

## Transcription

# Understanding Consumer Behaviour



Philip Kotler defines market research as the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation that a company is facing. Let's break that down - Kotler has said around these two heads:

1. First, we are talking about a marketing situation
2. And second, we are talking about the Collection, analysis and reporting of data relevant to the situation.

Let's address the first part. What's a marketing situation? When OnePlus decides to enter the television market with let's say a OnePlus TV - that's a marketing situation.

OnePlus at that stage would want to understand who are those people who would buy their televisions? What do they look like? Are these people who already use OnePlus phones? Are these people who are getting their first TV sets or are these customers who are upgrading from cheaper displays?

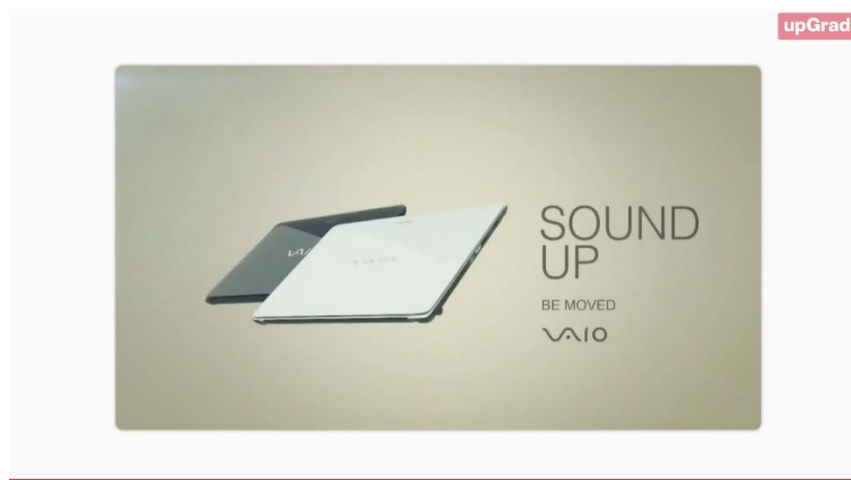
Even before making the decision to enter the category, OnePlus would want to understand whether their customers would even associate the OnePlus brand favorably with the television category. Market research at this stage can help a brand avoid failures such as the Ponds toothpaste and the Colgate lasagna!

Another point to note is also that OnePlus has a loyal user base in the phone category - users who upgrade to the newest and the best that OnePlus launches. Now OnePlus would want to keep it that way which means that market research would help to get the answers of why do my customers prefer my brand over my competitors? What elements of my brand appeal the most to my customers? What elements should I improve on? How can I get customers that are currently going to my competitors?

If one of my products is not working - what are the reasons? Getting answers to these questions can help a brand like One Plus to avoid seeing the same fate as brands like Kodak and Nokia – who did not understanding the changing customer preferences. Hence, they simply became irrelevant.

In a region, OnePlus launches 2-3 new handsets every year. With every new launch, there's a Samsung or a Xiaomi user that switches over to OnePlus. Should I retain the headphone jack when Apple and Samsung are removing it? Should I offer the best-in-class display instead of a slightly better camera?

Understanding your potential customer is something all brands need to do to grow meaningfully. Market research is powerful because it is this toll that allows you to understand your brand's growth in the real sense.



Look at brands such as Blackberry and Vaio that formed a string niche for themselves but could never grow beyond. Market research helps you formulate a strong marketing and growth strategy in different marketing situations.

But Kotler talked of another thing when he defined market research - he talked about systematic design, collection, analysis, and reporting of data and findings. How's that done and how does this impact the market research process?



So, let's take a look at the 4 key steps in the market research process:

1. The first step is defining the business problem and the research objectives which is the design part that Kotler refers to.
2. The second step is Qualitative research for formulating the hypothesis that would be tested using quantitative research.
3. So, the third logical step from there is the quantitative research which validates the hypothesis that had been created one step earlier. These two steps put together form the data collection part of the market research as per Kotler.
4. And finally, the fourth step which is the analysis and reporting of the data. It is in this step that the analysis would address the business problem that had been defined in the first step.

