

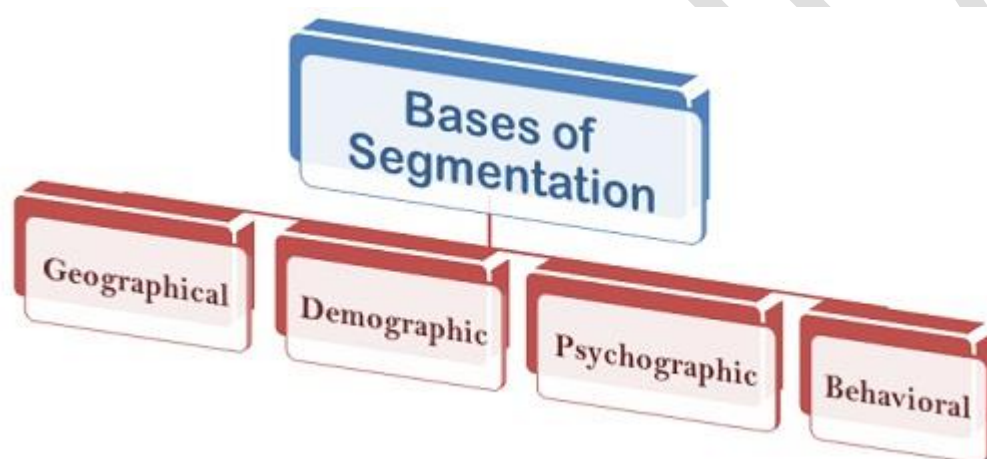
CHAPTER 5 MARKET SURVEY & RESOURCE MOBILIZATION

Market Segmentation

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

Bases of Market Segmentation

The firms can segment the market on the following bases:



1. **Geographical Segmentation:** Here, the segmentation is done on the basis of the geographical location of the customers. The geographical segmentation is based on the premise that people living in one area have different purchasing or buying habits than those living in other areas of the country.

For example, the banking needs of people living in rural and urban areas are different and. Therefore, different banking products and services are designed keeping in mind the different preferences of each customer group. Also, the factors like climatic zone, state, region, constitutes geographic segmentation.

2. **Demographic Segmentation:** The demographic segmentation means dividing the customer market on the basis of several variables such as age, sex, gender, occupation, income, education, marital status, family size, community, social status, etc. Such segmentation is based on the premise, that customer's buying behavior is very much influenced by his demographics, and moreover, these variables can be measured easily as compared to the other factors.

3. **Psychographic Segmentation:** The psychographic segmentation relates to the personality, lifestyle, and attitude of the individual. It is believed that the consumer buying behavior can be determined by his personality and lifestyle. The personality refers to the traits, attitudes and habits of an individual and the market is segmented according to the personal traits such as introvert, extrovert, ambitious, aggressiveness, etc.

The lifestyle means the way a person lives his life and do the expenditures. Here the companies segment the market on the basis of interest, activities, beliefs and opinions of the individuals.

4. **Behavioral Segmentation:** Here, the marketer segments the market on the basis of the individual's knowledge about the product and his attitude towards the usage of the product. Several behavioral variables are occasions, benefits, user status, usage rate, buyer readiness stage, loyalty status and the attitude.

The buyers can be classified as those who buy the product or services occasionally, or who buy only those products from which they derive some sort of benefits. Also, there are buyers who can be called as ex-users, potential users, first-time users and regular users; the marketers can segment the market on this classification. Often, the market is segmented on the basis of the usage rate of the customers, such as light, medium and heavy users.

Thus, market segmentation helps the companies to divide the prospective customers into small groups who have similar needs and plan the marketing strategies accordingly. This enables a firm to concentrate more on a specific group and earn more profits rather than catering to the needs of the entire market who have different needs and desires.

Market Research

Definition: The process of gathering, analysing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business's target market, the industry as a whole, and the particular competitors you face

Methods of Market Research

Market research can be broadly classified into two categories:-

1. Primary Market Research
2. Secondary Market Research

Primary Market Research

- Primary market research is a kind of market research which is done by the business or company itself for the very first time, with the objective of gathering information that can be used to improve the products, services, and functions. Primary market research is also known as field research since it is research done from scratch, without using any information that is already made available through other sources. One can gather primary data or information through qualitative research methods as well as quantitative research methods. Primary market research is the most common type of a market research method and is also the most valuable type. It is a method that only answers specific questions and not irrelevant issues.

