

Entrepreneurship Essentials

Lecture Note #9
Marketing Research?

Concepts Covered:

- ☐ Define marketing research.
- ☐ Highlight the importance of market-information at every stage of a company.
- ☐ Outline the step-by-step marketing research process.
- ☐ Sources of information
- ☐ Discuss how companies use the information for decision making.

Exercises on market research under different contexts requiring to apply different specific methods

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

Sir Arthur (Ignatius) Conan Doyle

(22 May 1859 – 7 July 1930)

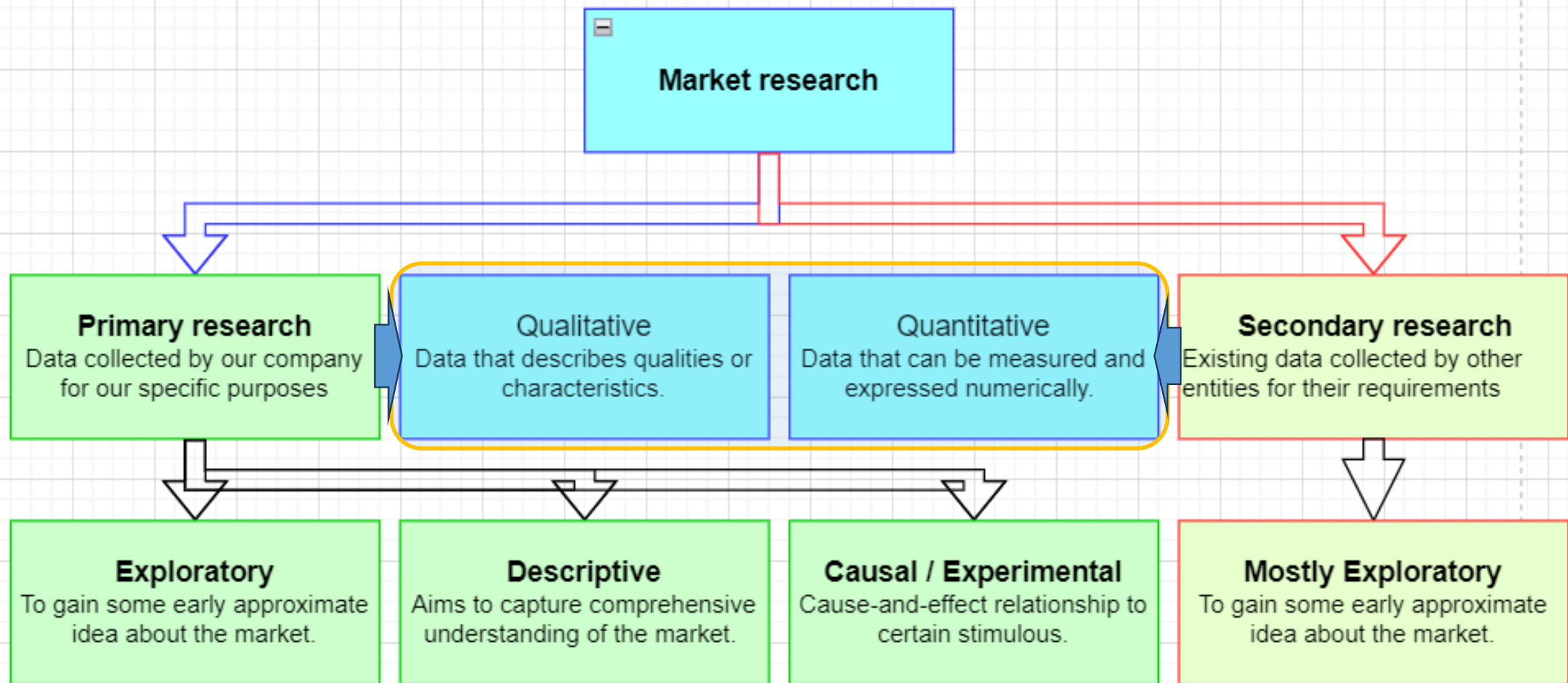
The author of detective stories (crime fiction) Sherlock Holmes

You want to start a restaurant to offer organic foods.
What market research you will adopt and why?

