



Rudgate Diversification Project

Scenario: Craig Lee is a successful entrepreneur in North Yorkshire. He owns a company called Rudgate which is situated in Tockwith, York. In recent years, the business has gone from strength to strength, generating retained profit. In order to diversify the business, Craig would like to enter the restaurant market. He has identified the town of Pickering as a potential location to open up the new business. You have been hired as a business adviser to assist Rudgate. You will need to undertake significant market research and marketing analysis.

Task 1: Market Research – Samples

You will need to undertake significant market research upon the local restaurant industry in order to advise Rudgate correctly. In order to do this, you are required to investigate 3 different sampling methods. These are Random, Quota and Stratified.

You will need to evaluate your research and provide Rudgate with the sampling method that you will be implementing with Task 2.



Task 2: Market Research – Primary Research

You are required undertake market research to answer the following questions.

- Who are the main restaurants that currently operate in Pickering?
- What type of restaurant should Rudgate open in Pickering?
- Do Rudgate need to consider online retailing methods?
- What price would consumers be willing to spend on restaurants?
- Which location should the restaurant be situated in?

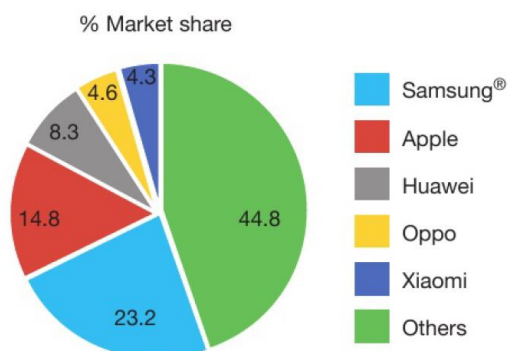
Advice

- Survey monkey and Microsoft Forms are both useful tools for creating questionnaires.
- When creating the survey, think of questions that can be easily analysed.
- Use a suitable sample size to ensure accurate results.
- You may need to estimate some of the data so that you can provide graphical evidence of your research.

Formula for Market Share

$$\frac{\text{Sales of a business}}{\text{Total sales in the market}} \times 100\%$$

Example of graphical evidence of mobile phone industry

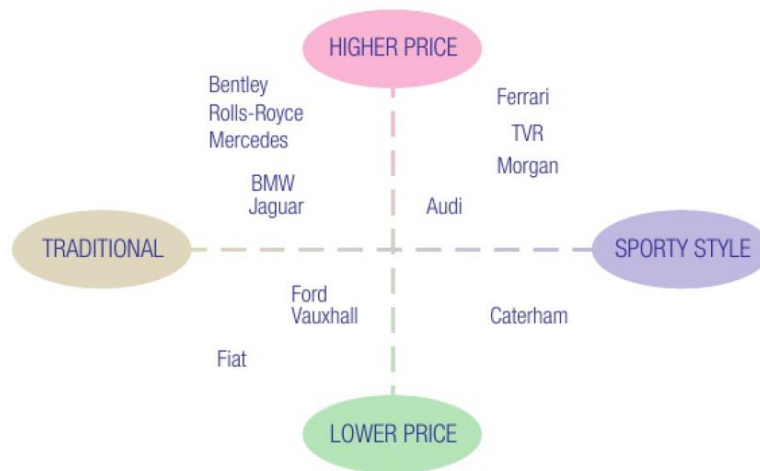




Task 3: Market Mapping

Market mapping is the process of using a graph to plot competitors and their products to understand competitor behaviour and spot a gap in the market. It also allows a business to see who their competition will be and what other products and services are available in the same sector. Undertake further research on what market mapping is. You are required to present a perceptual map for the restaurants in Pickering that you have included in your primary research tasks.

Example of a perceptual map for cars



Advice

- This research should help you to identify a gap in the market so that you can advise Rudgate accordingly.



