

# Lecture 1

## CONSUMER INSIGHTS

Introduction to Consumer Insights  
(market research, decision problems)

### Learning objectives

- Understand what consumer insights are and how to gather them.
- Understand the process of marketing research as the starting point of obtaining consumer insights.
- Describe the importance of defining the decision problem as a research question.
- Determine the expected value of information obtainable through marketing research.

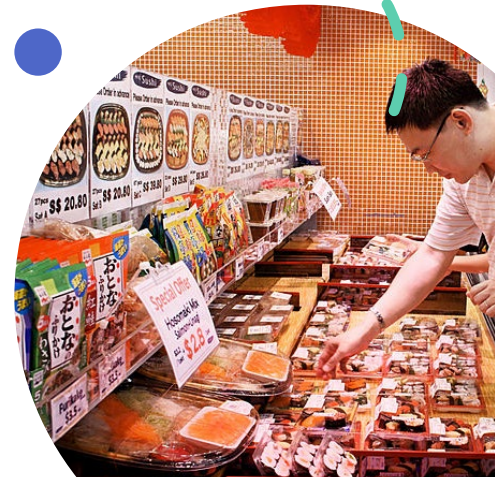
A consumer insight is an interpretation used by businesses to:

1. Gain a deeper understanding of how their audience thinks and feels.

2. Analysing human behaviours to allow companies to really understand what their consumers want and need, and most importantly, why they feel this way.

When consumer insight research is conducted properly, it should improve the effectiveness of how a company:

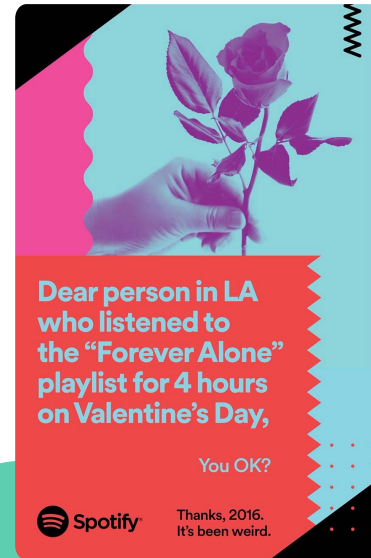
- Communicates to its customers
- Changes consumer behaviour
- Increases sales
- Improves profitability or decreases loss
- Enhances competitiveness in the market place



Collecting good consumer insights is challenging.

So what is needed for collecting and using consumer insights appropriately?

- Market research
- Good data quality
- Dedicated team of research and data specialists



Example:

Spotify's new billboard campaign uses **internal consumer data** to create unique singular stories that highlighted how personal listening to music can be.

## What is market research?

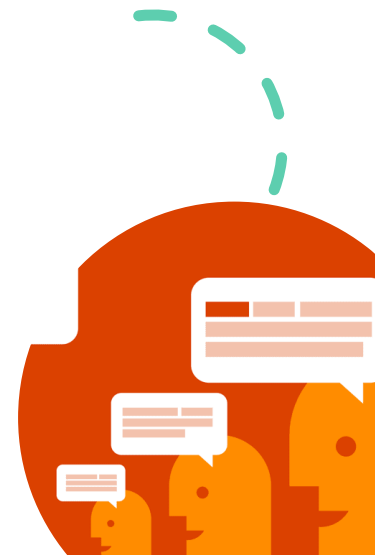
The American Marketing Association defines market research as the function that links an organization to its market through the generation of information.

OR

The process of gathering information about customers or markets to obtain information about market needs, market sizes, competitors and customers. It is the "what" of customers and markets.

## From Market Research to Consumer Insights:

- Market research delivers statistics and knowledge.
- **Using market research to draw conclusions and recommendation will mean obtaining consumer insights.**
- With the data and narrative, the data will be used for decision making.



