

# Marketing in Germany: A market research for a start-up business of cake making/decorating business in Frankfurt

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Bachelor's Thesis

Field of Study Business and Administration			
Degree Programme Degree Programme in International Business			
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Title of Thesis Marketing in Germany: A market research for a start-up business of cake making/decorating business in Frankfurt			
Date	27.01.2016	Pages/Appendices	45
Supervisor(s) Virpi Oksanen			
Client Organisation/Partners			
<p><b>Abstract</b></p> <p>The research problem was to make a market analysis of cake making/decorating business in Frankfurt, Germany. Based on the research process, customers' attitudes towards cake making/decorating companies were found out. The main objective of the thesis was to know targeted customer behavior and opinions towards a business idea of initiating business in cake making/decorating, in order to find out if it will be profitable or not.</p> <p>This thesis consists of four sections: Introduction, Market research, Analyzing the cake making environment in Frankfurt and Conclusions. In Introduction the importance of the task is explained and the research process is described. The market research section concentrates on the marketing environment and the steps of market research. In the third section there is presented the secondary data analysis and the survey results on consumer behavior. All these helped to get an overview of the German market. The last section is a summary of the research problem, followed by the concluding remarks, references and appendices.</p>			
Keywords Marketing, Market research, Start-up Business, cake business			

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## 1 INTRODUCTION

Nowadays more and more people start to make their own business, as it is easier, you are the boss and you have more opportunities, everything is in your own hands. But not every idea and every business can be profitable. And only customers bring profit, so if they like the new idea, new product, new service the business will be profitable, but if not you should think about another one more profitable. Statistical information can be very useful, when you are going to start-up business or introduce new idea. This statistical information can help to understand do customers need this, waiting for this, will use it or is it just waste of time and money. One moment is that the area of research is not very wide, as to research the whole Germany it's a very long process, so the decision was made to choose one city, Frankfurt. In Finland it is difficult, so my friends were asked to help me in it. They live in Frankfurt and agree to take part in this thesis work. That's why the choice was Frankfurt, instead of another city. After analyzing results it was clear to understand to start-up business in this field in Frankfurt or not. This research will be useful for any start-up company X in the field of baking and confectionery. This research will help to understand whether or not to start business and make an effort in cake field in Frankfurt.

The research problem was to make a market analysis of cake making/decorating business in Frankfurt, Germany. The main objective of this thesis is to find out targeted customers behaviors and opinions towards a business idea of initiating business in cake making/decorating company.

This thesis consists of four sections: Introduction, Market research, Analyzing the cake making environment in Frankfurt and Conclusions.

Theoretical section includes market research, which consists of two issues: market environment and market research approaches. The market environment is defined as a part of market research. Then, market research process is described in 7 steps and market research approaches are included. In the third section there is the secondary data analysis and the survey results on consumer behavior with customers' and competitors' analysis according to the results, which were gotten through the research. All these helped to get an overview of German market. For the theory section material was gathered from the Internet, articles and books for proper materials. Moreover, quantitative method was chosen: to know (age, gender, occupation, and frequency of visiting cake making/decorating companies), to know potential customers.

With help of open-ended questions it was able to know targeted customers' expectations and suggestions contributed to the cake business in further marketing. Webropol was chosen for the research. And research was spread in the Internet through the email, social nets to German people. Also in Frankfurt there were some interviews with people.

In the end, there is a summary of the research problem, followed by the concluding remarks, references and appendices.

## 2. MARKET RESEARCH

The marketing environment consists of internal, micro and macro environment. It shows direct and indirect factors, which influence an organization in doing business. Some factors can be controlled by the firm and others are uncontrollable. The benefit of market environment is to be able to form and maintain long-term successful relationships with customers. (Blythe 2012, 23.)

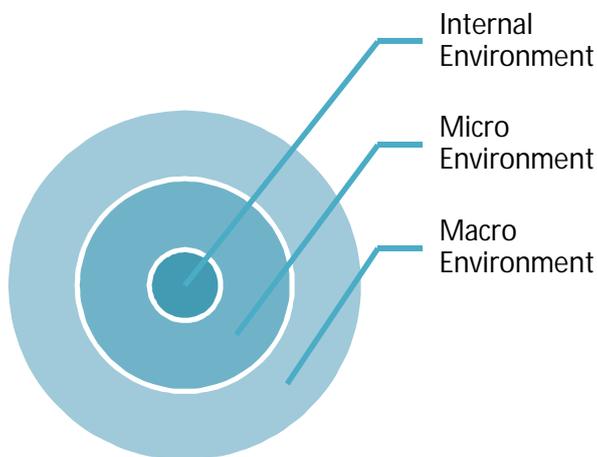


FIGURE 1. The market environment. (Blythe 2012, 27)

The internal environment is a microcosm of the external environment. There are its' own language, customs, pressure groups form, laws and regulations. It is made up of factors inside the firm and can be controlled. These factors affect business operations. Examples include employees, company policy, capital assets, the firm's structure and the firm's products. (Blythe 2012, 36)

### 2.1 Macro environment

There are not only existing factors but also some factors, which are not close to the firm, happen within the environments and can not be directly controlled. You can only to adapt to these factors. The main factors are political, economic, socio-cultural, technological, environmental and legal. A PESTLE analysis is used by marketers to analyze and the macro-environmental factors.

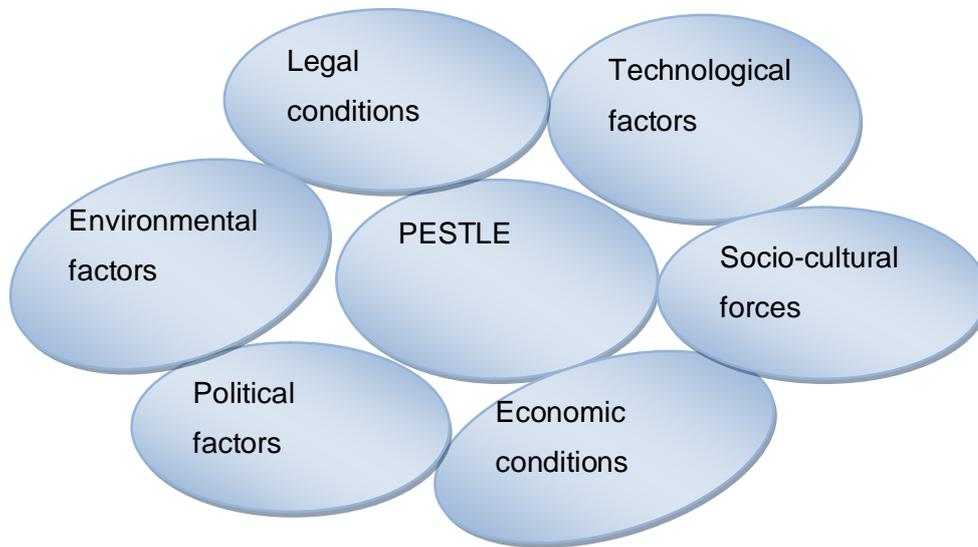


FIGURE 2. PESTLE analysis. (pestleanalysis, 2015)

**Political factor** is the first factor of a PESTLE analysis. This can include – government policy, political stability or instability in overseas markets, tax policy, foreign trade policy, trade restrictions, labour law, environmental law and other. Company need to respond to the current political situation and adjust the marketing policy accordingly. Government can set rules or restrictions on the conduct of businesses. The aim of this is to protect customers from unfair business and companies from each other. (pestleanalysis, 2015)

The **economic** factors can be divided into micro-economic and macro-economic factors. The micro-economic factors are related to how the consumers in the society spend their income. It can influence consumer purchasing power and his/her expenses. For example: business is successful when the economy is growing, employment is full, and prices are stable and consumers are willing to buy. In another situation, when the economy is slowing and unemployment is rising, the marketer's job is harder and people have less money to spend. (pestleanalysis, 2015)

The **macro-economic** factors are more concerned with the economic situation. It includes some economic elements, such as interest rate controls, inflation, employment levels, taxation policy and government expenditure. These economic elements change very fast and affect profit and sales, so you should get familiar with the economic situation in the word. (pestleanalysis, 2015)

**Socio-cultural** factors. Every society develops its own culture which means how people behave and interact with each other in society, as well as outside society. The culture includes values, ethics, goals, norms, customs and other behavior points. Socio-cultural factors also include age, interests, education, health consciousness and career attitudes. These factors can help to understand who we are as people, the way we behave and ultimately what we purchase. Population changes affect the supply and demand of goods and services within an economy. Falling birth rates will decrease demand and number of competitors and increasing the population leads for greater investment in food production. If companies do not seriously take into consideration this factor, they will lose market share and demand for their products and services. Business should adopt itself to the social and cultural environment. (pestleanalysis, 2015)

**Technological** factors refers to the new inventions and innovations, which create new market and opportunities. Technology affects the society and business operation. New technologies simplify people's life, but in companies can be some difficulties if managers do not follow the new innovations and do not replace the old technologies by new ones. Furthermore, you should think about new ways of:

- producing goods and services
- distributing goods and services
- communicating with target markets. (oxlearn, 2015)

**Technological** factors should also include materials development and new methods of manufacture, distribution and logistics. These factors help businesses explore new ways of communicating, engaging and interacting with customers. (pestleanalysis, 2015)

**Legal** factors. Health and safety, consumer rights and laws, product safety all these are included in legal factors. You need to know the legal system of the country and follow it for making decision. Legislation can prevent business or vise versa provide favorable conditions. (oxlearn, 2015)

**Environmental** factors can include issues such as limited natural resources, waste disposal and recycling procedures. Nowadays more and more customers prefer to buy environment-friendly products from the reliable resources. (oxlearn, 2015)

You can meet some factors both in Micro and Macro environments.