- Exploratory research using secondary (third party) data.
- For more confidence you want primary data.
 - Budget
 - Exploratory – low cost
 - Focused groups, interviews, observation
 - Descriptive – high cost
 - Questionnaire survey,
 - Experimental field trial (**Causal research**)

Both can be either

1. Qualitative or
2. Quantitative



Marketing Research Helps to

Information emerging out of
market research helps to



Identify unmet demand and identify opportunities



Understand market needs, preferences, aspirations and helps to design and refine offerings



Evaluate customers' satisfaction and marketing performance



Improve product/service, customer satisfaction, and acquire and retain a growing number of loyal customers

Marketing Research is a Systematic and Objective Process of

- **design research methodology,**
- **collect market data,**
- **analyze to generate information,**
- **disseminate the information to decision makers,**
- **use the information for improving decision making to create customer value and satisfaction and gain increasing access to market for achieving profitable growth.**

Importance of Marketing Research

Managers make numerous strategic decisions in the process of **identifying** potential opportunities, target market selection, market segmentation, planning and implementing marketing programs, marketing performance, **satisfying customer needs**, and control.

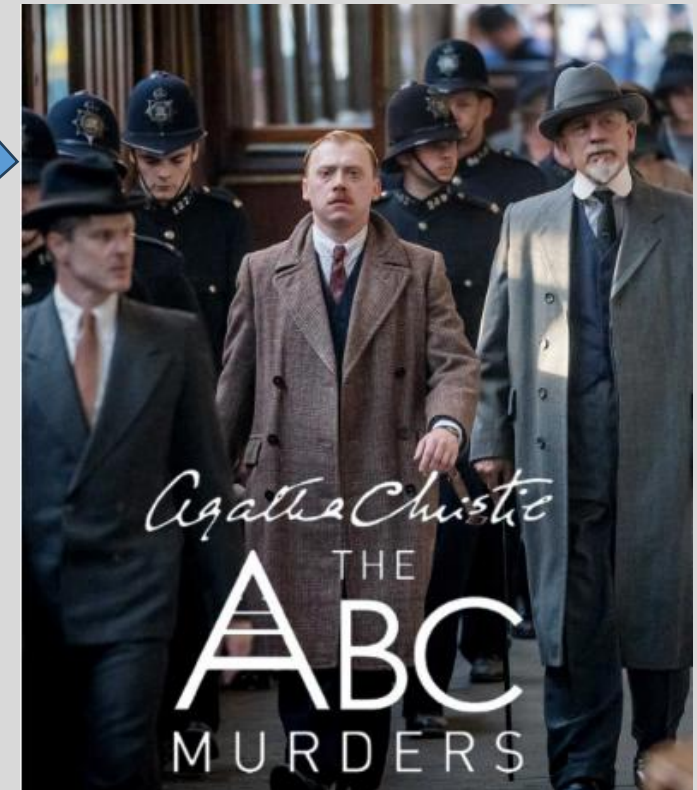
“When asked what they wished they’d done differently when starting their own businesses, 58% of the founders polled said they would have done more market research prior to launching. The same percentage said they wished they had put together a stronger business plan.”

