

Marketing

Management
Chapter 4 : Conducting

Marketing Research

"THE SCOPE OF MARKETING RESEARCH:"

- American Marketing Association says:

Marketing research is the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.

IMPORTANCE OF MARKETING INSIGHTS:

- Marketing research is all about generating insights. Marketing insights provide diagnostic information about how and why we observe certain effects in the marketplace and what that means to marketers.
- Good marketing insights often form the basis of successful marketing programs.

1. When an extensive consumer research study of U.S. retail shoppers by Walmart revealed that the store's key competitive advantages were the functional benefit of "offers low prices" and the emotional benefit of "makes me feel like a smart shopper," its marketers used those insights to develop their "Save Money, Live Better" campaign.

2. When marketing research showed that consumers viewed Walgreens largely as a convenience store with a pharmacy in the back, the company took steps to reposition itself as a premium health care brand, putting more emphasis on its wellness offerings such as its walk-in clinics.

WHO DOES MARKETING RESEARCH:

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

1. Engaging students or professors to design and carry out projects:

AT&T, GE, Samsung, Shell Oil, and others have engaged in a “crowdcasting” exercise by sponsoring the Innovation Challenge, where top MBA students compete in teams to address company problems.

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

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



Source: The Procter & Gamble Company

2. Using the Internet:

A company can collect considerable information at little cost by examining competitors' Web sites, monitoring chat rooms and blogs, and accessing published data. Social media monitoring tools from companies like **Radian6, Attensity, and Lithium** keep firms on top of online buzz. Home water filtration company **Aquasana uses tools from NetBase** to collect what people are saying about Brita and other competitors on Twitter, Facebook, news sites, blogs, message boards, and any other place there are relevant online conversations.

3. Checking out rivals:

Many small businesses, such as restaurants, hotels, or specialty retailers, routinely visit competitors to learn about changes they have made. Tom Stemberg, who founded the office supply superstore Staples, made weekly unannounced visits to his own stores, competitors' stores, and other stores outside his category, always focused on "what the store was doing right" to get ideas for improving Staples.

4. Tapping into marketing partner expertise:

Marketing research firms, ad agencies, distributors, and other marketing partners may be able to share relevant market knowledge they have accumulated. Partners targeting small or medium-sized businesses may be especially helpful. For example, to promote more shipping to China, UPS conducted several in-depth surveys of the Chinese market to portray its complexities but also its opportunities for even small and medium-sized businesses.

5. Tapping into employee creativity and wisdom:

No one may come into more contact with customers and understand a company's products, services, and brands better than its employees. Software maker Intuit puts employees into four- to six-person "two pizza" teams—called that because it takes only two pizzas to feed them. They observe customers in all walks of life and try to identify problems Intuit might be able to solve. Intuit takes all the employees' proposed solutions and experiments with them, building products behind the ideas that seem to work best.

Marketing research firms fall into three categories:

1. Syndicated-service research firms:

These firms gather consumer and trade information, which they sell for a fee. Examples include the Nielsen Company, Kantar Group, Westat, and IRI.

2. Custom marketing research firms:

These firms are hired to carry out specific projects. They design the study and report the findings.

3. Specialty-line marketing research firms:

These firms provide specialized research services. The best example is the field-service firm, which sells field interviewing services to other firms.

OVERCOMING BARRIERS TO THE USE OF MARKETING RESEARCH:

In spite of the rapid growth of marketing research, many companies still fail to use it sufficiently or correctly. They may not understand what it is capable of or provide the researcher the right problem definition and information from which to work. They may also have unrealistic expectations about what researchers can offer. Failure to use marketing research properly has led to numerous gaffes, including the following historic one.



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

"THE MARKETING RESEARCH PROCESS:"

The **six steps** involved in marketing research process are as follows:

1. **Define the problem** and research objectives
2. Develop a research **plan**
3. **Collect the information**
4. Analyse the information
5. Present the findings
6. Make the decision / Follow-up.



