Chapter 4

**MANAGING MARKETING INFORMATION TO GAIN CUSTOMER INSIGHTS**

## Marketing Starter: Chapter 4

**The LEGO Group: Digging Out Fresh Customer Insights**

### Synopsis

Classic LEGO plastic bricks have been fixtures in homes for more than 65 years. In the past 10 years, revenues have quadrupled to more than $5.7 billion. But just over a decade ago, the company was near bankruptcy and losing money at the rate of $1 million a day. The company had lost touch with its customers. Through marketing research from traditional research methods and data analytics to in-depth ethnographic studies to observing children at play, interviewing parents, shopping with families, and studying toy store operations, The LEGO Group discovered many customer insights that led it to rebound to the energetic, hugely successful company it is today. It is now the world’s largest toy company, ahead of Hasbro and Mattel, and is referred to as the “Apple of Toys.”

### Discussion Objective

A focused 10-minute discussion of The LEGO Group’s consumer research program will reveal just how much corporations need to focus on the opinions and needs of their customers. The chapter-opening LEGO story underscores the importance of recognizing one’s problems, gaining customer insights (even when it is painful), and then taking bold steps to re-invent a product or its branding. This discussion should also illustrate how The LEGO Group is adapting to lifestyle changes and going to where its customers are by using both social media and traditional media to transmit its new message. It is adapting to who its customers are, as it realizes that children are not its only target market.

### Starting the Discussion

Start this discussion by asking students whether they played with LEGOs when they were growing up. Did they play with them? Why or why not? How did they play with them? Did both boys and girls play with them? Why or why not? Focus on the big ideas behind this case: recognizing issues that emerge through marketing research, gaining customer insights, and re-inventing one’s strategies when necessary. Use the questions below to guide the discussion.

### Discussion Questions

1. How is it possible that a successful corporation such as The LEGO Group (TLG) drifted so far from what its customers wanted? (Consider how companies can weaken their market position and lose their competitive edge when they fail to conduct continual market research, revisiting customer preferences, checking out the competition, and double-checking their assumptions.)
2. How did The LEGO Group gain key customer insights into the underlying needs, emotions, and brand connections of its toys customers? How did it apply these customer insights in the development of LEGO MINDSTORMS and LEGO Friends? (Here’s a chance to dig into one of the main points of the LEGO story—that companies must listen closely to their customers and be brutally honest in re-assessing their products and how they market them.)
3. How does TLG’s story relate to the major points made in the rest of the Managing Marketing Information chapter? (The chapter discusses sources and approaches for obtaining and managing marketing information. But perhaps the most important point is made early in the chapter and is emphasized in the TLG story: The real value of marketing information lies in how it is *used*—in the *customer insights* that it provides. A great place to start in Chapter 4 is with the top box in Figure 4.1.)

## Chapter Overview

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This chapter looks at how companies develop and manage information about important market­place elements. This chapter is an examination of marketing information systems designed to assess the firm’s marketing information needs, develop the needed information, and help managers to use the information to gain actionable customer and market insights.

## Chapter OBJECTIVES

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1. Explain the importance of information in gaining insights about the marketplace and customers.
2. Define the marketing information system and discuss its parts.
3. Outline the steps in the marketing research process.
4. Explain how companies analyze and use marketing information.
5. Discuss the special issues some marketing researchers face, including public policy and ethics issues.