An Example: Research on Agatha Christie

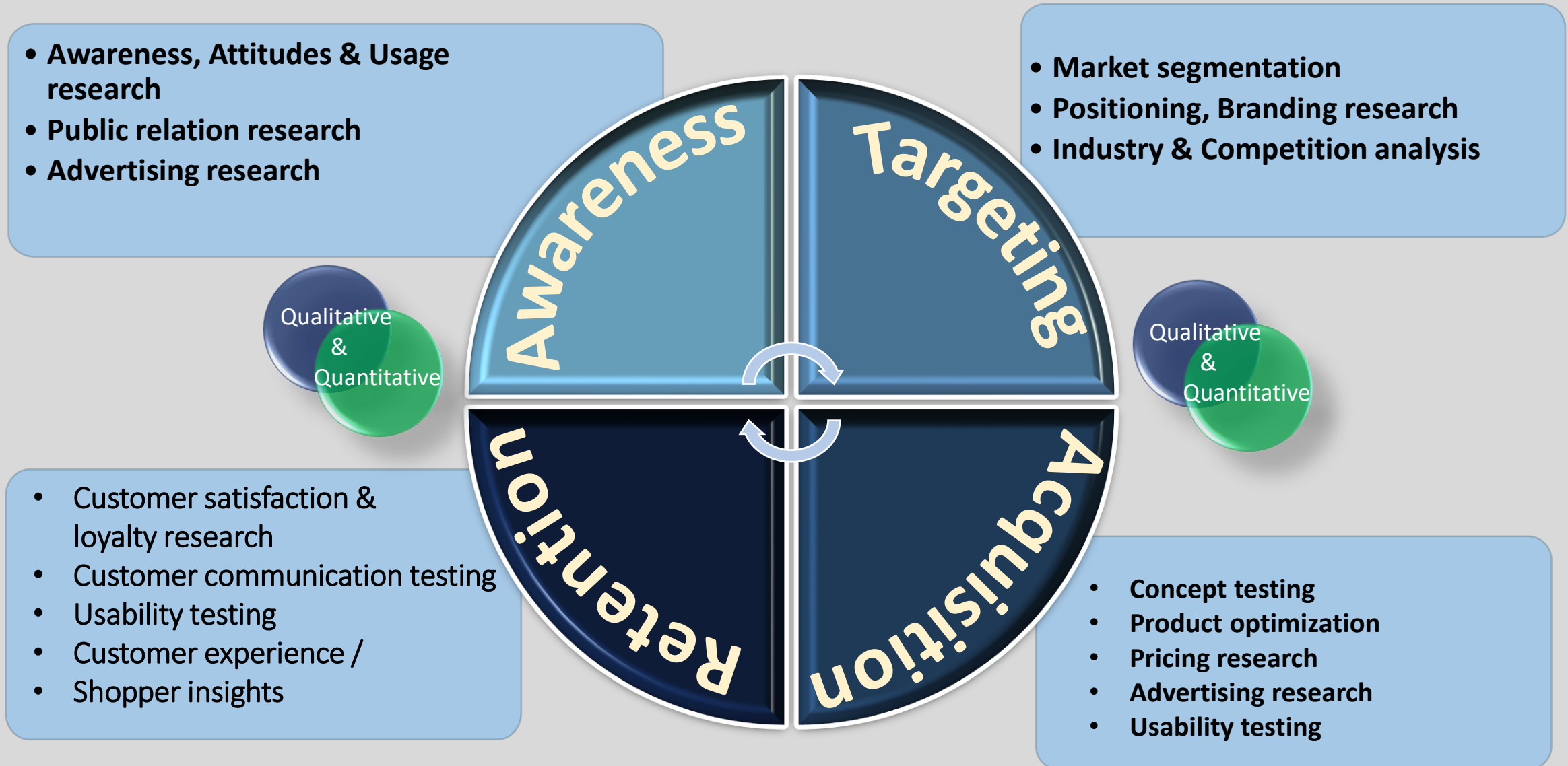
In 1985, HarperCollins found sales of Agatha Christie novels declining.

- They commissioned quantitative & qualitative research.
- It revealed that readers liked the “niceness” of the crimes, but covers were gruesome and bloody.
- New cover designs commissioned.
- Results: the first year sales rose by 40%.

Image courtesy: <https://www.flickr.com/>



Activities for Which Market Research Is Performed



SWOT Analysis

Strengths

Where the company excels better than competitors

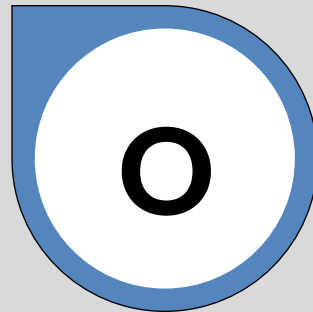
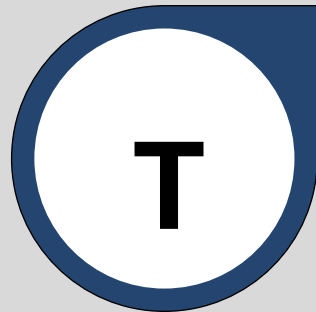


