

## 4

# Conducting Marketing Research

**To make the best possible tactical decisions in the short run and strategic decisions in the long run,** marketers need timely, accurate, and actionable information about consumers, competition, and their brands. Discovering a marketing insight and understanding its implications can often lead to a successful product launch or spur the growth of a brand. It is especially important to stay tuned in online.<sup>1</sup>



*In launching its new Galaxy S III smart phone, Samsung faced a formidable opponent in Apple. To gain the upper hand, Samsung sifted through hundreds of thousands of tweets and online conversations to uncover recurring negative comments about the iPhone. One ad in its new campaign mocked Apple fanatics eagerly waiting in line for the latest iPhone model. With a tagline “The Next Big Thing Is Already Here,” the ad showcased features such as screen size and NFC file-swapping technology where Samsung had an advantage. It ended with the clever twist that the Samsung phone user in the line—whose phone had all the features the Apple users were hoping for—was just saving a spot for his parents. A huge hit online, the ad attracted millions of YouTube downloads. The TV ad was a follow-up to an earlier print ad contrasting a long list of Galaxy S III features with a much smaller list for the iPhone. It also poked fun at Apple and its Genius retail employees, adding the tagline “It Doesn’t Take a Genius.”*

**In this chapter, we review** the scope of marketing research and the steps involved in the marketing research process. We also consider how marketers can develop effective metrics for measuring marketing productivity.

## The Scope of Marketing Research

Marketing managers often commission formal marketing studies of specific problems and opportunities, like a market survey, a product-preference test, a sales forecast by region, or an advertising evaluation. It’s the job of the marketing researcher to produce insight to help the marketing manager’s decision making. Formally, the American Marketing Association says:<sup>2</sup>

**Marketing research** is the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

### IMPORTANCE OF MARKETING INSIGHTS

Marketing research is all about generating insights. **Marketing insights** provide diagnostic information about how and why we observe certain effects in the marketplace and what that means to marketers.<sup>3</sup>

Good marketing insights often form the basis of successful marketing programs.

- When an extensive consumer research study of U.S. retail shoppers by Walmart revealed that the store's key competitive advantages were the functional benefit of “offers low prices” and the emotional benefit of “makes me feel like a smart shopper,” its marketers used those insights to develop their “Save Money, Live Better” campaign.<sup>4</sup>
- When marketing research showed that consumers viewed Walgreens largely as a convenience store with a pharmacy in the back, the company took steps to reposition itself as a premium health care brand, putting more emphasis on its wellness offerings such as its walk-in clinics.<sup>5</sup>

Gaining marketing insights is crucial for marketing success. To improve the marketing of its \$3 billion Pantene hair care brand, Procter & Gamble conducted a deep dive into women's feelings about hair, using surveys with mood scales from psychology, high-resolution EEG research to measure brainwaves, and other methods. As a result, the company reformulated Pantene products, redesigned packages, pared the line down from 14 “collections” to eight, and fine-tuned the ad campaign.<sup>6</sup>

If marketers lack consumer insights, they often get in trouble. When Tropicana redesigned its orange juice packaging, dropping the iconic image of an orange skewered by a straw, it failed to adequately test for consumer reactions—with disastrous results. Sales dropped by 20 percent, and Tropicana reinstated the old package design after only a few months.<sup>7</sup>

## WHO DOES MARKETING RESEARCH?

Spending on marketing research topped \$40.2 billion globally in 2013, according to ESOMAR, the world association of opinion and market research professionals.<sup>8</sup> Most large companies have their own marketing research departments, which often play crucial roles within the organization. Here is how Procter & Gamble describes its marketing research department.<sup>9</sup>

Consumer & Market Knowledge (CMK) Department is P&G's key internal compass guiding and championing decisions related to brand and customer business development strategy based on in-depth analysis of consumers, shoppers and the retail trade. CMK leads analysis of market trends and consumer habits/motivations, shopper behavior, customer and competitive dynamics; designs and analyzes qualitative and quantitative consumer and shopper research studies as well as syndicated market data. CMK is an integral partner, involved in all the stages of the brand life cycle starting with design of a concept to final product development and through to the in-market launch driving business growth. CMK brings to life P&G stated global strategy “Consumer is Boss.”

Marketing research, however, is not limited to large companies with big budgets and marketing research departments. Often at much smaller companies, everyone carries out marketing research—including the customers. Small companies can also hire the services of a marketing research firm or conduct research in creative and affordable ways, such as:

1. **Engaging students or professors to design and carry out projects**—AT&T, GE, Samsung, Shell Oil, and others have engaged in a “crowdfunding” exercise by sponsoring the Innovation Challenge, where top MBA students

P&G employed a wide range of research techniques to completely overhaul its Pantene product line.



Source: The Procter & Gamble Company

compete in teams to address company problems. The students gain experience and visibility; the companies get fresh sets of eyes to solve problems at a fraction of what consultants would charge.<sup>10</sup> The nonprofit United Way uses graduate students and interns as critical marketing research resources to collect and consolidate marketplace data and set up larger research projects.<sup>11</sup>

2. **Using the Internet**—A company can collect considerable information at little cost by examining competitors' Web sites, monitoring chat rooms and blogs, and accessing published data. Social media monitoring tools from companies like Radian6, Attensity, and Lithium keep firms on top of online buzz. Home water filtration company Aquasana uses tools from NetBase to collect what people are saying about Brita and other competitors on Twitter, Facebook, news sites, blogs, message boards, and any other place there are relevant online conversations.<sup>12</sup>
3. **Checking out rivals**—Many small businesses, such as restaurants, hotels, or specialty retailers, routinely visit competitors to learn about changes they have made. Tom Stemberg, who founded the office supply superstore Staples, made weekly unannounced visits to his own stores, competitors' stores, and other stores outside his category, always focused on "what the store was doing right" to get ideas for improving Staples.<sup>13</sup>
4. **Tapping into marketing partner expertise**—Marketing research firms, ad agencies, distributors, and other marketing partners may be able to share relevant market knowledge they have accumulated. Partners targeting small or medium-sized businesses may be especially helpful. For example, to promote more shipping to China, UPS conducted several in-depth surveys of the Chinese market to portray its complexities but also its opportunities for even small and medium-sized businesses.<sup>14</sup>
5. **Tapping into employee creativity and wisdom**—No one may come into more contact with customers and understand a company's products, services, and brands better than its employees. Software maker Intuit puts employees into four- to six-person "two pizza" teams—called that because it takes only two pizzas to feed them. They observe customers in all walks of life and try to identify problems Intuit might be able to solve. Intuit takes all the employees' proposed solutions and experiments with them, building products behind the ideas that seem to work best.<sup>15</sup>

Most companies use a combination of resources to study their industries, competitors, audiences, and channel strategies. They normally budget marketing research at 1 percent to 2 percent of company sales and spend a large percentage of that on the services of outside firms. Marketing research firms fall into three categories:

1. **Syndicated-service research firms**—These firms gather consumer and trade information, which they sell for a fee. Examples include the Nielsen Company, Kantar Group, Westat, and IRI.
2. **Custom marketing research firms**—These firms are hired to carry out specific projects. They design the study and report the findings.
3. **Specialty-line marketing research firms**—These firms provide specialized research services. The best example is the field-service firm, which sells field interviewing services to other firms.

## OVERCOMING BARRIERS TO THE USE OF MARKETING RESEARCH

In spite of the rapid growth of marketing research, many companies still fail to use it sufficiently or correctly. They may not understand what it is capable of or provide the researcher the right problem definition and



Source: picture alliance/Frank Duenzl/Newscom

The founder of Staples made weekly visits to stores of all kinds for insights and inspiration.





Source: Charles Sturge/Alamy Images

Poorly conceived marketing research almost doomed the box office blockbuster *Star Wars*.

information from which to work. They may also have unrealistic expectations about what researchers can offer. Failure to use marketing research properly has led to numerous gaffes, including the following historic one.<sup>16</sup>

**STAR WARS** In the 1970s, a successful marketing research executive left General Foods to try a daring gambit: bringing market research to Hollywood, to give film studios access to the same research that had spurred General Foods's success. A major film studio handed him a science fiction film proposal and asked him to research and predict its success or failure. His views would inform the studio's decision about whether to back the film. The research executive concluded the film would fail. For one, he argued, Watergate had made the United States less trusting of institutions and, as a result, its citizens in the 1970s prized realism and authenticity over science fiction. This particular film also had the word "war" in its title; the executive reasoned that viewers, suffering post-Vietnam hangover, would stay away in droves. The film was *Star Wars*, which eventually grossed more than \$4.3 billion in box office receipts alone. What this researcher delivered was information, not insight. He failed to study the script itself, to see that it was a fundamentally human story—of love, conflict, loss, and redemption—that happened to play out against the backdrop of space.

## The Marketing Research Process

To take advantage of all the resources and practices available, good marketers adopt a formal marketing research process that follows the six steps shown in Figure 4.1. We illustrate these steps in the following situation.<sup>17</sup>

American Airlines (AA) was one of the first companies to install phone handsets on its planes. Now it's reviewing many new ideas, especially to cater to its first-class passengers on very long flights, mainly businesspeople whose high-priced tickets pay most of the freight. Among these ideas are: (1) ultra high-speed Wi-Fi service, (2) 124 channels of high-definition satellite cable TV, and (3) a 250-CD audio system that lets each passenger create a customized in-flight playlist. The marketing research manager was assigned to investigate how first-class passengers would rate these services, specifically ultra high-speed Wi-Fi, and how much extra they would be willing to pay. One source estimates revenues of \$70 million from Wi-Fi access over 10 years if enough first-class passengers paid \$25. AA could thus recover its costs in a reasonable time, given that making the connection available would cost \$90,000 per plane.

### STEP 1: DEFINE THE PROBLEM, THE DECISION ALTERNATIVES, AND THE RESEARCH OBJECTIVES

Marketing managers must be careful not to define the problem too broadly or too narrowly for the marketing researcher. A marketing manager who says "Find out everything you can about first-class air travelers' needs" will collect a lot of unnecessary information. One who says "Find out whether enough passengers aboard a B777 flying direct between Chicago and Tokyo would pay \$25 for ultra high-speed Wi-Fi service so we can break even in one year on the cost of offering this service" is taking too narrow a view of the problem.

The marketing researcher might ask, “Why does Wi-Fi have to be priced at \$25 as opposed to \$15, \$35, or some other price? Why does American have to break even on the service, especially if it attracts new customers?” Another relevant question is, “How important is it to be first in the market, and how long can the company sustain its lead?”

The marketing manager and marketing researcher agreed to define the problem as follows: “Will offering ultra high-speed Wi-Fi service create enough incremental preference and profit to justify its cost against other service enhancements American might make?” To help design the research, management should first spell out the decisions it might face and then work backward. Suppose management outlines these decisions: (1) Should American offer ultra high-speed Wi-Fi service? (2) If so, should it offer it to first-class only or include business class and possibly economy class? (3) What price(s) should be charged? (4) On what types of planes and lengths of trips should the service be offered?