## Chapter Outline

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| --- | --- | --- |
| p. 98 | **INTRODUCTION**  While LEGOs have been a fixture in toy stores and homes for 65 years, a few years ago, The LEGO Group was in serious trouble and facing bankruptcy.  The LEGO Group determined that the company needed to review its product offerings, as children play differently than in the heyday of the original LEGO bricks.  Research indicated that The LEGO Group had lost sight of its customers and needed to find out how children play in this age of technology and digital input.  The LEGO Group performed in-depth marketing research and learned that children actually do play differently. In response, the LEGO product line was redesigned, and now the company is the largest toy maker in the world.  Talking to customers, hearing what they have to say, and acting on the resulting insights can pay big dividends. | p. 99  Photo: LEGO |
|  | * **Opening Vignette Questions**  1. In the beginning, how did The LEGO Group lose sight of its customers’ sense of excitement and enjoyment from playing with the toys and building things? What should the company have been doing all along? 2. How did The LEGO Group utilize marketing research to learn about its customers and their wants and needs? 3. If you were The LEGO Group’s CEO, how might you have handled the initial marketing challenge? |  |
| p. 100  PPT 4-3  p. 101  PPT 4-4  PPT 4-5  PPT 4-6  PPT 4-7  p. 102  PPT 4-8 | **Explain the importance of information in gaining insights about the marketplace and customers.**  **MARKETING INFORMATION AND CUSTOMER INSIGHTS**  Far from lacking marketing information, marketers are overloaded with data and often overwhelmed by it.  The value is in the *customer insights* gained from the information and how marketers use these insights to make better decisions.  The real value of marketing research and marketing information lies in how it is used—in the **customer insights** that it provides.  *Customer insights teams* collect customer and market information from a wide variety of sources.  To create value for customers and build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Such customer insights come from good marketing information. Companies use these customer insights to develop a competitive advantage.  Companies are forming *customer insight teams* that include all company functional areas. Their job is to develop actionable insights from marketing information and work strategically with marketing decision makers to apply those insights.  A **marketing information system (MIS)** consists of people and procedures for assessing information needs, developing the needed information, and helping decision makers to use the information to generate and validate actionable customer and market insights.  Figure 4.1shows that MIS begins and ends with information users—marketing managers, internal and external partners, and others who need marketing information.  **Review Learning Objective 1**: Explain the importance of information in gaining insights about the marketplace and customers. | Learning Objective 1  p. 101  Photo: PepsiCo  p. 101  Key Terms: Big data, Customer insights  p. 101  Key Term: Marketing information system (MIS)  p. 102  Figure 4.1: The Marketing Information System |
|  | * **Assignments, Resources**   Use *Discussion Question 4-1* here  Use *Individual Assignments 1* here |  |
| PPT 4-9 | **Define the marketing information system and discuss its parts.** | Learning Objective 2 |
| p. 102  PPT 4-10  PPT 4-11 | ASSESSING INFORMATION NEEDS AND DEVELOPING DATA  MIS provides information to the company’s marketing and other managers and external partners such as suppliers, resellers, and marketing service agencies.  A good marketing information system balances the information users would *like* to have against what they really *need* and what is *feasible* to offer. Too much information can be as harmful as too little.  The MIS must monitor the marketing environment to provide decision makers with information and insights they should have to make key marketing decisions.  The company must decide whether the value of insights gained from additional information is worth the costs of providing it, and both value and cost are often hard to assess. |  |
| p. 102  PPT 4-12  PPT 4-13  p. 103  PPT 4-14  p. 105  p. 106 | DEVELOPING MARKETING INFORMATION  Marketers obtain information from internal data, marketing intelligence, and marketing research.  Internal Data  **Internal databases** are electronic collections of consumer and market information obtained from data sources within the company network.  Information in the database can come from many sources and is available quickly and cheaply.  Problems with internal data:   * It may be incomplete or in the wrong form for making marketing decisions. * Keeping the database current requires a major effort because data ages quickly. * Managing all of the information requires highly sophisticated equipment and techniques.   **Competitive Marketing Intelligence**  **Competitive marketing intelligence** is the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketplace.  Social media makes it easier than ever for people to converse, share opinions, needs, ideas, and complaints. Companies use specialized software to track trends and better respond to consumers.  Competitive marketing intelligence gathering has grown dramatically.  Firms use competitive intelligence to gain early warnings of competitor moves and strategies.  Much competitor intelligence can be collected from people inside the company.  Competitors often reveal intelligence information through their suppliers, resellers, key customers, and the Internet.    The gathering of competitive marketing intelligence raises a number of ethical issues. Most companies are now taking steps to protect their own information.  **Review Learning Objective 2**: Define the marketing information system and discuss its parts. | p. 103  Key Term: Internal databases  p. 103  Ad: USAA  p. 103  Key Term: Competitive marketing intelligence  p. 104  Photo: MasterCard |
|  | * **Assignments, Resources**   Use *Discussion Question 4-2* here |  |
| p. 106  PPT 4-15    PPT 4-16  p. 106  PPT 4-17  PPT 4-18  PPT 4-19  p. 108  p. 108  PPT 4-20  PPT 4-21  p. 114  PPT 4-22 | Outline the steps in the marketing research process.  MARKETING RESEARCH  **Marketing research** is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.  The marketing research process has *four steps* (see Figure 4.2).    Defining the Problem and Research Objectives  Defining the problem and research objectives is often the hardest step in the research process.  A marketing research project might have one of three types of objectives.   1. **Exploratory research**: to gather preliminary information that will help define the problem and suggest hypotheses. 2. **Descriptive research**: to describe things, such as the market potential for a product. 3. **Causal research:** to test hypotheses about cause‑and‑effect relationships.   Start with exploratory research and later follow with descriptive or causal research.  Developing the Research Plan  The research plan outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather new data.  Research objectives must be translated into specific information needs.  