as well as quantitative techniques such as customer surveys, and analysis of secondary data. It includes social and opinion research, and is the systematic gathering and interpretation of information about individuals or organizations using statistical and analytical methods and techniques of the applied social sciences to gain insight or support decision making.

Market Research for Business/Planning

Market research is a way of getting an overview of consumers' wants, needs and beliefs. It can also involve discovering how they act. The research can be used to determine how a product could be marketed. Peter Drucker believed[16] market research to be the quintessence of marketing. Market research is a way that producers and the marketplace study the consumer and gather information about the consumers' needs. There are two major types of market research: primary research, which is sub-divided into quantitative and qualitative research, and secondary research

Advantages of market research:

1. Market research helps you plan ahead. Research can estimate the likely sales of a new product/service and also the advertising expenditure required to achieve maximum profits

2. It minimises any investment risk. This is a simple but vitally important and often business critical consideration. Spending what is often only a small proportion of your investment on researching and testing the market, product, concept or idea makes sound business sense.
3. It identifies potential threats and opportunities. Both primary research (fieldwork) and secondary research (desk research) can be utilised as an insurance policy against both obvious dangers on the road ahead. Coupling this with some qualitative research for deeper probing can highlight certain opportunities or warning signs that may otherwise have been missed.
4. It helps to discover your's and your competitor's strengths and weaknesses. It's vitally important to adopt an 'eye's wide open' approach to any market research project which is why it's often advised to work with a market research agency to ensure completely unbiased reporting. Use research findings to adapt and learn from your own weaknesses whilst capitalising on your new-found knowledge from competitor analysis to take advantage and forge ahead of the pack.

Disadvantages of Market research:

1. Cost

Conducting a market research for a new product can be costly. For instance, you may have to hire a research company to conduct the research for you. According to market research firm B2B International, research costs about \$20,000 for a small target market, as of 2013. For a small business, this can be a high cost to incur. However, developing a product without doing market research first can also be costly, since market research helps you develop a product that your customers truly want

2. Inaccurate Information

A biased population or a poorly formulated research can result in false or inaccurate feedback. Plus, market research on new products developments may only reveal customer attitudes about your new product such as the intentions to buy it. However, these intentions may not translate to actual sales in future. Market research also affords you a small focus group, which may give you inconclusive data about your new product.

3. Time Constraint

Market research involves a detailed process of collecting and analyzing data, which is time-consuming. Also, for you to have a relevant market survey, you have to collect and analyze the data within a given time frame; otherwise it might easily become outdated. You also need to make quick decisions regarding the product to gain a competitive edge over others before you lose the available market opportunity. Allocating all the market research processes in your constrained timetable can be difficult.

4. Constantly Changing Markets

The period over which a market research data is relevant may be limited because market parameters keep changing. Data collected for the purpose of launching a new product may be outdated by the time the product is ready for a market launch. To ensure that your research stays relevant, you need to constantly monitor changing market conditions and update your data accordingly.

Meaning of Marketing Plan

A Marketing Plan is at the core of directing and coordinating all marketing efforts within a firm. It usually operates at two levels, strategic and tactical: strategic to identify the overall market play and tactical to execute on the marketing plan. A Marketing Plan does not need to be long or expensive to put together. If it is carefully researched, thoughtfully considered, and evaluated, it will help your firm achieve its goals.

A good Marketing Plan details what you want to accomplish and helps you meet your objectives. A Marketing Plan should:

- Explain (from an internal perspective) the impact and results of past marketing decisions.
- Explain the external market in which the business is competing.
- Set goals and provide direction for future marketing efforts.
- Set clear, realistic, and measurable targets.
- Include deadlines for meeting those targets.
- Provide a budget for all marketing activities.
- Specify accountability and measures for all activities.
- Be a fluid document that is used, maintained, and updated as your business grows and succeeds.

Development of Marketing Plan through analysis

1. CUSTOMER ANALYSIS

A customer analysis (or customer profile) is a critical section of a company's business plan or marketing plan. It identifies target customers, ascertains the needs of these customers, and then specifies how the product satisfies these needs. A customer analysis can be broken down into a behavioural profile (why your product matches a customer's lifestyle) and a demographic profile (describing a customer's demographic attributes).