Now management and marketing researchers are ready to set specific research objectives: (1) What types of first-class passengers would respond most to ultra high-speed Wi-Fi service? (2) How many are likely to use it at different price levels? (3) How many might choose American because of this new service? (4) How much long-term goodwill will this service add to American’s image? (5) How important is ultra high-speed Wi-Fi service to first-class passengers relative to other services, such as a power plug or enhanced entertainment?

Not all research can be this specific. Some is *exploratory*—its goal is to identify the problem and to suggest possible solutions. Some is *descriptive*—it seeks to quantify demand, such as how many first-class passengers would purchase ultra high-speed Wi-Fi service at \$25. Some research is *causal*—its purpose is to test a cause-and-effect relationship.

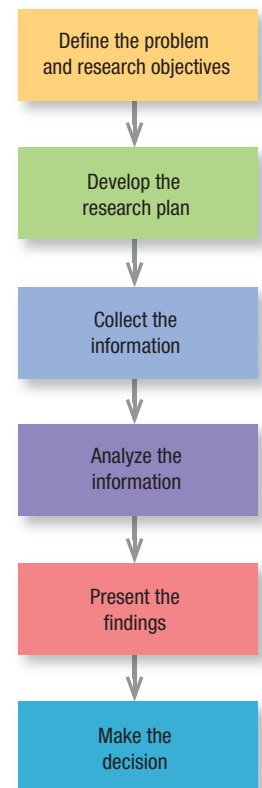
## STEP 2: DEVELOP THE RESEARCH PLAN

In the second stage of marketing research we develop the most efficient plan for gathering the needed information and discover what that will cost. Suppose American made a prior estimate that launching ultra high-speed Wi-Fi service would yield a long-term profit of \$50,000. If the manager believes the marketing research will lead to an improved pricing and promotional plan and a long-term profit of \$90,000, he should be willing to spend up to \$40,000 on this research. If the research will cost more than \$40,000, it’s not worth doing.

To design a research plan, we need to make decisions about the data sources, research approaches, research instruments, sampling plan, and contact methods.

**DATA SOURCES** The researcher can gather secondary data, primary data, or both. *Secondary data* are data that were collected for another purpose and already exist somewhere. *Primary data* are data freshly gathered for a specific purpose or project.

Researchers usually start their investigation by examining some of the rich variety of low-cost and readily available secondary data to see whether they can partly or wholly solve the problem without collecting costly primary data. For instance, auto advertisers looking to get a better return on their online car ads might purchase a copy of a J. D. Power and Associates survey that gives insights into who buys specific brands and where advertisers can find them online.



**| Fig. 4.1 |**  
The Marketing Research Process



Source: Associated Press

To help make a decision to offer ultra high-speed Wi-Fi service on its flights, an airline would want to carefully conduct consumer research.

When the needed data don't exist or are dated or unreliable, the researcher will need to collect primary data. Most marketing research projects do include some primary-data collection.

**RESEARCH APPROACHES** Marketers collect primary data in five main ways: through observation, focus groups, surveys, behavioral data, and experiments.

**Observational Research** Researchers can gather fresh data by observing unobtrusively as customers shop or consume products. Sometimes they equip consumers with pagers and instruct them to write down or text what they're doing whenever prompted, or they hold informal interview sessions at a café or bar.<sup>18</sup> Photographs and videos can also provide a wealth of detailed information. Although privacy concerns have been expressed, some retailers are linking security cameras with software to record shopper behavior in stores. In its 1,000 retail stores, T-Mobile can track how people move around, how long they stand in front of displays, and which phones they pick up and for how long.<sup>19</sup>

**Ethnographic research** uses concepts and tools from anthropology and other social science disciplines to provide deep cultural understanding of how people live and work.<sup>20</sup> The goal is to immerse the researcher into consumers' lives to uncover unarticulated desires that might not surface in any other form of research.<sup>21</sup> Fujitsu Laboratories, Herman Miller, Steelcase, and Xerox have embraced ethnographic research to design breakthrough products. Technology companies like IBM, Microsoft, and Hewlett-Packard use anthropologists and ethnologists working alongside systems engineers and software developers.<sup>22</sup>

Any type of firm can benefit from the deep consumer insights of ethnographic research. To boost sagging sales for its Orville Redenbacher popcorn, ConAgra spent nine months observing families at home and studying weekly diaries of how they felt about various snacks. Researchers found a key insight: the essence of popcorn was that it was a "facilitator of interaction." Four nationwide TV ads followed with the tagline "Spending Time Together: That's the Power of Orville Redenbacher."<sup>23</sup>

Ethnographic research isn't limited to consumer products. UK-based Smith & Nephew, a global medical technology business, used extensive international ethnographic research with patients and clinicians to understand the physical and emotional toll of wounds, developing ALLEVYN Life, a new wound-management dressing, in the process.<sup>24</sup> In a business-to-business setting, a sharper focus on end users helped propel Thomson Reuters to greater financial heights.<sup>25</sup>

---

**THOMSON REUTERS** Just before it acquired Reuters, global information services giant Thomson Corporation embarked on extensive research to better understand its ultimate customers. Thomson sold to businesses and professionals in the financial, legal, tax and accounting, scientific, and health care sectors, and it wanted to know how individual brokers and investment bankers used its data, research, and other resources to make day-to-day investment decisions for clients. Segmenting the market by its end users, rather than by its corporate purchasers, and studying the way they viewed Thomson versus competitors allowed the firm to identify market segments that offered growth opportunities. Thomson then conducted surveys and "day in the life" ethnographic research on how end users did their jobs. Using an approach called "three minutes," researchers combined observation with detailed interviews to understand what end users were doing three minutes before and after they used one of Thomson's products. Insights from the research helped the company develop new products and make acquisitions that led to significantly higher revenue and profits in the year that followed.

---

The American Airlines researchers might meander around first-class lounges to hear how travelers talk about different carriers and their features or sit next to passengers on planes. They can fly on competitors' planes to observe in-flight service.

**Focus Group Research** A **focus group** is a gathering of 6 to 10 people carefully selected for demographic, psychographic, or other considerations and convened to discuss various topics at length for a small payment. A professional moderator asks questions and probes based on the marketing managers' agenda; the goal is to uncover consumers' real motivations and the reasons they say and do certain things. Sessions are typically recorded, and marketing managers often observe from behind two-way mirrors. To allow more in-depth discussion, focus groups are trending smaller in size.<sup>26</sup>

Focus group research is a useful exploratory step, but researchers must avoid generalizing to the whole market because the sample is too small and is not drawn randomly. Some marketers feel this research setting is too contrived and prefer less artificial means. "Marketing Memo: Conducting Informative Focus Groups" has some practical tips to improve the quality of focus groups.



marketing  
memo

## Conducting Informative Focus Groups

Focus groups allow marketers to hone in on issues not easily addressed by surveys. The key to using them successfully is to *thoughtfully listen* and *carefully observe*, leaving assumptions and biases behind.

Although useful insights can emerge, questions also arise about focus groups' validity. Some researchers believe consumers are so bombarded with ads, they unconsciously (or perhaps cynically) parrot back what they've heard instead of what they really think. It's always possible participants are trying to maintain their self-image and public persona, engage in "groupthink," or satisfy a need to identify with other members. They may be unwilling to acknowledge—or even recognize—their behavior patterns and motivations, and one highly opinionated person can drown out the rest of the group. Getting the right participants is crucial, but groups can be expensive too (\$3,000 to \$5,000 per group).

It can be difficult to generalize the results, even from multiple focus groups. For example, within the United States, findings often vary from region to region. One firm specializing in focus group research claimed Minneapolis was the best city to get a sample of fairly well-educated people who were honest and forthcoming. Many marketers interpret focus groups in New York and other northeastern cities carefully because people there tend to be highly critical and generally don't report that they like much.

Participants must feel relaxed and be strongly motivated to be truthful. Physical surroundings can be crucial. At one agency an executive noted, "We wondered why people always seemed grumpy and negative—people were resistant to any idea we showed them." Finally in one session a fight broke out between participants. The problem was the room itself: cramped, stifling, forbidding. "It was a cross between a hospital room and a police interrogation room." To fix the problem, the agency gave the room a makeover. Other firms adapt the room to fit the topic—such as designing it to look like a playroom when speaking to children. To increase interactivity among focus group members, some researchers assign pre-session homework such as diaries, photography, and videography.

Online focus groups may cost less than a quarter of an in-person focus group. They are also less intrusive, allow geographically diverse subjects to participate, and yield fast results. Proponents of traditional groups maintain that in-person sessions immerse marketers in the research process, offer a close-up look at people's emotional and physical reactions, and ensure that sensitive materials are not leaked. In-person, marketers can also adjust the flow of discussion and delve deeply into more complex topics.

Regardless of the form it takes, the focus group is still, as one marketing executive noted, "the most cost-effective, quickest, dirtiest way to get information in rapid time on an idea." Wharton's Americus Reed might have said it best: "A focus group is like a chain saw. If you know what you're doing, it's very useful and effective. If you don't, you could lose a limb."

**Sources:** Sarah Jeffrey Kasner, "Fistfights and Feng Shui," *Boston Globe*, July 21, 2001; Linda Tischler, "Every Move You Make," *Fast Company*, April 2004, pp. 73–75; Dennis Rook, "Out-of-Focus Groups," *Marketing Research* 15, no. 2 (Summer 2003), p. 11; Piet Levy, "In with the Old, In Spite of the New," *Marketing News*, May 30, 2009, p. 19; Piet Levy, "10 Minutes with . . . Robert J. Morais," *Marketing News*, May 30, 2011; William Boateng, "Evaluating the Efficacy of Focus Group Discussion (FGD) in Qualitative Social Research," *International Journal of Business and Social Science* 3 (April 2012), pp. 54–57; Demetrius Madrigal and Bryan McClain, "Do's and Don'ts for Focus Groups," [www.uxmatters.com](http://www.uxmatters.com), July 4, 2011.

In the American Airlines research, the moderator might start with a broad question, such as "How do you feel about first-class air travel?" Questions then move to how people view the different airlines, different existing services, different proposed services, and, specifically, ultra high-speed Wi-Fi service.



Source: Spencer Grant/Getty Images

Marketers can unobtrusively observe focus groups behind two-way mirrors to gain qualitative insights from consumers.

Wells Fargo conducts thousands of consumer surveys to improve its banking services.



Source: Jonathan Alpeyrie/Polaris/Newscom

**Survey Research** Companies undertake surveys to assess people's knowledge, beliefs, preferences, and satisfaction and to measure these magnitudes in the general population. A company such as American Airlines might prepare its own survey instrument, or it might add questions to an omnibus survey that carries the questions of several companies at a much lower cost. It can also pose questions to an ongoing consumer panel run by itself or another company. It may do a mall intercept study by having researchers approach people in a shopping mall and ask them questions. Or it might add a survey request at the end of calls to its customer service department.

