

Edexcel

Business Studies

Classroom & Homework Resource

AS Level

Sample pages



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Test 9.A: Market research – Multiple Choice questions

One mark for each correct answer

1. Which of the following best describes the term 'market share'?

- (A) Percentage of shares in a company owned by one person / group
- (B) Percentage of sales within a market held by one brand / producer
- (C) The market price of a share
- (D) The total sales within a particular market

Answer.....

2. Which of the following is not a source of secondary data?

- (A) Past primary survey data
- (B) Annual Abstract of Statistics
- (C) Mintel
- (D) Focus Groups

Answer.....

3. Of the following which is not a type of market research sample?

- (A) Quota
- (B) Random
- (C) Taster sample
- (D) Cluster

Answer.....

4. Market segmentation is best described as:

- (A) The analysis of the market to identify market shares
- (B) The analysis of consumer tastes
- (C) Identifying the market shares of individual products within the market
- (D) The analysis of the market to identify different types of consumer

Answer.....

Test 9.A: Market research – Multiple Choice questions

5. A company that is the market leader is likely to:

- (A) Be a price taker
- (B) Control the biggest market share within a particular market
- (C) Have the biggest marketing budget within a particular market
- (D) Lead the way in terms of market innovations

Answer.....

6. In a marketing context market growth refers to:

- (A) A general increase in stock market valuations
- (B) An increase in the market price of a particular share
- (C) An increase in the overall size of a particular market
- (D) An increase in the market share of a particular company

Answer.....

7. Which of the following is not a type of market segmentation?

- (A) By income
- (B) By product
- (C) By age
- (D) By region

Answer.....

8. Test marketing is where a business:

- (A) Tests a product for faults prior to a market launch
- (B) Tests consumer reaction to a product through market research
- (C) Tests a product against others already on the market
- (D) Tests a product on a small section of the market prior to launch

Answer.....

9. Which of the following would be an example in the socio-economic scale of a Social Grade A consumer?

- (A) Bank Clerk
- (B) Unemployed
- (C) Company Director
- (D) Middle manager

Answer.....

10. At what level of certainty are market researchers prepared to draw conclusions from sample findings?

- (A) 75%
- (B) 85%
- (C) 95%
- (D) 90%

Answer.....

Test 9.A: Market research – Short Answer Tests

Test 1

1. Distinguish, with examples, between qualitative and quantitative market research. (6)
2. Explain the advantages a chocolate manufacturer, such as Cadbury, might gain from undertaking primary market research. (6)
3. Analyse why a chocolate manufacturer such as Cadbury might undertake qualitative market research. (8)

Test 2

Social Class	Occupation	Example
A	Higher managerial / Professional	Headmaster
B	Lower managerial / supervisory	Deputy Head
C1	Non manual	Teacher
C2	Skilled manual	Lab Technician
D	Semi and unskilled manual	Groundsman
E	Unemployed	Unemployed

1. What do you understand by the term 'consumer profile'? (3)
2. Besides social class identify three other types of segmentation. (3)
3. Explain how a manufacturer of motor cars might use the information contained in the table above. (6)
4. Explain why the information above would be less useful to a publisher of teenage magazines. (8)

Test 9.A: Market research – Stimulus Response

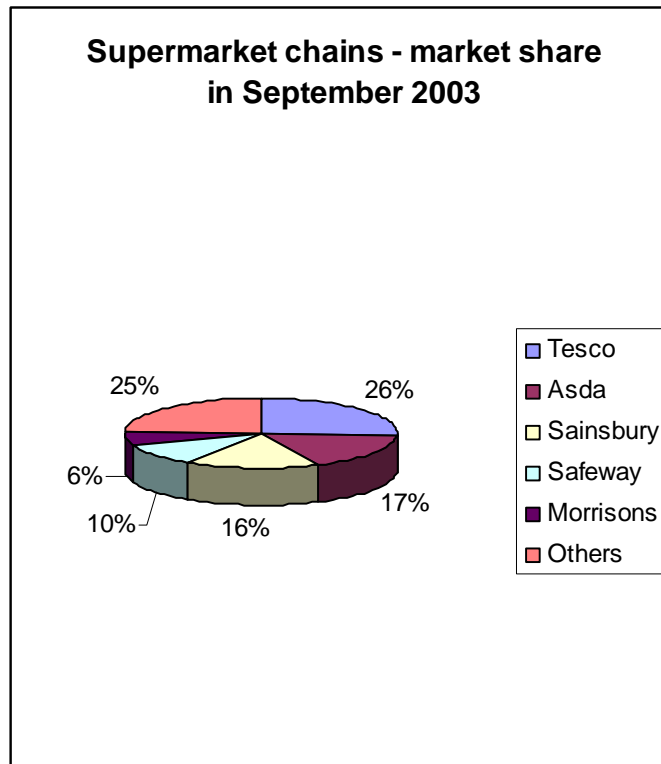
Segmenting the market BIC

BIC is today a household brand name, not just in the UK but in 167 different countries worldwide. It specialises in three types of product, stationery, lighters and shavers, all of which hold the standard BIC values of affordability, functionality and universality. As a result products give value for money, they are designed to do their job well and they can be used by anyone in the world.

