Market Research and Marketing Information System, Demand Forecasting and Market Potential Analysis

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Course Outcomes and Competencies Focused

CO 1- Recall various important concepts of marketing management.

CO2 - Understand the frameworks, processes and models of marketing management.

CO4 - Analyse the marketing environment and decisions in different business scenarios.

COMPETENCIES

- Ability to understand application of Marketing Information System

- Process of Market Research

- Analysis of Need for market research in the given case and Critical thinking on the market environment and consumer perspective

Marketing Information System

- A marketing information system is a set of procedures to collect, analyze and distribute accurate, prompt and appropriate information to different levels of marketing decision makers.

- "A system that consists of people, equipment and procedures to gather, sort, analyze, evaluate and distribute needed, timely and accurate information to marketing decision makers (Philip Kotler)

Functions of MIS

- It **provides relevant information** (both internal and external) **for making marketing decisions**
- **Carry out marketing analysis, planning**, implementation and control more effectively
- Effectively utilize the **marketing opportunities** and overcome potential threats
- Provides marketing intelligence to the firms and **helps in early spotting of changing trends**
- Helps the firms to **adapt its product and service to the needs** and tastes of the customers
- Helps in improving the quality of **decision making by managers**
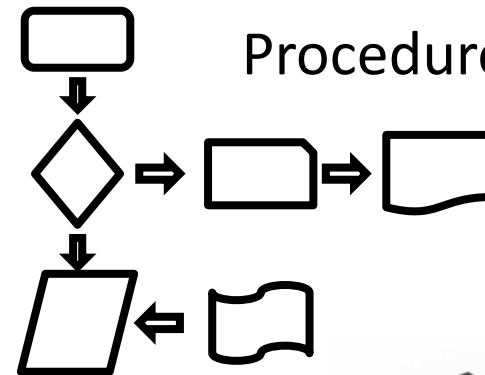
Components of MIS

- **A marketing information system consists of**

  - People, equipment, and procedures

  - to gather, sort, analyze, evaluate, and distribute information

  - that is needed, timely and accurate

- **Components of a Modern MIS**

  i) Internal Records

  ii)Marketing Intelligence

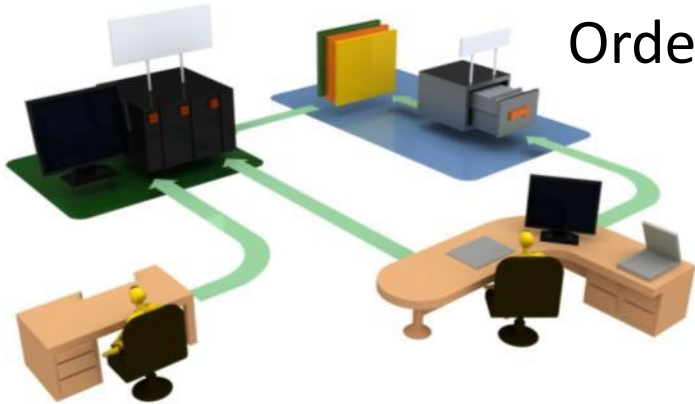 **iii)Marketing Research**

People

Procedures

Equipment

1. Internal Records

Order-to-Payment Cycle

Databases / Data Mining

Sales Information Systems

1)Internal Records

a)The Order to Payment Cycle:

❖ It entails the process that orders go through once they are received by the company

    ❖Includes invoices and shipping documents

        ❖ Customers prefer firms that can get orders processed quickly and accurately

        ❖Also helps in demand forecasting

b) Sales Information Systems

- Provides managers with up-to-date information on the current sales of individual products

  - Companies make good use of Cookies on customer's personal web browsers

- ✓ **Wallmart** uses sales and inventory data warehouse

- ✓ **Panasonic's** sales increased by use of Vendor Managed Inventory

c) Databases, Data Warehousing and Data Mining

- Databases store and organize information that can be retrieved based on a number of criteria

  - Such as purchase history, product preferences, and can even contain demographic and psychographic information on customers

    - Use of CRM

News and Trade Publications

Meet with customers, suppliers, distributors, and other managers

Monitor social media sites

2. Marketing Intelligence System

- It is a set of procedures and sources

  - that managers use to obtain everyday information about developments in the marketing environment

- This information can come from reading books and trade journals; talking to customers, distributors, suppliers, etc; monitoring social media; and talking to other managers in the company

- Marketing intelligence should be gathered and shared with decision makers quickly in order to effectively use the information.

