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## **MARKET ANALYSIS - A FACTOR FOR COMPETITIVE ADVANTAGE OF ENETERPRISES**

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### **Abstract**

The goal of the market analyses is to define accurately the needs, motives and the behaviour of the customers so that it can determine the product requests and services if there are any, as well as their quantity.

The market analyses, whos goal is to determine the acceptance of products and services of the firms by the customers, is called qualitative analyses of the market.

The qualitative methods for data collecting give out an inaccurate vision for the structure and the significance of the information referring to the motives and habits of the purchase.

Quantitative methods research the appearances from the quantitative point of view.

The quantitative marketing develops new methods for data analysing which should reveal, on the one hand the relations among the latent variables and on other hand the relations among the latent variables and directly measured variables. These relations are formalised by the help of the so called models of casuality, presented trough a system of structural equations.

*Keywords:* data analysing, latent variables, directly measured variables, models of casuality

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### **1. INTRODUCTION**

The goal of the market analysis is to define accurately the needs, motives and the behaviour of the customers so that it can determine the product requests and services

if there are any, as well as their quantity.

The customer's analysis has to be performed in details so that, the firm can realize their economic, social, demographic and psychological characteristics.

In the economic theory, there is a

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difference between market analyses and customers' analyses. If the goal of the analysis is to determine the needs, motives and the behaviour of only one individual that makes a decision to purchase, then, it is customers' analyses. If the goals of the analyses are the needs motives and the behaviour of all units that make a decision to purchase, then it is market analyses.

It is necessary to make a difference among the customers and the users of the product. The customers are those who use the product, in other words they consume it or the service and enjoy in their own satisfaction. The users are those who use the product while performing their working activities and their purpose is to produce goods or to offer service to the final customers.

With market analysis, it's essential to realize if there is a market for one's own products or services, where it is located and what its characteristics are. Therefore, it is essential to analyse the market as a whole as well as its parts.

The quantitative analyses of the market is oriented to give the enterprise an answer about the quantity of the products and services which the market is ready to accept, an answer which markets to choose and the time of the quantity realisation.

## **2. QUANTITATIVE AND QUALITATIVE ANALYSIS OF THE MARKET**

The goal of the market analysis is to specify the needs, motives and the behaviour of the consumers and also to find out if there is a market for the products of the enterprise, what is its character and quantity.

The market analysis, whose goal is to

determine the acceptance of products and services of the enterprise by the customers, is called qualitative analyses of the market. It is oriented to give the enterprise an answer to the question: which categories of customers the market include.

The quantitative analysis of the market is oriented to give the enterprise an answer about the quantity of the product and services which the market is ready to accept, which markets to choose and the time of quantity realisation.

The qualitative analysis is essential to the enterprise to define its market. It has to be done ex-ante, although it is normal to check the accuracy ex-post, controlling the work of enterprise?

If the process of planing, production and installation of the products is a long one as certain types of equipment, then it is necessary to perform the ex-ante qualitative analysis of the market more accurately.

If the cycle of production and consumption is short as in some consumables, then, it is possible on the basis of ex-post qualitative analyses of the market, almost every day to perform some modification of the capacity of the production.

The goals of the quantitative analyses are specific and numerous. Some of the more important ones are the following [1]:

-Before the enterprise decides on the production, it has to have certain facts about the number of the products that may be realized. The enterprise, on the basis of the number of products that could be realized on the market, at defined price, should make a decision whether to start the production or not.

-The enterprise has to determine the appropriate order in the development of the market very often it is not only possible but

it isn't also useful to create a market suddenly. The quantitative analyses should suggest the way of the market development, where the concentration of the customers is of course, one of the essential factors being analysed.

-The quantitative analysis should give an answer to the question about the rational, dynamic work -out of the plan for production and sale. Mainly the question is about the amount of production in separate periods of time, where the goal is no lack of products at the market from one point of view, and from the other, no over the normal level.

-It helps to determine where to realize the product at the market

-It helps to make a rational decision for eventual expansion of the capacity of the enterprise

-It helps to determine the right location of the new productive capacities outside the headquarters of the enterprise, with the aim to get closer to the market

-It makes easier the analysis of the economic propaganda and other ways of promotion of the enterprise

-Enables making a decision for choosing the most suitable channels for distribution

What are the goals of the qualitative analysis?