Segmentation is a very important aspect of the marketing of BIC where it uses age, sex, income and gender. It also segments according to what its products may be used for, a good example of this was the introduction of the megalighter designed specifically for barbecues. The stationery market and more specifically the marketing of pens provides a good example of how the different market segments might be individually targeted.

1. Explain why market segmentation is an example of market analysis.(4)
2. Using the BIC example demonstrate how the company uses segmentation analysis in the marketing of its products. (6)
3. Analyse the benefits to BIC of segmentation analysis. (8)
4. To what extent has market segmentation contributed to the world wide success of BIC? (7)

Homework Exercise 9.B – Market research



Task 1

1. What do you understand by the terms 'market share' and 'market growth'?(4)
2. Explain why a growth in the market may not lead to a growth in an individual firm's market share. (6)
3. 'Morrisons gaining ground in its revamped Safeway stores'.

Analyse the possible implications for Tesco of the above headline. (6)

4. As the leading UK supermarket chain, Tesco has a number of objectives related to the market and marketing. These include: 'offering customers the best value for money and the most competitive prices' and 'meeting the needs of customers by constantly seeking, and acting on their opinions regarding innovation, product quality, choice, store facilities and service'.

- (a) What do you understand by the term 'marketing objective'? (2)
- (b) How might Tesco set about achieving these objectives? (3)
- (c) To what extent are clear marketing objectives important to a business such as Tesco? (9)

Homework Exercise 9.B – Market research

Task 2

Kelloggs

Some of Kelloggs leading cereal brands include:

- Cornflakes
- Bran Flakes
- Special K
- Frosties
- Coco Pops

In developing its various brands Kelloggs undertook a great deal of market research. Research was both secondary and primary and was both quantitative and qualitative in nature.

1. What do you understand by the term 'market segmentation'? (2)
2. Explain why Kelloggs has developed such a wide variety of cereal brands. (6)
3. Distinguish with examples between quantitative and qualitative market research. (4)
4. Analyse the benefits Kelloggs might gain from undertaking qualitative research. (6)
5. To what extent is detailed market research the key to developing a successful range of products? (12)

Test 9.A: Market research

Sample Answers/Examiner's Advice

Multiple Choice

1. B Percentage of sales within a market held by one brand producer.
2. D Focus Groups – this is a form of primary research.
3. C Taster sample
4. D The analysis of the market to identify different types of consumer.
5. .B Control of the biggest share within a particular market.
6. C An increase in the overall size of a particular market.
7. .B By-product
8. D Tests a product on a small section of the market prior to launch.
9. C Company Director
10. C 95%

Test 9.A: Market research

Sample Answers/Examiner's Advice

Short Answer Tests

Test 1

1. Qualitative market research is the in-depth research into the motivations behind consumer behaviour and attitudes (e.g. focus groups). Quantitative market research involves the collection of statistical data through the use of surveys / questionnaires.
2. By undertaking primary market research, a chocolate manufacturer would gain information directly related to the individual products it might produce. Such research would help to identify the target market for particular products. It would also raise any problems associated with products, enabling the business to develop individual product marketing strategies. Primary research might also enable the manufacturer to establish a clearer picture of consumer wants, aiding new product development (e.g. the Cadbury Fuse bar which was developed as a result of market research).
3. Qualitative market research involves research into consumers' attitudes and behaviour through in-depth interviews and focus groups. This kind of research would give a company such as Cadbury an understanding of why consumers buy a particular chocolate product and what motivates them to do so. Quantitative information only gives ideas of how many. It can help spot failing products or identify successful ones but it will not provide information as to why people buy or do not buy. Qualitative market research does this, enabling Cadbury to develop specific marketing strategies in response to consumer opinions.

Test 2

1. A consumer profile is a quantified picture of a company's customers showing proportions of consumers within individual market segments.
2. Income
Age
Sex
3. Car manufacturers produce a range of cars from small efficient cars through family cars to sports and executive cars. Each car is aimed at a particular segment of the market. Executive cars are likely to be aimed at social class A. The manufacturer is able to use this knowledge of different market segments to target its promotion for each car at specific segments of the market. As a result, advertising can be placed in appropriate magazines and papers.
4. Such information is of less use to a publisher of teenage magazines as they already know at whom their product is targeted. The market segment they are aiming at is already identified and material for the product will have already been decided upon and be appropriate for the target market. If the particular publisher produced a range of magazines for different segments of the market then the information might be more useful. As it is, it is of little use.