- Internal records supply *Result Data* and MIS provides *Happening Data*

Improving Marketing Intelligence

- Train and Motivate the sales force to spot and report new developments

- Motivate distributors, retailers and other intermediaries to pass along important intelligence

- Hire external experts to collect intelligence like Mystery shoppers

- Network internally and externally, Purchase competitor's products, attend open houses and trade shows, attend stakeholder's meetings and consult competitors' ads

- Set up customer advisory panel

- Take advantage of Government Data Sources

- Purchase information from outside suppliers

- Collecting Marketing Intelligence on Internet

3. The Marketing Research System

- **Marketing Insights:** It provides diagnostic information about how and why we observe certain effects in the marketplace, and what that means to marketers

    - E.g.: Gillette used its marketing insights to develop Venus Razor for females which covers 50 percent market share around the globe

    - Chen One conducted marketing research to explore retail clothing

- **Marketing Research:** It is the systematic design, collection, analysis and reporting of date and findings to a specific marketing situation facing the company

    - P&G has developed CMK (Consumer and Market Knowledge) marketing research function around the globe

- **Small to large, every kind of firms are engaged now a days in marketing research through various activities**

- Engaging students or professors to design and carry out projects.

- Using the Internet

- Checking out rivals

- Tapping into marketing partner expertise

Kinds of Marketing Research Firms

- Syndicated Service research Firms (Provide free of cost data)

- Custom Marketing Research Firms (Provide payment based)

- Specialty-line marketing research firms (e.g.: Only Survey)

The Marketing Research Process:

Step-1: Define the Problem, the Decision Alternatives and Research Objectives:

- A problem statement must be clear and understandable

- Must not be too broad neither be to narrow

- Should answer the following questions

    - (a)   What is to be researched? (Scope, content)

    - (b)   Why is to be researched? (Decision to be made)

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c) Focus Group Research

- Involves 6-10 people discussing a product, service, organization or another marketing activity in the presence of a Moderator

d) Survey Research

- Used for descriptive research
- Helpful to learn about people's knowledge, preferences and satisfaction
- A survey questionnaire is used

e) Behavioral Data

- E.g.; Consumer's actual purchases reflect actual preferences instead of memory based statements

f) Experimental Research

- Discusses cause and effect relationship

- Experiments call for selecting matched groups of subjects, subjecting them to treatment, controlling extraneous variables

3. *Research Instruments*

a) Questionnaires

b) Qualitative Measures

c) Technological Devices

a) Questionnaires: Consists of set of questions presented to a consumer

❖ Includes both open ended and closed ended questions

❖ MART----Used in rural areas of South Asia

b) Qualitative Measures:

❖ Unstructured measurement approaches that permit a range of possible responses

❖ Used for in depth study about consumer's product and brand perceptions

❖ Marketing Insight

❖ **Drawback:** Small sample size, different people draw different conclusions

c) Technological Devices

❖ Galvanometer

❖ Tachistoscope

❖ Eye camera is retail stores

❖ Skin scanners, Brain wave scanners full body scanners

❖ Audiometers attached to TV sets and Radio sets

❖ GPS technology---For bill boards

4. Sampling Plan

- ❖ Sampling Unit---Whom should we survey
- ❖ Sample Size---How many people should we survey
- ❖ Sampling Procedures----How should we choose the procedure

5. Contact Methods

- ❖ Mail Contacts
- ❖ Telephone Contacts
- ❖ Personal Contacts (Arranged interviews + Intercept Interviews)
- ❖ Online Contacts

Step 3: Collect the Information

- Most expensive and most prone to error stage

- Research must be conducted in homes, over the phone, via internet and interviewing on a central location

- Problems of Surveys:

  - (i) Respondents are inaccessible (ii) The refuse to cooperate

  - (iii) Provide biased and dishonest answers

- Internationally, research must be conducted by keeping in mind the cultural constraints---e.g.: GEM conducted research for Bangalore Matro