Weaknesses

Areas where the company is weak and needs to improve

Threats

Factors that can harm the performance of the company or weaken its competitive advantage



Opportunities

Favourable external and internal factors that the company can exploit to build competitive advantage

Marketing Research Continues as Long as the company exists

- **Market Research starts at the very outset or idea stage.**
- **Market research has to be a regular activity and would help to decide**
 - **whether you need to continue to develop further,**
 - **what features to focus on more or less,**
 - **what features to discard/add.**
- **Customers are an integral part of the product development process and they can help avert developing the wrong product.**
- **Market research, thus, may eliminate the chance of customers rejecting/not buying the product when launched.**

Why market research for start-ups

- Ideally, marketing research starts while ‘identifying pain point’.
- Attractiveness of the market depends on:
 - The size of the market
 - Historical growth
 - Present growth
 - Future growth potential
 - Market types (perfect competition, monopolistic competition, oligopoly, monopoly)

Elements defining market structure
- Market research helps to understand above features.

Why market research for start-ups ... cont'd.

- Market research helps to understand customers' likely acceptance of product or service even before they are launched.
- In line with the lean method, one should continue the development process based on **validated learning**.
- You need to engage with customers to validate, learn and decide.

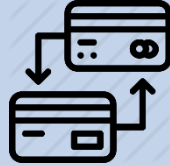
Types of Market Research

**By Source of Data or
information**



- Primary
- Secondary

**By Methodology or
type of data**



- Quantitative
- Qualitative

By Objectives



- Exploratory
- Descriptive
- Causal or
Experimental

QUALITATIVE DATA



Objectives and Method

- Qualitative market research is done using observation or unstructured questioning.
- The qualitative research answers the **why and how**.
- The goal of qualitative research is to gain insights into the deeper motives behind consumer purchases.
- Understand trend and motivation to buy.
- Focused group, individual interview, group discussion.

QUANTITATIVE DATA



Objectives and Methods

- The quantitative research answers the **what, where, when and who** of decision making.
- The goal of quantitative research is to quantify and generalize the results so that the marketer can come to a final conclusion about the best course of action.
- Large sample, statistical data that describe a market.
- Survey technique