## Iceberg Principle

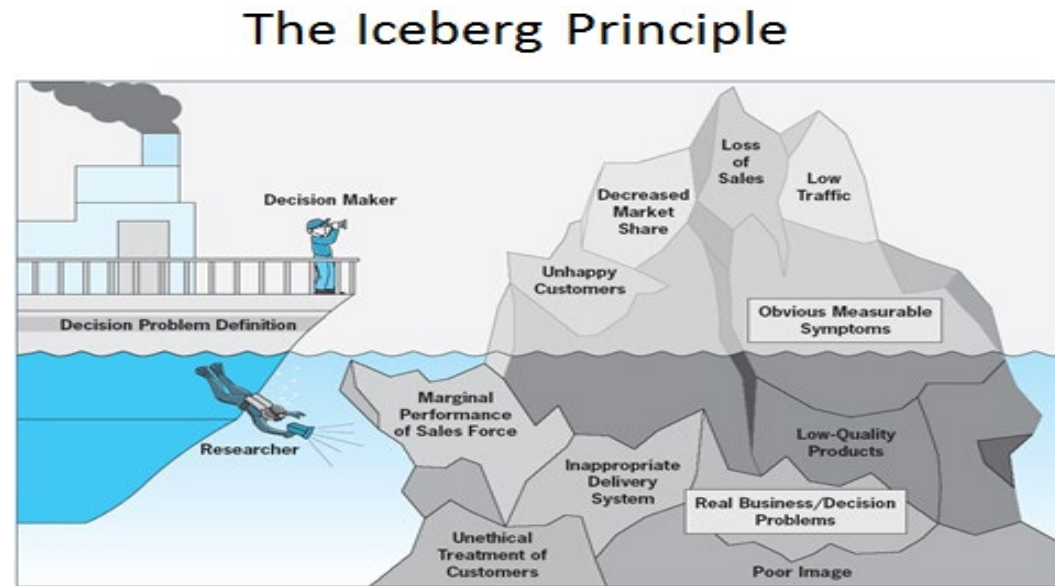
In many situations, only a very small amount (the 'tip') of information is available or visible.

The 'real' information or bulk of data is either unavailable or hidden.

The principle gets its name from the fact that only about 1/10th of an iceberg's mass is seen outside while about 9/10th of it is unseen, deep down in water.

In business, one only sees the symptoms of a problem and that the underlying causes are like an iceberg; 80 percent below the surface.

Thus the need for **market research**.



Before we get to Consumer Insights, we have to learn what market research is

Market Research is a systematic process

Tasks include:

1. Designing methods for collecting information
2. Managing the information collection process
3. Analysing and interpreting results
4. Communicating results to decision makers

Market Research is a diverse profession

They are research providers who may be internal or external:

1. Internal research providers are within the client organization

Eg: Big companies like General Motors, Coke have their own Internal research department

Benefits:

- Keep research confidential (within the company)
- Minimise spending on research
- Ability to produce actionable research results

# Example: Coca-Cola

Started in 2019

- Coca-Cola uses its newly unveiled KOLab facility to collaborate with retail and restaurant customers to innovate new ways of reaching customers. For example, customers can use a “digital immersion room” to demo customer shopping experiences using VR. The lab aims to be a space where Coca-Cola can build relationships with its restaurant and retail customers to discover new ideas.



**Notable Projects:** Coca-Cola launched Coke Energy, the first Coke-branded non-soda drink, in the US in January 2020. The move comes as the company looks to capture more customers using the Coke brand in the increasingly popular energy drink category.

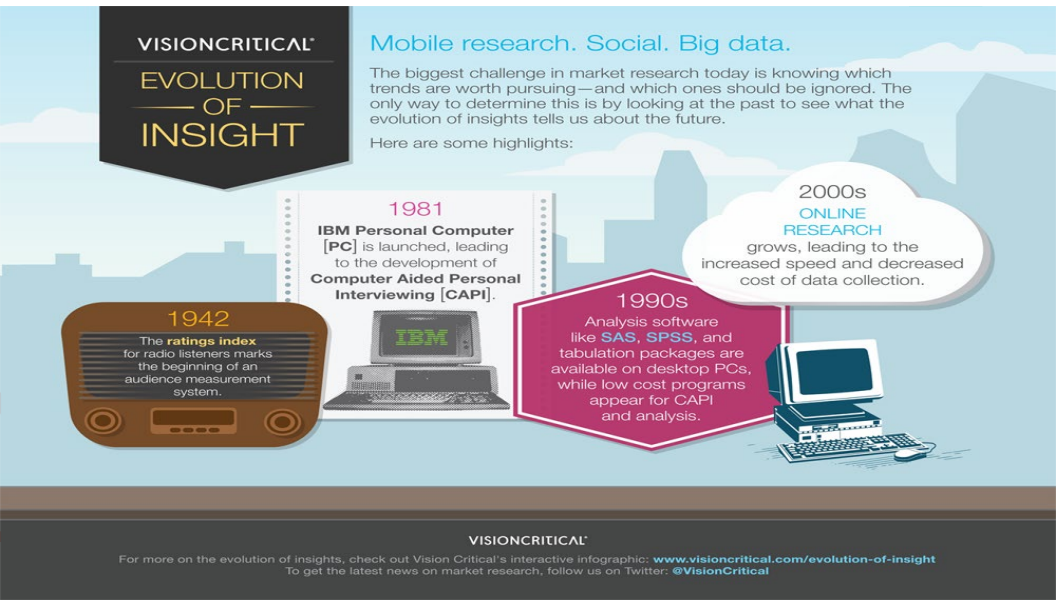
# Market Research is a diverse profession

- 2. External providers are third parties outside the firm:
  - Customised or standardized (areas of research)
  - Operate on a fee basis and commonly submit a research proposal for evaluation and decision purposes

## Benefits:

- 1. Objective (less subject to company politics and regulations)
- 2. Flexibility in scheduling research studies and matching project requirements
- 3. Specialised talents can be easily sought

# Examples: External Research Providers



## The Market Research Industry & Firms

Marketing research employees represent a diversity of cultures, technology and personalities. Business expand, marketing research firms also expand to cater to their needs.