Let's understand the research process with an illustration.




**MARKETING RESEARCH: ONEPLUS**

**STEP 1**

1. What are these earphones made of and how they work?
2. What is the price at which OnePlus should sell them at?
3. Where does the customer buy these earphones from?
4. What should the advertisement look like?
  - a. Business problem
    - Determining the product, price, placement and promotional strategy of the new wireless earphones
  - b. Research objective

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OnePlus sees that the industry is moving towards Bluetooth wireless earphones, clearly away from traditional wired earphones and headphones. Hence, their New Product Development team plans to launch a OnePlus branded pair of wireless earphones. Now they need to define the 4 big things - What are these earphones made of and how they work? What's the price point at which OnePlus should sell them at? From where can a customer buy these earphones from - Amazon, Flipkart or an offline store?

And finally, how should the advertisement look like? Here, OnePlus would define the business problem as - "Determining the product, price, placement and promotional strategy of the new wireless earphones." A specific research objective can be - "Defining the pricing and name of the OnePlus wireless earphones".

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### MARKETING RESEARCH: ONEPLUS




**STEP 2**

1. Hypothesis: A supposition without an evidence
2. Actionable: Have open ended conversation with the customers that leads to hypothesis on pricing and naming
3. Possible hypotheses
  - a. Customers will perceive a OnePlus branded bluetooth earphones as great value for money if it's priced lower than Rs. 4000
  - b. The name OnePlus Bullets makes users think of a product that is premium, high-end and high tech

The second step is hypothesis formulation. A hypothesis is a supposition without evidence - research can provide the evidence. At this step, OnePlus would want to have an open-ended conversation with their customers that leads them to a hypothesis on pricing and naming. How do you look for Bluetooth earphones?

What price would you be willing to pay for a pair of Bluetooth earphones from OnePlus? How do you carry your Bluetooth earphones? Which are those 3-4 words that you would use to define a pair of sleek, metallic Bluetooth earphones?

Now the answers to these questions straight from the consumers still wouldn't define OnePlus's strategy. All they would do is to help OnePlus formulate hypotheses for its research. And these hypothesis will simply be as -

- a) Customers will perceive a OnePlus branded Bluetooth earphones as great value for money if it's priced lower than Rs. 4000.
- b) Another hypothesis around the name can be - "The name OnePlus Bullets makes users think of a product that is premium, high-end and high tech."

But these are hypotheses and need to be statistically validated. Just because 10-20 users say they'll buy a four thousand rupees pair of Bluetooth earphones does not imply that OnePlus would get a customer base.

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### MARKETING RESEARCH: ONEPLUS




**STEP 3**

1. Conduct surveys with thousands of users and ask very specific questions:
  - a. Would you buy the OnePlus Bullets with x,y,z features at Rs.3999 - Yes or No?
  - b. Would you find the magnetic clasp feature useful - Yes or No?

What OnePlus needs is Quantitative research with a significant sample size which brings us to the third step. At this stage, OnePlus would conduct surveys with thousands of users. They'll ask very specific questions - Would you buy the OnePlus Bullets with x, y, z features at Rs.3999 - Yes or No? Would you find the magnetic clasp feature useful - Yes or No? Getting thousands of responses on such questions can help OnePlus validate the hypotheses it formulated through qualitative research.

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### MARKETING RESEARCH: ONEPLUS



#### STEP 4

1. What should be the price point for launch?
  - a. Launch at Rs.3999
2. What should OnePlus call the earphones?
  - a. Call them OnePlus Bullets
3. What should the earphones be made of to convey premium?
  - a. Use a mix of metals and premium plastic
4. Where should OnePlus sell them?

But we are still not done. The fourth and the final step after the qualitative research had also been conducted is to now analysis and present the data. This is followed by addressing the business problem. What should be the price point for launch of the Bluetooth headphones - at Rs.3999. What should OnePlus call the earphones - OnePlus Bullets. What should the earphones be made of to convey premiumness and its quality - a mix of metals and premium plastic. Where should OnePlus sell them - Definitely online, preferably through Amazon. And that's how the 4-step market research process ends with!