## 2.2 Micro environment

The micro environment includes factors that are directly deal with the company and influence daily business operations. Examples include customers, employees, suppliers, intermediaries, publics and competitors. (Blythe 2012, 27)

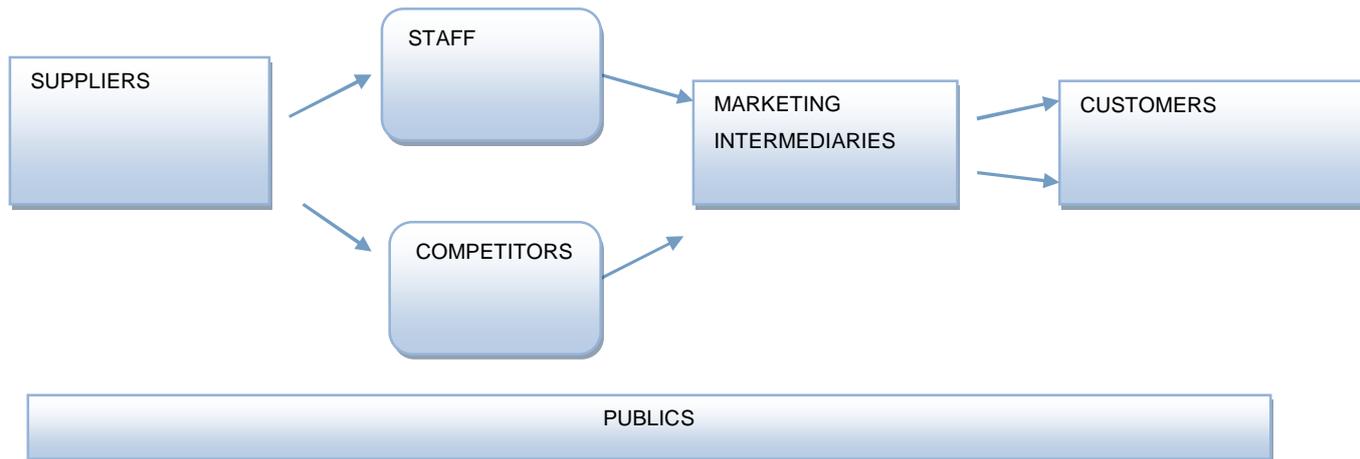


FIGURE 3. Major actors in the company's micro-environment (Kotler 2013, 115)

**Customer** plays the main, important role in business, as the profit and the future activities of the company depends on the customer. So the aim is to attract customers, have continuous information about them and maintain relationships with them, paying attention to their “wants and needs” and studying customer markets. (Kotler 2013, 118)

**Staff** also affects business and amount of sales. Employing staff without motivation, skills and training program will bring small profit for a company, than opposite one with skills, experience and motivation. Also training programs play a major role in company. (Blythe 2012, 23)

**Suppliers** provide resources needed by the company. Here the influences are in poor service, high price, bad quality, problems in relationships. All these can affect the company's operations. (Blythe 2012, 30)

Marketing **intermediaries** includes distributors like retailers, wholesalers and agents. They have their own business and are working to their own agendas. (Blythe 2012, 31) The intermediary is almost a face of the company, as represents the company, products and deals with customer. So if you want to get your goods out, firstly you should find an intermediary who will match

standards and then maintain good relationship with him by sharing information. (Blythe 2012, 31)

There are **financial publics, local publics, media publics, governmental publics and etc.** Financial publics include shareholders. Relationships with shareholders can affect the long term success of the business. Shareholder wants to get their invested money as soon as possible and put pressure on the company to increase profits. They have their own aims and are working to reach them. So the relationships should be careful and trustful. Local publics include company's neighbors, who can pressure the company to take local actions, such as sponsor local charities. (Blythe 2012, 31) Media has a very positive effect or very negative effect for the company. Very often one is replaced by another one, so the situation is unstable and usually is without control. Organizations need to deal with the media, so that the media help to promote the positive things about the company and reduce the impact of a negative event on their reputation. (Blythe 2012, 31)

The **competitors** are everyone who seeks to meet similar need. (Blythe 2012, 28) It's very important to recognize and follow the competitors, to analyze them and be in a higher position than they are. As if you are unaware of competitor's activities, it will be very difficult to get ahead of them. You should provide a product, which will be demanded on the market among customers better than the products offered by competitors. There are four types of competition: brand, product, generic, and total budget competitions. Brand competitors are those who provide similar products at same prices to the same customers. Product competitors offer products with different features and price. Generic competitors provide different products to fulfill the same customer needs. Total budget competitors compete for the limited financial resources. (Ferrell 2010, 101 – 103.)

### 2.2.1 Customer buying behavior

The satisfaction of buyers' needs is the most important thing. Consumers enjoy the freedom to choose, everyone needs different products to satisfy feelings (such as thirsty, hungry) and needs. (Solomon 2013, 29)

Wants are something different. We depend on the social groups and our surroundings, someone's opinion can change our image about product. Every day new products are appeared in the market and people are looking for something new and unusual. All these things are influence our decision to buy. (Solomon 2013, 30)

By studying consumer behavior companies can analyze needs and make suitable products for needs. Throughout life consumers behavior with needs and desires is changing, so companies should take into account different factors, such as: cultural, social, personal and psychological. Before buying, consumer is thinking about advantages and disadvantages of product. It helps to understand likes and dislikes of the consumer and make internal and external research. (Solomon 2013, 32)

A consumer goes through several stages before purchasing a product or service. Such as first consumer needs a product, then he/she begins to gather information. After this consumer choose the best product in his opinion and buy it. Finally he/she analyze if the product useful or not. (Solomon 2013, 32)

Customer value is the difference between benefit and cost. The aim is to offer the best price for consumer. The consumer decision consists of value of the product, involvement of the buyer and the risk. But also decision can be influenced by life style and factors. Moreover companies need to make market analysis. It requires an understanding of the 4-Cs which are consumer, conditions, competitor and the company. (Kotler 2013, 166)

A consumer is anyone who consumes goods and services available in the market. A customer is one who purchases a product or service from a particular organization. There are different behaviour roles, each role is important and have their advantages. (Kotler 2013, 166)



FIGURE 4. Customer buying behavior. (Kotler 2013, 166)

**Problem recognition** is the first step in the consumer buying process. Problem recognition arises when the consumer realizes that there is a need for some item. (Blythe 2012, 45) It is the difference between the desired state and the actual condition. The need can be triggered by internal stimuli and external stimuli. An internal stimulus-drive leads on to motivation, which is the reason why people take action. The level of motivation will depend on the desirability of the end goal, and the ease of achieving the end goal. (Blythe 2012, 46) An external stimuli appears when you get thinking about buy new product after watching advertisement or discussing with friends.

You choose a product but do not know which brand to use? That's why consumer use **information search** to help them choose product. There are two forms of information search: the internal search involves remembering previous experiences, and thinking about what they have heard about the product category. The external search if you need more information. It involves shopping, reading and talking to friends. (Blythe 2012, 36) Not all external sources of information are controlled by the marketer-don't forget the power of word of mouth as a marketing tool. People are more likely to trust information given through word of mouth, because the source is generally assumed to be unbiased and trustworthy, and the information itself often derives from first-hand experience. In other situations, the consumer might seek out information from internet, specialist publications, retailers or even from marketing literature. (Blythe 2012, 46)

**Information evaluation** helps to make the decision easier the consumer often adopts mental 'rules of thumb' that cut corners and leads to a faster decision. The consumer is especially prepared to compromise on the quality and thoroughness of assessment when the problem-solving situation is less risky and complicated. They may focus on brand, store choice, pricing, promotion or packaging, and will serve to limit the size of the evoked set and to eliminate some of the options. (Pettitt 2007, 74) There are intention purchase and decision purchase. The first is the attitudes of others and the second is unexpected situational factors. If the outcome of the negotiation is not satisfactory, then the consumer may regretfully decide not to go ahead with the purchase after all, or rethink the decision in favour of another supplier- you cannot be certain of your customer until they have either handed over their money or signed the contract. (Pettitt 2007, 74) The aim of the seller is to make purchase process simple and effective.