Step (1)

DEFINE THE PROBLEM:

Problems should not be defined either too broadly or too narrowly;

- ✓ A broad or vague definition leads to excessive wastage of resources.
- ✓ Too narrow a definition leads to inadequate data or info required to make an effective decision.
- ✓ Clarity on the following helps define the problem appropriately;
 - What is to be researched (the content, the scope)?
 - Why is it to be researched (the decisions that are to be made)?
- ✓ The end product of this step has to be a clear definition of the problem & research objectives.

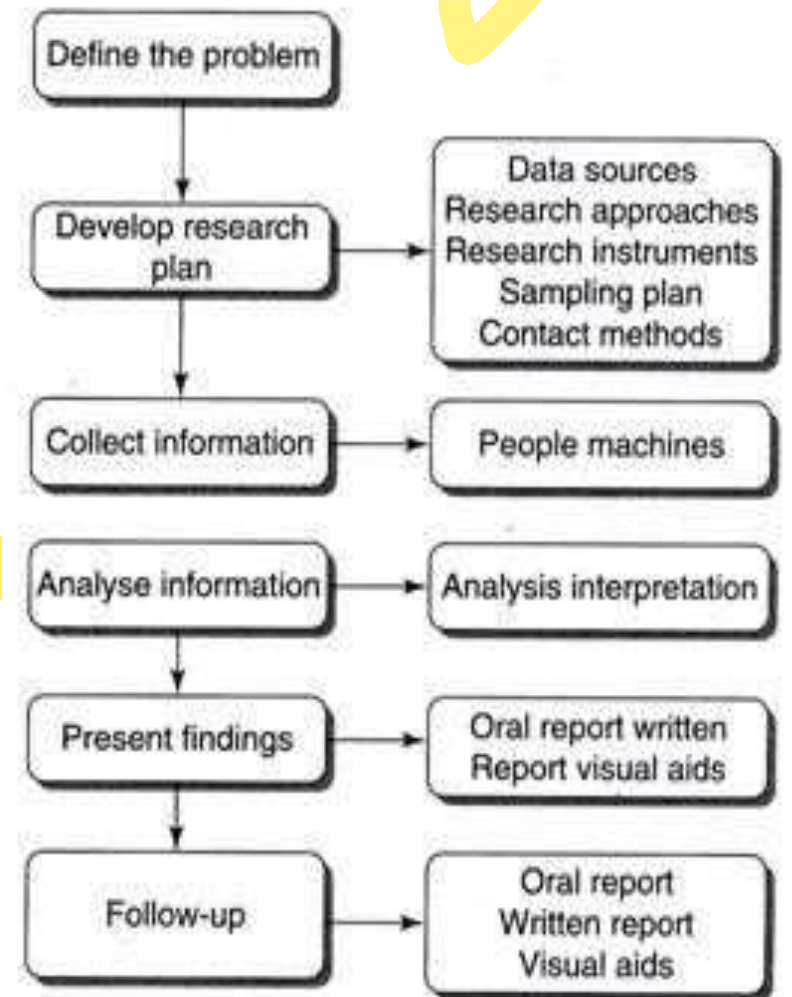


Fig. 1.3 Six Steps Involved in Marketing Research

Step (2)

DEVELOP THE RESEARCH PLAN:

The second steps in marketing research involves decisions on

1. Data Sources
2. Research Approaches
3. Research Instruments
4. Sampling Plan
5. Contact Methods



1. Data Sources:

- ✓ The researcher can gather secondary data, primary data, or both.
 - ✓ **SECONDARY DATA** are data that were collected for another purpose, & already exist somewhere.
 - ✓ **PRIMARY DATA** are freshly gathered data for a specific purpose or for a specific research project.
- ✓ Researchers usually start their investigation by examining secondary data to see whether the problem can be partly or wholly solved without collecting costly primary data.
 - ✓ When the required data do not exist or are dated, inaccurate, incomplete, or unreliable, the researcher will have to collect primary data.