The research plan should be presented in a *written proposal* that covers the management problems addressed, research objectives, information needed, how the results will help management decisions, and budget.  **Secondary data** consist of information that already exists somewhere, having been collected for another purpose.  **Primary data** consist of information collected for the specific purpose at hand.    Gathering Secondary Data  Researchers usually start by gathering secondary data.  Using **commercial** **online databases**, marketing researchers can conduct their own searches of secondary data sources.  Secondary data is usually obtained more quickly and at a lower cost than primary data.  Secondary sources can provide data an individual company cannot collect on its own.  Secondary data can present problems.   * The needed information may not exist. * The data might not be very usable.   + *Relevant* (fits research project needs)   + *Accurate* (reliably collected and reported)   + *Current* (up-to-date enough for current decisions)   + *Impartial* (objectively collected and reported) | Learning Objective 3  p. 106  Key Term:  Marketing research  p. 106  Figure 4.2: The Marketing Research Process  p. 107  Key Terms: Exploratory research, Descriptive research, Causal research    p. 107  Photo: Chipotle  p. 108  Key Terms: Secondary data, Primary data    p. 108  Photo: LexisNexis |
|  | * **Assignments, Resources**   Use *Discussion Question 4-4* here  Use *Critical Thinking Exercise 4-6* and *4-8* here  Use *Additional Projects 1* here  Use *Outside Example 1* here   * **Troubleshooting Tip**   Although today’s students have grown up with computers, the idea of an “information system” may be very new to them. They typically will not have conducted much research, and any jobs they’ve held will most likely have entailed very basic, entry-level tasks. To get them past this, you could discuss the type of information the university has for each student—their major, coursework, grades, current address, home address, parents’ names, whether they are paying full tuition or are on scholarship, what high school they attended and their grade point average there, what sports they play or activities they participate in, and so forth. Then discuss how the university might use that information to understand the current student population to determine how to target future students who are in high school. This should help them grasp how data gets turned into information, and then to knowledge. |  |
| p. 109  PPT 4-23  PPT 4-24  PPT 4-25  p. 110  p. 110  PPT 4-26  p. 110  p. 110  p. 111  p. 111  PPT 4-27 | Primary Data Collection  Research Approaches  Observational research involves gathering primary data by observing relevant people, actions, and situations.  Observational research can obtain information that people are unwilling or unable to provide through questioning.  **Ethnographic research** involves sending trained observers to watch and interact with consumers in their “natural habitat.”  Ethnographic research often yields the kinds of details that don’t emerge from traditional research questionnaires or focus groups.  Disadvantages:   * Some things cannot be observed. * Long‑term or infrequent behavior is also difficult to observe. * Observations can be very difficult to interpret.   Survey research, the most widely used method for primary data collection, is the approach best suited for gathering *descriptive* information.  The major advantage of survey research is its flexibility.  Disadvantages:   * Sometimes people are unable to answer survey questions. * People may be unwilling to respond to unknown interviewers or about things they consider private. * Respondents may answer survey questions even when they do not know the answer. * Busy people may not take the time, or they might resent the intrusion into their privacy.     Experimental research is best suited for gathering *causal* information. Experimental research tries to explain cause-and-effect relationships.  Contact Methods  *Mail, Telephone, and Personal Interviewing*  *Mail questionnaires* can be used to collect large amounts of information at a low cost per respondent.  Respondents give more honest answers to personal questions.  No interviewer is involved to bias the respondent’s answers.  Disadvantages:   * Not very flexible * Take longer to complete * Very low response rate * As a result, more marketers are now shifting to   email and online surveys.  *Telephone interviewing* is the one of the best methods for gathering information quickly, and it provides greater flexibility than mail questionnaires.  Interviewers can explain difficult questions.  Response rates are higher than with mail questionnaires.  Disadvantages:   * Cost per respondent is higher than with mail questionnaires. * People may not want to discuss personal questions with an interviewer. * Introduces interviewer bias * Different interviewers may interpret and record responses differently. * Increasingly high rates of hang-ups   *Personal interviewing* takes two forms—individual and group interviewing.   * *Individual interviewing* involves talking with people one-on-one. * *Group interviewing* (**focus group interviewing**) consists of inviting six to ten people to meet with a trained moderator to discuss a product, service, or organization.   Many companies are now moving away from traditional, formal research approaches and employing new ways of listening to consumers. | p. 109  Table 4.1: Planning Primary Data Collection  p. 109  Key Term: Observational research  p. 109  Key Term: Ethnographic research  p. 110  Ad: Landor Families  p. 110  Key Term: Survey research  p. 110  Key Term:  Experimental research  p. 111  Key Term: Focus group interviewing  p. 111  Photo: The Mom Complex |
| p. 112  PPT 4-28 | *Online Marketing Research*  Increasingly, researchers are collecting primary data through **online marketing research**.  Online research usually costs much less than research conducted through mail, phone, or personal interviews.  The Internet is well suited to *quantitative* research, but researchers are also adopting *qualitative*approaches.  A primary qualitative Web-based research approach is **online focus groups**.  Web-based research has drawbacks, including control of who is in the online sample. In addition, consumer privacy is a major ethical concern. | p. 112  Key Term: Online marketing research  p. 112  Photo: Snap Surveys  p. 113  Key Term: Online focus groups  p. 113  Photo: FocusVision  p. 114  Key Term: Behavioral targeting |
|  | * **Assignments, Resources**   Use *Real Marketing 4.1* here  Use *Additional Projects 2, 3,* and *4* here  Use *Individual Assignments 2* here |  |