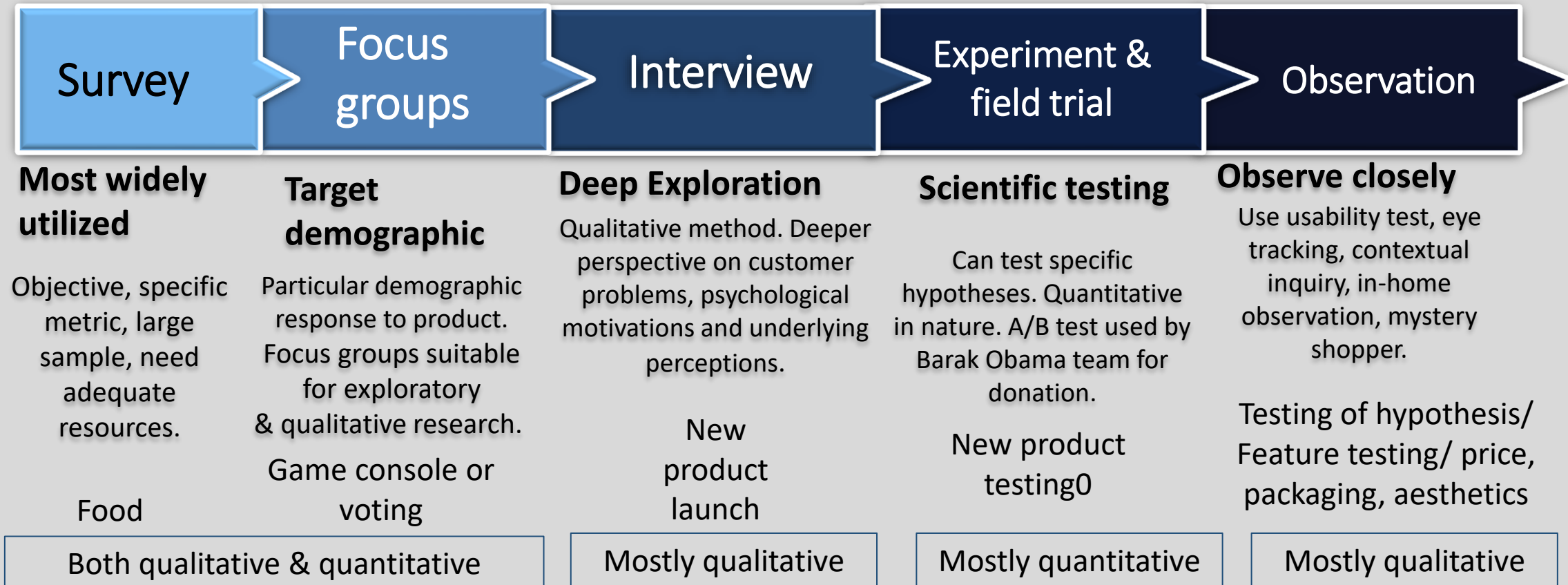
Information Sources

- **Primary source** – information collected directly and primarily for the problem at hand.
- **Secondary source** – information collected routinely for general consumption or for other specific problem and are used for the current problem.
- The cost, resources and time requirement for gathering primary information are generally high and at times prohibitive.
- Secondary information is cheaper and faster to collect than primary information.
- Some secondary information is available in published sources.

Data gathering from primary sources: 5 Methods

Primary Market Research: 5 Methods

If you want objective decision making based on specific metric, using a large sample, you have the resources: adopt the primary method of data collection.



Primary Research Methods

Survey

Focus groups

Interview

Experiment & field trial

Observation

- ☐ **Survey:** You want objective decision making based on specific metric. You have a large sample and have the necessary resources.
 - People of particular demographic are chosen to respond to product or service. Quantitative.
- ☐ **Focus group:** Focus groups are people of similar demographic, homogenous in certain parameters, such as college gamers, newly wed women, new moms. They are brought together and interacted by a moderator to gain information relevant to the research problem. Excellent for exploratory and qualitative research.

Primary Research Methods

Survey Focus groups

Interview

Experiment & field trial

Observation

- Individual interviews: Is a **qualitative** market research method. Use this method to dig into a specific issue very deeply, to search for customer problems, understand psychological motivations and underlying perceptions.
- Experiments & Field Trial: Scientific testing, where a specific hypothesis can be tested. Quantitative in nature. A/B test used by Barak Obama team for donations.
- Observations: Use usability testing, eye tracking, contextual inquiry, in-home observation, mystery shopper.

Experimental or Field Trial: A/B Test in Action



Screenshot from
<https://www.mymarketresearchmethods.com/>

Lessons Learned from the Experiment

- Every visitor to your website is an opportunity – they may or many not convert into customers. You may know what motivates them.
- Question assumptions – they learned that images did better than video. Question your own assumptions!
- Experiment early and often – they experimented early and discovered the change necessary and achieved unexpected success.

