

Chapter 16

Solutions

PP Q's Market Analysis

Market Research - Field / Desk

Market Segmentation (types, implications)

Niche Markets

Marketing Concept

2013 Q7 (A)

Read the information supplied and answer the questions which follow.
An Irish company, 'All-Weather Wellies Ltd' identified a niche market for colourful wellington boots of all sizes. The wellington boots are sold mainly on-line to people who enjoy the 'great outdoors' and festival-goers. The company wishes to expand and add accessories, such as, umbrellas, scarves and hats to the product range.

Outline the market research techniques available to 'All-Weather Wellies Ltd' for developing its product range. (20 marks)

MS: 2 techniques @ 10 marks (2+3+3 +2)

Desk Research

It is **secondary research**, where a business **accesses information** that has **already been gathered**.

Desk research is relatively **cheap** which keeps business **costs down**, as they don't have to pay for data to be collected.

Types include the **internet** (looking at **competitors websites/social media**), **internal sales reports, trade reports, Central Statistics Office publications** e.g. the Census, **newspapers** etc.

E.g. The CSO would provide information on the **population** details of **towns** (i.e. **age, sex, family structure** etc.) for All-Weather Wellies Ltd which could help develop their product range e.g. baby boots in growing populations.

Field research

It is **primary research**. It involves going into the marketplace to **gather** new business information by making **direct contact** with **customers** or potential customers.

Field research tends to be **expensive** and **time consuming** but it does provide **specific** information on the behaviour of the target market.

Types include: **surveys, observation, questionnaires** and **focus groups**.

E.g. Surveys could be carried out **on site** at **concerts** by field researchers employed by 'All- Weather Wellies Ltd' to help develop their range.

2009 – Short Q4

Explain the terms 'desk research' and 'field research'. Use one example of each to support your answer.

2020 Q5 (B)

Describe the reasons why a business conducts market research. (20 marks)

MS: 4 x 5m (2+3)

It can help establish a price point.

Desk research can highlight competitors prices.

Field research can discover what consumer would be willing to pay for your product.

Highlight competitors strengths and weaknesses

You can look at information on competitors product ranges, prices and customer reviews online to try to develop a USP that can beat rivals offerings.

Establish the size of different market segments

Desk research like the CSO can show the amount of potential people in different areas. Surveys can establish which demographic is most interested in your product so a target market can be chosen to aim the product at.

Test marketing to see if there is enough demand

A business can use focus groups to get feedback and use small initial quantities to see how the market reacts to a new range before launching fully, which may allow them to update it in advance, to increase profits.

Other: Access finance, set targets (control), identify new opportunities

Also**2010 Q7 (A)**

Companies which invest in marketing in downturns benefit more when market conditions begin to pick up.

Discuss the reasons why businesses carry out market research. (15 marks)

MS: 3 @ 5 marks (2 + 3)

2016 Q7 (A)

Stitch Express is a business set up by Alex Dunne originally offering clothing alterations, dress restyling and repairs. The business has grown and Alex believes it is time to update his marketing strategy. Following market research, Alex introduced a dry cleaning service. There are a few competitors in the market, so Alex decided to review his pricing and promotion policies. Alex believes he will need to rebrand the business, as a result of introducing the dry cleaning service.

(i) Outline the advantages **and** disadvantages of using secondary (desk) research techniques for collecting information on a market.

(ii) Illustrate **one** source of desk research **and one** source of field research that Stitch Express might use, giving a reason for your answer in **each** case.

MS: (i) 3 x 5m (2 + 3) At least one of each required (ii) 2 x 5m (2 + 2+1) give a reason in each case

(i) Advantage: Fast Access

Secondary research is usually **faster** to complete than primary research. Lots of the information a business wants to gather may be **available online** having already been gathered. E.g. A business **accessing CSO information** or reports stored online.

Advantage: Cheaper

Secondary research is usually relatively **inexpensive** compared to primary research thereby keeping business **costs down**. Viewing data online e.g. **press releases from competitors / competitor's prices** on their website, is **free** where as time and money needs to **be invested to gather data** e.g. survey.

Other: Easy to double check data from more than one source

Disadvantage: Quality of Information

The information already collected may be out of date, having been collected years ago or information may be biased depending on who developed it e.g. if the research was sponsored by a business leading to favorable findings.

Other: Hard to verify data/competitors can use same data/accuracy

(ii) CSO Statistics

StitchExpress could use CSO stats to **determine population trends (age, sex, family structure)** and forecasts in certain areas if they wished to **expand** in to them to gauge the potential size of their **target market**.

Questionnaires/Surveys

StitchExpress could ask **individuals specific questions** and **gather detailed information** about consumer's **tastes and behaviors** in the market place to help them with decision making e.g. setting prices.