| p. 114  PPT 4-29  PPT 4-30  p. 115  PPT 4-31  PPT 4-32 | Sampling Plan  A **sample** is a segment of the population selected for marketing research to represent the population as a whole.  Designing the sample requires three decisions.   1. *Who* is to be studied (what *sampling unit*)? 2. *How many* people should be included (what *sample size*)? 3. *How* should the people in the sample be *chosen* (what *sampling procedure*)?   The two types of samples are:  1. Probability samples  2. Nonprobability samples  Research Instruments  The *questionnaire* is the most common data collection instrument.  *Closed‑end questions* include all the possible answers, and subjects make choices among them.  *Open‑end questions* allow respondents to answer in their own words.  Care should be given to the *wording* and *ordering* of questions.  Researchers also use *mechanical instruments* to monitor consumer behavior. *People meters* and *checkout scanners* are examples.  Neuromarketing techniques can measure consumer involve­ment and emotional responses, but these can be difficult to interpret. | p. 114  Key Term: Sample  p. 115  Table 4.2: Types of Samples  p. 116  Photo: Mechanical Instruments |
| p. 116  PPT 4-33 | Implementing the Research Plan  The data collection phase of the marketing research process must be carried out carefully to make sure the plan is implemented correctly.    Researchers must process and analyze the collected data to isolate important information and findings.  Interpreting and Reporting the Findings  Researchers should present important findings and insights that are useful in the major decisions faced by management.  However, interpretation should not be left only to researchers. Managers should work closely alongside them.    **Review Learning Objective 3**: Outline the steps in the marketing research process. |  |
|  | * **Assignments, Resources**   Use *Critical Thinking Exercise 4-7* here  Use *Video Case* here  Use *Think-Pair-Share 1-4* here  Use *Small Group Assignment 2* here  Use *Outside Example 2* here   * **Troubleshooting Tip**   Most students will be unfamiliar with the market research process. They have not had to collect information in any large-scale process, although they might have been involved with collecting information from members of a student organization regarding group activities. One effective way to discuss this issue is to talk about end-of-year course evaluations. Explain that the evaluations are not to rate instructors but to provide valuable feedback to the university, the department, and the instructor on course offerings, course content, and instructor competence. Also, give examples of poorly designed surveys and show how they lead the respondent to answer in a given way. Especially helpful are questionnaires that use leading or loaded questions, or double-barreled questions that are difficult to answer. |  |
| p. 116  PPT 4-34  p. 117  PPT 4-35  PPT 4-36  p. 119  p. 120  PPT 4-37 | **Explain how companies analyze and use marketing information**  ANALYZING AND USING MARKETING INFORMATION  Customer Relationship Management (CRM)  Companies capture information at every possible customer *touch point*.  **Customer relationship management (CRM)** is used to manage detailed information about individual customers and carefully manage customer touch points to maximize customer loyalty.  CRM integrates everything that a company knows about individual customers to provide a 360-degree view of the customer relationship.  By using CRM to understand customers better, companies can provide higher levels of customer service and develop deeper customer relationships. They can use CRM to pin- point high-value customers, target them more effectively, cross-sell the company’s products, and create offers tailored to specific customer requirements.  **Big Data and Marketing Analytics**  **Marketing analytics** consists of the analysis tools, technologies, and processes by which marketers dig out meaningful patterns in big data to gain customer insights and gauge marketing performance.  The most common CRM mistake is to view CRM as a technology and software solution only. Technology alone cannot build profitable customer relationships.    CRM is just one part of an effective overall *customer relationship management strategy*.  Distributing and Using Marketing Information  The marketing information system must make the information available to managers and others who make marketing decisions or deal with customers.  Many companies use a company *intranet* to facilitate information distribution. The intranet provides ready access to data, stored reports, and more.  Companies are increasingly allowing key customers and value-network members to access account and product information, along with other information, through *extranets*.  **Review Learning Objective 4**: Explain how companies analyze and use marketing information. | Learning Objective 4  p. 117  Key Term:  Customer relationship management  p. 117  Key Term: Marketing analytics  p. 119  Photo: Kraft    p. 120  Photo: Zappos |
|  | * **Assignments, Resources**   Use *Discussion Question 4-3* here  Use *Marketing by the Numbers* here  Use *Real Marketing 4.2* here  Use *Small Group Assignment 1* here |  |
| p. 120  PPT 4-38  PPT 4-39  p. 121  p. 122  p. 123  p. 123  p. 124  p. 124 | **Discuss the special issues some marketing researchers face, including public policy and ethics issues.**  OTHER MARKETING INFORMATION CONSIDERATIONS  Marketing Research in Small Businesses and Nonprofit Organizations  Managers of small businesses and nonprofit organizations can obtain marketing insights through observation or informal surveys using small convenience samples.  Many associations, local media, and government agencies provide special help to small organizations.  Managers can glean a wealth of competitive data and information by turning to the Internet.    International Marketing Research  International marketing researchers follow the same steps as domestic researchers.  The international researcher may have a difficult time finding good secondary data.  International researchers frequently must collect their own primary data.  Reaching respondents is often not easy in other parts of the world.  Cultural differences from country to country cause additional problems for international researchers.  Language is the most obvious obstacle.  Even when respondents are *willing* to respond, they may not be *able* to because of high functional illiteracy rates.  Although the costs and problems associated with international research may be high, the costs of not doing it might be even higher.  Public Policy and Ethics in Marketing Research  Intrusions on Consumer Privacy    Many consumers strongly resent or even mistrust marketing research.  Increasing consumer resentment has led to lower survey response rates in recent years.  The best approach is for researchers to ask only for the information they need, to use it responsibly to provide customer value, and to avoid sharing information without the customer’s permission.  Most major companies have now appointed a chief privacy officer (CPO).  Misuse of Research Findings  Many research studies appear to be little more than vehicles for pitching the sponsor’s products.  Several associations have developed codes of research ethics and standards of conduct.  In the end, unethical actions cannot be regulated away. Each company must accept responsibility for its own conduct.  **Review Learning Objective 5**: Discuss the special issues some marketing researchers face, including public policy and ethics issues. | Learning Objective 5  p. 121  Photo: Bibbentuckers  p. 122  Ad: Nielsen  p. 123  Photo: Target |
|  | * **Assignments, Resources**   Use *Discussion Question 4-5* here  Use *Marketing Ethics* here  Use *Online, Mobile, and Social Media Marketing* here  Use *Company Case* here |  |