Primary market research Techniques

The following are the five Primary market research techniques that are most commonly used and applied:

- **Focus groups:** One of the main ways used to conduct primary market research is through focus groups. This method involves getting a group of people in a room or a place and asking them insightful questions regarding the product, its development, their preferences, and feedback, etc. These types of focus groups can be run or conducted at any location feasible for the company or business. These days, with advancements in technology and the internet, it is possible to conduct them virtually as well, through the method of video conferencing. But the main thing here is that the group of people brought together has something in common, for example, either they should belong to the same age group, the same gender and so on. This division of the group or the selection process must depend on the audience targeted or the product or service of the company. Participants in such focus groups are then compensated by either free coupon, vouchers, gifts or money, etc. Focus groups fall under the qualitative research method and help businesses know a lot about customer or market trends.
- **Surveys and questionnaires:** Another superb and highly effective way to conduct primary market research is through surveys and questionnaires. The term 'surveys' is a broad term that covers a lot of things such as survey questionnaires, survey forms, survey interviews and customer satisfaction cards, etc. One of the most common examples of this research method is the feedback form given to customers at the time

of billing at a restaurant. It is a straightforward method of knowing whether or not the customer is satisfied with the business's existing services and products or what kind of changes would the consumer like to see. Surveys are also conducted in the form of web questionnaires these days that enable businesses to collect a lot of feedback and then analyse it for further administration.

- **Observation:** There are two major observation techniques or research methods used in primary market research, and they are observation through interaction and communication with the subject and observation through no interaction and communication with the subject. This form of research method comes under the quantitative primary research since through it; researchers evaluate or measure the behaviour of the respondents or the users in general. This is more of a personal approach in comparison to surveys and questionnaires, etc.
- **Trials and experimentation:** This method of primary research involves scientific tests where hypotheses and variables, etc. are used. This is a quantitative type of market research which may either be controlled out in the field or within controlled environments. In order to understand this form of research, here is an example that you can refer to: A food product company created 3 different food packaging styles and then sold the products to different consumers. After a limited period of time, it analysed the sales and came to a conclusion about the preferred packaging style or design.
- **In-depth Interviews:** One may think of an in-depth interview to be a quantitative approach to primary market research, but this method, in fact, is a qualitative research that takes into consideration the kinds of choices and preferences a customer base has. Interviews, unlike focus groups, involve interaction between one moderator and one respondent and several types of modes and methods may be used to conduct them. Interviews may not always be restricted to a set pattern of questions but can also be in the form of a conversation with the target customer base or audience. This kind of a research method helps to dig further into what the customer wants, and the answers can later be analysed to come to a conclusion for the final product delivery.

Secondary Market Research

As opposed to primary market research, secondary market research is a research technique that does not aim to gather information from scratch but relies on already available information from multiple sources. This research

focuses on data or information that was collected by other people and is available for either free or paid use for others. Secondary market research takes into account many different sources for collection of information including government data, office data, newspapers, magazines, the internet, etc. One of the benefits of doing secondary market research is that it is mostly free and takes a lot less time.

Secondary market research techniques

Secondary market research is mainly based on collecting information from different sources and then coming to a conclusion. The following are the two main types of Sources of Secondary market research data:

- **Internal sources:** Internal sources are those kinds of secondary market research sources that already exist and are collected in the business's database or file system. Internal sources include information that has already been collected by the company and proves useful for future projects, etc. For most businesses, internal sources may prove enough to develop new products and services, and this may not require them to look outside.

Examples:

- **Balance sheets** – Previous balance sheets of the business can be referred to in order to find stats and figures that may prove useful for evaluation.
 - **Profit and loss statements** – Profit and loss statements can be consulted to find out what kinds of products and services resulted in profits previously.
 - **Inventory records** – This is another piece of data which can be used as a source for secondary market research and puts into focus many stats and figures.
 - **Sales figures** – Companies store their previous sales figures so that they can be analysed and used for further research.
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- **External sources:** In case the internal sources don't fetch enough or sufficient information, external sources can be use. External sources are those sources that present data that is collected by other businesses or people. These are collected from outside the business's environment and include multiple sources. External sources can be wide and varied and hence one must follow a controlled approach to assessing them.