2. Research Approach:

Primary data can be collected in five ways;

- a. Observational Research.
- b. Focus Group Research.
- c. Survey Research.
- d. Behavioral Research.
- e. Experiment Research.

a. OBSERVATIONAL

RESEARCH:

- ✓ Researchers can gather fresh data by observing the relevant actors & settings, unobtrusively observing as they shop or as they consume products.
- ✓ Sometimes, they equip consumers with pagers & instruct them to write down what they're doing whenever prompted, or they hold informal interviewed sessions at a café or bar.
- ✓ Photographs can also provide a wealth of detailed info.

✓ ETHNOGRAPHIC RESEARCH:

- ✓ It is a particular observational research approach that uses concepts & tools from anthropology and other social science disciplines to provide deep understanding of how people live or work.
- ✓ The goal is to immerse the researcher into consumer's lives to uncover unarticulated desires that might not surface to any other form of research.
- ✓ Ethnographic research is not limited to consumer companies in developed markets.
- ✓ GE's ethnographic study into plastic industry is the case in industrial markets using this approach.
- ✓ It is particularly useful in developing markets, especially far-flung areas, where companies do not know consumers as well.

b. FOCUS GROUP

RESEARCH:

- ✓ A focus group is a gathering of six to ten people who are invited to spend a few hours with a skilled moderator in order to discuss a product, service, organization, or any other marketing entity.

- ✓ The moderator needs to be objective, knowledgeable, & skilled in group dynamics.
- ✓ Participants are normally offered some gifts or incentives for attending the meeting; the meeting is typically held in pleasant surroundings, & refreshments are served.
- ✓ The moderator usually starts with a broad question & then helps the group move through various aspects of the entity being discussed, encouraging free & easy discussion.
 - ✓ The key role of the moderator is to keep the discussion “focused” on the relevant theme while allowing deep feelings & thoughts to emerge through the group dynamics.
 - ✓ Transcripts prepared from recordings are subsequently analyzed to understand consumer beliefs, attitudes, & behavior.

c. SURVEY RESEARCH:

- ✓ Surveys are best suited for descriptive research.
- ✓ Companies undertake surveys to learn about people knowledge, beliefs, preferences, & satisfaction.
- ✓ It requires development of a survey instrument, usually questionnaire, which the respondents are asked to fill up.

d. BEHAVIORAL DATA:

- ✓ Customers' actual purchases reflect preferences & are normally more reliable than memory-based statements made in surveys.
- ✓ Observations have shown that many high-income group customers do not buy expensive consumer goods, while some low-level income consumers end up buying expensive products, contrary to their stated preferences in the surveys.

e. **EXPERIMENTAL RESEARCH:**

- ✓ The most scientifically valid research.
- ✓ Its purpose is to capture cause-&-effect relationships by eliminating competing explanations of the observed findings.
- ✓ To the extent that the design & execution of the experiment eliminate alternative hypotheses that might explain the results, research & marketing managers can have confidence in the conclusions.
- ✓ Experiments call for selecting matched groups of subjects, subjecting them to different treatments, controlling the extraneous variables, & checking whether the observed response differences are statistically significant.

3. Research Instruments:

Marketing researchers have a choice of **three** main research instruments in collecting **primary data**;

- a. Questionnaires.
- b. Qualitative Measures
- c. Technological Devices

a.

✓ **QUESTIONNAIRES:**

A questionnaire consists of a set of questions presented to respondents; because of its **flexibility**, it is by far the most common instrument used to collect primary data.

- ✓ The form, wording, & sequence of the question can all influence the response.
- ✓ 1. **Closed-end Questions** specify all the possible answers & provide answers that are easier to interpret & tabulate.
- ✓ 2. **Open-ended Questions** allow respondents to answer in their own words & often reveal more about how people think.
 - ✓ They are especially useful in exploratory research, where the researcher is looking for insight into **how people think rather than measuring how many people think a certain way.**

b. QUALITATIVE

MEASURES:

Consumer actions do not always match their answers to survey questions.