However they conduct their surveys—online, by phone, or in person—companies must feel the information they're getting from the mounds of data makes it all worthwhile. San Francisco-based Wells Fargo bank collects more than 50,000 customer surveys each month through its bank branches. It has used customers' comments to begin more stringent new wait-time standards designed to improve customer satisfaction.

Of course, companies may risk creating "survey burnout" and seeing response rates plummet. Keeping a survey short and simple is one key to drawing participants. Offering incentives is another. Walmart, Rite Aid, Petco, and Staples include an invitation to fill out a survey on the cash register receipt with a chance to win a prize.<sup>27</sup>

**Behavioral Research** Customers leave traces of their purchasing behavior in store scanning data, catalog purchases, and customer databases. Marketers can learn much by analyzing these data. Actual purchases reflect consumers' preferences and often are more reliable than statements they offer to market researchers. For example, grocery shopping data show that high-income people don't necessarily buy the more expensive brands, contrary to what they might state in interviews, and many low-income people buy some expensive brands. As Chapter 3 described, there is a wealth of online data to collect from consumers. Clearly, American Airlines can learn many useful things about its passengers by analyzing ticket purchase records and online behavior.

The most scientifically valid research is **experimental research**, designed to capture cause-and-effect relationships by eliminating competing explanations of the findings. If the experiment is well designed and executed, research and marketing managers can have confidence in the conclusions. Experiments call for selecting matched groups of subjects, subjecting them to different treatments, controlling extraneous variables, and checking whether observed response differences are statistically significant. If we can eliminate or control extraneous factors, we can relate the observed effects to the variations in the treatments or stimuli.

American Airlines might introduce ultra high-speed Wi-Fi service on one of its regular flights from Chicago to Tokyo and charge \$25 one week and \$15 the next week. If the plane carried approximately the same number of first-class passengers each week and the particular weeks made no difference, the airline could relate any significant difference in the number of passengers using the service to the price charged.

**RESEARCH INSTRUMENTS** Marketing researchers have a choice of three main research instruments in collecting primary data: questionnaires, qualitative measures, and technological devices.

**Questionnaires** A **questionnaire** consists of a set of questions presented to respondents. Because of its flexibility, it is by far the most common instrument used to collect primary data. The form, wording, and sequence of the questions can all influence the responses, so testing and de-bugging are necessary. *Closed-end questions* specify all the possible answers, and the responses are easier to interpret and tabulate. *Open-end questions* allow respondents to answer in their own words. They are especially useful in exploratory research, where the researcher is looking for insight into how people think rather than measuring how many think a certain way. Table 4.1 provides examples of both types of questions; also see "Marketing Memo: Questionnaire Dos and Don'ts."



TABLE 4.1

## Types of Questions

Name	Description	Example
<b>A. Closed-End Questions</b>		
Dichotomous	A question with two possible answers	In arranging this trip, did you personally phone American? Yes _____ No _____
Multiple choice	A question with three or more answers	With whom are you traveling on this flight? <input type="checkbox"/> No one <input type="checkbox"/> Children only <input type="checkbox"/> Spouse <input type="checkbox"/> Business associates/friends/relatives <input type="checkbox"/> Spouse and children <input type="checkbox"/> An organized tour group
Likert scale	A statement with which the respondent shows the amount of agreement/disagreement	Small airlines generally give better service than large ones. Strongly disagree      Disagree      Neither agree nor disagree      Agree      Strongly agree 1 _____ 2 _____ 3 _____ 4 _____ 5 _____
Semantic differential	A scale connecting two bipolar words. The respondent selects the point that represents his or her opinion.	I find American Airlines ... Large _____ Small Experienced _____ Inexperienced Modern _____ Old-fashioned
Importance scale	A scale that rates the importance of some attribute	Airline in-flight service to me is Extremely important      Very important      Somewhat important      Not very important      Not at all important 1 _____ 2 _____ 3 _____ 4 _____ 5 _____
Rating scale	A scale that rates some attribute from "poor" to "excellent"	American in-flight service is Excellent      Very Good      Good      Fair      Poor 1 _____ 2 _____ 3 _____ 4 _____ 5 _____
Intention-to-buy scale	A scale that describes the respondent's intention to buy	If ultra high-speed Wi-Fi service were available on a long flight, I would Definitely buy      Probably buy      Not sure      Probably not buy      Definitely not buy 1 _____ 2 _____ 3 _____ 4 _____ 5 _____
<b>B. Open-End Questions</b>		
Completely unstructured	A question that respondents can answer in an almost unlimited number of ways	What is your opinion of American Airlines?
Word association	Words are presented, one at a time, and respondents mention the first word that comes to mind.	What is the first word that comes to your mind when you hear the following? Airline _____ American _____ Travel _____
Sentence completion	An incomplete sentence is presented and respondents complete the sentence.	When I choose an airline, the most important consideration in my decision is _____.
Story completion	An incomplete story is presented, and respondents are asked to complete it.	"I flew American a few days ago. I noticed that the exterior and interior of the plane had very bright colors. This aroused in me the following thoughts and feelings . . ." Now complete the story.
Picture	A picture of two characters is presented, with one making a statement. Respondents are asked to identify with the other and fill in the empty balloon.	
Thematic Apperception Test (TAT)	A picture is presented and respondents are asked to make up a story about what they think is happening or may happen in the picture.	

marketing  
memo

## Marketing Questionnaire Dos And Don'ts

1. **Ensure that questions are without bias.** Don't lead the respondent into an answer.
2. **Make the questions as simple as possible.** Questions that include multiple ideas or two questions in one will confuse respondents.
3. **Make the questions specific.** Sometimes it's advisable to add memory cues. For example, be specific with time periods.
4. **Avoid jargon or shorthand.** Avoid trade jargon, acronyms, and initials not in everyday use.
5. **Steer clear of sophisticated or uncommon words.** Use only words in common speech.
6. **Avoid ambiguous words.** Words such as *usually* or *frequently* have no specific meaning.
7. **Avoid questions with a negative in them.** It is better to say, "Do you ever...?" than "Do you never...?"
8. **Avoid hypothetical questions.** It's difficult to answer questions about imaginary situations. Answers aren't necessarily reliable.
9. **Do not use words that could be misheard.** This is especially important when administering the interview over the telephone. "What is your opinion of sects?" could yield interesting but not necessarily relevant answers.
10. **Desensitize questions by using response bands.** To ask people their age or ask companies about employee turnover rates, offer a range of response bands instead of precise numbers.
11. **Ensure that fixed responses do not overlap.** Categories used in fixed-response questions should be distinct and not overlap.
12. **Allow for the answer "other" in fixed-response questions.** Precoded answers should always allow for a response other than those listed.

**Source:** Adapted from Paul Hague and Peter Jackson, *Market Research: A Guide to Planning, Methodology, and Evaluation* (London: Kogan Page, 1999). See also Hans Baumgartner and Jan-Benedict E. M. Steenkamp, "Response Styles in Marketing Research: A Cross-National Investigation," *Journal of Marketing Research* (May 2001), pp. 143–56; Bert Weijters and Hans Baumgartner, "Misresponse to Reverse and Negated Items in Surveys: A Review," *Journal of Marketing Research* 49 (October 2012), pp. 737–47.

**Qualitative Measures** Some marketers prefer qualitative methods for gauging consumer opinion because they feel consumers' actions don't always match their answers to survey questions. *Qualitative research techniques* are relatively indirect and unstructured measurement approaches, limited only by the marketing researcher's creativity, that permit a range of responses. They can be an especially useful first step in exploring consumers' perceptions because respondents may be less guarded and reveal more about themselves in the process.

Qualitative research does have its drawbacks. The samples are often very small, and results may not generalize to broader populations. And different researchers examining the same qualitative results may draw very different conclusions.

Nevertheless, there is increasing interest in using qualitative methods. "Marketing Insight: Getting into the Heads of Consumers" describes the pioneering ZMET approach. Other popular methods include:<sup>28</sup>

1. **Word associations.** To identify the range of possible brand associations, ask subjects what words come to mind when they hear the brand's name. "What does the Timex name mean to you? Tell me what comes to mind when you think of Timex watches."
2. **Projective techniques.** Give people an incomplete or ambiguous stimulus and ask them to complete or explain it. In "bubble exercises" empty bubbles, like those in cartoons, appear in scenes of people buying or using certain products or services. Subjects fill in the bubble, indicating what they believe is happening or being said. In comparison tasks people compare brands to people, countries, animals, activities, cars, nationalities, or even other brands.
3. **Visualization.** Visualization requires people to create a collage from magazine photos or drawings to depict their perceptions.
4. **Brand personification.** Ask "If the brand were to come alive as a person, what would it be like, what would it do, where would it live, what would it wear, who would it talk to if it went to a party (and what would it talk about)?" For example, the John Deere brand might make someone think of a rugged Midwestern male who is hardworking and trustworthy.
5. **Laddering.** A series of increasingly specific "why" questions can reveal consumer motivation and deeper goals. Ask why someone wants to buy a Nokia cell phone. "They look well built" (attribute). "Why is it important that the phone be well built?" "It suggests Nokia is reliable" (a functional benefit). "Why is reliability important?" "Because my colleagues or family can be sure to reach me" (an emotional benefit). "Why must you be available to them at all times?" "I can help them if they're in trouble" (a core value). The brand makes this person feel like a Good Samaritan, ready to help others.

## marketing insight

### Getting into the Heads of Consumers

Former Harvard Business School marketing professor Gerald Zaltman, with colleagues, developed an in-depth methodology to uncover what consumers think and feel about products, services, brands, and other things. The basic assumption behind the Zaltman Metaphor Elicitation Technique (ZMET) is that most thoughts and feelings are unconscious and shaped by a set of universal **deep metaphors**, basic orientations toward the world that shape everything consumers think, hear, say, or do. According to Zaltman, there are seven main metaphors:

1. *Balance*: justice equilibrium and the interplay of elements;
2. *Transformation*: changes in substance and circumstance;
3. *Journey*: the meeting of past, present, and future;
4. *Container*: inclusion, exclusion, and other boundaries;
5. *Connection*: the need to relate to oneself and others;
6. *Resource*: acquisitions and their consequences; and
7. *Control*: sense of mastery, vulnerability, and well-being.

The ZMET technique works by first asking participants in advance to select a minimum of 12 images from their own sources (magazines, catalogs, family photo albums) to represent their thoughts and feelings about the research topic. In a one-on-one interview, the study administrator uses advanced interview techniques to explore the images with the participant and reveal hidden meanings. Finally, the participants use a computer program to create a collage with these images that

communicates their subconscious thoughts and feelings about the topic. The results often significantly influence marketing actions, as the following two examples illustrate:

- In a ZMET study about pantyhose for marketers at DuPont, some respondents' pictures showed fence posts encased in plastic wrap or steel bands strangling trees, suggesting that pantyhose are tight and inconvenient. But another picture showed tall flowers in a vase, suggesting the product made a woman feel thin, tall, and sexy. The "love-hate" relationship in these and other pictures suggested a more complicated product relationship than the DuPont marketers had assumed.
- Although many older consumers told Danish hearing aid company Oticon that cost was the reason they were postponing purchase, a ZMET analysis revealed the bigger problem was fear of being seen as old or flawed. Oticon responded by creating Delta, a line of stylish new hearing aids that came in flashy colors such as sunset orange, racing green, or cabernet red.