Examples:

- **Government sources** – Several government sources can be used to collect a lot of useful information about multiple subjects.
- **Universities and colleges** – Several college students and researchers collect and file information that can be further used by businesses.
- **The internet** – The internet is the most used secondary market research source but has the disadvantage of several non-credible sources with incomplete information.
- **Competitor data** – Often, businesses use the information collected and filed by other business organizations including that gathered by their competitors.
- **Websites** – while Wikipedia isn't a reliable source, there may be others that lead you to reputable sources and reports
- **Competitor websites and materials** – to convince potential customers to buy from them, they may share useful statistics and reports

The purpose of market research is to provide information that will assist you in making better decisions, to help your company be more successful.

Information Gathering Techniques

Primary research

Primary research is one that involves the gathering of fresh data, i.e. when data about a particular subject is collected for the first time, and then the research is known as primary one. Primary research is new research, carried out to answer specific issues or questions. It can involve questionnaires, surveys or interviews with individuals or small groups.

Advantages of primary data:

- The primary data are original and relevant to the topic of the research study so the degree of accuracy is very high.
- Primary data is that it can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It can be also collected across the national borders through emails and posts. It can include a large population and wide geographical coverage.
- Moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration.
- Reliability of primary data is very high because these are collected by the concerned and reliable party.

Disadvantages of primary data:

- For collection of primary data where interview is to be conducted the coverage is limited and for wider coverage a more number of researchers are required.
- A lot of time and efforts are required for data collection. By the time the data collected, analysed and report is ready the problem of the research becomes very serious or outdated. So the purpose of the research may be defeated.
- It has design problems like how to design the surveys. The questions must be simple to understand and respond.
- Some respondents do not give timely responses. Sometimes, the respondents may give fake, socially acceptable and sweet answers and try to cover up the realities.
- With more people, time and efforts involvement the cost of the data collection goes high. The importance of the research may go down.
- In some primary data collection methods there is no control over the data collection. Incomplete questionnaire always give a negative impact on research.
- Trained persons are required for data collection. In experienced person in data collection may give inadequate data of the research.

Secondary Data

Secondary data are the data collected by a party not related to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data then these become secondary data for the current users. These may be available in written, typed or in electronic forms. A variety of secondary information sources is available to the researcher gathering data on an industry, potential product applications and the market place. Secondary data is also used to gain initial insight into the research problem. Secondary data is classified in terms of its source – either internal or external. Internal, or in-house data, is secondary information acquired within the organization where research is being carried out. External secondary data is obtained from outside sources. There are various advantages and disadvantages of using secondary data.

Advantages of Secondary Data:

- The primary advantage of secondary data is that it is cheaper and faster to access.
- It provides a way to access the work of the best scholars all over the world.

- Secondary data gives a frame of mind to the researcher that in which direction he/she should go for the specific research.
- Secondary data saves time, efforts and money and add to the value of the research study.

Disadvantages of Secondary data:

- The data collected by the third party may not be a reliable party so the reliability and accuracy of data go down.
- Data collected in one location may not be suitable for the other one due variable environmental factor.
- With the passage of time the data becomes obsolete and very old
- Secondary data collected can distort the results of the research. For using secondary data a special care is required to amend or modify for use.
- Secondary data can also raise issues of authenticity and copyright

Market Surveys

Market survey is one of the most widely used Market Research Techniques. It is just one method of collecting marketing information required for a given marketing research assignment. It is used when the required data is not available with the company's internal records as well as external published sources. It amounts to original research work / field research work for the purpose of collecting primary data.

- Market survey is carried out to judge the demand potential for the product to be introduced / service to be provided
- Regular feedback from the markets on customers, competitors and environmental conditions provides the enterprise data on marketing opportunities and brings effectiveness in the decision making
- On completion of data collection from target sample size, the data from different survey teams is compiled, analysed and conclusions are drawn
- Results from surveys are always indicative and they help the entrepreneur to certain extent in formulating his decision

Analysis of survey data

Data analysis is a process of inspecting, cleansing, transforming, and modelling data with the goal of discovering useful information, informing conclusions, and supporting decision-making. It is the process of evaluating data using analytical and statistical tools to discover useful information and aid in business decision making.