- ✓ **Qualitative Research Techniques** are relatively **unstructured measurement approaches** that permit a range of possible responses.
- ✓ **Due to the freedom afforded** both researchers in their probes & consumers in their responses, qualitative research can often be a useful first step in exploring consumers' brand & product perceptions.
- ✓ **Drawback of Qualitative Measures:**
 - ✓ 1. Marketers must temper the in-depth insights that emerge with the fact that the samples are often very small & may not necessarily generalize to broader populations.
 - ✓ 2. **Different researchers examining the same qualitative results may draw very different conclusions.**

c. TECHNOLOGICAL

DEVICES:

- ✓ Technological devices are occasionally useful in marketing research.
- ✓ Technology has now advanced to such a degree that marketers can use devices such as skin sensors, brain wave scanners, & full body scanners to get consumer responses.
 - ✓ For instance, TACODA, an advertising technology company, is studying the eye movements & brain activity of web surfers to see which ad grabs their attention.
- ✓ Technology has replaced the diaries that participants in media surveys used to keep.

4. SAMPLING PLAN:

This calls for **three** decisions

✓ **1. Sampling unit; who should we survey?**

- ✓ Once they have determined the sampling unit, marketers must develop a sampling frame so that everyone in the target population has an equal or known chance of being sampled.

✓ **2. Sample size; how many people should we survey?**

- ✓ Large samples give more reliable results, but it's not necessary to sample the entire target population to achieve reliable results.
- ✓ Samples of less than 1% of a population can often provide good reliability, with a credible sampling procedure.

✓ **3. Sampling procedure; how should we choose the respondents?**

- ✓ Probability sampling allows confidence limits to be calculated for sampling error & makes the sample more representative.
- ✓ When the cost or time to use probability sampling is too high, marketing researchers will take nonprobability sample.

5. CONTACT METHODS:

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

1. MAIL QUESTIONNAIRE:

- ✓ It is the best way to reach people who would not give personal interviews or whose responses might be biased or distorted by the interviewers.
- ✓ It requires simple & clearly worded questions.
- ✓ The response rate is usually low or slow.

2. TELEPHONE INTERVIEW:

- ✓ It is the **best method for gathering info quickly**; the interviewer is also able to clarify questions if respondents do not understand them.
- ✓ The response rate is typically higher than in the case of mailed questionnaires.
- ✓ Yet, the interviews have to be short & **not too personal**.

3. PERSONAL INTERVIEW:

- ✓ It is the **most versatile method**; the interviewer can ask more questions & record additional observations about the respondent, like dress & body language.
- ✓ Yet, it is the most expensive method, subject to interviewer bias, & requires more administrative planning & supervision.

4. ONLINE INTERVIEW:

There are so many ways to use the Internet to do research.

- ✓ The company can embed a questionnaire on its website in different ways & offer an incentive to answer it; or it can place a banner on a frequently visited site such as Yahoo!, inviting people to answer some questions & possibly win a price.
- ✓ Marketers can also sponsor a chat room or bulletin board & introduce questions from time to time or host a real time consumer panel or virtual focus group.
- ✓ The company can learn about individuals who visit its site by tracking how they clickstream through the website & move to other sites.
- ✓ The company can post different prices, use different headlines, & offer different product features on different websites or at different times to learn the relative effectiveness of its offerings.

Step (3)

COLLECT THE INFORMATION:

- ✓ The data collection phase of marketing research is generally the most expensive & the most prone to error.
- ✓ Four major problems arise in surveys:
 1. Some respondents will not be at home & must be contacted again or replaced.
 2. Other respondents will refuse to cooperate.
 3. Still others will give biased or dishonest answers.
 4. Some interviewers will be biased or dishonest.

- ✓ Data collection methods are rapidly improving due to the computers & telecommunication advances.
- ✓ One of the biggest obstacles to collecting info internationally is the need to achieve consistency.

- ✓ In global research, we have to adapt culturally to how, where, & with whom we are doing the research.
- ✓ A simple research study conducted globally becomes much more complicated as a result of cultural nuances, & it's necessary for us to be sensitive to those nuances in data collection & interpretation.

Step (4)

ANALYZE THE INFORMATION:

- ✓ It is extracting findings by tabulating the data & developing frequency distributions.
- ✓ The researchers now compute averages & measure of dispersion for the major variables & apply some advance statistical techniques & decision methods in the hope of discovering additional findings.
- ✓ They may test different hypotheses & theories, applying sensitivity analysis to test assumption & the strength of the conclusions.