So, Let's go back and summarize. We asked 3 questions:

1. The first question - Why market research? - Market research brings a brand closer to the consumers - what they need, what they don't, how they purchase, how they make their decisions and how much they would be willing to pay. So, quite essentially market research helps a brand create a clear and complete picture of the consumer.
2. The second question - What is to be researched? - We talked about the different situations in which a brand may want to conduct market research - launching a product, launching a marketing campaign, looking for new expansion opportunities etc.
3. And finally, how is market research carried out? It's a 4-step process - defining the objectives, hypothesis formulation using qualitative research, hypothesis validation using quantitative research and finally analysis of data and addressing the business problem.

As a brand manager, you would be expected to commission researches. Research agencies such as IMRB and Nielsen conduct the actual sampling, collection and analysis part of the process, but you as a brand manager would be

expected to brief them of the research objectives and expected outcomes. Let's try and understand this with an illustration.



Cinthol used to be one of the most popular soap brands in the country in the 80s. The late actor, famous actor Vinod Khanna marketed the soap as a 'confidence soap'.



In the 90s, Lux from Unilever started to gain market share. Marketed as a beauty soap, it became the single soap for the entire household. Liril, Lifebuoy and Rexona, also selling on the pitch of freshness cornered the rest of what should have been Cinthol's market. Under immense pressure, Cinthol tweaked its positioning. The soaps became rounder. The packaging became shinier.





Instead of a single protagonist, the advertisement now had an entire family showering together at a waterpark. Well the outcome? Sales kept on falling until the brand became almost irrelevant. and the parent company shifted its focus.

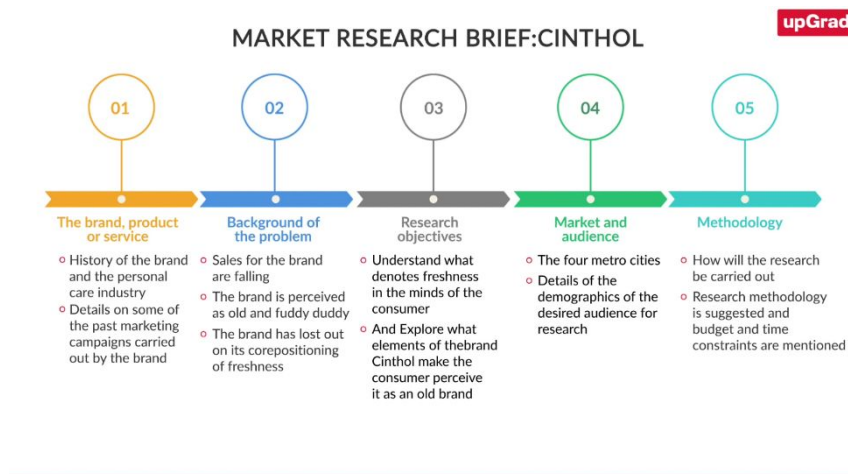


Godrej's other brand and it's Godrej No.1 sold well and the parent company shifted its focus. That's a worry for the brand manager of Cinthol. They need an arsenal to fight this problem and market research can come to his aid.

What you prepare for the research agency is called a market research brief. So, typically a market research brief addresses following three key questions3 key questions:

- Why is the research being conducted?
- What is to be researched?
- How is the research expected to be carried out?

The 'Why', 'What' and 'How' of the research are the critical three pillars. Let us try and understand each of these in detail.



1. The first section of the brief talks about the brand - the product or the service. In the case of Cinthol, the brief talks about the history of the brand and the personal care industry in general. It also mentions a few details on some of the past marketing campaigns carried out by the brand.
2. The second section talks about the background of the problem. For Cinthol, the business problem for the brand manager is clear - "Sales for the brand are falling. The brand is perceived as old and outdated. The brand has lost out on its core positioning of freshness." And this establishes the 'WHY' of the Cinthol's research problem.
3. Next section talks about the WHAT aspect of research. So, we begin here with two important research objectives for Cinthol. Firstly, the primary research objective was to understand:
  - What denotes freshness in the minds of the consumer.
  - And Explore what elements of the brand Cinthol make the consumer perceive it as an old fashion brand.
4. The next section details out the markets and audience for the research. In case of Cinthol, the brand manager had mentioned the four metro cities and he further detailed the demographics of the desired audience for the research.
5. The final section addresses the 'HOW' - How will the research be carried out. Here the brand manager suggests research methodology and mentions the budget and time constraints.

