

Edexcel (B) Economics A-level  
**Theme 1: Markets, Consumers and  
Firms**










**1.3 Introducing the Market**

**1.3.5 Understanding the consumer**




Notes




## **Primary and secondary market research data (quantitative and qualitative) used to quantify likely demand and gain insight into consumer behaviour**

-  Primary research is research carried out directly, such as a survey, interviews, observations and tests.
-  This allows firms to research exactly what they need to, such as how effective a website is or how much consumers are willing to pay for a new product.
-  Findings from primary research are more specific than findings from secondary research.
-  Primary research could be expensive, though. However, the advancement of technology has meant surveys can be carried out online at a low cost.
-  Secondary research is carried out by a third party, such as a government or an organisation.
-  This is usually cheaper than primary research, since it can be accessed for free or at a low cost. Sources of secondary research include the library, the internet and newspapers.
-  However, secondary research might not be exactly what is required, so it could be less useful. It could give an insight into how consumers feel about a certain product in the market in general, such as if it is becoming more popular, but it cannot give information on how much consumers will be willing to pay a certain firm for a specific brand.
-  Qualitative data is a description, such as an opinion or a general attitude towards a product. It can provide information on consumer satisfaction and help a firm focus on products that consumers want.
-  Quantitative data is numerical and it involves statistics.






## **Limitations of market research, sample size and bias**

-  Market research is the collection of data in order to learn about the needs and wants of consumers.
-  An appropriate sample size has to be chosen. A larger sample size lowers the margin of error, since there is a wider range of opinions. This makes the research more representative.
-  A strong confidence level means that the researcher is confident the research is accurate, so a smaller sample size will suffice.



 A sample could be biased so it is not representative of a whole population. For example, those surveyed outside a shopping centre about their shopping habits will have some degree of bias towards certain spending patterns.

## **Categorising consumers: market segmentation**

-  Market segmentation is when a market is divided into groups of similar consumers, such as by needs or characteristics.
-  For example, a firm might segment a market by its geography. Different countries will have different cultures, languages and climates which need to be considered when developing and marketing a product.
-  Markets can also be segmented by demographic. This includes age, gender or income. This helps firms understand the needs and wants of consumers. There is a lot of secondary data available for this.
-  Segmenting the market allows firms to gain better opportunities to grow, to promote their goods and services more effectively, and to meet consumer needs better.
-  However, it is hard to segment a market effectively due to limited data. This can make research poor and inaccurate.