Screenshot from <https://blog.optimizely.com>

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By Methodology

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By Objectives

- Exploratory

- Descriptive

- Causal or
Experimental

Careful how you ask the question

Q. Do you approve of smoking whilst praying?

A: No

Q. Do you approve of praying whilst smoking?

A:Yes

Coca Cola Failure and Success

Coke was losing market-share

May 1985 Old Coke withdrawn

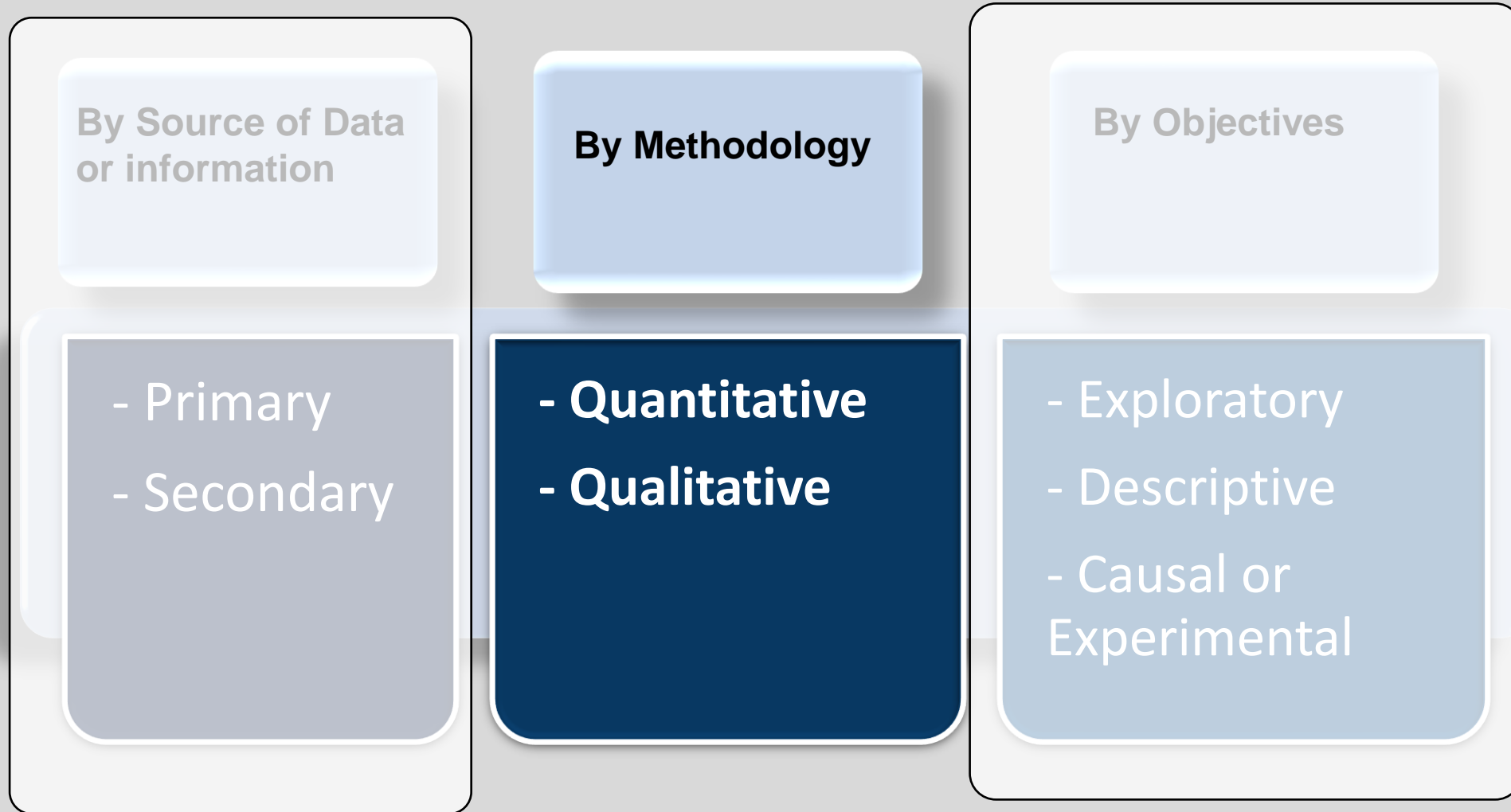
New Coke introduced presuming customer prefer sweeter taste

The strategy failed.

July 1989 Old Coke reintroduced as Coke Classic and sales went up.



Market Research: By Methodology



Qualitative Versus Quantitative

- Qualitative research is **exploratory in nature**. Usually gathers data using focus groups, triads, dyads, in-depth interviews, uninterrupted observation, bulletin boards, and ethnographic participation or observations. Less objective.
- Quantitative research looks to **quantify a problem**, involves collection of data through surveys in different modalities (online, phone, paper), points of purchase (purchase transactions), and click-streams. More objective.