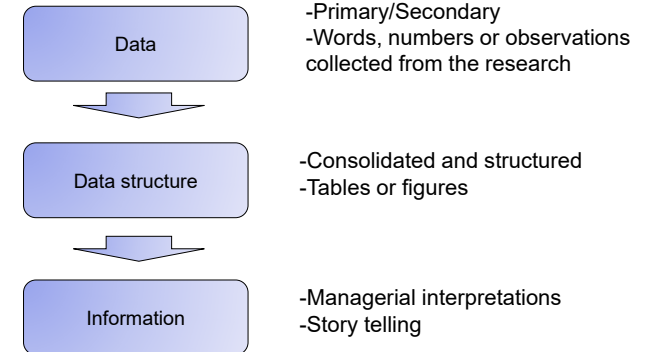
Skills needed are:

1. Communication (written and verbal)
2. Interpersonal (work with others)
3. Statistical ability
4. Ability to understand and interpret data
5. Presentation
6. Foreign language fluency
7. Negotiation (manage and secure client projects)
8. IT proficiency

1-17

## Data into Information

To provide decision makers with useable information



1-18

### Phases of Market Research

#### 1: Determining the Scope for Market Research

- Define the decision problem.
- Specify the research question.
- Define the research objective.
- Evaluate the likely benefits of the expected information.

#### 2: Select the Research Method

Research designs and methods to consider:

- Secondary and primary data.
- Exploratory, descriptive, causal design.
- Qualitative and quantitative:
  - Sampling
  - Measurement

1-19

### Phases of Market Research

#### Step 3: Collect and prepare the data

- Observation methods
- Questioning methods

#### Step 4: Analyse the data

- Plan and Generate data structure
- Conduct data analysis using human and technology assistance

1-20



## Phases of Market Research

### Step 5: Transform the analysis results into information (gathering consumer insights)

- Useful for a non research-oriented person  
Eg: Marketing Managers, CEOs, Shareholders, Auditors etc
- Use the results to make decisions by the stakeholders of the company

Eg: make a less risky decision about a product, strategy, brand, etc

1-21

## Writing a Marketing Research Proposal (for the research study)

- The written contract between the decision maker and the marketing researcher.
- The activities needed to develop the research plan, to obtain the information and the costs.

1-22

Chapter 3

### Composing a Research Proposal

Arild Angelsen, Carsten Smith-Hall and  
Helle Overgaard Larsen

*Science is facts just as houses are made of stones, so is science made of facts; but a pile of stones is not a house and a collection of facts is not necessarily science.*  
Henri Poincaré (1905, *La valeur de la science*, Flammarion, Paris)

#### What is a research proposal?

Research can be defined as 'a systematic investigation of a question or resolution, based on critical analysis of relevant evidence' (Walliman, 2005, p37). A research proposal is a concise presentation of the planned research, answering two key questions in particular: (a) *What is the project going to investigate?* And (b) *How is the project going to undertake the investigation?* The research proposal specifies the steps required to move from questions to answers by providing a logical, coherent and realistic plan of action.

A research proposal typically has two purposes. The *internal* purpose, which is the focus in this chapter, is to force the researchers to carefully design and plan the research project. The research plan should be sufficiently operational to provide the general structure for project implementation. Most projects involve several partners, and the research proposal creates a platform for the early planning and collaboration among them. The *external* purpose is to convince the reader that one has a good (important, relevant) research idea, that it is of high scientific quality (well-formulated, sound methods, competence of individuals involved) and that the planned project can be implemented (realistic time and resource use). External approval may be needed to obtain funding or research permits, so be enrolled in a PhD programme or to get new research patterns; for an overview of external evaluation criteria see Peters (2003).

## Defining the decision problem

Decision problem is a situation in which management has to decide on the course of action to take.

- What should we do now?
- Which is the best option?

Decision Problem Template Example

<https://www.youtube.com/watch?v=l-FZ5QqRPRg>

Watch the video above and answer the question:

What was the decision problem that was used in the video?

Answer: \_\_\_\_\_

In conducting the market **research**, the research provider will break the **decision problem** down into any number of smaller **research** questions in order to provide an answer.

## Decision problem commonly associated with:

- **Product Benefits:** to decide what benefits to offer
- **Targeting & Segmentation:** to decide whom to target with this benefit and whether we have more than one target, which is segmentation.
- **Positioning:** to decide what we need customers within each target group to think for them to buy our product or service.
- **Delivery:** We will determine the media and sales campaign to deliver the story to establish the positioning within each target.
- **Market Approach:** to decide whether to steal share, grow the market, or both.
- **“Story” to Establish Positioning:** to decide what story we need to tell to establish that positioning.