**Post-purchase evaluation** refers to the way the consumer decides whether the product purchase has been a success or not. This process usually involves a comparison between what the consumer was expecting to get, and what was actually purchased. (Blythe 2012, 48-49) Thus the post-purchase evaluation stage is important for a number of reasons. Primarily, it will affect whether the consumer ever buys this product again. (Pettitt 2007, 75)

There are some points to note about the process as presented here. First, the consumer may choose to end the process at any stage. Second, the process does not necessarily have to run from stage 1 to stage 5 in an unbroken flow. Finally, the time taken over the process may vary enormously, depending on the nature of the purchase and the nature of the purchaser. (Pettitt 2007, 75)

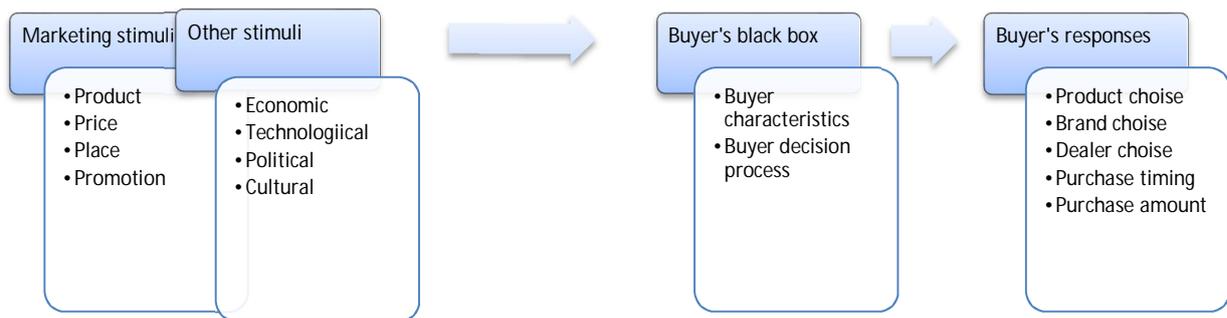


FIGURE 5. Model of Buyer Behavior (Kotler 2013, 157)

There are various stimuli. For example: marketing stimuli included the marketing mix, as product, price, place and promotion. Moreover there are lots of other kinds of stimuli based on economic, technological, political and cultural stimuli. Various stimuli come into the buyer's black box which is consisted of buyer characteristics and buyer decision process. After these issues there are buyer's responses about the product, such as product and brand choice, the time and amount of purchase and so on. (Kotler 2013, 150-151)

There are four important factors in buying decision, which have to be taken into consideration. **Personal factors** are futures of the consumer that affect the decision process. Age and way of life, this factor is changeable and different for each customer. As during the life our values, environment, hobbies and habits are changing, so we do not buy the same products after 50 years. Our purchasing priorities and need would be another. The lifestyle will influence on his behavior and purchasing decisions, as every person has his own lifestyle and according to it, choose needed products and services. It includes hobbies, interests, values and opinions. Personality refers to the unique psychological characteristics that express a person or group. (Kotler 2013, 155) Occupation, people with high income can allowed more products and activity than with low incomes.

**Psychological factors** includes elements of the mental process, the most important ones Motivation and perception. Motivation is directly related to the need. There are different needs. According to Maslow's hierarchy of needs, he suggests individual's to satisfy basic physiological

needs such as hunger and thirst. When it will be done, move up to the next level of the hierarchy; safety needs, where the priority is things like personal safety, knowing that you have a place where to live and job with regular income. Safety is followed by social needs such as love and belonging. Things that influence self esteem are status, recognition, image, job title and even wearing branded clothing make up self esteem needs as they mean a certain status. The last stage is self actualization or the point where an individual believes they have met their potential and all of their needs have been satisfied. (Kotler 2013, 160)

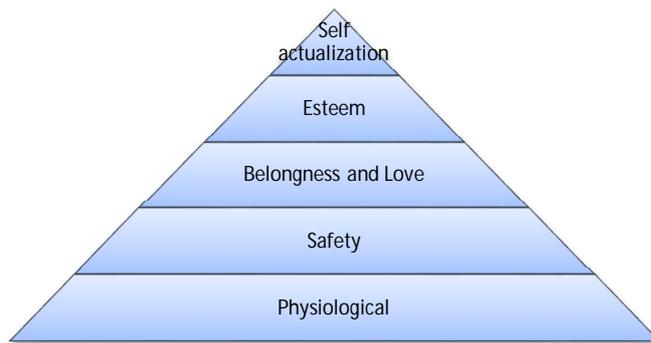


FIGURE 6. Maslow's Hierarchy of needs. (Businessballs, 2015)

Application of Maslow's theory within the workplace:

TABLE 1. The table below provides examples of Maslow's "Hierarchy of Needs" theory. (Blythe 2012, 51-57)

Maslow's level	Examples of how the need can be used in the workplace?
Physiological	A salary amount which allows the individual to have food shelter, clothing etc.
Safety	Safe working conditions and clear work procedures to reduce stress and anxiety.
Social	Positive work relationships, team work and work social events to encourage team building.
Esteem	The opportunity to achieve and secure job promotions.
Self actualisation	Allocating challenging and stimulating responsibilities to employees. Employee development helps employees achieve and develop their potential in the workplace.

Perception is the process through which a person chooses and organizes the information in order to do something that makes sense, how you interpret the world around you. The process when customer selects and evaluates information which is more suitable for him is named selective attention. Selective distortion, when people choose information which suits their beliefs. And the last is selective retention, when person remember good brand and use only it. Learning, when we act, we learn and when we learn, we change our behavior and opinions from the information and experiences. A belief is a conviction that an individual has on something. Beliefs are based on knowledge, opinion and faith. Speaking about attitudes it can be positive and negative and it is very difficult to change since it comes into mind. (Blythe 2012, 51)

**Social factors** are influences from friends and family (Blythe 2012, 56.). Very often people, who are around us, influence our behavior.

#### a) Family

Family members have strong influence on our buying behaviour. It is the most influencing social factor. The family can be nuclear (small) and joint (large), so in the joint family the decisions are making in a group and have less liberty than in a nuclear. The family can influence on personality, characteristics and attitudes. (Kotler 2013, 145)

#### b) Reference group

There are various groups which can influence directly or indirectly. It can be: membership, co-workers, professional groups, friendship, religion groups and other. The influence can be through the group pressure, their experiences, ideas, rules and etc. Reference group always have a leader, who influences others because of skills, experience and knowledge. (Kotler 2013, 145)

#### c) Roles and status

Every person has its own role and each role carries a status. A social role is a set of activities, which person does according to his/her position in society and life. So people choose products according to their status. (Kotler 2013, 145)

