

Entrepreneurship Development

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Market Research

Objectives of Lecture on Market Research

This lecture should lead you to an understanding of the uses and abuses of market research. You should be able to:

- evaluate the usefulness (or otherwise) of market research for the problem you are involved with**
- discuss appropriate types of research with confidence**
- set yourself realistic expectations regarding the results/ timing**

**“It is a capital mistake to theorise
before one has data”**

Sir Arthur Conan Doyle

Structure of Market Research Lecture

- **Spend on Market Research**
- **Types of Market Research**
- **Potential Problems**

Market Research vs Marketing Research (strictly speaking...)

Market Research

Researching the immediate competitive environment of the marketplace, including customers, competitors, suppliers, distributors and retailers

Marketing Research

Includes all the above plus:

- companies and their strategies for products and markets**
- the wider environment within which the firm operates (e.g. political, social, etc)**

Market(ing) Research: Definition

The systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the organisation

Top 10 market research activities

Market Measurement

New Product development/concept testing

Ad or brand awareness monitoring/tracking

Customer Satisfaction

Usage and Attitude Studies

Media Research & evaluation

Advertising developing and pre-testing

Social Surveys for central/local government

Brand/corporate reputation

Omnibus Studies

External Market Research Firms

Types	Description
1. Syndicated - service research firms	Data gathered periodically from customers and distribution channels and then sold to clients
2. Custom market research firms	Hired to carry out specific research projects for clients. The firm conducts the survey and the results are the property of one client only (e.g. Research International)
3. Specialty line research firms	Firms providing a specialised service to <u>other</u> market research firms, e.g. a firm selling field interviewing services (e.g. Continental Research)

Why Conduct Market Research in New Product Development?

- The product must appeal to the customer (however widely defined)**
- Timely market research can help you mould the product to the consumer's need/wants**
- Market research tend to point out successes and failures before products are launched “for real”**
- As a result, it can save you money and time**

Types of Market Research

By Source	By Methodology	By Objectives
<ul style="list-style-type: none">- Primary- Secondary	<ul style="list-style-type: none">- Qualitative- Quantitative	<ul style="list-style-type: none">- Exploratory- Descriptive- Causal (or experimental)

Types of Market Research: By Source

Primary	Collection of data specifically for the problem or project in hand
Secondary	Based on data previously collected for purposes other than the research in hand (e.g. published articles, government stats, etc)

Types of Market Research: By Methodology

	Qualitative	Quantitative
Type of Question	Probing	Simple
Sample Size	Small	Large
Information per respondent	High	Low(ish)
Questioner's skill	High	Low(ish)
Analyst's skill	High	High
Type of analysis	Subjective, Interpretative	Objective, Statistical
Ability to replicate	Low	High
Areas probed	Attitudes Feelings Motivations	Choices Frequency Demographics

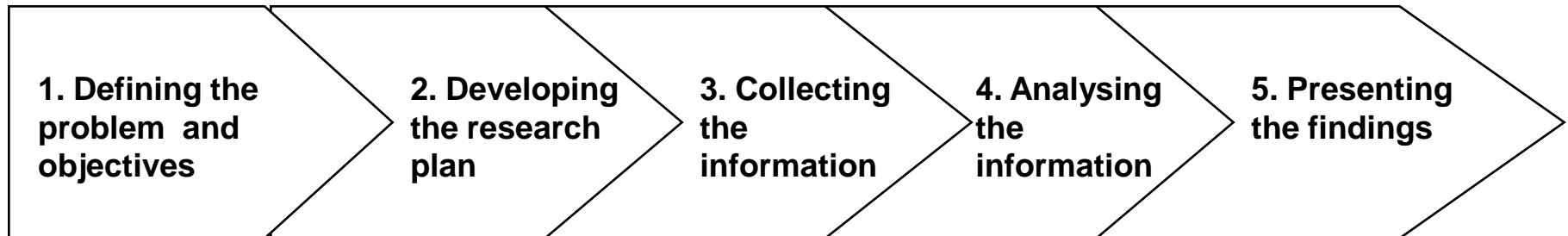
Benefits of Qualitative Market Research vs Quantitative

Benefit	Comment/Example
Cheaper	Smaller sample size
Probes in-depth motivations and feelings	Allows managers to observe (through one way mirror) 'real' consumer reaction to the issue - e.g. comments and associations (e.g. Levis) regarding a new product fresh from the labs
Often useful precursor to quantitative research	Gives the research department a low cost and timely sense of which issues to probe in quantitative research

Types of Market Research: By Objective

- **Exploratory** Preliminary data needed to develop an idea further. Eg outline concepts, gather insights, formulate hypotheses
- **Descriptive** Describe an element of an ideas precisely. Eg who is the target market, how large is it, how will it develop
- **Causal** Test a cause and effect relationship, e.g. price elasticity. Done through experiment

The Market Research Process



Steps

Distinguish between the research type needed e.g.