The qualitative analysis is very complex and it should give answers to the following question: what, why, where, when and how purchases products from the enterprise?

The qualitative analyses should give a logical answer to the question: who is the purchaser of the products and services of the enterprise? The accurate and concrete answer to this question, withdraws assumptions to approach the answers of the other questions. With the exception of consumables, the products purchased by all customers are rare. According to the

consuming goods, customers may belong to the category of sex, age, income, profession, education and so on.

Once the market has been determined and the enterprise knows who and what it is consisted of, the next question to ask is: what does the market want to purchase? Marketing orientation of the enterprise implies that the market should be offered products it is interested in. Therefore, it is essential to analyse not only the products of the enterprise, but also the competitive products, and the products substitutes. In fact, the goal of the answer to this question is to find out to what extent the customers are satisfied with the products of the enterprise and how much they are ready to pay for them.

The question why the customers purchase the products of the enterprise, is considered the basic one in the qualitative analyses of the market. This question gets a special meaning, because it reveals the motives for purchasing. The knowledge about the customers' motives for purchasing is the key to understand their behaviour at the market.

The answer to the question where the customers purchase, we understand their habits during purchasing. The answer to this question is an assumption so that the enterprise can orient its position to territories and find suitable channels for selling the goods or services. The customer expects to purchase some products nearby, almost in every shop, whereas for some other products, the customer is prepared to go to specialized shops, even to other further places.

The answer to the question, when the customers purchase, referring to the frequency of purchasing the products in time that the enterprise understands from the market analysis, the choice of the channel

and dynamics of the marketing plan depend on it. The answer to the question how the customer purchases, enables the enterprise to meet the customers' wishes ready with suitable services and other activities which will make purchasing the products easier for the customers. Only the complex and argumentative answers are solid basis for making an accurate marketing decision.

### 3. METHODS FOR DATA COLLECTING

#### 3.1. Qualitative methods for data collecting

The qualitative methods for data collecting give out an unaccurate vision for the structure and the significance of the information about motives and habits of purchasing.

The qualitative methods have the following methodological characteristics:

a) Flexible questions, mainly qualitative techniques use strict understood questionnaire, with limited questions that keep their sense. In this questionnaire the questions are asked in the same way and number as for any interview, or if the content of the questions relieves the quantity of data, it is supposed that the examinees behave in the same way, using a limited time for any question.

On the contrary, questions adopted to any questionnaire may be placed, depending on the terms of prediction or the methods of research are placed.

Another more radical postulate is based on the fact that all the research is consisted of a skill in the formulation depending of observation (direct or indirect), avoiding the risk of every question formulation.

b) Problems in result interpretations

These are basic problems. Therefore, the

qualitative data analysis has a crucial decision.

#### 3.2. Quantitative methods for data collecting

The qualitative methods research appearances from a quantitative point of view. During the research, the whole appearance may be processed (population series) or a part of it, through an sample.

The processing of the appearance as a whole or its sample (which one and what it includes), depends on the expenses and the accuracy of the results we want to get.

The population to be examined is defined as a set of subjects that possess the information needed to answer the questions and goals of a research.[2]

The following table gives an answer to the question when we research a whole series, as well as when we research sample. (picture 1)[3]

*Table 1. Search on the basis of an sample or a whole population*

Research characteristics	Factors that affect the research	
	Sample	Population
Budget	small	big
Time available	short	long
Population dimensions	big	small
Variance of researched variable	small	big
Price of the sample errors	small	big
Price of the observation errors	big	small
Nature of measuring	destruktive	nondestruktive
Interest for individual states	da	ne

If the population is small and easy to identify it is better to assess it as a whole. On the contrary, or when the object is destroyed by research, an sample is advisable.

The researchers should choose between two risks:

-an sample error when the sample is a nonrepresentative one

-observation error (non sampling error) as a result of a bad formulated problem, bad answer or too personal (subjective) answer[4]

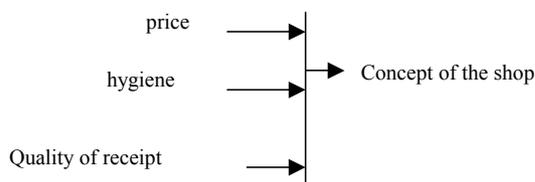
The basis of the sondage or the sampling frame is the representativeness of the sample elements, that is according their characteristics and structure should suit the mass they are taken from.[5]

The selection of elements can be made from one list or by other techniques as the aleator construction of the phone numbers. The risk of variation between the population and the list which is used, is called an error of the list. This error has to exist and it depends on it what part of the motives variation won't be researched.