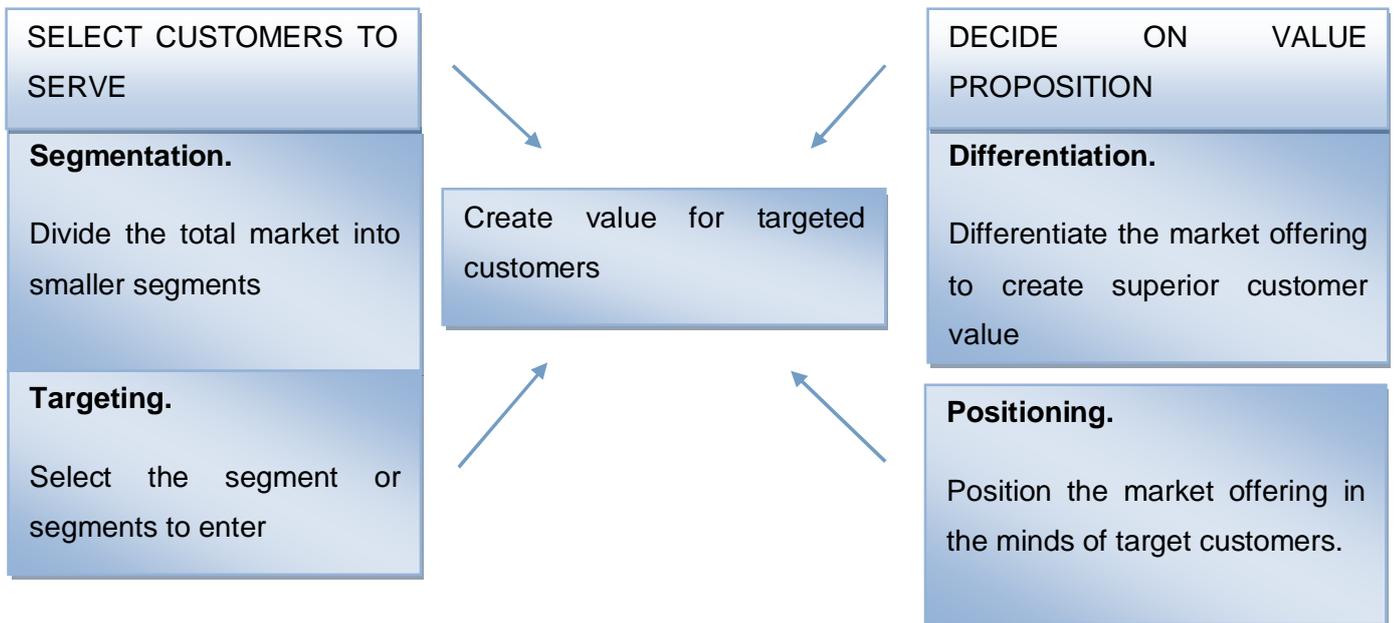
Cultural factors such as traditions and values. People know cultural norms from childhood and they are visible in everyday behaviour. Cultural values can be seen in daily life, in food, clothes and preferences. So lots of brands try to match with the culture. Subculture is a group of people with common value systems based on similar life experiences and situations. Subcultures include nationalities, religions, racial groups and geographic regions. (Kotler 2013, 146)

Marketers analyze various demographic and social variables to identify subcultures. They should choose products and marketing communications according to intercultural differences, as the values and attitudes of people from different groups can be significantly various. If a company fails to recognize this need, probably that the product will face a failure in some markets. (Kotler 2013, 152) Social class, it is a society where people share the same or similar value, interests and behaviors, so they have similar buying behavior. Social class is measured by occupation, income, education, wealth and etc. There are three types of social mobility: horizontal, downward and upward. Horizontal mobility means when person change only position but not social status. Downward mobility happens according to the situation, lose status. And upward mobility is when person reach higher status than parents. (Kotler 2013, 15.)

### 2.2.2 Customer-Driven Marketing Strategy

This strategy includes four main points: segmentation, targeting, differentiation and positioning. The first two points, answering the question: which customer to serve, and the next two, how they will create value. The segmentation is divided groups of people according to their needs, as it is easier to satisfy customers. The aim is to find a group of people who have needs that can be met by a single product. Targeting is connected with evaluating each segment and choosing which segments to aim for doing business within the market. Differentiation is differentiating the market offering to create customer value. Positioning, it is about brand's relationship with other brands aimed at the same segment in the minds of the consumers. (Blythe 2012, 75)

FIGURE 7. Designing a customer-driven marketing strategies (Kotler 2013, 192 )



The main purpose of segmenting is to satisfy one group with similar needs, rather than everybody. (Blythe 2012, 76) You can segmenting consumer markets, segmenting business markets, and segmenting international markets. Accessibility, substance and measurability are key criteria in segmentation. (Blythe 2012, 77)

**Geographic** segmentation is divided according to the area. The company can start to sell in small area first and then go internationally. **Psychographic** segmentation is divided according to personality. This type is very difficult to evaluate. **Behavioral**, includes not only knowledge and attitude, but also five sub-variables. It is occasion, benefit, user status, user rate, and loyalty status segmentations. **Demographic** segmentation is the most common and popular factor, as it is easy to measure and get result. It includes age, salary, occupation, family size, lifestyle and etc.

Market segmentation has advantages and disadvantages. The pluses are first of all, it helps to get more detailed information about customer characteristics of different segments. Then, it helps to meet customer demands and expectations by choosing an appropriate strategy for the segment. Last but not the least, as companies know their consumers better, finances are allocated more efficiently. The minuses are that market research increase costs. (Shiffman 2012, 39.) Also, if some market segments overlap, it can lead to brand cannibalization. (Doole 2005, 140- 141.)

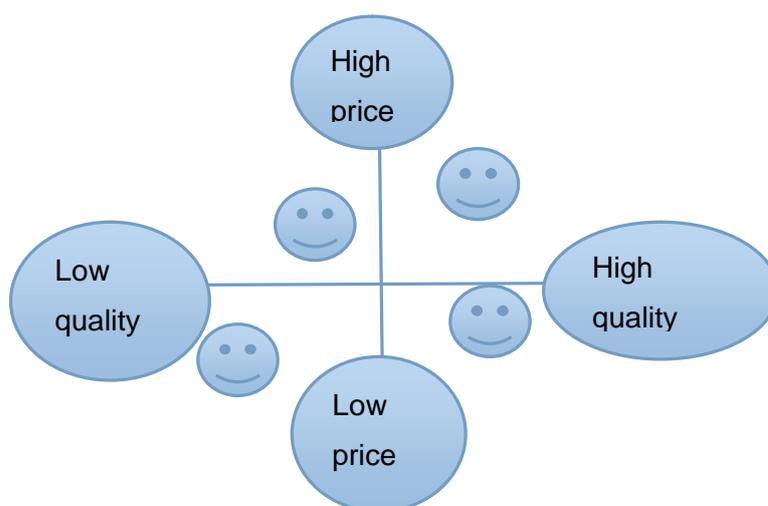
After segmentation, managers have to evaluate and choose segment, which will be the best to target. It is not easy to choose, as it should be profitable and difficult for competitors to enter the market. There are three basic strategic options:

- Concentrated marketing include only single segment, it is usually adopted when resources are limited. It offers good reputation and strong position, but involves higher risk.
- Differentiated marketing concentrate on two or more segments, when there is high level of resources. It can bring higher sales but very expensive.
- Undifferentiated marketing offer basic made-for-everybody products to all people. It means that managers target all customers and suggest the same offer to the whole market, but it is very difficult to satisfy all customers at the same time. (Blythe 2012, 83)

But there is a question what strategy to use, what will be better? There are some factors that can help: the company resources, the product's features and benefits, the characteristics of the segment. (Blythe 2012, 86) Choosing the wrong segment leads to lost opportunities.

There is a perceptual map, where the products are positioned between similar offerings. An example of a perceptual positioning map is shown in FIGURE 8. The position is based on the customer's opinions, feelings and impressions but the position can change. (Learnmarketing, 2015)

FIGURE 8. Example of perceptual positioning maps. (Learnmarketing, 2015)



There are five elements that help to differentiate brands: product, services, channels, people, or brand. Product differentiation consists of quality, style, materials of the product. Service differentiation consists of quality, delivery, speed. Channels differentiation includes quality and performance. People differentiation involves employing people and training programs. Last but not the least, brand differentiation which covers the products' benefits and positioning. It requires a lot of time to leave a strong image in the customer's mind. (Learnmarketing, 2015)

### 2.3 Market research approaches

Market research is process including collecting, analysing and presenting useful information about customers, also it's a part of marketing research. Focuses on customer's needs and provides information that supports it. (Blythe 2012, 100) There are some steps in doing effective marketing research:

Define your "**research problem**". In this step you need to set up objectives, which you would like to achieve in future, but the problem shouldn't be broadly or too narrowly. The main idea is to think and choose key information that you would like to uncover. Information should be interesting for you and increase motivation for researching. (Blythe 2012, 102)

Thinking about "**research design**". Here you should thinking about a list of questions, which will be appropriate for your research. Every question is needed to be carefully thought out. And only after this you can choose a suitable background, design for your questions. There are three main types of research: Exploratory Research – use when the topic is not well defined or understood and you have very poor knowledge. It includes secondary research, focus groups and interviews. The purpose is to make an initial assessment of a problem and find possible solutions. It Exploratory research is a qualitative form of research. The second one is Descriptive Research, it is used when you need to get more detailed data with better understanding of a specific topic. Large-scale surveys are commonly used for descriptive research. And last but not the least Causal Research, it is the most specific type of research, which usually comes in the form of a field test or experiment. Random sampling may help in this research. (Blythe 2012, 105-109)

Design & Prepare Your "**research instrument**" contains the starting points in executing your plan. Here you check your previous steps and think about research instruments, the data sources, research approaches, sampling plan, and contact methods. (Blythe 2012, 110)