ZMET has also been applied to help design the new Children's Hospital in Pittsburgh, PA, remake the classic soup labels for Campbell, and improve letters to prospective undergraduate applicants for the University of North Carolina at Chapel Hill.

**Sources:** Gerald Zaltman and Lindsay Zaltman, *Marketing Metaphoria: What Deep Metaphors Reveal about the Minds of Consumers* (Boston: Harvard Business School Press, 2008); Glenn L. Christensen and Jerry C. Olson, "Mapping Consumers' Mental Models with ZMET," *Psychology & Marketing* 19 (June 2002), pp. 477–502; Emily Eakin, "Penetrating the Mind by Metaphor," *New York Times*, February 23, 2002; Anne Eisenberg, "The Hearing Aid as Fashion Statement," *New York Times*, September 24, 2006; Mackenzie Carpenter, "The New Children's Hospital: Design Elements Combine to Put Patients, Parents at Ease," *Pittsburgh Post-Gazette*, April 26, 2009; Jennifer Williams, "Campbell's Soup Neuromarketing Redux: There's Chunks of Real Science in That Recipe," *Fast Company*, February 22, 2010; Jay Matthews, "Admissions Office Probes Applicants' Scary Depths," *Washington Post*, July 22, 2010.

Marketers don't have to choose between qualitative and quantitative measures. Many use both, recognizing that their pros and cons can offset each other. For example, companies can recruit someone from an online panel to participate in an in-home product use test by capturing his or her reactions and intentions with a video diary and an online survey.<sup>29</sup>



Source: ©UNC-Chapel Hill

A ZMET qualitative research study helped the University of North Carolina at Chapel Hill improve its undergraduate admission efforts.



**Technological Devices** Galvanometers can measure the interest or emotions aroused by exposure to a specific ad or picture. The tachistoscope flashes an ad to a subject with an exposure interval that may range from less than one hundredth of a second to several seconds. After each exposure, the respondent describes everything he or she recalls. Many advances in visual technology techniques studying the eyes and face have benefited marketing researchers and managers alike.<sup>30</sup>

**STUDYING THE EYES AND FACE** A number of increasingly cost-effective methods to study the eyes and faces of consumers have been developed in recent years with diverse applications. Packaged goods companies such as P&G, Unilever, and Kimberly-Clark combine 3-D computer simulations of product and packaging designs with store layouts and use eye-tracking technology to see where consumer eyes land first, how long they linger on a given item, and so on. After doing such tests, Unilever changed the shape of its Axe body wash container, the look of the logo, and the in-store display. In the International Finance Center Mall in Seoul, Korea, two cameras and a motion detector are placed above the LCD touch screens at each of the 26 information kiosks. Facial recognition software estimates users' age and gender, and interactive ads targeting the appropriate demographic then appear. Similar applications are being developed for digital sidewalk billboards in New York, Los Angeles, and San Francisco. Facial recognition cameras and software are being tested to identify and reward participating loyal U.S. customers of retailers and restaurants via opt-in smart phone updates. In one commercial application, SceneTap uses cameras with facial detection software to post information about how full a bar is, as well as the average age and gender profile of the crowd, to help bar hoppers pick their next destination.

Technology now lets marketers use skin sensors, brain wave scanners, and full-body scanners to get consumer responses.<sup>31</sup> For example, biometric-tracking wrist sensors can measure electrodermal activity, or skin conductance, to note changes in sweat levels, body temperature and movement, and so on.<sup>32</sup> "Marketing Insight: Understanding Brain Science" provides a glimpse into some of the new marketing research frontiers in studying the brain.<sup>33</sup>

Technology has replaced the diaries that participants in media surveys used to keep. Audiometers attached to television sets in participating homes now record when the set is on and to which channel it is tuned. Electronic devices can record the number of radio programs a person is exposed to during the day or, using Global Positioning System (GPS) technology, how many billboards a person may walk or drive by during a day.

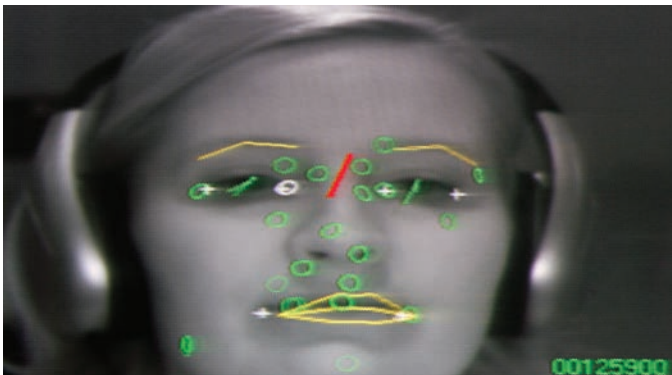
**SAMPLING PLAN** After choosing the research approach and instruments, the marketing researcher must design a sampling plan. This calls for three decisions:

1. **Sampling unit: Whom should we survey?** In the American Airlines survey, should the sampling unit consist of only first-class business travelers, only first-class vacation travelers, or both? Should it include travelers under age 18? Both traveler and spouse? With the sampling unit chosen, marketers must next develop a sampling frame so everyone in the target population has an equal or known chance of being sampled.
2. **Sample size: How many people should we survey?** Large samples give more reliable results, but it's not necessary to sample the entire target population to achieve reliable results. Samples of less than 1 percent of a population can often provide good reliability, with a credible sampling procedure.
3. **Sampling procedure: How should we choose the respondents?** Probability sampling allows marketers to calculate confidence limits for sampling error and makes the sample more representative. Thus, after choosing the sample, marketers could conclude that "the interval five to seven trips per year has 95 chances in 100 of containing the true number of trips taken annually by first-class passengers flying between Chicago and Tokyo."

**CONTACT METHODS** Now the marketing researcher must decide how to contact the subjects: by mail, by telephone, in person, or online.

**Mail Contacts** The *mail questionnaire* is one way to reach people who would not give personal interviews or whose responses might

Source: ERICH SCHLEGEL/The New York Times



Using sophisticated equipment and methods, neuroscience researchers are studying how brain activity is affected by consumer marketing.

## marketing insight

### Understanding Brain Science

As an alternative to traditional consumer research, some researchers have begun to develop sophisticated techniques from neuroscience that monitor brain activity to better gauge consumer responses to marketing. The term **neuromarketing** describes brain research on the effect of marketing stimuli. Firms are using EEG (electroencephalograph) technology to correlate brand activity with physiological cues such as skin temperature or eye movement and thus gauge how people react to ads.

Researchers studying the brain have found different results from conventional research methods. One group of researchers at UCLA used functional magnetic resonance imaging (fMRI) to find that the Super Bowl ads for which subjects displayed the highest brain activity were different from the ads with the highest stated preferences. Other research found little effect from product placement unless the products in question played an integral role in the storyline.

Several studies have found higher correlations with brain wave research and behavior than with surveys. One study found that brain waves better predicted music purchases than stated music preferences. One major finding from neurological consumer research is that many purchase decisions appear to be characterized “as a largely unconscious habitual process, as distinct from the rational, conscious, information-processing model of economists and traditional marketing textbooks.” Even basic decisions, such as the purchase of gasoline, seem to be influenced by brain activity at the subrational level.

A group of researchers in England used EEG to monitor cognitive functions related to memory recall and attentiveness for 12 different regions of the brain as subjects were exposed to advertising. Brain wave activity in different regions indicated different emotional responses. For

example, heightened activity in the left prefrontal cortex is characteristic of an “approach” response to an ad and indicates an attraction to the stimulus. In contrast, a spike in brain activity in the right prefrontal cortex is indicative of a strong revulsion to the stimulus. In yet another part of the brain, the degree of memory formation activity correlates with purchase intent. Other research has shown that people activate different regions of the brain in assessing the personality traits of other people than they do when assessing brands.

Although it may offer different insights from conventional techniques, neurological research can still be fairly expensive and has not been universally accepted. Given the complexity of the human brain, many researchers caution that it should not form the sole basis for marketing decisions. The measurement devices to capture brain activity can also be highly obtrusive, using skull caps studded with electrodes or creating artificial exposure conditions.

Others question whether neurological research really offers unambiguous implications for marketing strategy. Brian Knutson, a professor of neuroscience and psychology at Stanford University, compares the use of EEG to “standing outside a baseball stadium and listening to the crowd to figure out what happened.” Other critics worry that if the methods do become successful, they will only lead to more marketing manipulation by companies. Despite controversy, marketers’ endless pursuit of deeper insights about consumers’ response to marketing virtually guarantees continued interest in neuromarketing.

**Sources:** Carolyn Yoon, Angela H. Gutchess, Fred Feinberg, and Thad A. Polk, “A Functional Magnetic Resonance Imaging Study of Neural Dissociations between Brand and Person Judgments,” *Journal of Consumer Research* 33 (June 2006), pp. 31–40; Martin Lindstrom, *Buyology: Truth and Lies about Why We Buy* (New York: Doubleday, 2008); Brian Sternberg, “How Couch Potatoes Watch TV Could Hold Clues for Advertisers,” *Boston Globe*, September 6, 2009, pp. G1, G3; Kevin Randall, “Neuromarketing Hope and Hype: 5 Brands Conducting Brain Research,” *Fast Company*, September 15, 2009; Todd Essig, “The Future of Focus Groups: My Brain Knows What You Like,” *Forbes*, April 28, 2012; Carmen Nobel, “Neuromarketing: Tapping into the ‘Pleasure Center’ of Consumers,” *Forbes*, February 1, 2013.

be biased or distorted by the interviewers. Mail questionnaires require simple and clearly worded questions. Unfortunately, responses are usually few or slow.

**Telephone Contacts** *Telephone interviewing* is a good method for gathering information quickly; the interviewer is also able to clarify questions if respondents do not understand them. Interviews must be brief and not too personal. Although the response rate has typically been higher than for mailed questionnaires, telephone interviewing in the United States is getting more difficult because of consumers’ growing antipathy toward telemarketers.

In late 2003, Congress passed legislation allowing the Federal Trade Commission to restrict telemarketing calls through its “Do Not Call” registry. By mid-2010, consumers had registered more than 200 million phone numbers. Marketing research firms are exempt from the ruling, but the increasingly widespread resistance to telemarketing undoubtedly reduces the effectiveness of telephone surveys in the United States.