2015 Q7 (C)

- (i) Define the term market segmentation
(ii) Illustrate two methods a business could consider to segment its market.
(15 marks)

MS: 5m (2+3) 2 @ 5m (1+2+2)

(i) Market segmentation involves **dividing** up the market into **clearly identifiable segments** that have **common characteristics**.

It allows a firm to **identify** which segment their **target market** is by dividing the market in to groups of consumers with common needs and then designing and implementing **strategies** to target them.

(ii) **Demographic**

You can segment markets by many different **characteristics**, such as **age, income, gender** etc.

When you have your customers grouped by demographics, you can target your strategies to reach them specifically, as people from **certain demographic groups often react the same way to marketing**.

E.g. Gender: Males and females are targeted with different types of **shampoos** by manufacturers based on their genders

Geographic

Businesses can use geographic measures like **location, urban vs rural, weather, population density, population growth** etc... which can give important marketing details about the market segment.

e.g. Radio: local regional and national. Spin South West and Spin 103.8 in Dublin can each target their listeners more effectively than if they were one station.

2018 Q7 (B)

Read the information supplied and answer the questions which follow.
Irish people are spending more on chocolate than ever before - and market experts say movie streaming services like Netflix could be partly to blame for our increased spend on chocolate, as more of us stay in with treats to watch a movie or our favourite TV show. Source: Irish Independent, July 2017

- (i) Discuss the benefits for a large chocolate manufacturer of engaging in **market segmentation**.
 (ii) Illustrate **two** different ways the **chocolate market** could be segmented.
 (20 marks)

MS: (i) 2@5(2+3); (ii) 2@5(2+2+1)

(i) 1. Better matching of customer needs leading to **increased sales** as they are able to target particular customers who might have been overlooked in the past and **provide offers suitable to their needs**, increasing satisfaction. Offering extra sugary sweets to suit tastes of younger customers.

2. More focused/**targeted advertising** and marketing spend leading to **lower marketing costs** - they can advertise to specific groups not everyone, so chocolate for older people between soaps on TV.

3. Can retain customers who might shift to competing products by altering the product due to **changes in life circumstances**, like becoming an adult from a kid, so having a bar more suited to an older person.

4. Different customers have **different disposable incomes** so they may be able to raise prices for a **particular income group** and thereby enhance profits, like have a premium priced organic cocoa bar.

(ii) **Demographic**

Analyses consumers according to age, gender, family size, income, occupation.

Age - Freddo bars for young children

Geographic location

Analyses consumers according to location: county/region/country etc.

Geography can affect the type/taste of product being sold/different countries different tastes.

Hershey's the most popular US brand not popular in Ireland.

Behavioural,

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Analyses consumers according to their knowledge of and attitudes towards the use of or response to a product.

Impulse buying /Value for money (special price) /Celebration packs of chocolates as seasonal treats (Easter/Christmas etc.)

Psychological

Analyses consumers according to social class, lifestyle and personality type.
Attitudes - organic chocolate/environmental concerns around cocoa bean production.

Lifestyles - more health conscious (natural ingredients) /sugar free chocolate/protein bars/diet conscious.

Tastes - more screen time, more snacking while watching TV/Netflix.

2013 Q7 (B)

(i) Explain the term 'market segmentation' with reference to 'All-Weather Wellies Ltd'. (answered on previous page)

(ii) Discuss the reasons why the marketing department of 'All-Weather Wellies Ltd' might engage in market segmentation. (20 marks)

MS: (i) 6m (3+3) (ii) 2 reasons @ 7 marks (4+3)

(ii)

Different segments will have different **spending patterns** and **disposable income** so segmenting the markets can allow a business to **charge the right price for each segment**.

E.g. All-Weather Wellies could sell a cheap boot for students that wouldn't be very durable so appropriate for festivals.

Businesses might target specific segments to get customers **to try out their product**, and then if they like it they will be more likely to buy other products from that brand in other segments. This should help them **build brand loyalty**.

E.g. 'All-Weather Wellies Ltd' could build loyal relationships with its great outdoors customers, and then introduce GPS watches, scarves, wallets etc... if they are successful with the boots.

Other: Better marketing decisions; More efficient/targeted advertising; gain a competitive advantage in one area

Also:

2009 Q7 (B)

(i) Explain the term 'market segmentation', illustrating your answer with reference to Olympian Ltd.

(ii) Outline **two** benefits to Olympian Ltd of segmenting the market. (20 marks)

2021 Q8 (C)

- (i) Define the term **market segmentation**.
 (ii) Illustrate **two** different ways a market can be segmented. (20)

MS: (i) 6 (3+3) (ii) 14 (7 + 7) (2 +3 +2)

(i) Market segmentation involves **dividing up** the market into **clearly identifiable sections** which have **common characteristics**. It allows a firm to identify who their target market is.

(ii) Demographic segmentation

Analyses consumers according to age, gender, family size, income, occupation.