Once the brief is complete, the manager can share it with the research agency. And on the basis of this brief, the research agency sends a research proposal back to the manager with the proposed design for the research. Once this proposal is approved by the brand manager, the research is set in motion.





“Not everything that counts can be counted, and not everything that can be counted counts.” - that’s Albert Einstein, the man who relied on numbers, formulae and equations more than probably anyone else in human history. Many marketing managers have echoed this - they would rely more on a single, strong consumer insight than on heaps and heaps of data.

Let’s understand WHY a brand manager would need the help of qualitative research. A qualitative research module, essentially, goes narrow and deep instead while quantitative research goes broad, but shallow. Let’s understand this with an example.

**QUALITATIVE VS QUANTITATIVE RESEARCH**

	Low Breadth Required	High Breadth Required
Low Depth Required		<b>Quantitative</b> <ul style="list-style-type: none"> <li>Would the consumer buy a healthier pack at Rs.15?</li> <li>Does the consumer link the descriptor 'Oven Baked' with fresh and healthy?</li> </ul>
High Depth Required	<b>Qualitative</b> <ul style="list-style-type: none"> <li>Group discussion among consumers who regularly pick up diet coke</li> <li>In-depth interview</li> <li>Passing around samples in a group discussion</li> </ul>	<b>Quantitative</b> <ul style="list-style-type: none"> <li>Understanding what consumers perceive as healthy</li> <li>Exploring what words signal health in the minds of the consumer</li> <li>Seeking feedback on flavour and packaging</li> </ul>

Now suppose, the brand manager for a brand like Lays is planning to launch a new variant maybe a new line like a baked chips. Let’s see how qualitative research can help him: When the brand manager wishes to understand what consumers perceive as healthy, a group discussion amongst consumers who regularly pick up Diet Coke can give him the answer. When the brand manager wishes to explore the words that signal ‘healthy’, an in-depth interview can yield answers. If the brand manager is seeking feedback on the product, packaging and flavors, passing around samples in a group discussion can also offer real insights.

But when the brand manager wants to evaluate how many packs of the variant, he can sell at Rs. 15, he’d need feedback from more than 20-30 people. And this is where quantitative research will come in. For now, let’s try and go deeper into how qualitative research can be carried out.

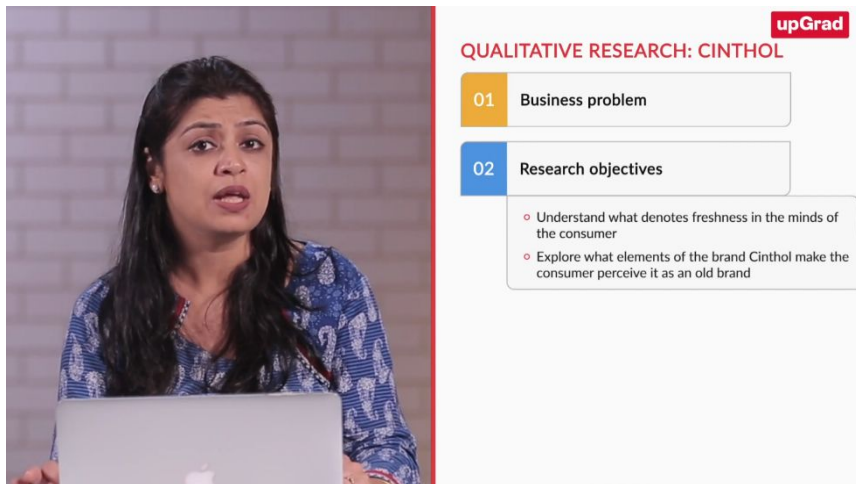


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QUALITATIVE RESEARCH: METHODOLOGIES

- In-depth interviews**  
One person at a time
- Focus group discussions**  
5-10 people led by a moderator

There are essentially two methodologies for carrying out qualitative research:

1. In-depth interviews with a person at a time and
2. Focus groups with 5-10 people having a discussion led by a moderator.