**END OF CHAPTER MATERIAL**

**Discussion Questions**

**✪** 4-1 What is *big data,* and what opportunities and challenges does it provide for marketers? (AACSB: Communication; Reflective Thinking)

*Answer:* Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

**✪** 4-2 Explain how marketing intelligence differs from marketing research. Which is more valuable to a company? Why? (AACSB: Communication; Reflective Thinking)

*Answer:* Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

**✪** 4-3 What is customer relationship management (CRM)? How are firms integrating this information into their marketing and general business practices? Provide an example of CRM in a firm. (AACSB: Communication, Reflective Thinking)

*Answer:* Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

4-4 Marketers make heavy use of both primary and secondary data. What is primary data? What is secondary data? What are possible benefits or drawbacks of using each of these data types? (AACSB: Communication, Reflective Thinking)

*Answer:*

Primary data consist of information collected for the specific purpose at hand. Secondary data consist of information that already exists somewhere, having been collected for another purpose.

Benefits of primary data: It has been collected for a specific purpose, to gather certain information. Marketers have greater control over the data collection and research process and the ability to conduct more in-depth research on specific issues. Drawbacks to primary data: It can take quite a long time to develop the research parameters and to determine the research approaches, contact methods, the sampling plan, and the research instruments. It will be significantly more expensive than using secondary data.

Benefits of secondary data: It can usually be obtained more quickly and at a lower cost than primary data. Secondary sources can sometimes provide data that an individual company cannot collect on its own (either not available or too expensive). Drawbacks to using secondary data: Rarely can all the needed data be found from secondary sources. Even when available, the information might not be very usable. The researcher must evaluate secondary information carefully to make certain it is *relevant* (fits the research project’s needs), *accurate* (reliably collected and reported), *current* (up-to-date enough for current decisions), and *impartial* (objectively collected and reported).

4-5 What are the similarities and differences when conducting research in another country versus the domestic market? What research strategies might a company use to address the differences in various markets? (AACSB: Communication; Reflective Thinking)

*Answer:*

International researchers follow the same steps as domestic researchers, from defining the research problem and developing a research plan to interpreting and reporting the results. However, these researchers often face more and different problems. Whereas domestic researchers deal with fairly homogeneous markets within a single country, international researchers deal with diverse markets in many different countries. These markets often vary greatly in their levels of economic development, cultures and customs, and buying patterns.

In many foreign markets, the international researcher may have a difficult time finding good secondary data. Whereas U.S. marketing researchers can obtain reliable secondary data from dozens of domestic research services, many countries have almost no research services at all.

Even when secondary information is available, it usually must be obtained from many different sources on a country-by-country basis, making the information difficult to combine or compare.

Because of the scarcity of good secondary data, international researchers often must collect their own primary data. However, obtaining primary data may be no easy task. For example, it can be difficult simply to develop good samples. U.S. researchers can use current telephone directories, e-mail lists, census tract data, and any of several sources of socioeconomic data to construct samples. However, such information is largely lacking in many countries. Once the sample is drawn, the U.S. researcher usually can reach most respondents easily by telephone, by mail, online, or in person. However, reaching respondents is often not so easy in other parts of the world.

Cultural differences from country to country cause additional problems for international researchers. Language is the most obvious obstacle. For example, questionnaires must be prepared in one language and then translated into the languages of each country researched. Responses then must be translated back into the original language for analysis and interpretation. This adds to research costs and increases the risks of error. Even within a given country, language can be a problem.

**Critical Thinking Exercises**

**✪** 4-6 In a small group, identify a problem faced by a local business or charitable organization and propose a research project addressing that problem. Develop a research proposal that implements each step of the marketing research process. Discuss how the research results will help the business or organization. (AACSB: Communication; Reflective Thinking)

*Answer:* Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

4-7 Suppose you are conducting market research for your favorite soda brand. Sales have been lagging for two quarters, and you are determined to find out why. You decide to host an in-person focus group to gain customer insights into your brand’s current product offerings. You are also interested in obtaining feedback on a new product that your brand plans to launch in the next six months. Determine the makeup of your focus group. Who should be invited to the focus group, and why? What types of information would you want to obtain? Identify possible questions to present to the focus group. (AACSB: Communication; Reflective Thinking)

*Answer:*

Student answers will vary, but should discuss some of the following issues.

The target population for the focus group will be consumers that already use the product. Since gaining insight about the new product is the goal of the focus group, including new or potential consumers will bring a fresh perspective. The larger demographic will be consumers who regularly purchase and drink soda products.

As a market researcher, the job is to find out what consumers really think. The first issue would be finding out why sales are down. Is it because consumers no longer like the product? Does it taste bad? Is it because of the ingredients it contains? Is it because they are consuming less soda or have made a lifestyle change to become more health-conscious? Is the price too high? Has there been an economic downturn leaving consumers with less discretionary money to spend? Have all soda brands experienced this sales lag, or is it just your brand? Market researchers will want to dig into spending habits and consumption patterns of the focus group.