E.g. Netflix developing tv series for different age groups.

Geographic segmentation

Analyses consumers according to location county/region/country, warm areas versus cold etc...

e.g. Newspaper/Radio business offering different products/services for people in Leinster than people in Munster etc; Spin South West, Midlands 103

Behavioural segmentation

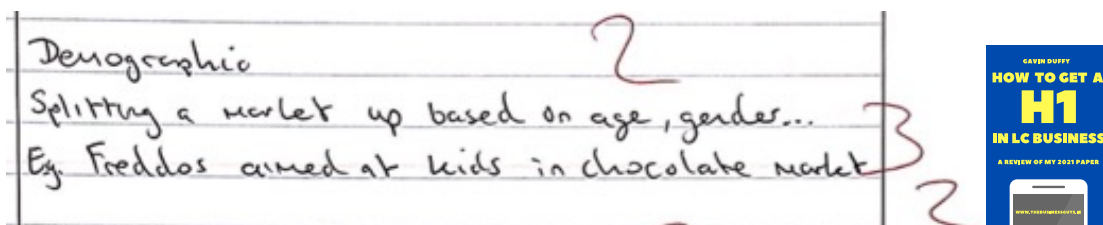
Analyses consumers according to their knowledge of and attitudes towards the use of or response to a product.

E.g. Celebration packs of chocolates as seasonal treats (Easter/Christmas etc.)

Psychological

Analyses consumers according to social status, lifestyle and personality type.

E.g. Fair Trade coffee for socially conscious consumers that would prefer to support Fair Trade and have it on their coffee cups.



Use the code **NOTES10** to get 10% off packs like this in our store now

2017 Q7 (A)

Fantasia Clothing Ltd

Amy Carroll noticed that a lot of children's clothes available in the market are mini-versions of adult clothing. She identified a gap in the market for clothes which are bright, colourful and fun, designed specifically for children. She established Fantasia Clothing Ltd which, in two years, has earned a loyal customer base. Her unique designs, produced using quirky and comfortable fabrics, ensure her children's clothing stand out in the saturated children's clothing market.

- (i) Explain the term niche market with reference to Fantasia Clothing Ltd.
 (ii) Illustrate the implications for a business operating in a niche market.
 (20m)

(i) A **niche market** is the subset of the **market (a segment)** on which a specific product is focused. The product's features are aimed at satisfying specific **market segment** needs, as well as the price range, production quality and the demographics that is intended to impact. It is also usually a small **market segment**.

The children's clothing market is very large. Instead of competing against every seller in the market, Amy is targetting the segment of the market that would like 'bright, colourful and fun' kid's clothes.

(ii) Lower Volume of Sales

If a business decides to sell in a niche market, they **won't make as many potential sales as in a larger market**.

They may need to **adapt the price to increase profit margins** on each sale to make enough profits.

E.g. Amy may need to increase her price from €10 to €15 per item as her sales will be lower

Potential to Expand

A business may use a niche market to **establish itself and build consumer loyalty**, before looking to expand in to **different market segments**, using it's now **established brandname**.

Under Armour did this by first launching under garments for sports, then expanding in to tracksuits etc.. when they were established.

E.g. Amy could **build a following** in the niche market and then use this to **launch a range for teenagers** that lots of her customers would also need.

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2020 Q6 (A) Read the information supplied and answer the questions which follow.

Gym Culture

Dan used a bank loan to finance the setting up of a gym near a local university in 2010. He wanted to offer a no-contract, pay-as-you-train option to students while also offering personal programmes. In 2018 he opened two new gyms. He hired five full-time staff and now offers classes aimed at men and women who are preparing for a special event like a wedding. He also offers buggy bootcamp classes for parents of new babies. Dan believes employee empowerment has been the key to his success.

- (i) Illustrate with reference to Gym Culture what a niche market is
 (ii) Outline the factors Dan's bank would consider before granting a loan application.

MS: (i) 6m (3+3) (ii) 2@5(3+2) 1@4m(3+1)

- (i) A niche market is a **small specialised segment** of a **larger market** for a product or service. It is a **specialised market with only a few suppliers**.
 e.g. Gym Culture offers buggy bootcamp classes for parents of new babies

Q8 Explain the term **niche market** and provide an example to support your answer.

MS: 4, 3, 3

A smaller segment or subset of a larger market, aimed at a group with more specific wants.

E.g. Specialist clothing for a certain group like Tennis clothes

2020 Q7 (B)

- (i) Explain the term **marketing concept**.
 (ii) Evaluate the **Promotion** and **Place** elements of the Marketing Mix for a product or service of your choice.

MS: (i) 5m (3+2) (ii) 2 x 10m (4+1+4) 1m Evaluation

- (i) This is the idea that a business should understand, analyse and anticipate the needs of their consumers and predict how a product could be developed to fit those needs in a market, rather than create products they think are good.