

1.2 Spotting a Business Opportunity

1.2.1 Customer Needs

1--What customers need

- A range of prices
- Quality
- Choice
- Convenience - short waiting times and easy to find what you are looking for
- Efficient and reliable - regular checks to prevent problems
- Design- Customers will pay a premium for products that look good.

2- Why is it Important to understand customers? .

- Customer needs are best met by a business that understands them
- Customers who have all their needs met will become loyal
- Customers who are happy will recommend your business- growing your market share
- Customers who have their needs met are willing to pay a premium



Businesses often use focus groups to get qualitative data. This primary research method involves getting a group of potential customers to discuss a new product whilst being observed.



The Wetherspoons chain of pubs have hit upon a winning formula: comfortable places to go with cheap and reliable food that can be ordered from your phone.

1.2.2 Market Research

1-The purpose of Market Research

- Identify customer needs- find out what they want
- Identify gaps in the market
- Reduce risk - find out if there is enough demand for your idea to make t work
- Inform business decisions- such as which new products/ services to launch

2- Methods of Market Research

- Primary Research- research carried out first hand by the business e.g. surveys and focus groups
- Secondary research- research that already exists e.g. market report and government data
- Quantitative research- research based on numerical data e.g. % of people who watch BBC News
- Qualitative data - in depth data on opinions e.g reasons why people do/ don't watch BBC news

3- Choosing a Method of Market Research

Businesses should consider:

- Cost
- Speed
- Reliability - If questions are biased than data is not reliable.
- Suitability - will it get them the kind of data they need?

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1.2.3 Market Segmentation

1-What is Market Segmentation?

- Market segmentation means dividing customers within a market into smaller groups with common wants or needs.
- Doing this allows businesses to produce products that better meet their needs.

2- Methods of Market Segmentation

- Location (where people live)
- Income
- Lifestyle (hobbies/ interests)
- Age
- Gender
- Race
- Religion
- Sexuality

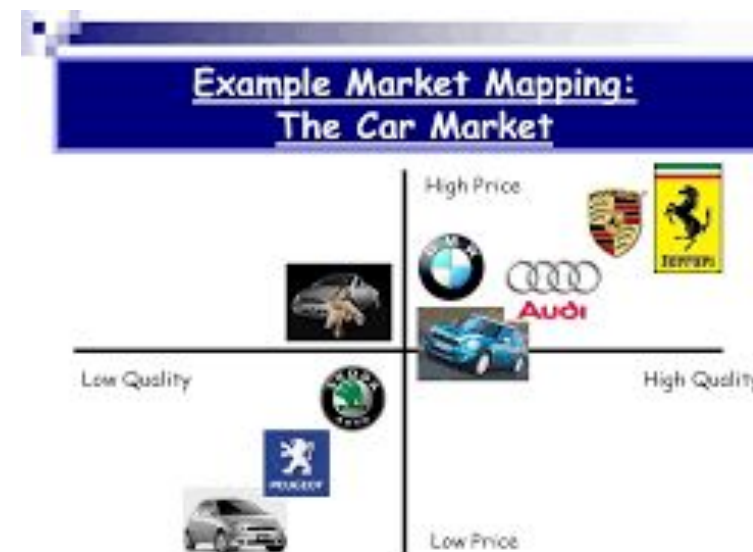


Companies like Gillette and L'oreal have realised that if they create specific "mens" and "womens" versions of the same product, they can charge more for them, this is often known as "the pink tax"

1.2.4 Market Mapping

1- What is a Market Map?

A market map is a diagram that looks where existing businesses sit based on two chosen features e.g. price and quality.



2- How would a Business use a Market Map?

- To find a gap in the market
- To understand what customers look for in different parts of the market
- To look at how much competition there is in a market

3- Limitations of Market Maps

- A gap in the market might exist because not enough people want that product to make it profitable.

1.2.5 The Competitive Environment

1- Positive Effects of Competition

- Businesses will improve quality of good/ service
- Businesses will keep prices low
- Businesses will innovate to develop new and better products

2- Negative Effects of Competition

- Businesses may cut prices so much they damage the business in the long term.
- They may underpay/ not have enough staff
- They might find unethical ways to cut costs e.g. illegally dumping waste

3- Analysing the Competition

When trying to beat the competition, a business should examine the **Strengths and Weaknesses** of their competitors:

- Price
- Quality
- Location
- Product Range
- Customer Service

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