Regarding the new product being tested with the focus group, providing samples will result in obtaining valuable feedback. Asking the group what they think about the product’s taste, packaging, pricing, and where they would prefer to purchase the product are key questions. Asking for feedback about possible promotional strategies would obtain effective ideas to target consumers.

As a way to thank the focus group participants for their time and feedback, consider offering a gift card or another form of an honorarium to demonstrate the value of their participation in the focus group process.

4-8 Conduct an online search to learn more about the marketing research industry. Develop a presentation describing the variety of jobs in the marketing research field along with the compensation for those jobs. Create a graphical representation to communicate your findings. (AACSB: Communication; Use of IT; Reflective Thinking)

*Answer:*

Students’ answers will vary depending upon the websites they access.

One source for job titles, descriptions, and pay data can be found at Quirk’s Marketing Research Media (see www.quirks.com/jobs/research-salaries/Market-research-salary-by-title.aspx). This site provides information on several corporate market research job titles (for example, Customer Insights Manager, Project Manager, or Research Analyst) and market research company job titles (for example, Research Analyst, Statistician, and Field Associate) with related base and bonus pay. Another source for common market research job titles is www.marketresearchcareers.com/marketterms.cfm. Students can search for salary information for a specific title. For example, the average salary for a market research analyst is $67,000 (see www.indeed.com/salary/Market-Research-Analyst.html). Bar charts would be appropriate graphical tools to communicate compensation information.

**APPLICATIONS AND CASES**

**Online, Mobile, and Social Media Marketing: The Trail You Leave Behind**

Marketers are always interested in collecting as much valuable data as possible regarding customer likes, preferences, and trends. Web activity and social media platforms such as Twitter, Facebook, Instagram, and various blog sites are gold mines for marketers. All of these access points create information that can be aggregated and used to a company’s competitive advantage, which allows firms to stay in tune with what is currently trending in the marketplace. Businesses can also use these same access points to track competitor activity, which can then be used in competitive marketing intelligence.

<CORE>4-9 Have you ever thought about the data you leave behind for marketers to collect? Marketers are always looking for digital footprints, which are traceable sources of online activities. Visit www.internetsociety.org/your-digital-footprint-matters and review the various resources available. Select one of the tutorials and present what you learned from the video. (AACSB: Communication, Use of IT, Reflective Thinking)

*Answer:*

Student answers will vary based on the tutorial they choose. Several possible links are:

What is a Digital Footprint? <http://www.internetsociety.org/your-digital-footprint/what-is>; Who is Tracking Me and How Do They Do It? http://www.internetsociety.org/your-digital-footprint/tracking; What Dynamics Are at Work in the World of Digital Footprints? http://www.internetsociety.org/your-digital-footprint/dynamics

<CORE>4-10 After reviewing the tutorials on http://www.internetsociety.org/your-digital-footprint-matters, do you plan to alter your online habits? Are you concerned about your digital footprint and the data trail you leave behind, and do you plan to actively manage them? Why or why not? (AACSB: Communication, Use of IT, Reflective Thinking)

*Answer:*

After watching the following video: How Can I Manage My Digital Footprints? http://www.internetsociety.org/your-digital-footprint/manage, answers should address “The Four-layered Approach”: 1. Improve understanding of basic issues; 2. Develop basic hygiene habits; 3. Become a sophisticated user of online tools and services; 4. Find and use privacy-enhancing tools.

**Marketing Ethics: Metadata**

Everyone generates metadata when using technologies such as computers and mobile devices to search, post, tweet, play, text, and talk. What many people don’t realize, however, is that this treasure trove of date, time, and location information can be used to identify them without their knowledge. For example, in analyzing more than a million anonymous credit card transactions, researchers at the Massachusetts Institute of Technology were able to link 90 percent of the transactions to specific users with just four additional bits of metadata, such as user locations based on apps such as Foursquare, the timing of an activity such as a tweet on Twitter, or playing a mobile game. Since there are more mobile devices than there are people in the United States, and 60 percent of purchases are made with a credit card, marketing research firms are gobbling up all sorts of metadata that will let them tie a majority of purchase transactions to specific individuals.

<CORE>4-11 </CORE><ALT1>12.</ALT1> Describe at least four applications you use that provide location, time, and date information that can be tied to your identity. (AACSB Communication; Reflective Thinking)

*Answer:*

Student answers will vary based on their online habits and device usage. Many mobile device apps, such as Google Maps and The Weather Channel, use location tracking to be able to provide the information the user is requesting. Twitter tweets provide the time and date a tweet was posted. Users check into locations using apps such as Foursquare and Facebook, which leave behind location, date, and time data.