Step (5)

PRESENT THE FINDINGS:

- ✓ The researcher presents findings relevant to the major marketing decisions facing management.
- ✓ Researchers increasingly are being asked to play a more proactive, consulting role in translating data & info into insights & recommendations.
- ✓ They are also considering ways to present research findings in as understandable & compelling a fashion as possible.

Step (6)

MAKE THE DECISION:

- ✓ Research findings only provide additional info & insights to the managers.
- ✓ Depending on their confidence in the findings, managers decide to use it, discard it, or carry out more research.

A growing number of organizations are using a **Marketing Decision Support Systems (MDSS)** to help their marketing managers make better decisions.

- ✓ MDSS is a coordinated collection of data, systems, tools, & techniques, with supporting software & hardware, by which an org gathers & interprets relevant info from business & environment & turns it into a basis for marketing action.

TABLE 4.2**The Seven Characteristics of Good Marketing Research**

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

"MEASURING MARKETING PROUCTIVITY:"

An important task of marketing research is to assess efficiency & effectiveness of marketing activities.

- ✓ Marketers are increasingly being held accountable for their investments and must be able to justify marketing expenditures to senior management.

Two complementary approaches to measuring marketing productivity are;

1. Marketing Metrics
2. Marketing-mix Modeling
3. Marketing Dashboards

1. MARKETING

METRICS:

- ✓ It is a set of measures that helps marketers to quantify, compare, & interpret their marketing performance.
- ✓ They can be used by brand managers to justify & design marketing programs & by senior management to decide on financial allocations.
- ✓ Firms must give priority to measuring & reporting marketing performance through marketing metrics.

Evaluation can be split into two parts;

SHORT-TERM RESULTS:

- They often reflect profit & loss concerns as shown by sales turnover, shareholder value, or some combination of two.

CHANGES IN BRAND EQUITY:

- They could include customer awareness, attitudes, & behaviors; market share; relative price premium; number of complaints; distribution & availability; total number of customers; perceived quality, loyalty, & retention.

TABLE 4.3**Sample Marketing Metrics****I. External**

Awareness

Market share (volume or value)

Relative price (market share value/volume)

Number of complaints (level of dissatisfaction)

Consumer satisfaction

Distribution/availability

Total number of customers

Perceived quality/esteem

Loyalty/retention

Relative perceived quality

II. Internal

Awareness of goals

Commitment to goals

Active innovation support

Resource adequacy

Staffing/skill levels

Desire to learn

Willingness to change

Freedom to fail

Autonomy

Relative employee satisfaction

2. MARKETING-MIX MODELING:

- Marketing mix models analyze data from a variety of sources, such as retailer scanning data, company shipment data, pricing, media, & promotion spending data, to understand more precisely the effects of specific marketing activities.
- To deepen understanding, marketers can conduct multivariate analyses, such as regression analysis, to sort through how each marketing element influences marketing outcomes such as brand, sales or market share.

3. MARKETING DASHBOARDS:

- ✓ Management can assemble a summary set of relevant internal & external measures in a marketing dashboard for synthesis & interpretation.
- ✓ Marketing Dashboards are like the instrument panel in a car or plane, visually displaying real-time indicators to ensure proper functioning.
 - ✓ They are only as good as the info on which they're based, but sophisticated visualization tools are helping bring data alive to improve understanding & analysis.

✓ Companies should include two key market-based scorecards that reflect performance and provide possible early warning signals.

- A **customer-performance scorecard** records how well the company is doing year after year on such customer-based measures as those shown in Table 4.4.

Management should set target goals for each measure and take action when results get out of bounds.

- A **stakeholder-performance scorecard** tracks the satisfaction of various constituencies who have a critical interest in and impact on the company's performance: employees, suppliers, banks, distributors, retailers, and stockholders. Again, management should take action when one or more groups register increased or above-norm levels of dissatisfaction.