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QUALITATIVE RESEARCH: CINTHOL

- 01 Business problem**
- 02 Research objectives**
  - Understand what denotes freshness in the minds of the consumer
  - Explore what elements of the brand Cinthol make the consumer perceive it as an old brand

Now here again, on the scale of depth and width, in-depth interviews will have limited reach but would go much deeper. Let's continue the Cinthol illustration from the last segment.

There were 3 important aspects to the Cinthol business problem:

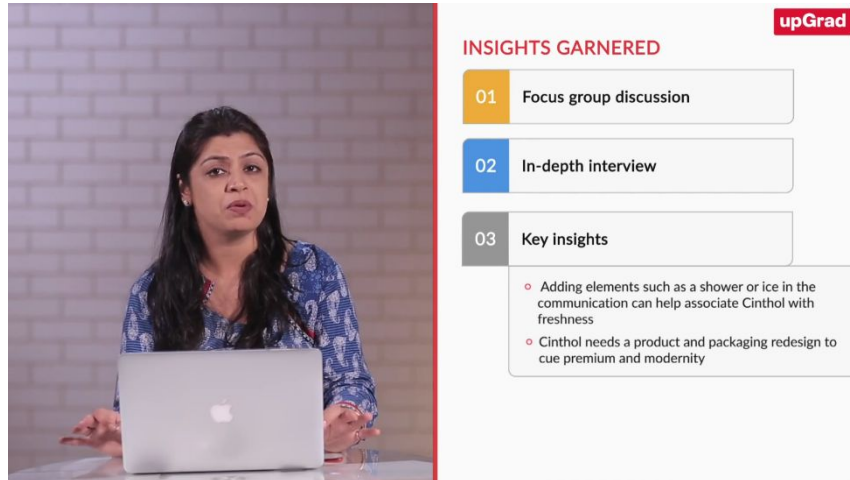
1. Sales for the brand were falling
2. The brand was perceived as old and redundant and outdated.
3. The brand had lost out on its core positioning of freshness

Based on the business problem, there were 2 key research objectives:

- Understand what denotes freshness in the minds of the consumer.

- Explore what elements of the brand Cinthol make the consumer perceive it as an old fashion brand.

Now let's look at how qualitative research can help the brand manager of Cinthol.



Focus group as you saw helped the brand manager understand that:

- Elements such as a wave, rain, ice cubes, waterfall and shower are cues to freshness.
- And that Cinthol's packaging and design make it look like an outdated product stuck in time.

In the in-depth interview, you saw how the consumer switched from Cinthol to Liril because:

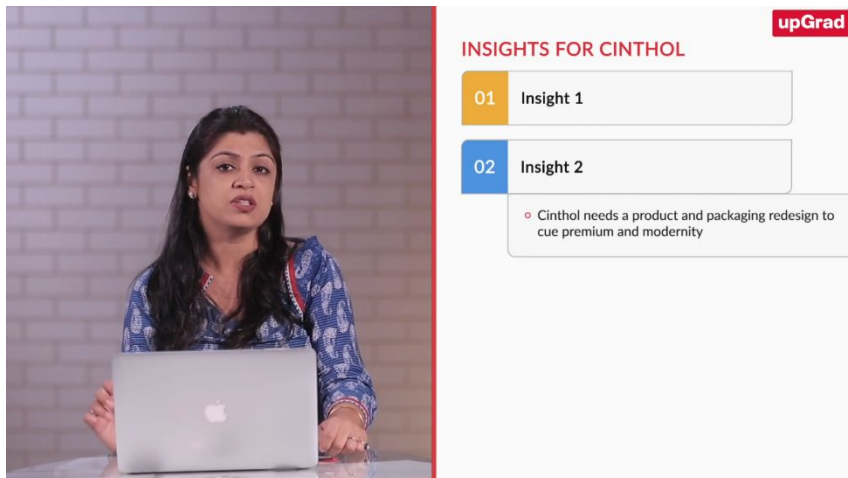
- Liril was perceived as a more new-age and premium brand
- And because Liril was favored by his wife who is the real decision maker when it comes to purchasing soaps.

