










1.2 Knowledge Organisers and Questions

Subject Content	What students need to learn?
1.2.1 Customer needs	<p>Identifying and understanding customer needs:</p> <ul style="list-style-type: none"> what customer needs are: price, quality, choice, convenience the importance of identifying and understanding customers: generating sales, business survival.



Identifying and understanding customers

Identifying customers: Finding out who they are including the following:

- Age
- Gender
- Incomes
- Where they live
- What they want

Understanding customers: Learning why customers do what they do, making it easier to see how to make a product that better suits them.

If a business understands their customers, they can develop a product that they want to buy. As long as it is priced correctly, sold in the right place and marketed effectively, the business is likely to be successful.

They are more likely to generate high volumes and sales and survive for a long period of time.

Key Terms:

Price: For most people price is a critical factor when purchasing. The price point needs to be in line with the type of product and its key features.

Quality: To a customer quality means getting what they want or perhaps better than expected. Businesses aim to delight their customers.

Choice: Giving customers options and increasing the chance that the product will be perfect for the tastes/habits of one type of customer.

Convenience: Making life easier for customers, perhaps by a great location (next to a bus stop) or a product that saves time in preparation or consumption.

Subject Content	What students need to learn?
1.2.2 Market research	<p>The purpose of market research:</p> <ul style="list-style-type: none"> to identify and understand customer needs to identify gaps in the market to reduce risk to inform business decisions. <p>Methods of market research:</p> <ul style="list-style-type: none"> primary research: survey, questionnaire, focus group, observation secondary research: internet, market reports, government reports. <p>The use of data in market research:</p> <ul style="list-style-type: none"> qualitative and quantitative data the role of social media in collecting market research data the importance of the reliability of market research data.

Key Definition: Market research involves gathering information about consumers' needs and preferences.

Methods of Market Research:

Primary: New research the business carries out themselves.

- Surveys
- Questionnaires
- Focus groups
- Observations

Secondary: Research carried out in the past either by the business or somebody else.

- Internet
- Market reports
- Government reports

The purpose of market research:

- To identify and understand customer needs - what do they want?
- To identify gaps in the market – this allows them to identify which customer requirements are covered and which are not.
- To reduce the risk of spending a lot of money on developing a product that nobody wants
- To inform business decisions – by conducting market research a business can make informed business decisions that are more likely to be successful.

The use of data in market research:

Qualitative data: In depth research into opinions and views. It can provide an insight into why consumers buy what they buy. (Detailed)

Quantitative data: Factual research that is based on statistics and data. (Numerical)

The role of social media in collecting data: Social media feedback has now become invaluable. E.g. 48.9% of 7000 Center Parcs visitors rated the experience excellent. This provides quantitative information. Individual comments are also very useful. This provides qualitative information.

Importance of reliability of market research data: Market research is important however you need to be careful that the information is actually valid and reliable. If it is not, then this could influence the business to make the wrong decision.

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Subject Content	What students need to learn?
1.2.3 Market segmentation	How businesses use market segmentation to target customers: <ul style="list-style-type: none"> identifying market segments: location, demographics, lifestyle, income, age market mapping to identify a gap in the market and the competition.

Market Segmentation:
Market segmentation means dividing customers within a market into smaller groups with common wants or needs. The business then creates/finds a product or service that fulfils those wants or needs.

Segmentation methods:

- Location:** Are there regional differences in preference? E.g. Yorkshire tea in the North of England.
- Income:** Is their income high or low? What is their disposable income like?
- Lifestyle:** Are they vegetarian? What are their hobbies/sports?
- Age:** Which age bracket should you focus on? Under 18's? Over 50's?
- Other demographic factors:** Gender, race, religion?

Subject Content	What students need to learn?
1.2.3 Market segmentation	<ul style="list-style-type: none"> market mapping to identify a gap in the market and the competition.

Market mapping measures where existing brands sit on a two factor grid. For example, high/low quality and high/low price.

Market mapping involves setting out the key features of a market on a diagram, then plotting where each brand fits in.

Businesses use market mapping to identify **gaps** in the market or to show where a particular section of the market is overcrowded. They aim to produce a product that fills the **gap** in the market. If they can do this successfully, there is more chance that the product will be successful as that part of the market is not

Key Terms:

The Competition: companies operating in your market or market sector.

Gap in the market: An area on a market map where few or no existing brands operate, implying a business opportunity to fill an unmet consumer need.

Market map of the chocolate market!

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Subject Content	What students need to learn?
1.2.4 The competitive environment	<p>Understanding the competitive environment:</p> <ul style="list-style-type: none"> • strengths and weaknesses of competitors based on: price, quality, location, product range and customer service • the impact of competition on business decision making.

The competitive environment:

The strength of competition between companies in the same market.

What are the **strengths** and **weaknesses** of your competitors:

- Prices: What do they charge for their products?
- Quality: This is now more important than ever before, if your competitor's products are poor quality it could lose them customers.
- Location: Location, location, location! Is still as important as ever. You may have a good business with loyal customers but if a new business opens up in a better location they may be in danger.
- Product range: it is important to have a range of different products so all customer needs can be met or they will go to a competitor.
- Customer service: Customers expect efficiency, speed and politeness. In some areas after sales service is just as important.




Careful analysis of the local competition is a must for a new business! If all rivals are really strong, you may decide not to set up at all. Unless you know how you can be better than the competition, you should not risk your money.

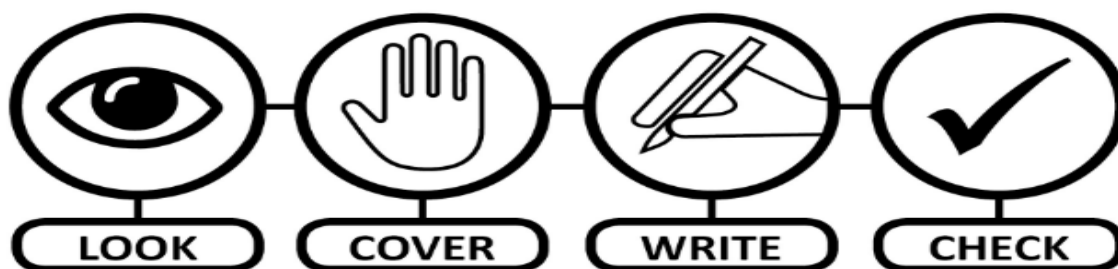
Competition forces businesses to be at their best – always!

- Offer good products and a good service
- Keep prices down
- Bring in new, innovative products or services to break away from fierce price competition.

Fierce competition may force a firm to:

- Cut costs by cutting staff – bad for the staff and also service may decline
- Take short term action such as price cutting which may damage the long term health of the business
- Adopt unethical practices such as dumping waste materials or injecting water into meat to plump it up





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1. What 5 things should a business find out about its customers? E.g. age
2. What is one benefit of understanding customers?
3. What is meant by 'convenience' and give an e.g.?
4. Define primary research
5. Define secondary research
6. Give an advantage of primary research
7. Give a disadvantage of primary research
8. Give an advantage of secondary
9. Give a disadvantage of secondary?
10. What is qualitative data
11. What is quantitative data
12. What is the purpose of market research
13. What role does social media play as a form of researching the market?
14. What is market segmentation
15. What give ways does a business segment its market
16. Define market map
17. What happens if a business can spot a gap in the market
18. What five factors does a business need to consider regarding competition
19. What does competition force a business to do
20. Why should a NEW business analyse its competition