Data Preparation (inspecting, cleaning and transforming)

It is important that data is validated, cleansed and finally transformed into a format which can be used effective analysis. This ensures that the survey questionnaires are completed and present consistent data. For instance, you should not include the questions that were not answered by most respondents in the data analysis as this would result to bias in the results. However, in the case of incomplete questionnaires, you must count the actual number of respondents that were able to answer a particular question. This should be the same for the rest of the questions.

Methods of Data Analysis

- Tabulation of data
- Testing of hypothesis

Tabulation of data: Any sizable array of data needs to be grouped into categories or classes. This task is statistically known as data tabulation. The objective is to organize the information and prepare a summary that highlights its salient features. For data tabulation following procedure is involved

- **Classification:** Classifications are done on the following logic
 - Categories should be mutually exclusive i.e. no. overlap
 - Grouping of similar responses
 - Exhaustive responses
- **Editing:** tabulation of data should be simultaneously carried as an editing function. It is the process by which data collected is scrutinized so as to ensure consistency , non-ambiguity and accuracy
- **Coding :** It is the process by which response categories are summarized by certain symbols to carryout subsequent operation of data analysis
- **Frequency table:** It shows the counts or occurrence of individual categories among the sample. Understanding of the data is further enhanced by the calculation of relative frequency (percentage) of observation in each category
- **Cross tabulation:** A cross tabulation involves simultaneously counting the number of observations that occur in each of the data categories of two or more variables. To obtain a more objective summary description and comparison of data set, one may use several statistical measures of central tendency to see the location parameter of the data.

The common measures of central tendency are mode, median, quartile and mean etc. similarly, the measures of dispersion, variance, coefficient of variation, etc. The exact choice of these statistical measures will depend on the availability of data & issues being examined

Testing of Hypothesis:

- Null Hypothesis (H) : In statistical testing null hypothesis is a statement about a population , whose credibility researcher wants to asses on the basis of the sample
- Alternate Hypothesis (H1): It is a statement that is believed to be true if the null hypothesis is rejected.

Example Null hypothesis Ho: Market share of brand ABC is 30%

Alternate hypothesis H1: Market share of brand ABC is more than 30%

Resource Mobilization

Resource mobilization refers to the process of procuring the required resources from the resource provider, through different means. The resources thus procured are optimally utilized to realize the organization's goals. These resources should be acquired at the right time, right prices and should be of right type.

An entrepreneur, besides having the idea has also to mobilize different resources for establishing the business. Some of the essential resources that have to be mobilized are

- a) Finance b) Inventory Control c) Human Resource planning
- d) Technology

a) Finance:

It is one of the most important resources for any business activity. Every businessman knows that “achievement of desired growth needs investment in business and in its infrastructure”. Investment in simple terms means money that is generated from work, activity, business profits. The responsibility of arranging finances goes hand in hand with the spending function.

Business plans can only be realized with timely availability of adequate finance. Finance is required for

- I. Initial promotional expenses

- II. Expenses for setting up infrastructure
- III. Expenses for operating the business
- IV. Reserve funds for emergencies

An entrepreneur has to bear in mind that the borrowed capital has a 'cost' in the nature of amount of 'interest payable' on the same. It is a cost of capital. It is beneficial for him to keep the cost of borrowings at as low a level as possible. So an entrepreneur has to identify the sources which will facilitate him the money at the lowest rate of interest. Thus, the exercise starts with the identification of the alternative source from where money can be mobilized, the cost of capital of each source and the desirable mix of these sources.

An entrepreneur should go for financial forecast which includes estimates about

- Capital requirement
- Working capital requirements
- Capital structure (Debt-equity ratio)
- Credit policy
- Contingencies

An entrepreneur should be aware of the sources of finance for e.g.

- Own capital
- Banks
- Borrowings from friends/ relatives/ others
- Term loans from financial institutions
- Personal loans on assets like N.S.C. / insurance policy / provident fund, etc.

An entrepreneur invests the monetary resources in two ways

- Long term investment (land & building, machinery, equipment, furniture & fixtures)
- Short term investment

Working capital is required for raw materials, wages and salaries, electricity and other utilities as well as to provide credit to buyers of goods.

The operational efficiency of the business depends upon how effectively, efficiently and timely the money is available to an entrepreneur.