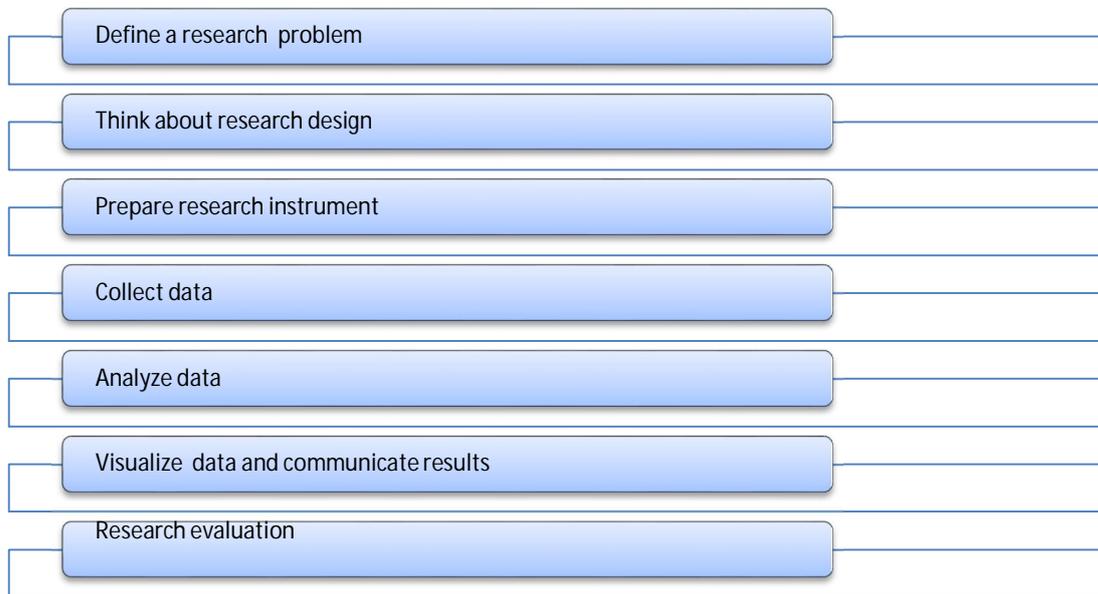
**Collect your data.** The answers are being collected and recorded. Data can be collected from primary or secondary sources. Primary: interviews, questionnaires and experiments, so this information is gathered for fresh, special events, when you need to get new, up-to-day information, as with existing information it is impossible to solve. Secondary comes from published information, that have already been collected and available from many sources. Secondary research should be conducted before primary, for better results. But if the information is untrue, incomplete, it is better to use primary data. (Kotler 2013, 101) Advantages of secondary research are: It is much cheaper, there are huge amount of information, which you can find immediately and budget your time, as for finding information, you don't need to spend lot of time. For disadvantages: The information can be not true to life or outdated.

**Analyze your data.** Use software package (ex: Excel), build diagrams, tables and graphs, filtering and divided information and start to make analysis. It has three stages: Editing, tabulating and interpreting. Editing means exclude spoiled responses. Tabulating means cross-tabulating responses. Interpreting explain what figures mean. (Blythe 2012, 111) There are quantitative data and qualitative data and for analyzing you need to use different programmes. For qualitative data, the larger is sample, the more reliable the information. So if there is small number of people interviewed, the information can be unreliable. The programs for analyzing information are CPM, PERT, SPSS or Excel. Statistical issues, such as correlation, regression or significance testing also help in analyzing. And for qualitative data analysis. There are some computer programs for analysis of qualitative data, such as ETHNOGRAPH, QUALPRO and etc. They found text, assembled and indicated segments; create indexes and add key words to find needed areas. (Blythe 2012, 112)

**Visualize your data and communicate results.** Present your results with charts, tables, answers and recommendations. The information should be easily understandable and compelling a fashion as possible. Quantitative data is putting into tables, graphs, charts. Qualitative data can be presented in a set of matrices (cross-tabulation with rows and columns), or network (diagram showing the differences). (Blythe 2012, 115.)

And the last step is **research evaluation**. It includes a review of all steps above, with some improvements or changing.

FIGURE 9. The marketing research process. (Blythe 2012, 102)



### 2.3.1 Qualitative approach

Qualitative research is a type of scientific research. Additionally, it seeks to understand a given research problem or topic from the perspectives of the local population it involves. It deals with people's attitude, beliefs and intentions towards products or company. (Blythe 2012, 104) It is based on small numbers of representatives. When used together with quantitative methods, qualitative research can help us to interpret and better understand the complex reality of a given situation and the implications of quantitative data. There are three qualitative methods. Each method is used for obtaining a specific type of data. Participant observation is for collecting data on behaviors in usual contexts. In-depth interviews are used for collecting data on individuals' personal information and experiences, especially when sensitive topics are being explored. Focus groups are effective in collecting wide data of concern to the cultural groups or subgroups represented. The types of data these three methods used in notes, audio, video recordings, and transcripts. Qualitative research focuses on gathering verbal data, which is then analyzed in an interpretative way and provide a complete, detailed description of the research topic. But the same results can give different conclusions. Most of the time it is used in earlier phases of research. (Cooper and Schindler 2003, 132-133)

### 2.3.2 Quantitative approach

According to Kotler (2013, 129, 134), this type of research is used for gathering descriptive information, which provides a product's, service's overview or potential customer's attitudes and behavior. Usually questions can be expressed in numbers and the amount of respondents is bigger than in qualitative research. The survey is the most common quantitative research. It is very important to ask a right question in a right time. Before putting survey in the internet, it should be testing and making some corrections. Another one is sampling and the main task is to find whom to ask, as it is important to find right people for drawing right conclusions.

There are lots of various sampling methods: random sample (each person), quota sample (divided by category) and stratified sample (choice made by chance). The easiest and more reliable is quota sampling. Interview technique, it can be face-to-face personal interview, in a group or my telephone. Quantitative research method offers valid and objective description of the result. It's important to survey people in large numbers and to make sure they are a representative sample of your target market, as by asking lots of people the same series of questions, it's possible to build up a clearer picture of how customers behave. Of course, as always there are advantages and disadvantages. It's very good way to offer realistic results, which can be published later, but it's very expensive and required a lot of time. Only measurable data can be gathering and analyzing, as this research focuses more in counting and constructing statistical models. And after this you can get a clearer picture, image, what to expect in research. (Daymon&Holloway, 2011, 11)

TABLE 2. Quantitative research & Qualitative research.

<b>Quantitative research</b>	<b>Qualitative research</b>
Large sample	Small sample
Measuring	Explaining
Analyses number	Analyses thoughts
Closed questions	Open questions

### 3 MARKET RESEARCH FOR A CAKE MAKING BUSINESS IN FRANKFURT

The purpose of this thesis is to know targeted customers behavior and opinions towards a business idea of initiating business in cake making/decorating, to find out will it be profitable or not. In this thesis quantitative and qualitative methods were used. Moreover markets', customers' and competitors' analysis help to achieve goal and get result.

The survey research was made using Webropol and spread by researcher in the Internet through the email, famous social nets to German people. This survey helped to study targeted customers behavior, their needs, and attitudes. The questions from the survey can be found in APPENDIX 1 page 40. There were 12 questions for gather empirical data, some were opened questions and other multiple choice. The first questions were to know their gender, age, occupation and frequency of visiting or using services of cake making/decorating company in Frankfurt. Also there were 4 out of 12 in the second part were open-ended questions, for better understanding their opinions and expectations. The survey was opened from 16.02.2015 to 12.03.2015.

Also in Frankfurt there were some interviews with people. The questions for the interviews are in APPENDIX 3 page 44. The people were locals and the places were supermarkets, squares, cafes. Only minority of responders passers, agreed to take part in an interview.

The secondary researches were conducted with gathering and analyzing materials from the Internet, articles and books. All these can be found in REFERENCES part on pages 38-39. The previous theoretical knowledge also helped a lot for the research.

#### 3.1 Market analysis

In Germany, bread has evolved into a range of baked goods and a bread culture which is unparalleled anywhere else in the world, with over 3,000 bread specialties and 1,200 pastry varieties. In Germany bakers are trying to mix the modern and traditional styles.