These were the important problems that Cinthol as a brand was facing.

Now what are some of the key insights? Adding elements such as a shower or ice in the communication can actually help associate Cinthol with freshness. So, Cinthol needs a product and packaging redesign to cue premium quality and modernity.

Herein, you saw how qualitative research helped Cinthol derive deep insights in terms of:

- Understanding of the consumer buying behavior,
- Understanding their attitudes and behavior
- And understanding their perception of brands and products.



**INSIGHTS FOR CINTHOL**

01 Insight 1

02 Insight 2

- Cinthol needs a product and packaging redesign to cue premium and modernity

Let's quickly recap the insights the brand manager for Cinthol could derive from qualitative research:

- Adding elements such as a shower or ice in the communication can help associate a brand like Cinthol with freshness.
- Cinthol needs a product and packaging redesign to indicate premium quality and modernity.

But, to address the business problem, we need something beyond a handful of insights. We need hard data to guide the marketing strategy - which is where quantitative research comes into the picture. Quantitative research can help a brand manager be statistically how precise a marketing decision is going to be. How? Let me present 2 statements to you:



**MARKET RESEARCH: CINTHOL**

01 Statement 1


02 Statement 2

- Of the 1500 people surveyed, 80% respondents mentioned 'YES' against the question "Would you subscribe to a mobile-only version of Netflix?"

- In a focus group discussion, 4 out of 5 people said that they would be willing to subscribe to a mobile-only Netflix subscription priced at Rs.199 a month.
- Second - Of the 1500 people surveyed, 80% respondents mentioned 'YES' against the question "Would you subscribe to a mobile-only version of Netflix?"

Based on which of the 2 statements would you be willing to launch the subscription plan if you were the brand manager at Netflix?

The term - Quantitative research speaks for itself. The word quantitative implies quantity, that is, data based on large samples that allow measurement and statistical analysis. The most commonly used method for conducting quantitative research is by far a survey whether it's a physical one or online. Quantitative research can help validate or reject hypotheses.



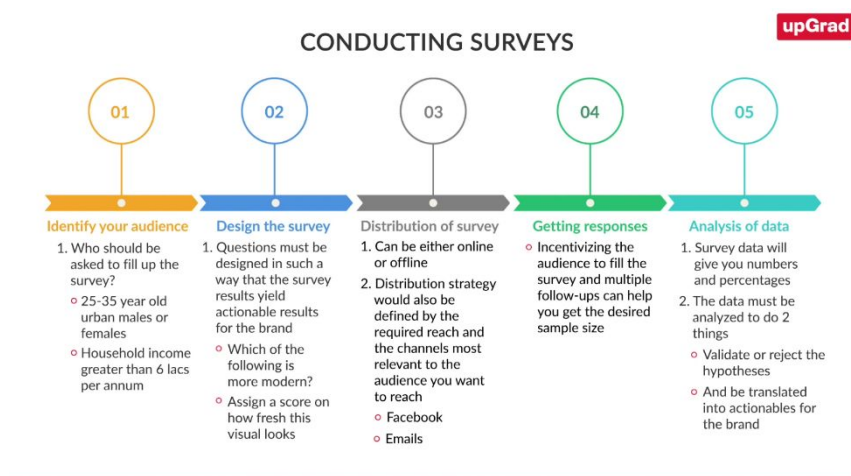
**HYPOTHESES: CINTHOL**

- 01 Hypothesis 1**
- 02 Hypothesis 2**
  - A marketing communication with the product shown with cold water, showers and ice cubes will help associate the brand with freshness

Going back to the Cinthol example, what can be some of the hypotheses after qualitative research:

- A squarer soap with cleaner packaging and straighter font will indicate premium quality and modernity.
- A marketing communication with the product shown with cold water, showers and ice cubes will help associate the brand with freshness.