Test 9.A: Market research

Sample Answers/Examiner's Advice

Stimulus Response

1. Market segmentation is just a part of the wider market analysis. Market analysis looks at the overall picture – what market a business might be in, the market size, share and trends as well as consumer analysis. Segmentation is part of the consumer analysis.
2. Taking the production of shavers, BIC has identified various users of this product, both male and female. With this knowledge, it has been able to design products specifically for individual market segments. What it wishes to do is to create products that are specifically targeted at a particular group of customers. The barbecue lighter is another good example of this.
3. There are a number of benefits a company such as BIC might gain from segmentation analysis. For example: an enhanced reputation and image, greater market share and higher profit for the business. By being able to target individual segments of the market, consumers are perhaps more likely to see the company as a caring, reliable business. As a result, sales may well increase, giving the company a greater market share and also profit. Not only would this allow a greater return to shareholders, it would also provide benefits in terms of more money available for R&D to develop new products and to further segment the market.
4. Although segmentation analysis may well have been important to BIC, it will not have been the only factor contributing to its success. Segmentation analysis is likely to result in greater sales and market share but this is only possible if the product itself is good and it is promoted and distributed correctly. A poor product is unlikely to bring success to a company. Success therefore depends on a number of factors and it is difficult to single one as being more important than another. A good product will not sell itself, nor will promotion alone lead to success.

Homework Exercise 9.B – Market research

Sample Answers/Examiner's Advice

Task 1

1. 'Market share' means the number of sales of a particular firm's product expressed as a percentage of the total sales of all products within that particular market. For example, Tesco has a 26% share of the grocery market. 'Market growth' means an increase of total sales within a particular market – for example, the total sales within the grocery market increases.
2. Whether or not a growth in the market leads to an individual firm gaining market share will depend on whether the firm can take advantage by increasing its own sales at a faster rate than its competitors. It could be that all supermarkets increase sales. In that case, they would maintain market share rather than an individual business such as Tesco taking market share from competitors. For one supermarket to gain market share, it would have to have some sort of competitive advantage over its rivals and this may not always be the case when the whole market is growing.
3. 'Morrisons gaining ground in its revamped Safeway stores' implies that Morrisons are making the old Safeway stores much more competitive. This means that it is likely to be gaining ground on its rivals, including Tesco. Although it could take market share from other supermarket chains, the threat is there for Tesco as well. Tesco will have to pay greater attention to the actions of Morrisons, especially as Morrisons will now have a much wider coverage of the market. Tesco may have to develop new marketing strategies to counter the possible threat from Morrisons.
4. (a) A market objective is a specific business aim related to the market such as increasing market share by 1%.

(b) Tesco might set about achieving these objectives by developing a clear marketing strategy involving the price at which it sells goods, where it sells, the products it sells and the promotions it adopts. Such a strategy is likely to be based on market research.

(c) A business such as Tesco needs clear concise aims including marketing aims. Such aims are likely to be specific, measurable, achievable and time-based. If they are, they can be used as part of the planning process and to help judge performance. Tesco will therefore be able to see what progress it has made and whether or not it is maintaining its position as the leading supermarket chain. Clear marketing objectives, however, are only part of what makes a successful business. It also needs clear overall corporate objectives. Also it needs to undertake the necessary product and market research. Clear marketing objectives are, therefore, important but so is market research.

Homework Exercise 9.B – Market research

Sample Answers/Examiner's Advice

Task 2

1. Market segmentation is the division of the market into different types of consumer – e.g. by age, income or gender.
2. Kelloggs has such a large number of products because it wishes to have products that are likely to satisfy the whole market. Different brands target specific groups or segments within the market. For instance, Frosties and Cocoa Pops target the younger age groups, Bran Flakes and Special K target perhaps the health conscious segment of the market and Corn Flakes targets the mass market. As a result of this, Kelloggs can hopefully increase its market share, revenue and profit.
3. Quantitative market research stems from surveys in which statistics in terms of the buying habits of consumers are collected and analysed. Qualitative market research involves gathering people's opinions on their buying habits and results from research techniques such as focus groups.
4. Qualitative market research is likely to give Kelloggs more in-depth information regarding the buying habits of its consumers. This could have great importance as it is likely to give the opinions of consumers as to why they might be buying a particular product rather than how many people are buying it. Such opinions are likely to cover a variety of areas such as brand name, packaging, taste or texture. This gives Kelloggs ideas to work on both to improve existing products and to develop new ones. It is likely that Kelloggs will use a combination of both qualitative and quantitative information.
5. Market research is very important in the development of many products. Indeed, the decision to produce a new product may be based on market research. Before a national launch, it is likely to be test marketed in a small area to judge if it will have wide acceptance. Market research is likely to be involved at each stage of the marketing strategy – pricing, promotion, place, product. The exceptions to this are perhaps the development of innovative products which are completely new to the market as here firms often have to go with a hunch or gut instinct. The Sony walkman would not have been developed had Sony listened to the results of its market research on the product. Market research can be important but not in every case.