In other parts of the world, such restrictive legislation does not exist. Because mobile phone penetration in Africa had risen from just 1 in 50 people in 2000 to almost eighty percent of the population by 2014, marketers use cell phones there to convene focus groups in rural areas and to interact via text.<sup>34</sup>

**Personal Contacts** *Personal interviewing* is the most versatile method. The interviewer can ask more questions and record additional observations about the respondent, such as dress and body language. Personal interviewing is also the most expensive method, is subject to interviewer bias, and requires more planning and supervision. In *arranged interviews*, marketers contact respondents for an appointment and often offer a small payment or

incentive. In *intercept interviews*, researchers stop people at a shopping mall or busy street corner and request an interview on the spot. Intercept interviews must be quick, and they run the risk of including nonprobability samples.

**Online Contacts** The Internet offers many ways to do research. A company can embed a questionnaire on its Web site and offer an incentive for answering, or it can place a banner on a frequently visited site, inviting people to answer questions and possibly win a prize. Online product testing can provide information much faster than traditional new-product marketing research techniques.

Marketers can also host a real-time consumer panel or virtual focus group or sponsor a chat room, bulletin board, or blog where they introduce questions from time to time. They can ask customers to brainstorm or have the company's Twitter followers rate an idea. Insights from Kraft-sponsored online communities helped the company develop its popular line of 100-calorie snacks.<sup>35</sup>

Del Monte tapped its 400-member, handpicked online community called "I Love My Dog" when it was considering a new breakfast treat for dogs. The consensus request was for something with a bacon-and-egg taste and an extra dose of vitamins and minerals. Working with the online community throughout product development, the company introduced fortified "Snausages Breakfast Bites" in half the time usually required to launch a new product.<sup>36</sup>

Online research was a \$2.4 billion dollar business in 2011. A host of new online survey providers have entered the market, such as SurveyMonkey, Survey-Gizmo, Qualtrics, and Google Consumer Surveys. Founded in 1999, SurveyMonkey has over 15 million registered users. Members can create surveys to quickly post on blogs, Websites, Facebook, or Twitter.<sup>37</sup> Like any survey, however, online surveys need to ask the right people the right questions on the right topic.

Other means to use the Internet as a research tool including tracking how customers *clickstream* through the company's Web site and move to other sites. Marketers can post different prices, headlines, and product features on separate Web sites or at different times to compare their relative effectiveness. Researchers like Bluefin Labs monitor all relevant Twitter tweets, Facebook posts, and broadcast television stories to provide companies with real-time trend analysis.<sup>38</sup>

Firms like SurveyMonkey make it easy to conduct online consumer surveys.

**Welcome to SurveyMonkey!**

**Create Your Own Survey in 3 Easy Steps**

- 1 Decide how your survey should look
- 2 Add your questions
- 3 Send your survey

[+ Create Survey](#)

**How It Works**

We make it fast, easy, and fun to create your online survey.

**Design Your Survey**

- Get a head start with certified questions from our Question Bank
- Choose from 15 different question types
- Customize how your survey looks with a (good looking) theme

**Collect Responses**

- Send your survey with a weblink, by email, or post on Facebook or Twitter
- Embed your survey on your blog or website
- Add a Reward to thank your respondents

**Analyze Results**

- See responses come back in real-time
- Filter, crosstab, and graph results
- Export your responses in multiple formats

[+ Create Survey](#)

**Upgrade to a Premium Plan**

You currently have a BASIC plan. Upgrade to a premium plan and ...

- ✓ Get unlimited questions & responses
- ✓ Brand your surveys & URLs
- ✓ Download & share results

[Read more...](#)

[Upgrade](#)

**Do More with SurveyMonkey**

**We'll Email Your Survey (for free!)**

Personalize your message, track responses, and quickly send reminders when you use our email collector to send your survey.

**Frequently Asked Questions**

- What Professional (paid) plans does SurveyMonkey offer?
- What features are available in the SELECT plan?
- How do I send the survey through my email, i.e., a Web Link collector?

[Read More >](#)

Source: SurveyMonkey



Yet, as popular as online research methods are, smart companies use them to augment rather than replace more traditional methods. Like any method, online research has pros and cons. Here are some advantages:

- *Online research is inexpensive.* A typical online survey can cost 20 percent to 50 percent less than a conventional survey, and return rates can be as high as 50 percent.
- *Online research is expansive.* There are essentially no geographical boundaries, allowing marketers to consider a wide range of possible respondents.
- *Online research is fast.* The survey can automatically direct respondents to applicable questions, store data, and transmit results immediately.
- *Responses tend to be honest and thoughtful.* People may be more relaxed and candid when they can answer on their own time and respond privately without feeling judged, especially on sensitive topics (such as “how often do you bathe or shower?”).<sup>39</sup>
- *Online research is versatile.* Virtual reality software lets visitors inspect 3-D models of products such as cameras, cars, and medical equipment and manipulate product characteristics. Online community blogs allow customer participants to interact with each other.

Some disadvantages include:

- *Samples can be small and skewed.* Some 28 percent of U.S. households still lacked broadband Internet access in 2014; the percentage is higher among lower-income groups, in rural areas, and in most parts of Asia, Latin America, and Central and Eastern Europe, where socioeconomic and education levels also differ.<sup>40</sup> Although Internet access will increase, online market researchers must find creative ways to reach population segments on the other side of the “digital divide.” Combining offline sources with online findings and providing temporary Internet access at locations such as malls and recreation centers are options. Some research firms use statistical models to fill in the gaps left by offline consumer segments.
- *Online panels and communities can suffer excessive turnover.* Members may become bored and flee or, worse, stay but participate halfheartedly. Panel and community organizers can raise recruiting standards, downplay incentives, and monitor participation and engagement levels. A constant flow of new features, events, and activities can keep members interested and engaged.
- *Online market research can suffer technological problems and inconsistencies.* Because browser software varies, the designer’s final product may look very different on the research subject’s screen.

Online researchers have also begun to use text messaging in various ways—to conduct a chat with a respondent, to probe more deeply with a member of an online focus group, or to direct respondents to a Web site. Text messaging is also a useful way to get teenagers to open up on topics.

### STEP 3: COLLECT THE INFORMATION

The data collection phase of marketing research is generally the most expensive and error-prone. Some respondents will be away from home, offline, or otherwise inaccessible; they must be contacted again or replaced. Others will refuse to cooperate or will give biased or dishonest answers.

Internationally, one of the biggest obstacles to collecting information is the need to achieve consistency.<sup>41</sup> Latin American respondents may be uncomfortable with the impersonal nature of the Internet and need interactive elements in a survey so they feel they’re talking to a real person. Respondents in Asia, on the other hand, may feel more pressure to conform and may not be as forthcoming in focus groups as online. Sometimes the solution may be as simple as ensuring the right language is used.

### STEP 4: ANALYZE THE INFORMATION

The next-to-last step in the process is to extract findings by tabulating the data and developing summary measures. The researchers now compute averages and measures of dispersion for the major variables and apply some advanced statistical techniques and decision models in the hope of discovering additional findings. They may test different hypotheses and theories, applying sensitivity analysis to test assumptions and the strength of the conclusions.

### STEP 5: PRESENT THE FINDINGS

As the last step, the researcher presents the findings. Researchers are increasingly asked to play a proactive, consulting role in translating data and information into insights and recommendations for management. “Marketing Insight: Bringing Marketing Research to Life with Personas” describes an approach that some researchers are using to maximize the impact of their consumer research findings.

## marketing insight

### Bringing Marketing Research to Life with Personas

To bring all their acquired information and insights to life, some researchers are employing personas. *Personas* are detailed profiles of one, or perhaps a few, hypothetical target consumers, imagined in terms of demographic, psychographic, geographic, or other descriptive attitudinal or behavioral information. Photos, images, names, or short bios help convey how the target customer looks, acts, and feels so marketers can incorporate a well-defined target-customer point of view in all their marketing decision making. Many software companies, Microsoft in particular, have used personas to help improve user interfaces and experiences, and marketers have broadened the application. For example:

- Unilever's biggest and most successful hair-care launch, for Sunsilk, was aided by insights into the target consumer the company dubbed "Katie." The Katie persona outlined the 20-something female's hair-care needs, but also her perceptions and attitudes and the way she dealt with her everyday "dramas."
- Specialty tool and equipment maker Campbell Hausfeld relied on the many retailers it supplied, including Home Depot and Lowe's, to help it keep in touch with consumers. After developing eight consumer profiles, including a female do-it-yourselfer and an elderly consumer, the firm was able to successfully launch new products such as drills that weighed less or that included a level for picture hanging.

Although personas provide vivid information to aid marketing decision making, it's important not to overgeneralize. Any target market may have a range of consumers who vary along a number of key dimensions, so researchers sometimes employ two to six personas. Using quantitative, qualitative, and observational research, Best Buy developed five customer personas to guide the redesign and relaunch of GeekSquad.com, its national computer-support service:

- "Jill"—a suburban mom who uses her computer daily and depends on the Geek Squad as on a landscaper or plumber.
- "Charlie"—a 50-plus male who is curious about technology but needs an unintimidating guide.
- "Daryl"—a technologically savvy hands-on experimenter who occasionally needs a helping hand.
- "Luis"—a time-pressed small business owner whose primary goal is to complete tasks as expediently as possible.
- "Nick"—a prospective Geek Squad agent who views the site critically and needs to be challenged.

To satisfy Charlie, a prominent 911 button was added to the upper right-hand corner in case a crisis arose, but to satisfy Nick, Best Buy created a whole channel devoted to geek information.

**Sources:** Dale Buss, "Reflections of Reality," *Point*, June 2006, pp. 10–11; Todd Wasserman, "Unilever, Whirlpool Get Personal with Personas," *Brandweek*, September 18, 2006, p. 13; Daniel B. Honigman, "Persona-fication," *Marketing News*, April 1, 2008, p. 8; Lisa Sanders, "Major Marketers Get Wise to the Power of Assigning Personas," *Advertising Age*, April 9, 2007, p. 36; Paul Murray, "Who Are They?," [www.chiefmarketer.com](http://www.chiefmarketer.com), June/July 2010, pp. 53–54; Lauren Sorenson, "6 Core Benefits of Well-Defined Marketing Personas," [www.blog.hotspot.com](http://www.blog.hotspot.com), December 13, 2011.

The main survey findings for the American Airlines case showed that:

1. Passengers would use ultra high-speed Wi-Fi service primarily to stay connected and receive and send large documents and e-mails. Some would also surf the Web to download videos and songs. They would charge the cost back to their employers.
2. At \$25, about 5 of 10 first-class passengers would use Wi-Fi service during a flight; at \$15, about 6 would. Thus, a fee of \$15 would produce less revenue ( $\$90 = 6 \times \$15$ ) than \$25 ( $\$125 = 5 \times \$25$ ). Assuming the same flight takes place 365 days a year, American could collect \$45,625 ( $= \$125 \times 365$ ) annually. Given an investment of \$90,000 per plane, it would take two years for each to break even.
3. Offering ultra high-speed Wi-Fi service would strengthen American Airlines' image as an innovative and progressive carrier and earn it some new passengers and customer goodwill.

