

# TOPIC 1.2 SPOTTING A BUSINESS OPPORTUNITY

START

1 **State** the four main customer needs.

2 **Define** the term market segmentation.

3 **State** three segments that would be useful for The Old Bank to identify when trying to target its specific customers.

4 **Explain** why identifying and understanding customers is important to the survival of a business like The Old Bank.

14 Competition will always be a threat to any business. **Explain** how Jenny and Paul could increase the loyalty of their existing customers to prevent this dip in numbers from happening again in the future.

13 The Old Bank has a very strong USP that Jenny and Paul feel sets it apart from its competitors. **Explain** how important maintaining the USP will be in the future success of the business.

12 Jenny is keen to look in more detail at her competitor. **Explain** the different features of the competitor that Jenny should focus on.

11 Paul has looked at the figures for customer numbers in more detail and identified that the younger age groups have seen one of the biggest declines. **Explain** the options open to him to attract this target group back to The Old Bank.

## BUSINESS PROFILE



### A taste of luxury!

When Jenny and Paul decided to open their exclusive upmarket wine bar & coffee shop, The Old Bank, there was nothing else like it in the local area. Customers regularly packed out the luxury surroundings and paid premium prices for a high quality experience.

However, the recent opening of a new competitor has resulted in a significant dip in The Old Bank's sales which has been caused by fewer customers coming through their doors. Jenny and Paul are keen to stop this decline and are considering the best option to take.

Data Drop		
Customer numbers per week The Old Bank		
Age group	Before competitor	After competitor
18 – 24	200	125
25 – 35	100	75
36 – 45	70	65
45+	50	25



10 Using the data drop provided **calculate** the overall percentage decrease in the number of weekly customers visiting The Old Bank.

9 **Explain** the value to Jenny and Paul of using social media to collect further research data.

5 **Explain** two reasons why a business like, The Old Bank, should carry out market research.

6 **Explain** how the use of market mapping could help Jenny and Paul respond to the competition.

7 Jenny feels primary research is the key to understanding their customer needs. **Identify** two methods of primary market research that would be suitable for Jenny to use.

8 **Explain** the difference between qualitative data and quantitative data.

# SPOTTING A BUSINESS OPPORTUNITY SUGGESTED ANSWERS

**1** Price, Quality, Choice and Convenience.

**2** Market segmentation means dividing customers within a market into smaller groups with common needs or wants.

**3** Age, Income, lifestyle.

**4** Identifying customers – a business finds out who they are e.g. age, gender, income.

Understanding customers - how they behave and what their needs/wants are.

The better a business knows its customers the greater the chance of them returning. This is important for future sales of a business like The Old Bank.

**14** Increase loyalty by offering loyalty cards; use of social media to encourage customers to return and keep the company name in their minds. Special offers and promotions to entice customers in.

**TIME TO REVIEW YOUR LEARNING...**  
List three content points that you are confident with and three that require some attention.

**13** A strong USP can help build customer loyalty. The Old Bank is trying to offer something different and this is based on high quality and luxury. To maintain its success it needs to ensure that this image is maintained.

## Confident with

**1**

**2**

**3**

## Requires attention

**1**

**2**

**3**

**5** To identify gaps in the market – helps to keep the business fresh and unique. This fits in with the premium pricing strategy of The Old Bank.

To reduce risk – from launching a product the market doesn't want or that demand is insufficient to cover the costs of developing the idea.

**12** Quality – The Old Bank has a premium product range, compare this with the quality offered by the competitor.

Customer service – look at how the experience differs in the two businesses. What appeals the most to customers.

Price? – The Old Bank has a USP of luxury and quality, therefore altering price may not be the best option.

**6** Market map – measures where existing brands sit on a two-factor grid. Helps to identify gaps in a market and show where there may be possible overcrowding.

**11** They have lost 75 customers on average per week from this category, more than all the other groups added together. Perhaps price could be a factor for this age group, especially if the competitor offers a cheaper alternative. Market research will help identify reasons. Using a loyalty scheme or promotions on social media may appeal to this age group.

**10** Total customers before competitor =  $200+100+70+50 = 420$   
Total after competitor =  $125+75+65+25 = 290$   
% change =  $\text{change/original} \times 100$   
Change =  $420 - 290 = 130$   
 $130/420 \times 100 = 30.95 = 31\%$  decrease in customers per week

**9** Use of social media e.g. Facebook is a fast a cost effective way to gather research. Technology provides a more efficient way to gain customer feedback, people are more likely to respond and it is instant. Also provides an opportunity to market the business too.

**7** Survey; Questionnaire.

**8** Qualitative data – in-depth research into opinions and views of a (small) group of people.  
Quantitative data – factual research from a large enough sample to provide statistically reliable results.