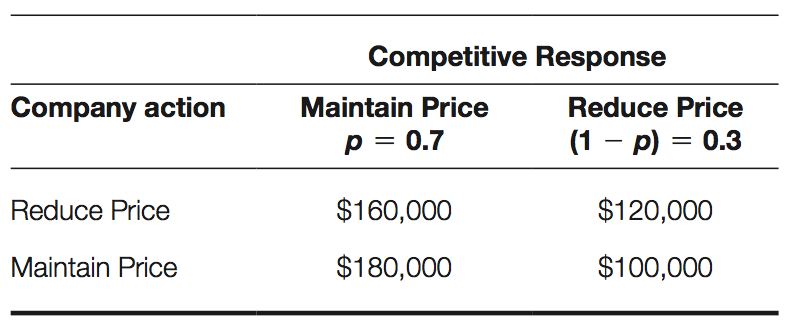
 <CORE>4-12 </CORE><ALT1>13.</ALT1> Debate whether it is ethical for marketers to use metadata to link individual consumers with specific credit card transactions. (AACSB: Communication; Ethical Reasoning)

*Answer:*

Student answers will vary. Some of the information that may be presented may come from the “Your Digital Footprint Matters” exercise above. Their opinion on whether it is ethical will be influenced by their concerns about privacy and security of the information they provide online. Many consumers are not aware that they can be identified, and some students will argue that this is unethical. However, these metadata sets can assist marketers in targeting individualized ads and offers, which may provide several benefits to consumers.

**Marketing by the Numbers: The Value of Information**

Conducting research is costly, and the costs must be weighed against the value of the information gathered. Consider a company faced with a competitor’s price reduction. Should the company also reduce price in order to maintain market share, or should the company maintain its current price? The company has conducted some preliminary research showing the financial outcomes of each decision under two competitor responses: the competition maintains its price or the competition lowers its price further. The company feels pretty confident that the competitor cannot lower its price further and assigns that outcome a probability (*p*) of 0.7, which means the other outcome would have only a 30 percent chance of occurring (1 - *p* = 0.3). These outcomes are shown in the table below:



For example, if the company reduces its price and the competitor maintains its price, the company would realize $160,000, and so on. From this information, the expected monetary value (EMV) of each company action (reduce price or maintain price) can be determined using the following equation:

EMV = (*p*)(financial outcome*p*) + (1 - *p*)(financial outcome(1 - *p*) )

The company would select the action expected to deliver the greatest EMV. More information might be desirable, but is it worth the cost of acquiring it? One way to assess the value of additional information is to determine the expected value of perfect information (EMVPI), calculated using the following equation:

EMVPI = EMVcertainty - EMVbest alternative

where EMVcertainty = (*p*) (highest financial outcome*p*)+ (1 - *p*) (highest financial outcome(1 - *p*) )

If the value of perfect information is more than the cost of conducting the research, then the research should be undertaken (that is, EMVPI 7 cost of research). However, if the value of the additional information is less than the cost of obtaining more information, the research should not be conducted.

4-13 Calculate the expected monetary value (EMV) of both company actions. Which action should the company take? (AACSB: Communication; Analytical Reasoning)

*Answer:*

EMVreduce price = (0.7)($160,000) + (1-0.7)($120,000(1-0.7)) = $112,000 + $36,000 = $148,000

EMVmaintain price = (0.7)($180,000) + (1-0.7)(100,000(1-0.7)) = $126,000 + $30,000 = $156,000

Based on these calculations, the company should maintain the price.

4-14 What is the expected value of perfect information (EMVPI)? Should the research be conducted? (AACSB: Communication; Analytical Reasoning)

*Answer:*

EMVPI = EMVcertainty - EMVbest alternative

where EMVcertainty = (*p*) (highest financial outcome*p*)+ (1 - *p*) (highest financial outcome(1 - *p*) )

EMVPI = [(0.7)($180,000) + (1-0.7)($120,000)] – $156,000

($126,000 + $36,000) –$156,000) = $162,000 - $156,000 = $6,000

No, the research should not be conducted because the expected monetary value of perfect information (EMVPI) is less than the cost of the research ($6,000<$25,000).

**Company Case Notes**

**Campbell Soup Company: Watching What You Eat**

**Synopsis**

The Campbell Soup Company is one of those veteran companies that has been around for a long time. And, there isn’t a product category much older than “soup.” But Campbell has maintained growth and dominance by maintaining a strong marketing research focus. This case highlights how Campbell has gone beyond traditional paper and pencil survey methods by employing state-of-the-art neuroscience methods as well as contemporary “deep dive” ethnographic methods.

**Teaching Objectives**

The teaching objectives for this case are to:

1. Introduce students to the concept of a marketing information system.
2. Illustrate the importance of a marketing research plan.
3. Explore non-traditional methods for marketing research.
4. Gain perspective for integrating traditional and non-traditional research methods.

**Discussion Questions**

4-18 What are the strengths and weaknesses of the Campbell Soup Company’s marketing information system?   
*Based on the information provided in this case, it is difficult to find weaknesses in Campbell’s marketing research program. But a true marketing information system goes beyond marketing research to include internal database systems as well as a marketing intelligence system based on publicly available data. This case gives no evidence of either of these elements. Thus, a case for a full marketing information system cannot be made.   
  