- exploratory
- descriptive
- causal

Decide on

- budget
- data sources
- research approaches
- research instruments
- sampling plan
- contact methods

Information is collected according to the plan (N.B. it is often done by external firms)

Statistical manipulation of the data collected (e.g. regression) or subjective analysis of focus groups

Overall conclusions to be presented rather than overwhelming statistical methodologies

Comments

If a problem is vaguely defined, the results can have little bearing on the key issues

The plan needs to be decided upfront but flexible enough to incorporate changes/ iterations

This phase is the most costly and the most liable to error

Significant difference in type of analysis according to whether market research is quantitative or qualitative

Can take various forms:

- oral presentation
- written conclusions supported by analysis
- data tables

Potential Problems with Market Research

- 1. When and how not to do it**
- 2. Problems with research buyers vs suppliers**
- 3. Frequent technical pitfalls**
- 4. Problems with traditional market research**

When and How *Not* to Conduct Market Research

Occasion	Comments/Example
Lack of resources	If quantitative research is needed, it is not worth doing unless a statistically significant sample can be used
Research results not actionable	Where psychographic data (for example) is used which won't help the company form firm actions
Closed mindset	When research is used only as a rubber stamp of a preconceived idea
Late timing re: process	When research results come too late to influence the decision
Poor timing re: marketplace	If a product is in the 'decline' phase (e.g. records) there's little point in researching new product varieties
Vague objectives	Market research cannot be helpful unless it is probing a particular issue
Cost outweighs benefit	The expected value of the information should outweigh the cost of gathering the data

Cost/Benefit of Market Research: 'Rule of Thumb' matrix

C = Cost

B = Benefit

		Expected Profit Margin	
		Low	High
Market Size	Large	B>C (?) (e.g. new brand of frozen fish)	B>C (e.g. High Definition T.V.)
	Small	C>B (e.g. replacement screw for spectacles)	B>C (?) (e.g. computer aided metal stamping machines)

Problems With Research Buyers vs Suppliers

Buyer

- **Narrow concept of research**
- **Research used tokenistically**
- **Unrealistic view of timeframe**

Suppliers

- **Variable quality of market researchers**
- **Market researchers not sufficiently demanding**
- **Technical problems**

Problems With Research Buyers vs Suppliers - Detail

Problems with Buyer of Research

- **Narrow concept of research**
 - many managers see M.R. as no more than fact-finding
 - they therefore spend little time defining the problem or explaining the context
 - the results are irrelevant
 - a vicious circle arises
- **Research used tokenistically**
 - used to confirm existing views rather than objective look at marketplace
- **Unrealistic view of time frames**
 - often results are expected very rapidly
 - research therefore commissioned too late
 - research firms bow to time pressure and results are sub-optimal

Problems with Supplier of Research

- **Variable quality of market researchers**
 - little uniformity of professionalism across the industry
 - many small, poorly qualified companies
- **Market researchers are not sufficiently demanding**
 - upfront time often insufficient
 - little contact throughout process
- **Technical problems arise e.g.**
 - problem ill-defined
 - questionnaires poorly constructed

Differing styles

Documents are often phrased in an abstract, tentative way (and rely on jargon) whilst managers expect concrete, down to earth recommendations

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Frequent Technical Pitfalls

- 1. Poor definition of problem**
- 2. Designing the questionnaire**
- 3. Sample size small**
- 4. Data collection inadequate**

Issues to consider in questionnaire design

- **Sensitivity of question**
- **Bias in formulation**
- **Cultural issues**
- **Repetition**
- **Respondent motivation**
- **Questioner training**
- **Pre-testing**
- **Comprehensiveness**
- **Realism**
- **Ease of completion**

Sample Airline Questionnaire

- 1. What is your total income to the nearest hundred pounds?**
- 2. Are you an occasional or frequent flyer?**
- 3. Do you like this airline?**
- 4. How many airline ads did you see last spring compared to this spring?**
- 5. What are the most salient and determinant attributes in your evaluation of airlines?**
- 6. Do you think it is right for the government to tax air tickets and deprive a lot of people of the chance to fly?**

Dodgy Questions: Airline Example

Questions

1. What is your total income to the nearest hundred pounds?

2. Are you an occasional or frequent flyer?

3. Do you like this airline?

Objections

- the respondent probably doesn't know the answer with this degree of accuracy**
- the firm doesn't need to know the answer with this degree of accuracy**
- people are not keen to reveal income that accurately**
- a questionnaire should never begin with such a personal question**
- how do you define occasional versus frequent: everyone will define it differently**
- 'like' is a relative term**
- will people answer it honestly when phrased so blatantly?**