## STEP 6: MAKE THE DECISION

The American Airlines managers who commissioned the research need to weigh the evidence. If their confidence in the findings is low, they may decide against introducing ultra high-speed Wi-Fi service. If they are predisposed to launching it, the findings support their inclination. They may even decide to study the issue further and do more research. The decision is theirs, but rigorously done research provides them with insight into the problem (see Table 4.2).<sup>42</sup>

Some organizations use marketing decision support systems to help their marketing managers make better decisions. MIT's John Little defined a **marketing decision support system (MDSS)** as a coordinated collection of data, systems, tools, and techniques, with supporting software and hardware, by which an organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.<sup>44</sup> Once a year, *Marketing News* lists hundreds of current marketing and sales software programs that assist

TABLE 4.2

## The Seven Characteristics of Good Marketing Research

1. Scientific method	Effective marketing research uses the principles of the scientific method: careful observation, formulation of hypotheses, prediction, and testing.
2. Research creativity	In an award-winning research study to reposition Cheetos snacks, researchers dressed up in a brand mascot Chester Cheetah suit and walked around the streets of San Francisco. The response the character encountered led to the realization that even adults loved the fun and playfulness of Cheetos. The resulting repositioning led to a double-digit sales increase despite a tough business environment. <sup>43</sup>
3. Multiple methods	Marketing researchers shy away from overreliance on any one method. They also recognize the value of using two or three methods to increase confidence in the results.
4. Interdependence of models and data	Marketing researchers recognize that data are interpreted from underlying models that guide the type of information sought.
5. Value and cost of information	Marketing researchers show concern for estimating the value of information against its cost. Costs are typically easy to determine, but the value of research is harder to quantify. It depends on the reliability and validity of the findings and management's willingness to accept and act on those findings.
6. Healthy skepticism	Marketing researchers show a healthy skepticism toward glib assumptions made by managers about how a market works. They are alert to the problems caused by "marketing myths."
7. Ethical marketing	Marketing research benefits both the sponsoring company and its customers. The misuse of marketing research can harm or annoy consumers, increasing resentment at what consumers regard as an invasion of their privacy or a disguised sales pitch.

in designing marketing research studies, segmenting markets, setting prices and advertising budgets, analyzing media, and planning sales force activity.<sup>45</sup>

## Measuring Marketing Productivity

Although we can easily quantify marketing expenses and investments as inputs in the short run, the resulting outputs such as broader brand awareness, enhanced brand image, greater customer loyalty, and improved new product prospects may take months or years to manifest themselves. Meanwhile internal changes within the organization and external changes in the marketing environment may coincide with the marketing expenditures, making it hard to isolate its effects.<sup>46</sup>

Nevertheless, marketing research must assess the efficiency and effectiveness of marketing activities. Two complementary approaches to measuring marketing productivity are: (1) *marketing metrics* to assess marketing effects and (2) *marketing-mix modeling* to estimate causal relationships and measure how marketing activity affects outcomes. *Marketing dashboards* are a structured way to disseminate the insights gleaned from these two approaches.

### MARKETING METRICS

Marketers employ a wide variety of measures to assess marketing effects.<sup>47</sup> **Marketing metrics** is the set of measures that helps marketers quantify, compare, and interpret their performance.<sup>48</sup>

- The CMO of Mary Kay cosmetics would focus on four long-term brand strength metrics—market awareness, consideration, trial, and 12-month beauty consultant productivity—as well as a number of short-term program-specific metrics like ad impressions, Web site traffic, and purchase conversion.
- The VP of marketing at Virgin America would look at a broad set of online metrics—cost per acquisition, cost per click, and cost per thousand page impressions (CPM). She would also look at total dollars driven by natural and paid search and online display advertising as well as tracking results and other metrics from the offline world.



Marketers choose one or more measures based on the particular issues or problems they face. Mindbody, a web-based business management software provider for the wellness and beauty industries worldwide, tracks numerous online analytics including landing page conversions, click through rates for online ads and rankings on Google search. In addition, MINDBODY monitors the following online metrics on a weekly basis: 1) *Website analytics*, details on site navigation and online interaction; 2) *Social media presence*, different demographic and geographic responses to social media channels across different markets; and 3) *Permission marketing statistics*, measures of interactions and engagement with consumers from auto e-mails. “Marketing Memo: Measuring Social Media ROI” offers some insight into the thorny issue of measuring social media effects.

An advocate of simple, relevant marketing metrics, the University of Virginia’s Paul Farris draws an analogy to the way Boeing 747 jet pilots select information from the vast array of instruments in the cockpit:<sup>49</sup>

Aircraft pilots have protocols. When they are sitting on the tarmac warming their engines waiting to take off, they are looking at certain things. When they are taxiing, they look at others. When they are in flight, they look at still others. There is a sequence of knowing when to pay attention to which metrics, which lets them have their cake and eat it too, in terms of the simplicity and complexity trade-off.

London Business School’s Tim Ambler believes firms can split evaluation of marketing performance into two parts: (1) short-term results and (2) changes in brand equity.<sup>50</sup> Short-term results often reflect profit-and-loss concerns as shown by sales turnover, shareholder value, or some combination of the two. Brand-equity measures could include customer awareness, attitudes, and behaviors; market share; relative price premium; number of complaints; distribution and availability; total number of customers; perceived quality, and loyalty and retention.<sup>51</sup>

Companies can also monitor an extensive set of internal metrics, such as innovation. For example, 3M tracks the proportion of sales resulting from its recent innovations. Ambler also recommends developing employee measures and metrics, arguing that “end users are the ultimate customers, but your own staff are your first; you need to measure the health of the internal market.” Table 4.3 summarizes a list of popular internal and external marketing metrics from Ambler’s survey in the United Kingdom.<sup>52</sup>

Software provider MINDBODY uses a wide variety of online statistics to monitor its brand and assess marketing effects.

**4.5 out of 5**  
Are you using the best software?  
95% of MINDBODY clients gave MINDBODY a top rating. [Read the reviews](#)

**100%**  
Is your business thriving?  
Over 100% revenue growth among MINDBODY clients. [See how they did it](#)

**34,000**  
Do you have the industry standard?  
34,000 businesses in 100 countries have chosen MINDBODY. [Find out why](#)

Source: MINDBODY

marketing  
memo

## Measuring social media ROI

Industry expenditures on social media campaigns are expected to double in the next four years, but many marketers do not know what they are getting in return for their dollars. When Audi ran the first Super Bowl ad to feature a Twitter hashtag in 2011, it had no idea how much the high engagement of its Facebook fan base translated into sales of more cars. One report showed that 50 percent of Fortune 1000 companies did not benchmark or measure the payback of their social CRM projects.

Initially, the focus of measuring social media effects was on easily observed quantities like the number of Facebook “likes” and Twitter tweets per week. These did not always correlate with marketing or business success, so researchers began digging deeper. Assessing social media value is not an easy task. Some marketing pundits compare social media to a phone: How would you assess the ROI of all the different calls you make? Josh Bernoff, Forrester Research’s acclaimed digital marketing guru, sees short-term and long-term benefits of social media in four categories:

1. *Short-term financial benefits*, such as increased revenue or decreased costs. On the revenue side, when NetShops.com added ratings and reviews to its site, sales increased 26 percent within six months. On the cost side, National Instruments, makers of sophisticated technical engineering products, found members of its user community answered 46 percent of other users’ questions, saving NI its typical \$10 service cost per call. Similarly, AT&T’s revamped online community saved the firm 16 percent in telephone customer support in one month.
2. *Short-term overall digital benefits*. When Swanson Health Products improved the visibility of its product reviews, they became more accessible to search engines, and traffic to its product pages rose 163 percent. Online videos, communities, blogs, and Twitter can similarly boost search performance.
3. *Long-term brand lift*. Social media can improve long-term brand performance measures. When P&G created a Facebook page to support ski jumper Lindsey Van, it solicited 40,000 signatures on a petition to make ski jumping an Olympic sport. Surveys of participating Facebook users found an 8 percent to 11 percent increase in brand preference and purchase intent.
4. *Long-term risk avoidance*. Dealing with a crisis can cost a firm millions of dollars over time. It is better to avoid or avert a crisis before it creates any brand damage. Firms such as McDonald’s and AT&T have customer service teams who monitor Tweets about their products or services to nip any alleged problems in the bud.

Forrester social media analyst Zach Hofer-Shall believes mining actionable insights and measurable feedback from social media requires: (1) the right people to interpret the data, (2) a business purpose to drive strategy, (3) the best social listening platform for achieving goals, and (4) a formalized process for analyzing data and taking action.

The easiest way to create and measure social media’s payoff is to include a contest, sweepstake, or promotion. Silicon Valley ad agency Wildfire created a promotion for Jamba Juice where the value of a “lucky coupon” was revealed only in-store. Tens of thousands of customers entered. The promotion was successful, but social media results can still be unpredictable.

V. Kumar and his colleagues suggest a seven-step process to social media success with several helpful indices that could be developed for each step:

1. Monitor the conversations.
2. Identify influential individuals.
3. Identify the factors they share.
4. Locate potential influencers who have relevant interests.
5. Recruit those influencers.
6. Incentivize them to spread positive word of mouth.
7. Reap the rewards.

Research has also shown that our use of social media differs in significant ways. People tend to be more positive in one-way communications (such as blogs and Twitter) than in two-way forums where they share and discuss brand or product experiences with others.



Source: Getty Images

P&G's online campaign to support ski jumper Lindsay Van produced benefits for its Secret deodorant brand too.

**Sources:** “ROI Lacking in Social CRM,” [www.warc.com](http://www.warc.com), May 4, 2012; Josh Bernoff, “A Balanced Perspective on Social ROI,” *Marketing News*, February 28, 2011; Piet Levy, “10 Minutes with . . . Zach Hofer-Shall,” *Marketing News*, September 15, 2011; Frahad Manjoo, “Does Social Media Have a Return on Investment?,” *Fast Company*, July/August 2011; David A. Schweidel, Wendy W. Moe, and Chris Boudreaux, “Social Media Intelligence: Measuring Brand Sentiment from Online Conversation,” MSI Report 12-100 (Cambridge, MA: Marketing Science Institute), 2012.

TABLE 4.3 Sample Marketing Metrics	
I. External	II. Internal
Awareness	Awareness of goals
Market share (volume or value)	Commitment to goals
Relative price (market share value/volume)	Active innovation support
Number of complaints (level of dissatisfaction)	Resource adequacy
Consumer satisfaction	Staffing/skill levels
Distribution/availability	Desire to learn
Total number of customers	Willingness to change
Perceived quality/esteem	Freedom to fail
Loyalty/retention	Autonomy
Relative perceived quality	Relative employee satisfaction

Source: Tim Ambler, "What Does Marketing Success Look Like?," *Marketing Management* (Spring 2001), pp. 13–18.