#### 4. MODEL OF TRANSFORMING QUALITATIVE VARIABLES INTO QUANTITATIVE ONES

The search of variables that present the characteristics and the behaviours of the real states and also faces the problems which come from the fact that certain variables are measured directly and others are not, are called hidden variable or latent ones.

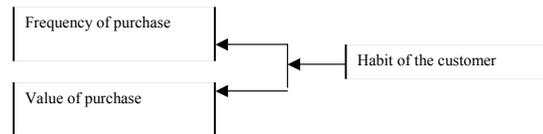
The concept of the shop can be considered as a hidden, or latent variable. In this case directly measured variables are: the price, the quality, the hygiene and the quality of receipt in the shop.



In this case the latent variable is a reflexion of the measurable variables.

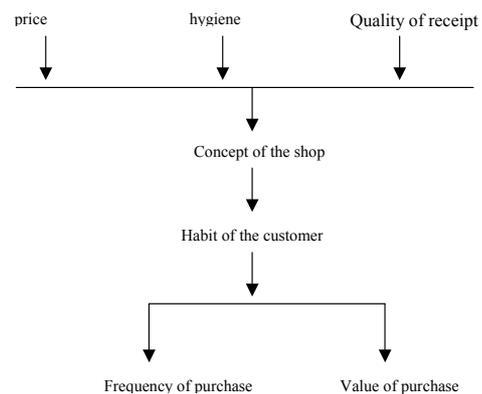
In a reverse case, the measurable variables are reflection of the latent variable.

The frequency and the value of purchase can be considered as measurable variables, while the latent variable is the habit of the customer.



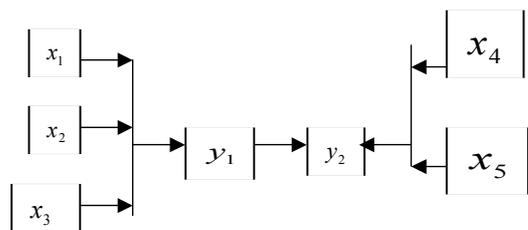
The quantitative marketing develops new methods for data analysing. These methods should reveal the relations among latent variables and directly measurable variables, on the other hand. This relations are formalized by models of causality.

Therefore, if we want to measure the concept of the shop via: the price, hygiene and the quality of receipt and if we are interested in the habit of the customer toward the shop via: the frequency of purchase and the value of purchase, we may ask ourself if there is any dependence between the habit of the customer toward the shop and the concept of the shop.



The relation among the latent variables and measurable variables is formalized using the model of causality presented through a system of structural equations.

If there are two latent variables in mutual relation and each of them is in relation with certain measurable variables, the model of structural equations can be presented in the following way:



$$y_1 = \alpha_1 x_1 + \alpha_2 x_2 + \alpha_3 x_3 + \varepsilon_1$$

$$y_2 = \beta_1 y_1 + \alpha_4 x_4 + \alpha_5 x_5 + \varepsilon_2$$

where,

$\varepsilon_i$  - are error measures;

$\alpha_i$  - are coefficients for the connection among measurable variable and the latent variables

$\beta_i$  - are coefficients for the connection among the latent variables

In a matrix form, the system will be:

$$Y = AX + BY_1 + \varepsilon$$

where,

X - is a vector of the empirical (measurable) variables;

Y - is a vector of latent (directly non measurable) variables;

$\varepsilon$  - is a vector of the error measures

A, B - are the matrices of the parameters

Three types of relations among the latent variables may appear:

-orthogonality: which denotes independence

-simetry: which denotes that there is non oriented dependence

-oriented dependence: there is a recursive causality (indirect relation)

The most frequently used methods for analysing certain dependences are: the method of the smallest squares and the analysis of the covariance.

The choice of the method depends on:

-the aim of research;

-the nature of the latent variables;

-the nature of the relations among the latent variables;

-the nature of the relations among the latent variables and the measurable (empirical) variables.

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