Step 4: Analyze the Information

- Data is tabulated

- Hypothesis are developed and tested, statistical concepts are applied

Step 5: Present the Findings:

- Translated data and information into insights and recommendations

Step 5: Make the Decision

- Research findings only provide additional information and insights to managers

- Depending on the confidence---Mangers may use it, discard it or carryout research again

- Some organizations use Marketing Decision Support Systems (MDSS) instead of marketing research

- Hundreds of Sales and Marketing softwares are available in the market for segmenting, pricing and evaluating ad. budget

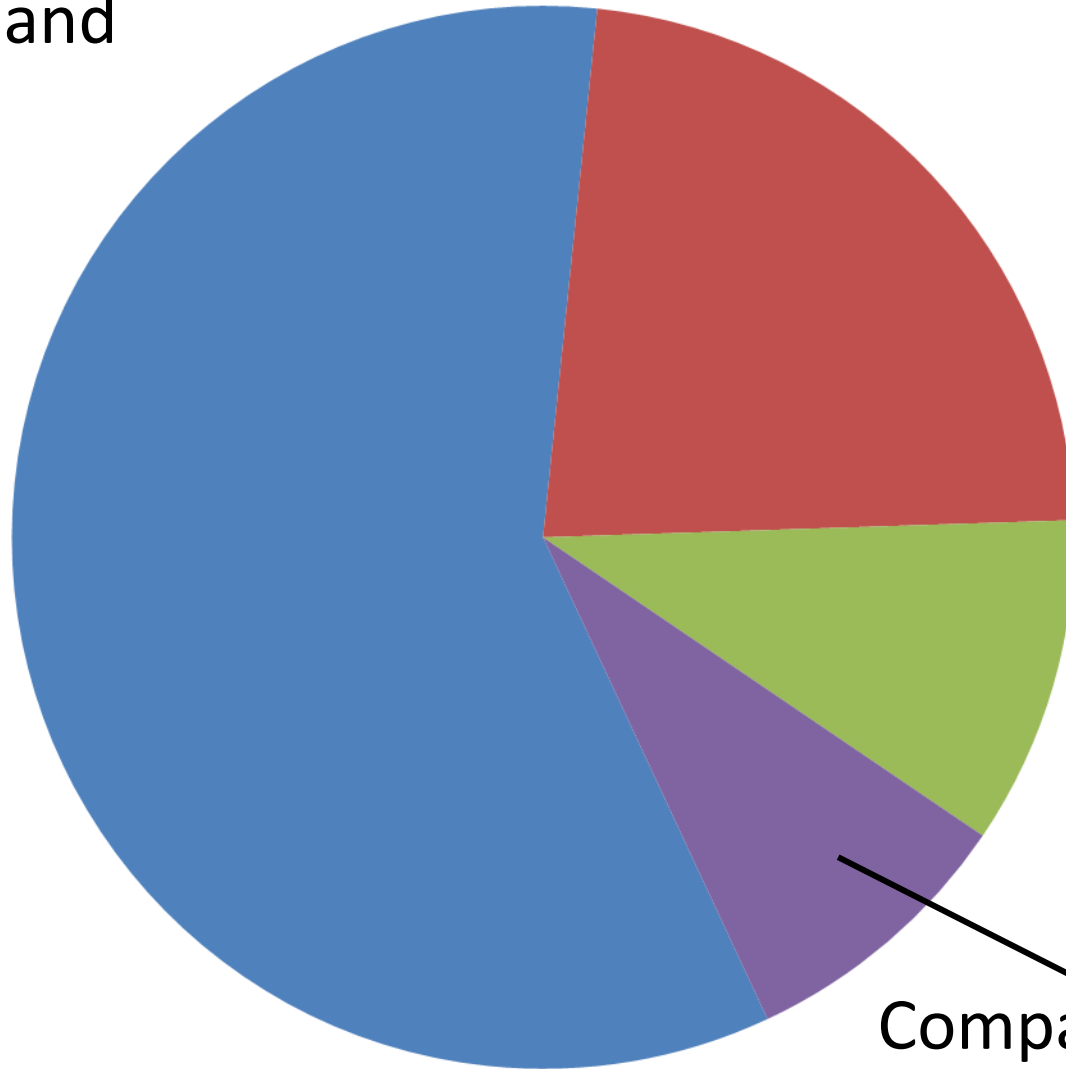# Forecasting and Demand Measurement

Market Types

Potential Market

Available Market

Target Market

Penetrated Market
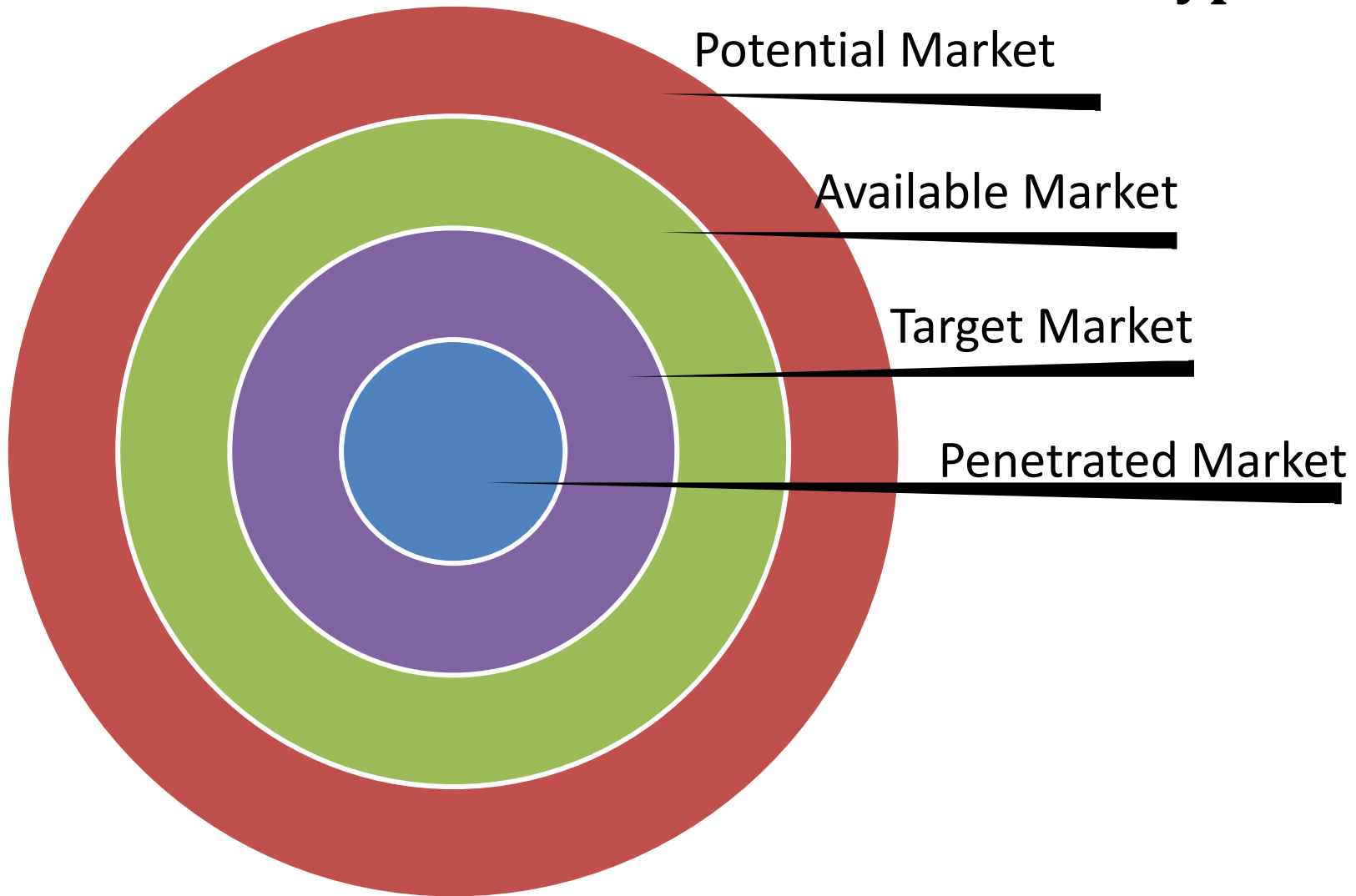
Ninety types of Demand
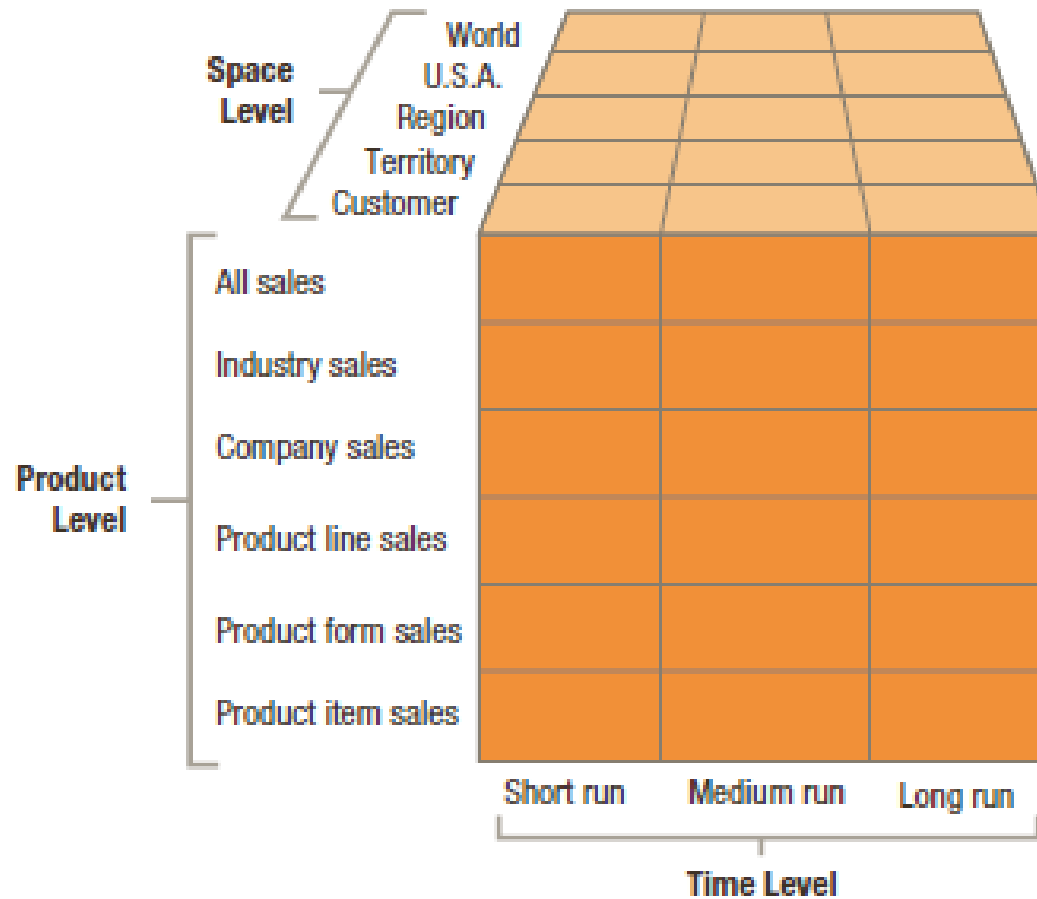
Demand Measurement
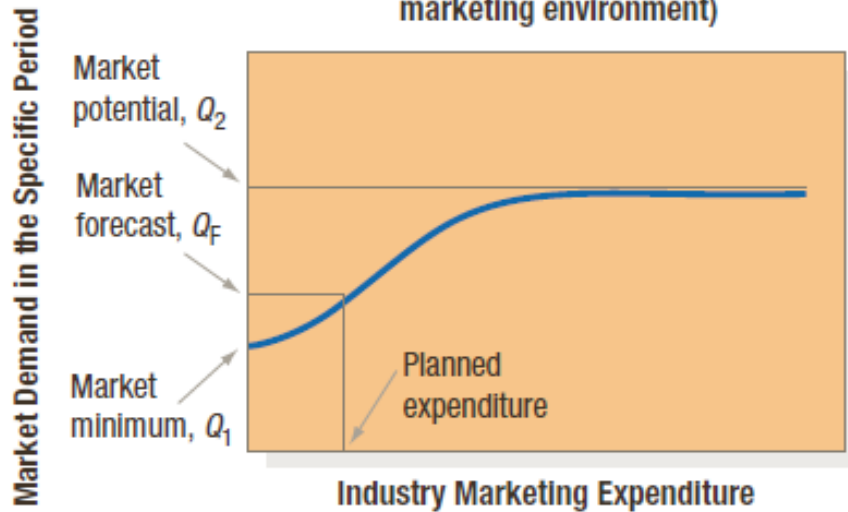
Market Demand