TABLE 4.4

Sample Customer-Performance Scorecard Measures

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

EXAMPLE OF MARKETING DASHBOARDS:

| Fig. 4.3 |

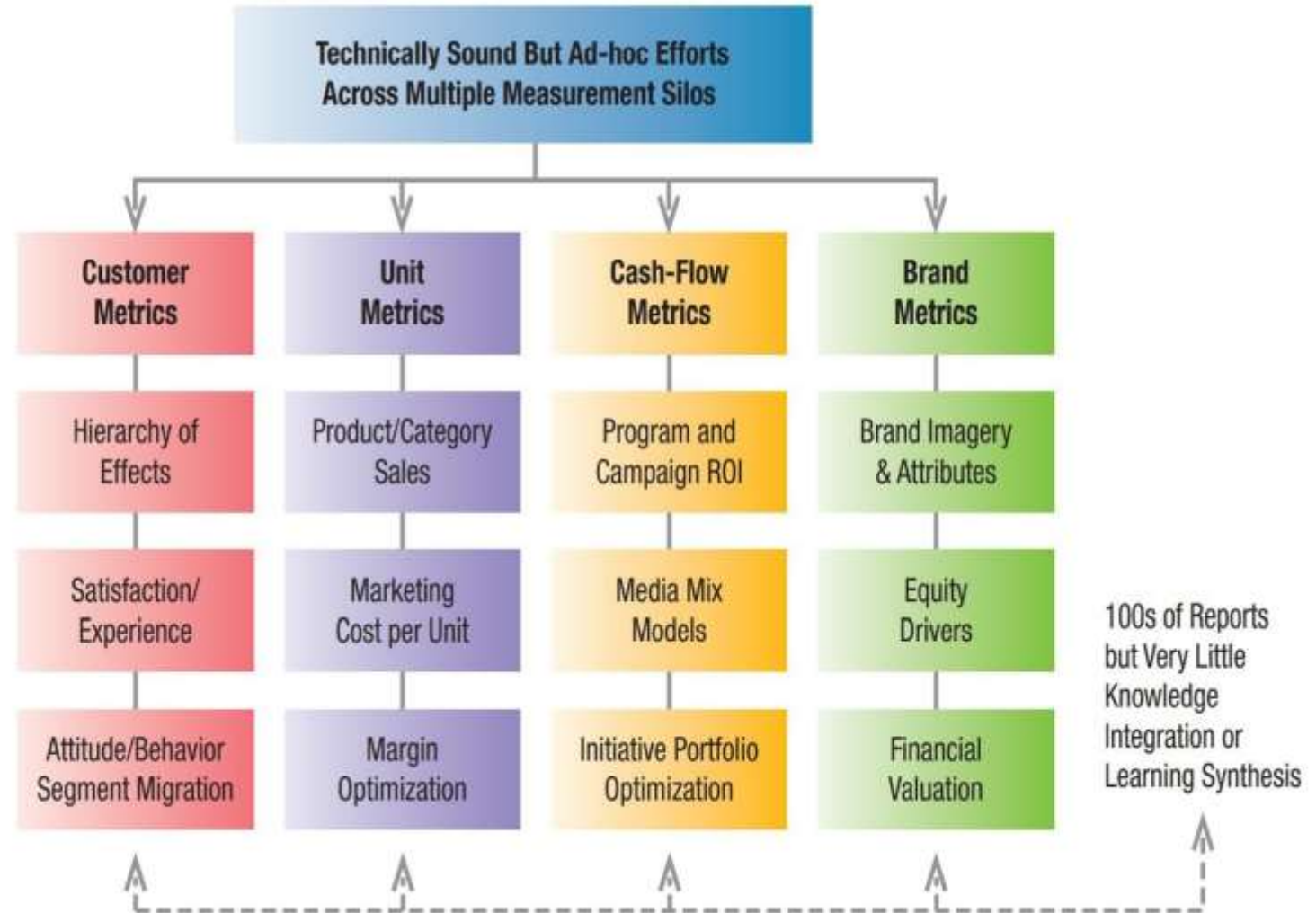
Example of a Marketing Dashboard

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



| Fig. 4.2 |

Marketing Measure Pathway



THE END