A customer profile is a simple tool that can help business better understand current and potential customers, so they can increase sales and grow their business. Customer profiles are a collection of information about customers that help determine why people buy or don't buy a product. Customer profiles can also help develop targeted marketing plans and help ensure that products meet the needs of their intended audience.

2. SALE ANALYSIS

Sales analysis examines sales reports to see what goods and services have and have not sold well. The analysis is used to determine how to stock inventory, how to measure the effectiveness of a sales force, how to set manufacturing capacity and to see how the company is performing against its goals.

- **Period Comparisons**

Usually a sales analysis will compare one time period to a comparable period in the past. For example, clothing retailers might want to examine how their back-to-school sales did compared with last year. They might take a look at this year's sales from Aug. 1 through Labor Day and then compare those numbers to the same period a year ago. Other companies look at month-over-month sales, or sales this month compared with the same month last year, or some other time period, depending on the nature of the business.

- **Break-Even Analysis**

Break-even analysis shows a company what minimum level of sales is needed to make sure it does not lose money. It also shows how sensitive the break-even point is to changes in both fixed and variable expenses.

- **Competitor Sales Analysis**

In some industries, sales made by your competitors are listed in public sources. For example, automobile sales are reported monthly by major manufacturer, major brand and model. This sales data are informative for all manufacturers, showing how well each competes against the rest. For example, data are routinely examined to see which automobile company sold the most midsized sedans, SUVs and trucks.

- **Context for a Sales Analysis**

The raw year-over-year numbers or percentage increases or decreases in sales are typically paired with additional explanatory notes in the sales analysis. For example, the automotive manufacturer that reports a large year-over-year increase in sales for one of its midsized sedans could have just introduced a new sedan that is stealing sales from other manufacturers. Or back-to-school sales for retailers may be down compared with last year because of a recession. The sales analysis needs context to be fully understood by all who will use it.

- **Sales Analysis Review**

Any sales analysis needs to be shared with members of the company who can benefit from having the knowledge. The sales force needs to be aware of how it is doing against its goals, finance needs to be able to analyze the company pricing strategy and its impact on sales, and manufacturing needs to be able to plan capacity. Sharing the sales analysis works best if it is done in regularly scheduled meetings where people can ask questions, share information and plan accordingly for the next sales cycle.

3. COMPETITORS ANALYSIS

Competitor analysis begins with identifying present as well as potential competitors. It portrays an essential appendage to conduct an industry analysis. An industry analysis gives information regarding probable sources of competition (including all the possible strategic actions and reactions and effects on profitability for all the organizations competing in the industry). However, a well-thought competitor analysis permits an organization to concentrate on those organizations with which it will be in direct competition, and it is especially important when an organization faces a few potential competitors.

Michael Porter in Porter's Five Forces Model has assumed that the competitive environment within an industry depends on five forces- Threat of new potential entrants, Threat of substitute product/services, bargaining power of suppliers, bargaining power of buyers, Rivalry among

current competitors. These five forces should be used as a conceptual background for identifying an organization's competitive strengths and weaknesses and threats to and opportunities for the organization from its competitive environment.

The main objectives of doing competitor analysis can be summarized as follows:

- 1) To study the market;
- 2) To predict and forecast organization's demand and supply;
- 3) To formulate strategy;
- 4) To increase the market share;
- 5) To study the market trend and pattern;
- 6) To develop strategy for organizational growth;
- 7) When the organization is planning for the diversification and expansion plan;
- 8) To study forthcoming trends in the industry;
- 9) Understanding the current strategy strengths and weaknesses of a competitor can suggest opportunities and threats that will merit a response;
- 10) Insight into future competitor strategies may help in predicting upcoming threats and opportunities.

Competitors should be analysed along various dimensions such as their size, growth and profitability, reputation, objectives, culture, cost structure, strengths and weaknesses, business strategies, exit barriers, etc.