Now let's look at how a survey can help validate or reject the hypotheses.



Conducting surveys is a 5-step process:

1. First, you identify your audience. Who should be asked to fill up the survey? Asking a 50-year old on what looks modern may not yield the right results. For this survey, Cinthol would want to circulate the survey

amongst 25-35-year-old urban males or females who are in an household with an income greater than 6 lacs per annum.

2. Second, keeping your audience and objectives in mind, you design the actual survey. The questions must be designed in such a way that the results of the survey must yield actionable results for the brand manager. For example, for Cinthol, questions such as 'Which of the following is more modern?' and 'Assign a score on how fresh this visual looks' can help collect valuable data on packaging, design and communication design.
3. The third step is the data collection towards the survey – are you going to do it online or do you prefer it offline. So, your data collection strategy would also be defined by the reach of the various mediums that you have available and how disperse your target audience is whom you really want to reach. For example, in the case of Cinthol, distributing surveys through channels such as Facebook and e-mails makes sense since the primary target audience for the survey is active on the internet and social networks.
4. The fourth step is about getting responses. Generally speaking, allowing multiple follow ups can help the data collections managers get the desired sample size.
5. The final step in the process of quantitative research is analysis of data. Your survey data will give you numbers and percentages. But they need to be analyzed further.

They need to be analyzed for the following 2 things:

- Are they going to validate or reject the hypotheses?
- Are they capable of being translated into actionable for the brand?



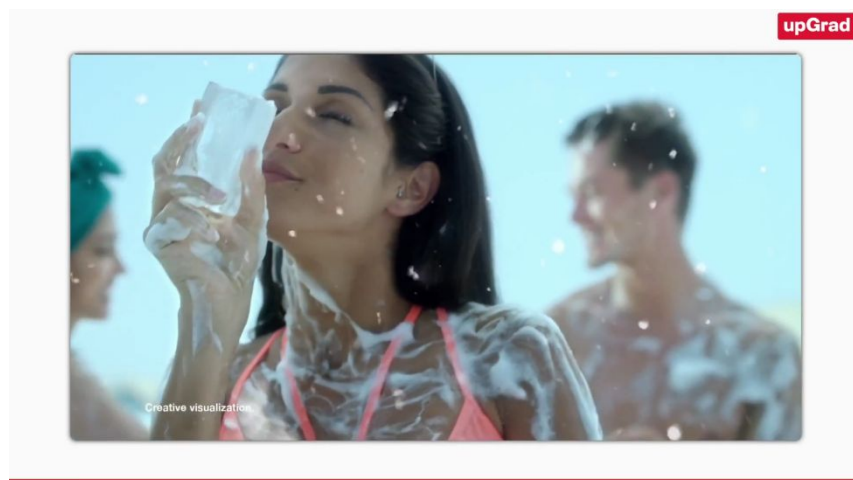
The analysis and presentation of the quantitative data completes the 4-step market research process. Let's quickly recap:

1. The first step - defining the business problem and the research objectives.
2. The second step is the Qualitative research for hypothesis formulation. Brands generally use interviews and focus groups to conduct qualitative surveys and build hypotheses.



3. The third step is Quantitative research for hypothesis validation where online or offline surveys are used.
4. And finally, the data that has been collected through surveys is put to a rigorous analysis so that it helps address the business problem that has been defined initially.

Analysis and reporting of the data complete the market research process, but where does it take it. What's the next logical step? So, for the brand manager what is that you want to do for the findings the research and how do they fit in into his brand's marketing strategy.



For instance, in 2012, Cinthol as a brand underwent a 360-degree re-branding exercise and what's launched with a brand-new packaging, a new font, a new brand tagline, multiple new product categories and a fresh, new communication addressing the core business problems - brand imagery and falling sales.

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