On the other hand, the marketing research program Campbell’s has developed is clearly a strong point and the basis for a strong marketing information system. The strengths of this marketing research program are explored in the following questions.*

4-19 What objectives does Campbell have for the marketing research efforts described in this case?   
*The front portion of the case outlines specific challenges faced by CEO Denise Morrison. These include reversing the declining market share of the Campbell’s brand as well as looking for growth opportunities in a mature market. But these objectives are top-level concerns. The marketing research objectives are established to help fulfill these top-level objectives. These include establishing a “clear, up-to-the-minute understanding of consumers” as well as creating “relevant products.” More specifically, Campbell’s research set out to “prompt and preserve important consumer emotions” as well as keep abreast of changing consumer tastes and preferences.*

4-20 Compare the effectiveness of Campbell’s biometric research with its deep dive research.*These are two entirely different animals, each effective at different things. The biometric research is good at determining consumer reactions to specific marketing mix variables such as the label and shelf placement. Deep dive research is more exploratory, observing what is really happening in consumer markets to identify themes and characteristics that serve as the basis for product development and management. That type of research is what led to the establishment of Campbell’s six different consumer types.*

4-21 Describe how traditional marketing research could be integrated with Campbell’s research efforts from this case.  
*Campbell uses all three types: deep dive, biometric, and traditional survey work. There are many ways that multiple research methods can be used to support one another. For example, the biometric research can be used to follow customer responsse to specific variables. However, it is expensive. Thus, survey work can be used to test more subjects and validate the biometric results. In the same manner, while deep dive research can be used to flesh-out themes and profiles, survey work can be used to test specific alternatives within those general themes.*

**Teaching Suggestions**

As the case points out, no one covets soup. It is a staple that many people love, but they take it for granted. Begin this case discussion by asking students, “What comes to mind when you think about ‘soup’”? Let student responses drive the discussion. But steer the discussion to bring out the emotions that students feel about soup. At the same time, ask them how often they buy soup. Is this a regular item they purchase or consume? Why or why not?   
  
This case was developed for use with Chapter 4. This case also works well with the customer value chapter (Chapter 1).

Go to mymktlab.com for the answers to the following Assisted-graded writing questions:

4-22 What is neuromarketing and how is it useful in marketing research? Why is this research approach usually used with other approaches?

4-23 Describe an example in which marketing research could cause harm to participants. Many companies have a review process similar to that required for following the government’s “Common Rule.” Write a brief report explaining this rule and how you would apply it to your example.

**ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES**

**Projects**

1. Secondary data consists of information that already exists, having been collected for another purpose. What are some secondary data sources you might take a look at if you were helping your college or university develop a recruitment strategy?
2. Observational research involves gathering primary data by observing people. Do you see any potential ethical conflicts with its use?
3. Why would you want to (or not want to) use a mail questionnaire to reach Generation Y individuals? Give both pros and cons.
4. Focus group interviewing can be an effective interview technique. Under what situations does it make sense to use this technique?

**Small Group Assignments**

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on The LEGO Group. Each group should answer the following questions.

* In this case, did LEGO’s approach to marketing research follow a traditional marketing research approach or was it a more “contemporary” approach? Explain.
* Discuss the key social marketing research tools that The LEGO Group utilized in researching customer insights. What other tools would you have used, and how would you use them?
* How has the new LEGO approach to toy sets worked with people you know? Does it have an appeal it did not have before? Do you believe the image of the company has changed because of the research and new products? Why or why not?
* What are some other possible advertising themes you might develop based on LEGO’s discoveries from its customer insight research?

1. Form students into groups of three to five. Develop a short questionnaire (seven questions) designed to determine a respondent’s favorite social media site and the reason why it is the favorite.

**Individual Assignments**

1. Take a look at Apple’s Web site ([www.apple.com](http://www.apple.com)). Examine the pages that discuss the iPhone 7. What customer insights do you believe Apple paid attention to in the redesign of its famous mobile device?
2. Construct two simple, 5-question surveys that examine student’s attitudes toward life at your university. One survey should contain open-ended questions only and the other only closed-ended questions. Be careful of your wording. Which of the two surveys do you believe would provide the greatest depth of information? Why?

**Think-Pair-Share**

Consider the following questions, formulate answers, pair with the student on your right, share your thoughts with one another, and respond to questions from the instructor.

1. What are the four steps of the marketing research process?
2. What are the differences between causal, exploratory, and descriptive research methods?
3. Why does it make sense to use secondary data before you turn to primary data?
4. What are some of the more substantial drawbacks of observational research?

**Outside Examples**

1. **Secondary data** consist of information that already exists somewhere, having been collected for another purpose. One of the main sources of secondary data is the U.S. Census. Take a look at the 2010 Census (<http://www.census.gov/2010census/>). Find data that is relevant to your home state and/or community. How reliable or accurate do you believe that information to be?

*Possible Solution:*

The interesting point of this exercise is for students to realize just how dated and unreliable much of the secondary data we use to make decisions may be. Although the information contained in this census was gathered in 2010, much of it will quickly change their individual home states/communities. This can be an eye-opening activity.

1. Using observational research, gather data on your roommate’s eating habits. What do your findings tell you? More importantly, what do your findings NOT tell you about his/her eating habits?

*Possible Solution:*

Students will come up with a variety of observations. It is important to pay attention to what the students believe they are discovering about their roommate’s eating habits. They will be able to discover what those habits are; however, they cannot determine the driving force or motivation behind those habits.