The assortment includes:

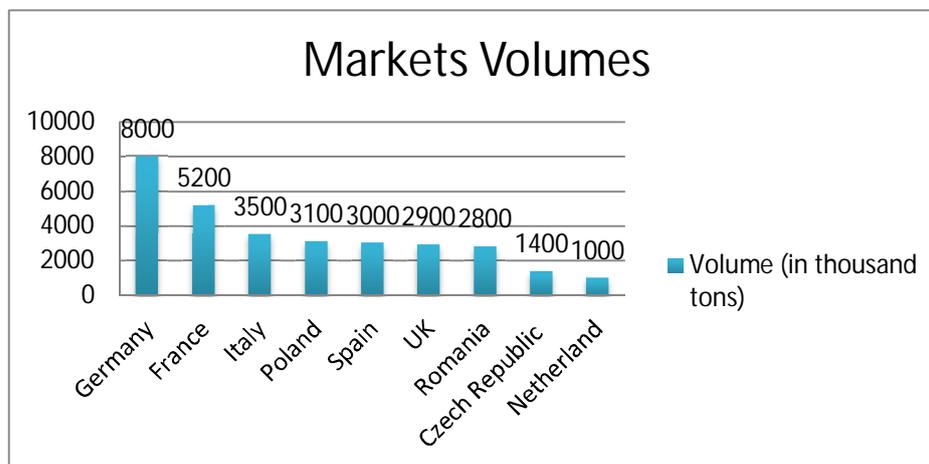
**Bread.** Germans consume a lot of bread about 80 kg per person every year. Bread can be separated into three categories: packaged/industrial bread, unpackaged/artisanal bread, and bread substitutes.

Nowadays consumers prefer to shop just once a week, especially on Friday or Saturday, so they are looking for convenience, and packaged products have a longer shelf life.

**Cakes and pastries.** Cake manufacturers are trying to reduce sugar content in order to provide cakes for health-conscious population. Moreover French and American pastries are popular in Germany.

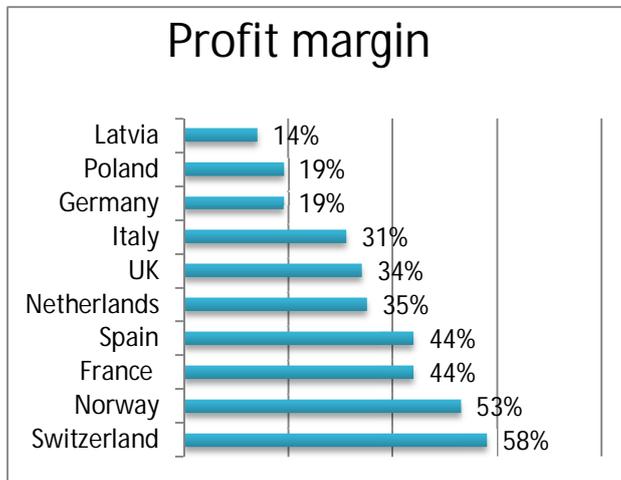
**Biscuits.** German consumers with a small budget used biscuits as a substitute for chocolate. The German biscuit market is mature and thus significant growth is not expected.

FIGURE 10. Bakery products market volumes. (Eurostat, 2015)



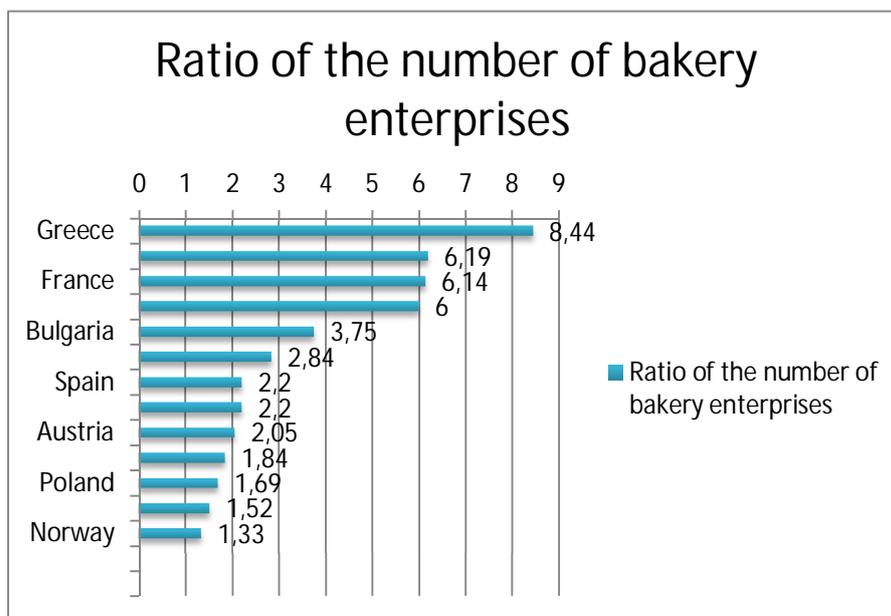
We can see the first market in volume (8 million tons) is Germany, whereas France has only 5.2 million tons.

FIGURE 11. The profit margin from bakery production Germany. (Eurostat, 2015)



Germany has only 19% the profit margin from bakery production while Switzerland and Norway have more than 50%.

FIGURE 12. Ratio of the number of bakery enterprises per 10 000 people. (Eurostat, 2015)



Here is a ratio of the number of bakery enterprises per 10 000 people. The Germany has not high position with the ratio 1.84. The higher positions have Greece (8.44), Portugal (6.19) and France (6.14).

And when people in Frankfurt were asked about if they satisfied with the amount of cake making/decorating companies in Frankfurt, for majority it was very difficult to answer this question.

Distribution of revenue in the German baking trade:

FIGURE 13. Annual revenues in the German baking trade. (Eurostat, 2015)

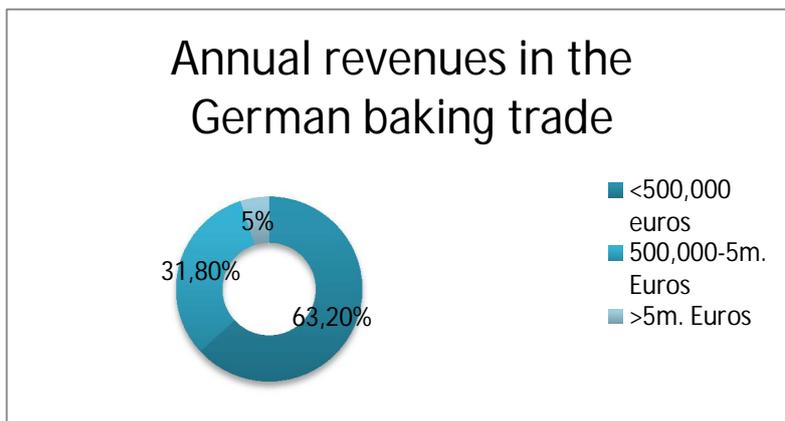
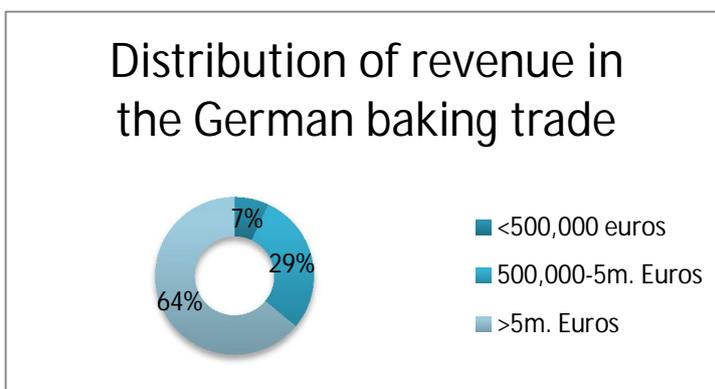


FIGURE 14. Distribution of revenue in the German baking trade. (Eurostat, 2015)



Analyzing these two charts in the German baking trade: We can notice that the small group of bakeries with annual revenues exceeding 5m € (5%) generate a 64 %-share of the revenues. Companies with annual revenues of between 500,000 and 5m € (31, 80%) account for a 29%-share of revenues and bakeries with annual revenues of less than 500,000 € (63, 20%)

generate 7% of the total revenues.

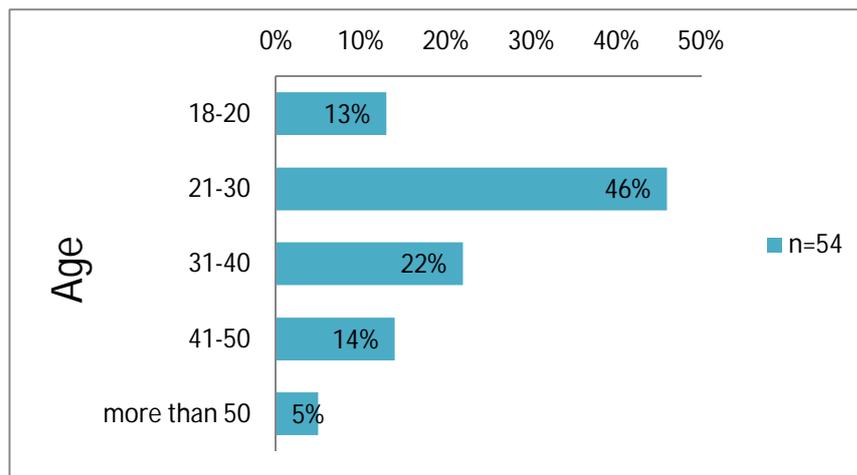
### 3.2 Customer analysis

In order to find out and analyze customers, the following demographic varieties were questioned in the survey: gender, age occupation and frequency of visiting.