If not managed properly, working capital can cause serious trouble in business. If more money than what is required is deployed in working capital, the funds remain idle and unutilized. The idle funds do not give returns. Similarly, if adequate provision is not made for working capital, the day to day operations of

the firm become difficult and ultimately it results in the closure of the operations.

Often it is found that an entrepreneur has been able to raise initial funds but faces acute shortage of working capital. The working capital includes making capital arrangements for raw material procurement, utilities and payment of salaries and wages. Therefore it is a critical area to be looked into by the entrepreneur.

Sometimes, an entrepreneur becomes over cautious and spends more on these items. This not only blocks the capital but money borrowed for this purpose becomes highly costly, as the entrepreneur has to bear additional costs, as the payment of interest on the money borrowed for procuring inventories, storage costs of the inventories, insurance charges and possible loss due to part of the inventory becoming obsolete in the storage.

For working capital the loan taken is a short term loan which can be availed from commercial banks and cooperative banks or using facility to take an overdraft from bank etc.

The best thing for an entrepreneur to do is to take the advice of a financial consultant in this regard. However following aspects must be considered while arranging funds

- Interest rate on borrowings
- Time required in obtaining such finance as processing loan application takes time
- Duration for which funds are required (6 months, a year or more)
- Repayment capacity
- Conditions stipulated by lenders of funds

b) Inventory Control

Inventory in simple terms means stocks of raw materials, work in progress, finished goods, consumables, etc. Inventory therefore is another important critical resource for an entrepreneur.

Inventory control and management is an important area in production management. Many small – scale sectors industries become sick and have to close down the unit because of mismanagement of the inventory, huge stocks piled on the shelves and financial resources locked up in these stocks. Therefore, an entrepreneur has to develop a skill for inventory control and management.

Inventory includes both raw material stock as well as finished product stock. Both types of inventories result in financial burden for an entrepreneur.

In working capital requirement it is always said “when you need money, look to your inventories before you look to your bankers”. Nearly 50% of the working capital is tied up in raw materials, work-in-progress or semi-finished goods and finished goods stock.

Raw materials constitute a major part of the expenditure. Therefore, a careful calculation of raw materials requirement, procurement schedules, quality of the raw materials, price variations and careful purchasing leads to substantial savings.

Capital is also tied up in semi-finished goods or work-in-progress / process. Inventory blocked up in semi-finished goods vary from industry to industry. To reduce the inventory on account of semi-finished goods, an entrepreneur has to improve the system of handling as well as the cycle time or the production process.

The effective management of finished goods is an important source of cost reduction and working capital requirement. Fluctuations in the quantity demanded, transport time and cost, safety stock requirement and packaging requirements are some of the critical areas on which the requirements of the working capital can be kept at a lower side.

C) Human Resource Planning / Manpower planning

It is important to note that only money or machinery and material alone will not be sufficient to operate any business. Human resource is also an equally important resource an entrepreneur has to mobilize.

Human resource planning is the backbone of the human resource management and development. It ensures that the organization has the right people at the right time and place with the right skills. It believes that each employee is a resource to an organization and contributes to its productivity.

The main objectives of human resource planning are

- i) Identify and assess future human resource needs
- ii) Make an inventory of the required manpower on different levels and for different jobs
- iii) Decide on their qualifications and skills

- iv) Analyse and improve upon utilization of existing resources.
- v) Equip oneself with the knowledge of labour laws and regulations
- vi) Devise recruitment policy and wage structure
- vii) Integrate and coordinate human resource policies so that the present and future human resource needs are met easily.

It is a continuous process

The human resource is classified mainly in four categories

- a) Skilled b) semi- skilled c) Unskilled d) Administrative staff

A thorough assessment is made regarding the job requirements, future demand for and supply of various categories of people in both management and non-management cadres. Depending upon product or the scale of operations and techniques of production, human resource requirement is identified.

Human resource is an asset of an organization. It is responsible for either the success or the failure of the organization. It has been seen that many organizations have survived in adverse conditions only because of their dedicated, committed human resource.

d) Technology

The type of technology to be used is again to be decided at the initial stage. This has a bearing on designing the product as well as deciding on manpower planning and finances required. An entrepreneur can opt for Capital intensive technique or labour intensive technique.

The questions that usually arise are

- Is there a requirement of new machine?
- What kind of energy to be used?
- Would the use of computer be cost effective?
- Which computer make and brand to buy?

All such relevant questions need to be discussed during the decision making process.