## MARKETING-MIX MODELING

Marketing accountability also means that marketers must more precisely estimate the effects of different marketing investments. *Marketing-mix models* analyze data from a variety of sources, such as retailer scanner data, company shipment data, pricing, media, and promotion spending data, to understand more precisely the effects of specific marketing activities.<sup>53</sup> To deepen understanding, marketers can conduct multivariate analyses, such as regression analysis, to sort through how each marketing element influences marketing outcomes such as brand sales or market share.

Especially popular with packaged-goods marketers such as Procter & Gamble, Clorox, and Colgate, the findings from marketing-mix modeling help allocate or reallocate expenditures. Analyses explore which part of ad budgets are wasted, what optimal spending levels are, and what minimum investment levels should be.

Although marketing-mix modeling helps to isolate effects, it is less effective at assessing how different marketing elements work in combination. Wharton's Dave Reibstein also notes three other shortcomings:<sup>54</sup>

- Marketing-mix modeling focuses on incremental growth instead of baseline sales or long-term effects.
- The integration of important metrics such as customer satisfaction, awareness, and brand equity into marketing-mix modeling is limited.
- Marketing-mix modeling generally fails to incorporate metrics related to competitors, the trade, or the sales force (the average business spends far more on the sales force and trade promotion than on advertising or consumer promotion).

## MARKETING DASHBOARDS

Firms are also employing organizational processes and systems to make sure they maximize the value of all these different metrics. Management can assemble a summary set of relevant internal and external measures in a marketing dashboard for synthesis and interpretation. Marketing dashboards are like the instrument panel in a car or plane, visually displaying real-time indicators to ensure proper functioning. Formally, **marketing dashboards** are "a concise set of interconnected performance drivers to be viewed in common throughout the organization."<sup>55</sup>

Dashboards are only as good as the information on which they're based, but sophisticated visualization tools are helping bring data alive. Color-coding, symbols, and different types of charts, tables, and gauges are easy to use and effective. Some companies are also appointing marketing controllers to review budget items and expenses. Increasingly, these controllers use business intelligence software to create digital versions of marketing dashboards that aggregate data from internal and external sources.



As input to the marketing dashboard, companies should include two key market-based scorecards that reflect performance and provide possible early warning signals.

- A **customer-performance scorecard** records how well the company is doing year after year on such customer-based measures as those shown in Table 4.4. Management should set target goals for each measure and take action when results get out of bounds.
- A **stakeholder-performance scorecard** tracks the satisfaction of various constituencies who have a critical interest in and impact on the company's performance: employees, suppliers, banks, distributors, retailers, and stockholders. Again, management should take action when one or more groups register increased or above-norm levels of dissatisfaction.<sup>56</sup>

TABLE 4.4

## Sample Customer-Performance Scorecard Measures

- Percentage of new customers to average number of customers
- Percentage of lost customers to average number of customers
- Percentage of win-back customers to average number of customers
- Percentage of customers falling into very dissatisfied, dissatisfied, neutral, satisfied, and very satisfied categories
- Percentage of customers who say they would repurchase the product
- Percentage of customers who say they would recommend the product to others
- Percentage of target market customers who have brand awareness or recall
- Percentage of customers who say that the company's product is the most preferred in its category
- Percentage of customers who correctly identify the brand's intended positioning and differentiation
- Average perception of company's product quality relative to chief competitor
- Average perception of company's service quality relative to chief competitor

marketing  
memo

## Designing Effective Marketing Dashboards

Marketing consultant Pat LaPointe sees marketing dashboards as providing all the up-to-the-minute information necessary to run the business operations for a company—such as sales versus forecast, distribution channel effectiveness, brand equity evolution, and human capital development. According to LaPointe, an effective dashboard will focus thinking, improve internal communications, and reveal where marketing investments are paying off and where they aren't.

LaPointe observes four common measurement “pathways” marketers pursue today (see Figure 4.2).

- The *customer metrics pathway* looks at how prospects become customers, from awareness to preference to trial to repeat purchase, or some less linear model. This area also examines how the customer experience contributes to the perception of value and competitive advantage.
- The *unit metrics pathway* reflects what marketers know about sales of product/service units—how much is sold by product line and/or by geography; the marketing cost per unit sold as an efficiency yardstick; and where and how margin is optimized in terms of characteristics of the product line or distribution channel.
- The *cash-flow metrics pathway* focuses on how well marketing expenditures are achieving short-term returns. Program and campaign ROI models measure the immediate impact or net present value of profits expected from a given investment.
- The *brand metrics pathway* tracks the development of the longer-term impact of marketing through brand equity measures that assess both the perceptual health of the brand from customer and prospective customer perspectives and the overall financial health of the brand.

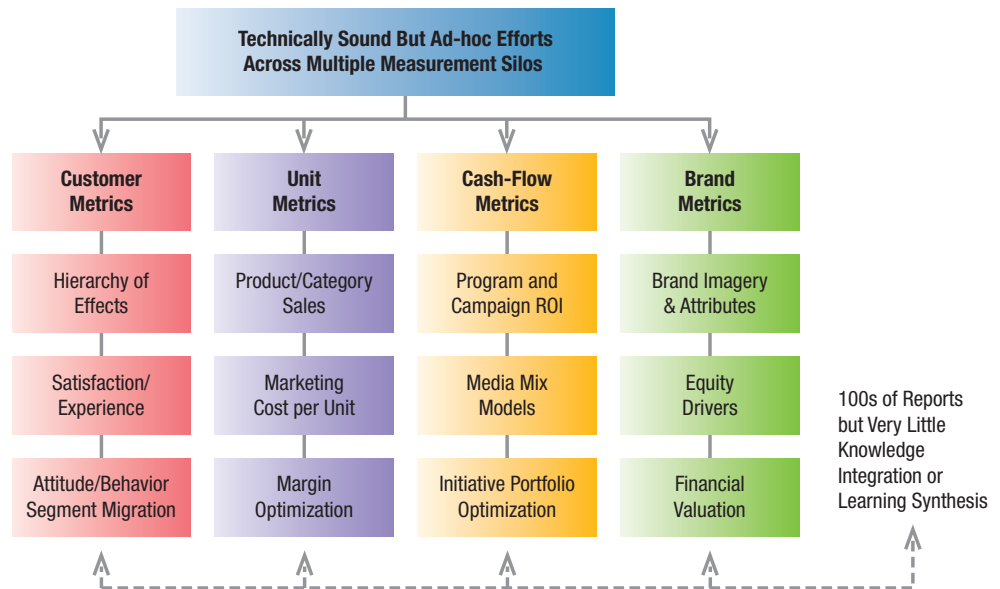
LaPointe feels a marketing dashboard can present insights from all the pathways in a graphically related view that helps management see subtle links between them. Tabs can allow the user to toggle easily between different “families” of metrics organized by customer, product, experience, brand, channels, efficiency, organizational development, or macroenvironmental factors. Each tab presents the three or four most insightful metrics, with data filtered by business unit, geography, or customer segment based on the users' needs. (See Figure 4.3 for a sample brand metrics page.)

Ideally, over time the number of metrics on the dashboard will be reduced to a few key drivers. Meanwhile, the process of developing and refining the marketing dashboard will undoubtedly raise and resolve many key questions about the business.

**Source:** Adapted from Pat LaPointe, *Marketing by the Dashboard Light*, Association of National Advertisers, 2005, [www.MarketingNPV.com](http://www.MarketingNPV.com).

| Fig. 4.2 |

## Marketing Measure Pathway



| Fig. 4.3 |

## Example of a Marketing Dashboard

Source: Adapted from Patrick LaPointe, *Marketing by the Dashboard Light—How to Get More Insight, Foresight, and Accountability from Your Marketing Investments*. © 2005, Patrick LaPointe.



Some executives worry that they'll miss the big picture if they focus too much on a set of numbers on a dashboard. Some critics are concerned about privacy and the pressure the technique places on employees. But most experts feel the rewards offset the risks. "Marketing Memo: Designing Effective Marketing Dashboards" provides practical advice about the development of these marketing tools.

# Summary

1. Companies can conduct their own marketing research or hire other companies to do it for them. Some of ways companies can creatively and affordably conduct research include: engage students or professors to design and carry out projects; use the Internet; check out rivals; tap into marketing partner expertise; and tap into employee creativity and wisdom.
2. Good marketing research is characterized by the scientific method, creativity, multiple research methods, accurate model building, cost-benefit analysis, healthy skepticism, and an ethical focus.
3. The marketing research process consists of defining the problem, decision alternatives, and research objectives; developing the research plan; collecting the information; analyzing the information; presenting the findings to management; and making the decision.
4. In conducting research, firms must decide whether to collect their own data or use data that already exist. They must also choose a research approach (observational, focus group, survey, behavioral data, or experimental) and research instruments (questionnaire, qualitative measures, or technological devices). In addition, they must decide on a sampling plan and contact methods (by mail, by phone, in person, or online).
5. Two complementary approaches to measuring marketing productivity are: (1) marketing metrics to assess marketing effects and (2) marketing-mix modeling to estimate causal relationships and measure how marketing activity affects outcomes. Marketing dashboards are a structured way to disseminate the insights gleaned from these two approaches within the organization.
6. Assessing the ROI of social media is challenging but requires a range of short-term and long-term financial and brand-related measures. Although Facebook “likes” and Twitter tweets provide some sense of the engagement for a brand, a more complete set of measures is typically needed to get a more accurate picture of social media or other online activities.

## MyMarketingLab

Go to [mymktlab.com](http://mymktlab.com) to complete the problems marked with this icon ★ as well as for additional Assisted-graded writing questions.

# Applications

## Marketing Debate

### What Is the Best Type of Marketing Research?

Many market researchers have their favorite research approaches or techniques, though different researchers often have different preferences. Some researchers maintain that the only way to really learn about consumers or brands is through in-depth, qualitative research. Others contend that the only legitimate and defensible form of marketing research uses quantitative measures.

**Take a position:** The best marketing research is quantitative in nature *versus* The best marketing research is qualitative in nature.

## Marketing Discussion

### Survey Quality

★ When was the last time you participated in a survey? How helpful do you think the information you provided was? How could the research have been done differently to make it more effective?

## Marketing Excellence

### >> IDEO

IDEO is the largest and one of the most influential design consultancy firms in the United States. The company has created many recognizable design icons of the technology age, including the first laptop computer, the first mouse for Apple, the Palm V PDA, and the TiVo digital video recorder. Beyond its high-tech wizardry, the company has designed revolutionary household items such as the Swiffer Sweeper and Crest's stand-up toothpaste tube, both for Procter & Gamble. IDEO's diverse roster of clients includes AT&T, Bank of America, Ford Motor Company, PepsiCo, Nike, Marriott, Caterpillar, Eli Lilly, Lufthansa, Prada, and the Mayo Clinic.

IDEO's success is predicated on an approach called "design thinking"—an innovative method that incorporates behavior into design. It's an unconventional way of problem solving and starts by forming teams of individuals with various backgrounds and experiences. Team members range from anthropologists and journalists to MBAs and engineers. IDEO's belief is that if you bring together a diverse group with these talents, they will build upon each other's ideas and come up a solution that one mind cannot reach alone.