#### **Gender of the targeted customers (n=54):**

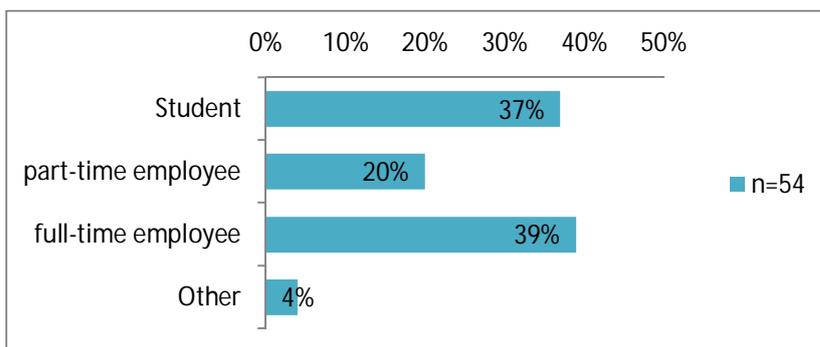
The numbers of respondents were 54. 94% of the responses were Female while 6% were male.

FIGURE 15. Age statistic of the targeted customers (n = 54)



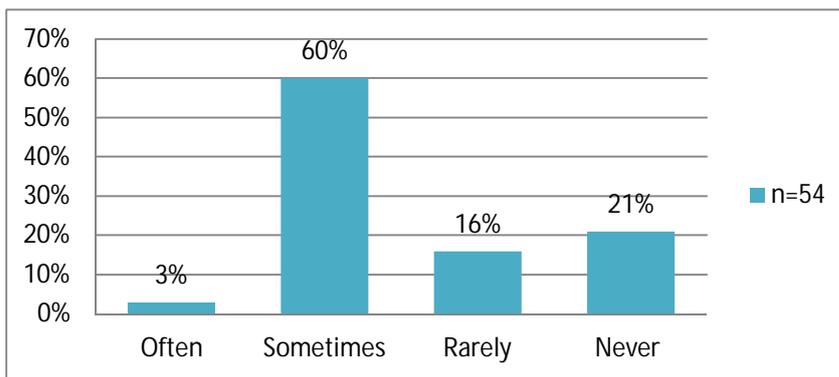
The age was from 18 years old. The majority were from 21-30 years old (46%) and from 31-40 (22%). Least of all respondents were more than 50 years old (only 5%).

FIGURE 16. Occupations of the targeted customers (n = 54)



Most of the samples were full-time employee (39%) and student (37%), while part-time employee and other were (20%) and (4%).

FIGURE 17. Targeted customers' frequency of visiting or using services of cake making/decorating company in Frankfurt? (n=54)

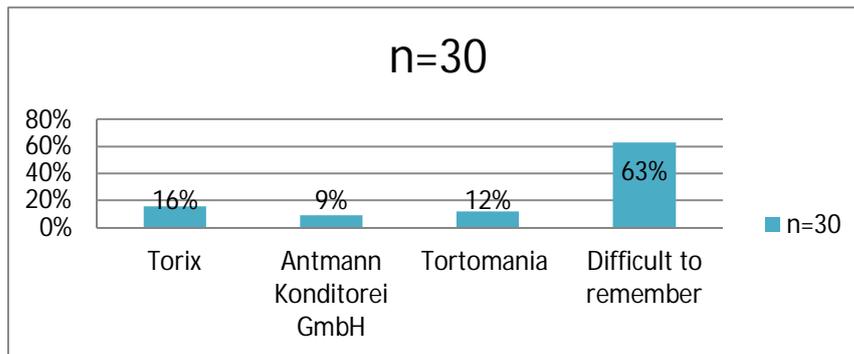


Most respondents 60% sometimes go to the cake making/decorating company. Only 21% responded that they never visit it, as for them it is better to make cakes at home than buying. 16% go there very rare, only when it is necessary. There are 3% who are regular customers and often go to the cake making/decorating company. But no one go there very often.

54 various people were interviewed from Frankfurt, Germany. Potential customer was founded by psychological segmentation characteristics, such as gender (male, female), age (from 18) and occupation (students, part-time employee, full-time employee, etc). After carefully studying the customer's answer, the target customers look like female student or full-time employee from 21-30 years old, who sometimes visits cake making/decorating company in Frankfurt and offers cakes for the holidays or special events. We can say that according to frequency of visiting they are active in this sphere.

### 3.3 Competitors analysis

FIGURE 18. Popular cake making/decorating company in Frankfurt. (n=30)



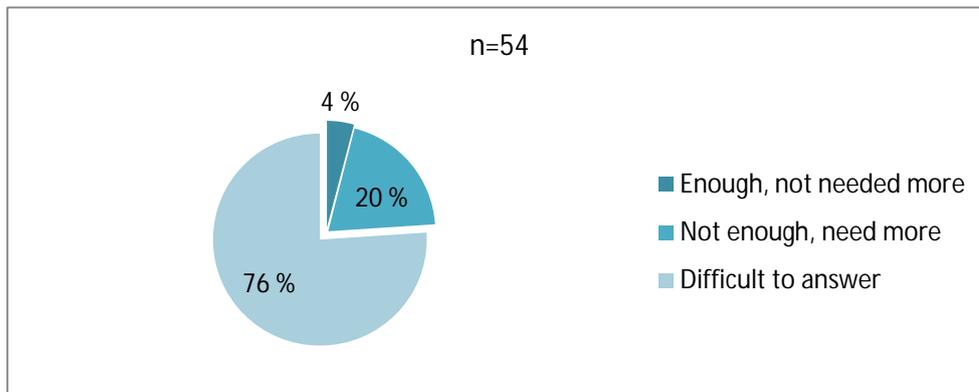
Among 54 people, only 30 took this question. There are 3 common companies, such as: “Tortix”, “Tortomania” and “Antmann Konditorei, GmbH” (37% were able to answer.) And for more than half respondents (63%) it was difficult to remember and give names of companies.

#### **When asked about the quality of the cake/services of cake making/decorating company in Frankfurt:**

The number of answering this question was 43. Only (33%) people satisfied with quality and service, while most of the people (67%) not satisfied. The reasons of not satisfying with the quality:

- First of all the price is very expensive, but cakes are not delicious;
- There is nothing or small choice for allergic people and those who follow the weight and take care of health;

FIGURE 19. Targeted customers' opinion about quantity of cake making/decorating companies in Frankfurt. (n=54)



For majority it was very difficult to answer (76%). The answer “not enough, need more” was chosen by 20% and only for small part (4%) there is enough companies.

#### **When asking about profitability of start-up business in Germany in Frankfurt**

almost everyone (97%) answered that it will be profitable if make very tasty cakes, like “Viennese cake” on reasonable price. And only 3% gave opinion that it will be not profitable, as there are Bäckerei (Konditorei) in Germany, where you can buy not only confectionery products, but also pies, salads, yogurts. So to start up business in a narrow specialty among serious competition is not profitable. If start up new business then with large, diverse assortment.

For now the taste of German cakes is bad, so cheaper and better to make at home by your own.

#### **Next question dealt with customer's expectation concerning new cake making/decorating company?**

The most popular answers were better quality at reasonable prices, as nowadays quality and prices do not justify each other. Moreover people are waiting low-calorie cakes with low-fat cream, as there are lots of people who take care of their health. Some people have expressed a desire to see some cakes by russian recipe.

Considering the competitive situation, there are three popular companies in Frankfurt, such as: “Tortix”, “Tortomania” and “Antmann Konditorei, GmbH”.