When we have to write research plans and the decisions, the decisions are always more detailed versions of these six key decisions.

## Example: Decision problem for a retail store in Australia

### DECISION PROBLEMS EXPRESSED IN TERMS OF RESEARCH QUESTIONS AND RESEARCH OBJECTIVES

#### SITUATION

A small retail specialty shop featuring men's casual wear on the Gold Coast was concerned about its low in-store traffic (i.e. patronage).

#### MANAGEMENT'S DECISION PROBLEM

Could my shop's current retail concept be modified to increase in-store traffic?

#### DECISION PROBLEM SPECIFIED AS RESEARCH QUESTIONS

- *What* shop features (e.g. display density, lighting and quality of racks) and product portfolio composition (e.g. mix of smart-casual and sports-casual) do people deem important when selecting a retail outlet in which to shop for men's casual wear?
- *How* do people evaluate this shop's performance on these shop and product portfolio characteristics?

#### RESEARCH OBJECTIVES ASSOCIATED WITH THE RESEARCH QUESTIONS

- To identify the shop features and product portfolio composition that consumers buying men's casual wear deem important.
- To identify how well the shop performs on the identified shop and product portfolio characteristics.

## What is the Research Objective?

- A blueprint of the research project's activities
- Precise statements of what the research project will achieve
- Specification of information required to assist in management's decision-making capabilities
- Allows to document concise, measurable and realistic events

Examples of research objectives:

## Examples: Research Objectives

- This study aims to find out if there is a difference in quiz scores between students exposed to 100% e-learning and 20% e-learning platforms.
- This study seeks to examine the extent and method of coffee consumption among Millennials in the age groups of 35 years to 45 years old in the south-east Asian regions where coffee drinking is a daily habit.
- This study aims to clarify the demographic, epidemiological, clinical, and radiological features of 2019-nCoV patients with other causes of pneumonia

Finally, writing the research objectives requires constant practice, experience, and knowledge about the topic investigated.

The benefits of clearly written objectives are:

- Saves time
- Saves monetary resources
- Saves non-monetary resources like effort.

## What is the Research Objective?

Some fundamental questions to consider when defining research objectives:

- Can complete data be collected at all?
- Can the information tell me something I don't already know?
- Will the information provide significant insights?
- What benefits will be delivered from this information?



## Criteria used to see if research is needed:

### 1. Need for information

- Can the decision-making problem be resolved without any further research effort?
- Can the research question(s) be answered immediately? (without collecting data)

### 2. Nature of the decision

- Both strategic and tactical decisions are critical to a company's operations and bottom-line profitability objectives
- Does the problem situation have strategic or tactical importance?

### 3. Time constraints

- Decision-makers may need information in real time but, in many cases, systematic research that is required to deliver high-quality information is time-consuming
- Is there enough time to conduct the research?

## Criteria used to see if research is needed:

### 4. Availability of data

- Does adequate information for addressing the defined decision problem already exist?
- Does new data need to be collected?
- No need to collect new data, if company and external data is available, or can be accessed or purchased from other companies
  - Advances in technology and cross-functional sharing of information provides great amount of operation data (e.g. sales, costs and profitability by products, brands, sales region, customer groups)

### 5. Resource requirements

- Availability of marketing resources (e.g. money, staff, skills, facilities) is a key consideration
- Is money budgeted for formalised research?

## Criteria used to see if research is needed:

### 6. Cost versus benefits

- Marketing research should be conducted only when the expected value of the information to be obtained exceeds the cost of obtaining it
  - Does the benefits of having the information outweigh the costs of gathering the information?
- Costs of doing marketing research can be estimated with some certainty, and mostly objective in nature
- Predetermining the managerial value of the expected information remains subjective in nature.

## Should you conduct the research?

- If conducting the research may give competitors the opportunity to formulate competitive responses
- If research findings may not be implemented (affordability, big change, staffing, etc.)
- If research design does not represent reality
- If critical variables of the study cannot be properly defined or measured
- If research is politically motivated



## Criteria to assess the Research Provider (to conduct research)

- Technical competency/expertise  
(eg: competence in doing qualitative research or quantitative research)
- Marketing knowledge (eg: does the research company understand marketing and the industry)
- Reliability (eg: does the research firm have a high credibility)
- Conformance to standards (eg: conformance to ethics in research)
- Reputation (eg: is the research firm a well known company and a member of ESOMAR?)



## Video : How to do market research

(7 min video)

Please watch the video and answer the 3 questions in the next slide.



## Video :

### Questions

1. How was market pain described in the video?
2. What was the market pain associated with Ruth's Soap?
3. What was the percentage discovered from the dog survey?