Task 4: The final presentation / report

Using your research from previous tasks, you are now required to put a report together that collates all research and findings, with recommendations to Rudgate. These should include the following;

- Task 1: Evidence of research into methods of samples with an evaluation outlining which sample method Rudgate will use.
- Task 2: Primary research finding upon restaurants in Pickering, consumer demand and location. Some indication of market share should be provided.
- Task 3: Perceptual map should be created with suggestion of market position of local restaurants with identification of possible gaps in the market for Rudgate

In addition, the final presentation / report should provide final recommendations for Rudgate on restaurant genre, location and possible pricing strategies.



Further Research Opportunities

Edexcel AS Level Student Business Studies Book (See Appendix)

Success Criteria Rubric

	Task 1	Task 2	Task 3	Task 4
PASS	Brief research and understanding provided for some methods of samples	Brief market research undertaken with results presented in a limited way	Perceptual map attempted which demonstrates awareness of competitors market position	Final presentation of work attempted with some recommendations provided.
MERIT	Sound research and understanding provided for 3 methods of samples	Sound market research undertaken, and results presented in an informative manner	Perceptual map demonstrates sound awareness of competitors market position	Final presentation of work presents majority of research undertaken and provides sound recommendations
DISTINCTION	Thorough research and understanding of 3 methods of samples	Thorough market research undertaken with results presented in a professional manner	Detailed perceptual map that clearly demonstrates awareness of competitors market position	Final presentation of work is professional and clearly demonstrates suitable recommendations



Appendix

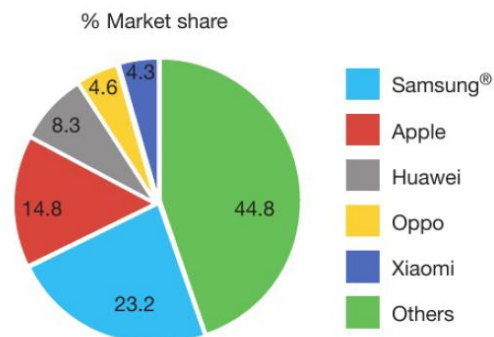
MARKET SHARE

Market share or market penetration is the term used to describe the proportion of a particular market that is held by a business, a product, a brand or a number of businesses or products. Market share is shown as a percentage. The market share of a business can be calculated as:

$$\frac{\text{Sales of a business}}{\text{Total sales in the market}} \times 100\%$$

Why might the measurement of market share be important? It might indicate a business that is a market leader. This could influence other companies to follow the leader or influence the leader to maintain its position. It might influence the strategy or objectives of a business. A business that has a small market share may set a target of increasing its share by 5 per cent over a period of time. It may also be an indication of the success or failure of a business or its strategy.

Figure 2 shows the global market shares of smartphone suppliers. It shows, for example, that Samsung is the market leader with a 23.2 per cent share. It also shows that the top five producers have more than half of the entire market to themselves.



▲ Figure 2 Global market shares of smartphone suppliers, 2016Q1

ONLINE RETAILING

One of the biggest changes to occur in the marketing of products has been the development of **online retailing** or **e-tailing**. This is a popular branch of **e-commerce** that has emerged along with the development of the Internet. It involves shoppers ordering goods online and taking delivery at home. There are specialist e-tailers such as Amazon® and Alibaba® – retail 'giants' that sell a huge range of goods online. However, many retailers, both large and small, now have online services. Growth in online retailing is rapid and expected to continue into the future. Businesses may enjoy a number of benefits from offering online retail services.

- Retailers can market their goods to people who prefer to shop from home or who find it difficult to get to traditional shops. For example, people who do not enjoy the physical shopping experience, people too busy to go shopping and people with health conditions or disabilities that make physical shopping difficult.

SAMPLING METHODS

Ideally, when carrying out a survey, information could be gathered from every single member in the **target population**. The target population includes all those people whose views a business wants to explore. The target population may be individual consumers, households or other businesses, for example. However, this may take too long and cost too much money. To overcome this problem businesses collect information from a **sample** of people in the population. A sample is a much smaller group. However, it is important that the behaviour and views of the sample are representative of all those in the population.

The sample size will affect the accuracy of the information gathered. Large samples will be more representative of the population and therefore more useful to a business. However, using larger samples is more expensive so there is a trade-off between cost and the level of accuracy required. It might be argued that



a sample size of at least 10 per cent of the population would be needed for a survey to be meaningful.