Dodgy Questions: Airline Example - cont'd

Questions

4. How many airline ads did you see last spring compared to this spring?

5. What are the most salient and determinant attributes in your evaluation of airlines?

6. Do you think it is right for the government to tax air tickets and deprive a lot of people of the chance to fly?

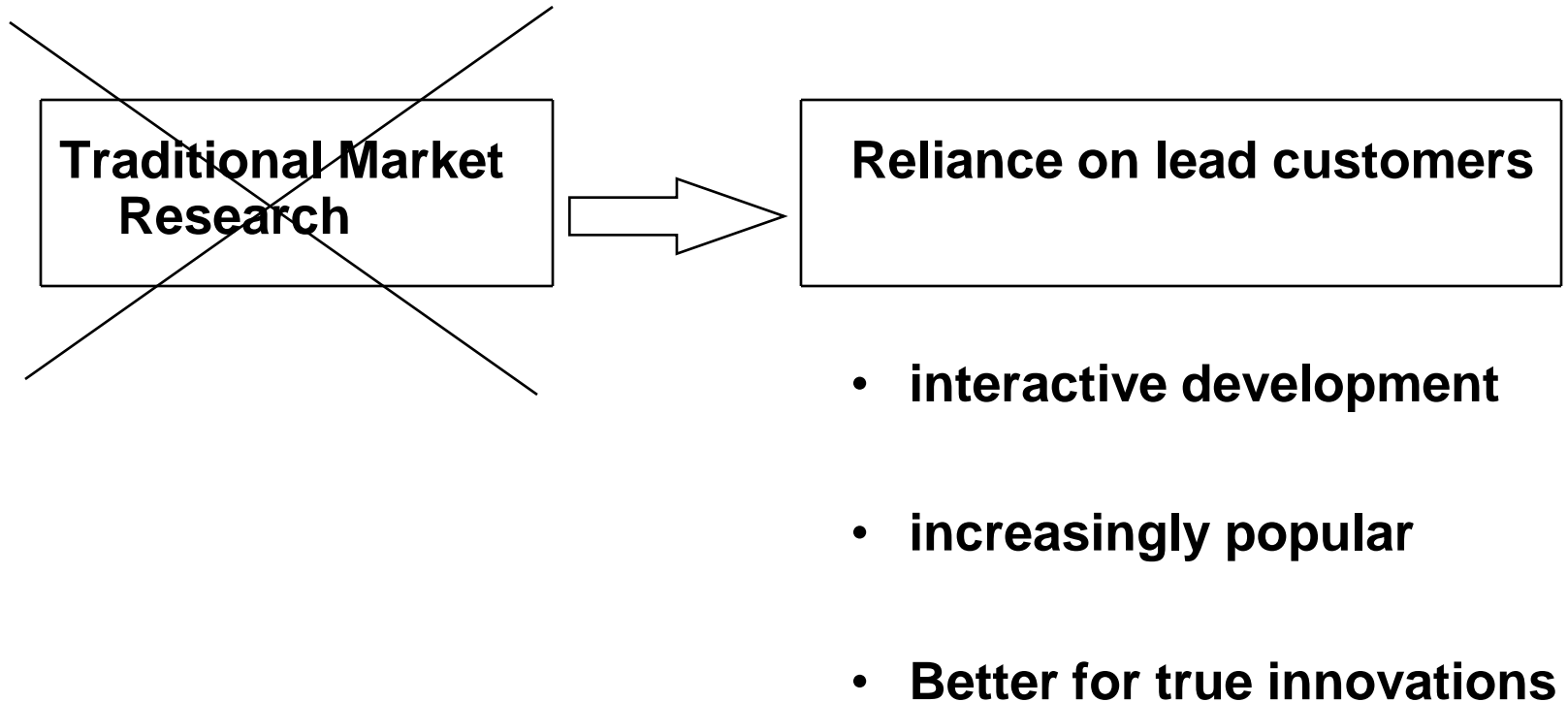
Objections

- Who can remember?**
- What do you call 'spring'?**
- What is an ad? Is it TV, magazine, poster or what?**
- What's meant by 'salient' and 'determinant'?**
- This sounds pompous and arrogant even if people do understand**
- All objectivity is out of the window**
- Why ask if you've already made your mind up of the effects?**

Problems with Traditional Market Research

- 1. Market research has allowed prominent product failures, and wrong predictions**
- 2. Markets are increasingly becoming micro-segmented (e.g. sports shoes aimed at affluent fashion conscious women specifically for aerobics), so mass market research becomes correspondingly irrelevant**
- 3. It is helpful for improvements, but less so for radical innovations**
- 4. For more accurate targeting it may be advantageous to work with leading customers within the target group**

New Market Research



Large Company Reliance on Customer's Views

What	Why	Who	How
Many experienced large companies are relying more on interactive development with lead customers	Traditional market research for truly innovative new products has frequently proved misleading	3M Hewlett-Packard Sony Raychem	Radically new products introduced by small teams working closely with lead customers (e.g. retailers). With this info. designs rapidly modified and interactive changes made

Market Research: Summary

- 1. Market Research is usually an integral part of understanding innovations - you ignore it at your peril....**
- 2. But it must be timely, objective and relevant, otherwise it is worse than useless, leading you down the wrong path**
- 3. So, be involved as far as you can be, especially up front and don't let the jargon deter you!**