Market Research by Objectives

**By Source of Data
or information**

- Primary
- Secondary

By Methodology

- Quantitative
- Qualitative

By Objectives

- **Exploratory**
- **Descriptive**
- **Causal or
Experimental**

Market Research: By Objective

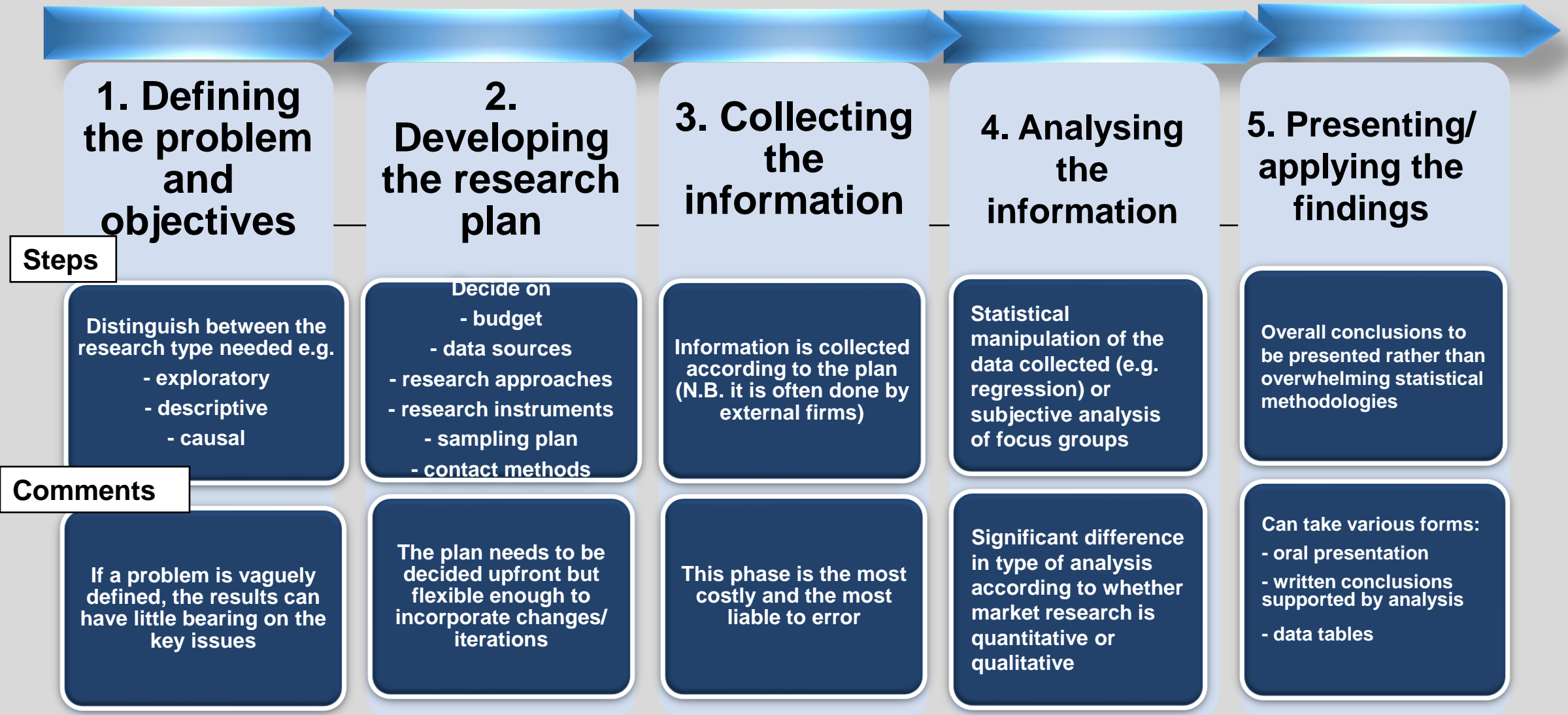
- | | |
|----------------------|--|
| • Exploratory | Preliminary data needed to develop an idea further. e.g. outline concepts, gather insights, formulate hypotheses. |
| • Descriptive | Describe an element of an idea precisely. e.g. who is the target market, how large is it, how will it develop. |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

Research Design : Causal/ Experimental Research

Causal or Experimental

- Causal research is used to measure cause-effect relationships, such as “if x_i increases, what happens to y ?”
- An experimental design is critical to understand the exact change in a dependent variable caused due to change in an independent variable.
- Example: to know if higher expenses on advertising lead to rise in sales. Percentage reduction in price leads to what growth in sales or how sensitive is demand to price change?

The Market Research Process in Brief



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Thank You