*Tortix*, this company was mentioned more often among respondents. At your request they will make the wedding and baby cakes, anniversary cakes and cakes for birthday, corporate, religious cakes. This company has lots of clients, as dates reserved in a few months, so you must make reservations two-three weeks before the date of execution. They offer Individual design, professional advice - via e-mail, by phone, or in the office, convenient fast delivery in the evenings, weekends and holidays. Speaking about the quality, they use only fresh, natural ingredients without the use of powder mixtures. (*Tortix*, 2013)

The next one is *Tortomania*. They offer cakes from simple to complicated creations: birthday cake, baby cake, wedding cakes, cakes for christenings, themed cakes and others. Reservations must be made at least 3 days before your celebration. Construction and decoration of the cake is individually and exclusive, they take into account customer's tastes and wishes. They offer delivery or you can take your cake from their office. For your cake, you can choose any size and toppings. All cakes contain food dyes. Some recipes use alcohol (except for children's cakes), so if you have an allergy, this is not for you. Price depends on the complexity of the plot and the size of the product: about 4, 50 euros for 1 serving (approximately 150 g). (*Tortomania*, 2015)

On the third place is *Antmann Konditorei, GmbH*. They can print your documents, which you send (eg photos) regardless of whether color or black / white with food coloring on a sugar foil. Moreover they use natural food colors (beetroot), as well as the sugar foil, consisting of boiled sugars and starches. Everything is safe for consumption. In addition to cakes, this company has a large assortment: bread and bakery products, floury products, donuts and others. (*Antmann Konditorei, GmbH*, 2015)

TABLE 3. Comparing each company with each other:

	Tortix	Tortomania	Antmann Konditorei, GmbH
<b>Assortment</b>	Offer only cakes and its decorations.		Has a large assortment of confectionery and bakery products
	Offer various kinds of cakes for any celebration.		
<b>Reservation</b>	Inform their customers that the order must be done in advance.		
	It is 2-3 weeks before the date of execution.	It is at least 3 days before celebration.	
<b>Price</b>	It's difficult to compare prices, as price depends on the design, size, materials and etc.		
		<i>Tortomania</i> link offers approximate calculation of price, it is about 4, 50 euros for 1 serving approximately 150 g).	
<b>Quality</b>		<i>Tortomania</i> uses food dyes that can cause allergies.	
	Use only natural ingredients, with natural food colors and without powder mixtures.		
<b>Service</b>	Offer individual design and professional advice, all wishes and preferences are taken into account. Also have delivery in the surrounding areas.		
	<i>Tortix</i> offers delivery not only during the week on working hours, but also in the evenings, weekends and holidays. It is very convenient, as you don't need to think about how and in what time to take an item.		

According to customer's opinion about the quality of cakes/services of cake making/decorating company in Frankfurt in common, most of the people aren't satisfied with quality and service, as price and quality don't complement each other, for such price they are waiting something better in a higher quality. Despite the varied selection there is still small choice of cakes for allergic people and those who follow the weight and take care of health, they want to have low fat cakes with low-calorie cream. For now the taste of German cakes is bad, so cheaper and better to make at home by your own.

#### 4 SUMMARY AND CONCLUSIONS

The targeted customers were male and female people from various age groups. The survey result provided broad needs, attitudes and behaviors of the customer segmentation toward the idea of a start-up business of cake making/decorating business in Frankfurt.

This work has combined lots of information from various sources. Primary data was gathered through survey which was conducted in Frankfurt and answers were collected using Webropol and social network websites. Also there were some interviews to get deeper answers, as the goal was to get as many opinions as possible from local people.

Secondary data was collected using available information, through the Internet, articles and books.

Data was needed to conduct the research:

- Statistical information
- Internet research
- Articles, books research
- online surveys of people in Frankfurt, Germany
- interviews of people in Frankfurt, Germany

This business is almost independent of the seasons as birthdays, anniversaries and family holidays are celebrated throughout the year. But is not profitable to work independently (in this case, you are very limited volume of orders, which can run for a certain period), and collect a few confectioners-masters, who will perform this work for you. The competitive situation is very high, as the companies offer a wide assortment not only confectionery products, but also pies, salads, yogurts. So it is advised to start with large, diverse assortment and sell at reasonable prices and better quality compare to other companies.

People are waiting from new companies that the items will be without additives, preservatives, will be seasonal and premium. Moreover customers will be attracted by the lower price, better quality, fat-free, low-calorie, low-sugar, and sugar-free confectionery and cakes by russian recipe, but customers' opinion in such area should be studied again in further researches during

the establishment. Everything is for better understanding and getting overview of German market.

And finally the main objective of this thesis, which is to find out targeted customers behaviors and opinions towards a business idea of initiating business in cake making/decorating company was achieved.

#### 4.1. Reliability and validity of the study

Speaking about reliability, at the beginning theoretical study helped to understand topic better. Then the practical research started with analyzing secondary data which was useful for further research.

Concerning the validity of the thesis, first the analysis was made according to theory and then knowledge was used for research. The data was gathered with the help of various research methods, but without special, scientific research.

To begin with Interview, there are some reasons, why results can be not truth. First of all, maybe they didn't tell their real opinion and thoughts, as they didn't want. Second, with messages it is very difficult to understand what respondents wanted to say, even with emoticons.

Thanks to survey where were various ideas to analyze, but as the number of respondents was limited, so it doesn't give one hundred percents truth statistics information to evaluate the result. Also there were not the same amounts of people, who answering the questions. Moreover, we can't be sure that before answering representatives read questions careful and think clearly.

#### 4.2 Future suggestion

Since this research only indicates the most important and notable characteristics of the Frankfurt market and customer segment, it is recommended that further researches should be conducted regarding the requirements of better understanding of the market; and works should be taken into consideration to successfully implement this business idea. Also it is suggested to do special investigation to study deeply market and needed segments.

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## CUSTOMER SURVEY

### Survey message sent to participations

Hello (name),

My name is Kristina and I am a student of a BBA programme in Finland in the Savonia University of Applied Sciences. I am writing my thesis on the topic of "German market research for a start-up business of cake making/decorating business in Frankfurt Research". My purpose is to collect the feedback from various people. I would appreciate it if you find a couple of minutes to answer my online survey related to the research.

Please let me know if you agree to participate and I will send you the link to my survey! This is very important for me! Thank you!

1. What is your name?

---

2. Gender

- Male
- Female

3. Age

- 18-20
- 21-25
- 26-30
- 31-40
- 41-50
- More than 50

4. Occupation

- Student
- Part-time employee
- Full-time employee
- Other

5. How often do you visit or use services of cake making/decorating company in Frankfurt?

- Very often
- Often

- Sometimes
- Rarely

APPENDIX 1 2(2)

- Never
- Difficult to answer

6. What is the popular cake making/decorating company in Frankfurt?

---

7. Are you satisfied with the quality of the cakes/services of cake making/decorating company in Frankfurt?

- Yes
- No

8. If no, why?

---

9. Is it enough cake making/decorating companies in Frankfurt? Do you need more?

- Enough, not needed more
- Not enough, need more
- Difficult to answer

10. Will be profitable to start-up business in cake making/decorating company in Germany (Frankfurt)?

- Yes
- No

11. If no, give reasons

---

12. What are you waiting from new cake making/decorating company?

---

Thank you very much for taking your time to take part in this survey.

## CUSTOMER SURVEY (Screenshot)

**CUSTOMER SURVEY: Market research for start-up business in cake making/decorating company in Germany (Frankfurt)****1. Name:****2. Gender**

- a) male
- b) female

**3. Age**

- a) 18-20
- b) 21-25
- c) 26-30
- d) 31-40
- e) 41-50
- f) more than 50

**4. Occupation**

- a) Student
- b) part-time employee
- c) Full-time employee
- d) Other

**5. How often do you visit or use services of cake making/decorating company in Frankfurt?**

- a) very often
- b) often
- c) sometimes
- d) rarely
- e) never
- f) Difficult to answer

6. What is the popular cake making/decorating company in Frankfurt?

7. Are you satisfied with the quality of the cakes/services of cake making/decorating company in Frankfurt?

- a)yes
- b)No

8. If no, why?

9. Is it enough cake making/decorating companies in Frankfurt? Do you need more?

- Enough, not needed more
- Not enough, need more
- Difficult to answer

10. Will be profitable to start-up business in cake making/decorating company in Germany (Frankfurt)?

- Yes
- No

11. If no, give reasons

12. What are you waiting from new cake making/decorating company?

**Questions which were discussed during the interview**

1. What is your name?
2. How old are you?
3. Do you work or study?
4. On what kind of work?
5. How often do you visit or use services of cake making/decorating company in Frankfurt?
6. What is the popular cake making/decorating company in Frankfurt?
7. Are you satisfied with the quality of the cakes/services of cake making/decorating company in Frankfurt?
8. Is it enough cake making/decorating companies in Frankfurt? Or Do you need more?
9. In your opinion will be profitable to start-up business in cake making/decorating company in Germany (Frankfurt)? (Why not?)
10. What are you waiting from new cake making/decorating company?

**Images of cakes by russian recipe: (viva-woman)**