Company Demand

Market Demand- Is the total volume that would be bought by a defined customer group, in a defined geographical area, in a defined time period, in a defined marketing environment, under a defined marketing program

Company Demand (expected market share) is the company's estimated share of market demand at alternative levels of company marketing efforts in a given time period.

- Market demand is not fixed as it can change based on a number of variables

- If firms in an industry increase marketing expenditures, reduce (or raise) prices, then demand can increase (or fall)

- The financial environment (shown in figure b) also influences overall market demand.

(a) Marketing Demand as a Function of Industry Marketing Expenditure (assumes a particular marketing environment)

(b) Marketing Demand as a Function of Industry Marketing Expenditure (two different environments assumed)
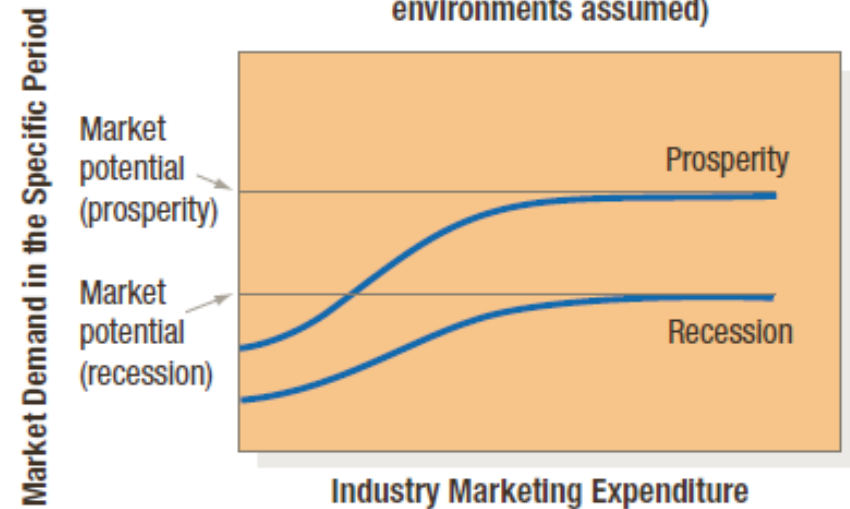
Estimating Current Demand- Market Potential

- Total Market Potential is **the maximum sales available to all firms in an industry during a given period, under a given level of industry marketing effort and environmental conditions**.

<p style="text-align:center; color:red;">Total market potential</p>

$$\text{Potential Buyers} \quad X \quad \text{Average purchase quantity} \quad X \quad \text{Average price}$$

- An approach to estimate potential number of buyers is to start with total number of buyers and then eliminate the groups which will not buy the product, A variation of this method is called as **Chain-ratio Method.**

Estimating Current Demand

Chain-ratio method

Average percentage of income spent on:

| Market potential for ice-creams among urban adults | = | Urban population above 18 years | X | Personal Discretionary income per capita | Agg. % of discretionary income spent on food | X | Avg. % of amount spent on food that is spent on dairy products | X | Expected % of spending on dairy products that will be spent on ice-creams |

Estimating Future Demand

Sales Force Opinions

Buyer's Intentions

Forecasting

Past Sales Analysis

Expert Opinions

- Time series forecasting is **a technique for predicting future events by analyzing past trends, based on the assumption that future trends will hold similar to historical trends**.