Next, IDEO uses different methods of behavioral research and observation to get into the mind of the consumer. This helps IDEO uncover deep insights and understand how consumers purchase, interact with,

use, and even dispose of products. For example, one method shadows consumers, takes pictures or videos of them during product purchase or use occasions, and conducts in-depth interviews with them to further evaluate their experiences. IDEO uses another method called behavioral mapping and maintains a photographic log of people within a certain area like an airline departure lounge, a hospital waiting room, or a food court to gauge how the experience can be improved. Participants keep a "camera journal" in which they record their visual impressions of a given product or category. IDEO also invites consumers to use storytelling techniques and share personal narratives, videos, skits, or even animations about their experiences with a product or service.

IDEO's human-centered approach runs counter to the prevailing wisdom of many high-tech firms that focus more on their own capabilities when designing products. David Blakely, head of IDEO's technology group, explained, "Tech companies design from the inside out, whereas we design from the outside in so that we can put customers first." Ultimately, the company designs products that consumers want and value because they offer a superior experience and solve a problem. Recent product innovations include a heart defibrillator that talks with instructions during an emergency and a renovated version of the classic wooden classroom chair.

Marriott hired IDEO to help make its Courtyard by Marriott hotels more appealing to younger guests. IDEO



conducted interviews and observed guests in the hotel's lounges, lobbies, and restaurants. Its research revealed that younger guests were turned off by the lack of activity in the hotel's public places, the lack of technology offered, and poor food options. As a result, Courtyard by Marriott updated its furniture and decor to be more comfortable and inviting. The hotel added advanced technology options throughout its lobbies and lounges, such as flat-screen TVs and free Wi-Fi. Marriott converted its breakfast buffets to 24/7 coffee-shop-style cafés, where guests could quickly grab a gourmet coffee drink and healthy bite to eat anytime. Courtyard even created new outdoor hangout spots with sound speakers and fire pits. After the renovations, the chain changed its tagline to "Courtyard. It's a New Stay."

Prototyping takes place throughout IDEO's design process so individuals can physically test out the product, experience it, and improve upon it during each level of development. IDEO encourages its clients, even senior executives, to participate in the research so they get a sense of the actual consumer experience with their product or service. For example, when it created a prototype for Apple's first mouse, Steve Jobs didn't like the sound it made when it moved around on a desk and insisted that IDEO find a way to reduce the noise. The design firm overcame this huge technical obstacle and successfully rubber-coated the steel ball without interfering with its function.

IDEO's novel consumer-led approach to design has generated countless success stories and awards for the firm and its clients. Its work has also served as inspiration for the creation of Stanford University's design school—The Hasso Plattner Institute of Design—where students work on problem solving centered around design thinking.

The most important result for IDEO is that its designs solve a usability problem for clients. The company goes broad and deep to achieve this goal. Since its founding, it has been issued thousands of patents and generated hundreds of millions in revenues.

### Questions

1. Why has IDEO been so successful?
2. What is the most difficult challenge it faces in conducting its research and designing its products?
3. In the end, IDEO creates great solutions for companies that then receive all the credit. Should IDEO try to create more brand awareness for itself? Why or why not?

**Sources:** Lisa Chamberlain, "Going Off the Beaten Path for New Design Ideas," *New York Times*, March 12, 2006; Chris Taylor, "School of Bright Ideas," *Time*, March 6, 2005, p. A8; Scott Morrison, "Sharp Focus Gives Design Group the Edge," *Financial Times*, February 17, 2005, p. 8; Bruce Nussbaum, "The Power of Design," *BusinessWeek*, May 17, 2004, p. 86; Teresa Iezzi, "Innovate, but Do It for Consumers," *Advertising Age*, September 11, 2006; Barbara De Lollis, "Marriott Perks Up Courtyard with Edgier, More Social Style," *USA Today*, April 1, 2008; Tim Brown, "Change by Design," *BusinessWeek*, October 5, 2009, pp. 54–56; *60 Minutes*, January 6, 2013.

---

## Marketing Excellence

### >> Intuit

Intuit develops and sells financial and tax solution software for consumers and small and medium-sized businesses. The company was founded in 1983 by a former Procter & Gamble employee, Scott Cook, and a Stanford University programmer, Tom Proulx, after Cook realized there must be a better way to automate his bill-paying process. For almost 30 years, Intuit's mission has been to "revolutionize people's lives by solving their important business and financial management problems."

Intuit launched its first product, Quicken, in 1984 but almost went out of business twice during its first few years. In order to survive, Intuit changed its distribution strategy and sold its software to banks. After some favorable reviews in the trade journals and an effective print advertising campaign that featured a 1-800 number, the company got its first break. By 1988, Quicken was the best-selling finance product on the market. In 1992, Intuit launched QuickBooks, a bookkeeping and payroll software product for small businesses, and went public the following year.

Intuit grew quickly in the early 1990s, thanks to the success of Quicken, QuickBooks, and TurboTax, its tax preparation software program. Intuit's products did something for small businesses that more complicated accounting packages didn't: They solved finance and tax problems in a simple, easy-to-use manner. Intuit had recognized correctly that simplicity was the key, not in-depth accounting analysis. By 1995, the firm held a 70 percent market share, and Microsoft tried to purchase it for \$2 billion. The Justice Department, however, blocked the deal as anticompetitive, and the buyout collapsed.

From 1995 to 1997, Intuit's stock tumbled 72 percent and the company was forced to refocus its strategic efforts. It turned to the growing power of the Internet, online banking capabilities, and valuable insight from extensive consumer research to develop new products. This new strategic focus and emphasis on consumer research helped improve the company's stock value and market position in the early 2000s.

In 2007, Scott Cook wanted the company to focus even more intently on innovation. As a result, he adopted an up-and-coming approach to product development called design thinking. Design thinking is an unconventional way of problem solving that incorporates extensive consumer observation and research with trial and error and ongoing product prototyping.

Today, Intuit spends a significant amount of time and money—approximately 20 percent of net revenues—on consumer research each year. This research helps Intuit understand exactly how customers use and feel about their products and keep abreast of technology, consumer needs, and competition.

Field research helps Intuit uncover insight in a variety of ways. During a *Site Visit*, Intuit researchers visit the individual's home or office to observe exactly how products are used, what works well, what frustrates users, and how products can be improved upon. A *Lab Study* invites consumers to one of Intuit's research labs to test and experiment with Intuit's new products and ideas. During a *Remote Study*, consumers are interviewed over the phone and often asked to view new design concepts over the Internet. Intuit also conducts an ongoing extensive research study with the Institute for the Future to learn more about the future trends affecting small businesses. The company uses what it learns to improve versions of its products each year and better understand the next generation of financial and tax software.

Intuit's in-depth research recently led to innovative new products and services. For example, employees watched younger consumers get frustrated using an Intuit tax software program because they couldn't take pictures of their tax forms and complete their taxes via their mobile device. This frustration and Intuit's keen empathy for the consumer led to the development of a tax app called SnapTax. Launched in 2010, it has since been downloaded more than a million times.

Demand for Intuit's products is seasonal, and its marketing efforts are typically concentrated around tax preparation time—November through April. During that time, Intuit develops promotions with original equipment manufacturers (OEMs) and major retailers via direct mail, Web marketing, print, radio, and television.

While Intuit's marketing campaigns have evolved over the years, positive word of mouth and exceptional customer service have been its most effective marketing tools since its early days. Harry Pforzheimer, chief communications officer and marketing leader, explained, "It's a little harder to measure but when you know that roughly eight out of 10 customers bought your product because of word-of-mouth that's a pretty powerful tool... So engaging with our customers directly is part of our DNA and communicating with customers on a timely basis is critical. And that timely basis now is instantaneous."

Intuit has expanded globally through new product and service offerings and through strategic acquisitions. Its purchase of Mint.com, for example, added value by giving consumers another tool to analyze their spending against a budget. Intuit also acquired Demandforce, which added the ability to provide online marketing and

communications tools for small businesses. In 2009, Intuit won a rare fight against Microsoft when the software giant discontinued its Money product line after an 18-year battle with Quicken. And the company's expansion into mobile solutions has encouraged younger consumers to adopt its finance and tax software. Intuit now has more than 50 mobile applications, and more than 45 million customers have used its cloud-based services in the past five years.

As Intuit expands globally, it is developing new products for consumers worldwide. In India, for example, Intuit launched Fasal, a service that gives hundreds of thousands of farmers up-to-date marketing information to help them get the best price for their crops. Intuit earned \$4.51 billion in revenue for fiscal year 2014, primarily from Quicken, QuickBooks, and TurboTax sales.

### Questions

1. Why are consumer research and design thinking so critical to Intuit's success?
2. What are the challenges Intuit faces in the near future?
3. How important are Intuit's products for mobile devices?

**Sources:** Intuit, *2012 Annual Report*; Karen E. Klein, "The Face of Entrepreneurship in 2017," *BusinessWeek*, January 31, 2007; Intuit, "Intuit Study: Next-Gen Artisans Fuel New Entrepreneurial Economy," February 13, 2008; Michael Bush, "How PR Chiefs Have Shifted Toward Center of Marketing Departments," *Advertising Age*, September 21, 2009; Jon Swartz, "More Marketers Use Social Networking to Reach Customers," *USA Today*, August 28, 2009; Mark Johnson and Joe Sinfield, "Focusing on Consumer Needs Is Not Enough," *Advertising Age*, April 28, 2008; "Intuit CEO Sees Growth in Mobile, Global Markets," *Associated Press*, September 23, 2009; Sarah Needleman, "How I Built It: For Intuit Co-Founder, the Numbers Add Up," *Wall Street Journal*, August 18, 2011, p. B4; Rachel Emma Silverman, "Companies Change Their Way of Thinking," *Wall Street Journal*, June 7, 2012; Robin Goldwyn Blumenthal, "Intuit: Lots More Than Quicken," *Wall Street Journal*, September 30, 2012.

## Part 3 Connecting with Customers

- Chapter 5** Creating Long-Term Loyalty Relationships
- Chapter 6** Analyzing Consumer Markets
- Chapter 7** Analyzing Business Markets
- Chapter 8** Tapping Into Global Markets



In This Chapter, We Will Address the Following **Questions**

1. What are customer value, satisfaction, and loyalty, and how can companies deliver them? (p. 149)
2. What is the lifetime value of customers, and how can marketers maximize it? (p. 158)
3. How can companies attract and retain the right customers and cultivate strong customer relationships and communities? (p. 164)
4. How do customers' new capabilities affect the way companies conduct their marketing? (p. 168)

Pandora has created strong customer loyalty with its innovative online music discovery and recommendation services.

*Source: Bloomberg via Getty Images*

**MyMarketingLab™**

★ **Improve Your Grade!**

Over 10 million students improved their results using the Pearson MyLabs. Visit [mymktlab.com](http://mymktlab.com) for simulations, tutorials, and end-of-chapter problems.