There are different types of sample and sampling methods that can be used by a business carrying out primary research.

Random sampling: Random sampling gives each member of a group an equal chance of being chosen. In other words, the sample is selected at random, rather like picking numbers out of a hat. Today computers can be used to produce a random list of numbers, which are then used as the basis for selecting a sample. However, it assumes that all members of the group are exactly the same, which is not always the case. A small sample chosen this way may not have the characteristics of the population. Therefore, a very large sample would have to be taken to ensure that it was representative. It would also be expensive for a business to draw up a list of the whole population and then to contact and interview them.

Quota sampling: Quota sampling involves the target population being segmented into a number of groups that share specific characteristics. These may be based on the age and gender of the population, for example. Interviewers are then given targets for the number of people out of each segment who they must interview. For example, an interviewer may be asked to interview 10 males between the ages of 18 and 25, or 15 females aged between 45 and 60. Once the target has been reached, no more people from that group are interviewed. The main advantage of this sampling method is that it is more cost effective than other methods. It is also useful where the proportions of the different groups within the population are known. However, results from quota sampling are not statistically representative of the population and are not chosen randomly.

Stratified sampling: This method of sampling is also random. However, unlike the method described above, stratified sampling is where the sample is divided into segments or strata based on previous knowledge about how the population is divided up. For example, a business may be interested in how employment status affected the demand for a food product. It might divide the population into different income groups, such as higher managerial and professional occupations, small employers and self-employed workers. A random sample could then be chosen from each of these groups, making sure that there were the same proportions of the sample in each category as in the population as a whole. Therefore, in this example, if the population had 10 per cent of small employers, the sample must also have 10 per cent. Stratified sampling is a popular method because it makes the sample more representative of the whole group.

MARKET MAPPING

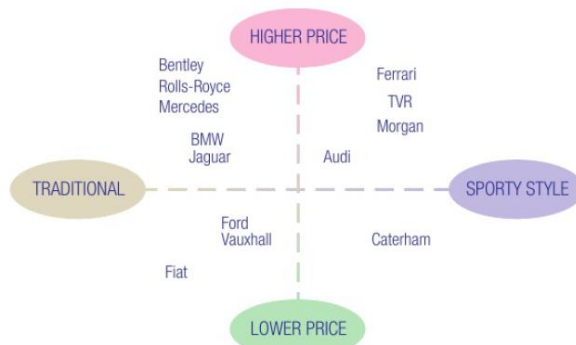
The positioning of a brand is influenced by customer perceptions rather than by those of businesses. For example, a business may feel its brand is a high-quality, upmarket product. But if customers see it as low quality and downmarket, it is their views that will influence sales.

So, if a business wants to find out where its brand is positioned in the market, it might carry out market research. This will help it to understand how customers see the brand in relation to others in the market.

A business may also wish to launch a new brand. Having decided the target market, market research might show what characteristics the brand must have to succeed in that market. It could reveal the price that customers are prepared to pay. It could also suggest what sort of promotional support will be needed. For example, will a national television advertising campaign be used? Will promotion to retailers be a better strategy?

The results of market research can be displayed on **market or perceptual maps** (sometimes also called positioning maps). An example is shown in Figure 3. This illustrates a perceptual map for a sample of motor cars.

The use of market maps can have its limitations. For example, perceptual maps are two dimensional, which means that only two product qualities can be analysed on the same map. They can also be more relevant for individual brands, and less helpful for a corporate brand image. The information needed to plot the maps can be expensive to obtain, requiring the use of primary market research. There may also be a difference between consumers' perception of the brand's benefits and the actual benefits.



▲ Figure 3 A perceptual map for cars

Finally, perceptual maps need not come from a detailed study. There are also intuitive maps (also called judgemental maps or consensus maps) that are created by marketers based on their understanding of their industry. Management uses its best judgement. It is not certain how valuable this type of map is. Often they just give the appearance of reliability to management's preconceptions (presumptions).