

CHAPTER 3: SCANNING THE MARKETING ENVIRONMENT, FORECASTING DEMAND, AND CONDUCTING MARKETING RESEARCH

MARKETING INFORMATION SYSTEM (MIS)

- A system that consists of people, equipment, and procedures to gather, sort, analyse, evaluate and distribute needed timely and accurate information to marketing decision makers.
- It has following components
 - 1) Internal records system
 - Order-to-payment cycle,
 - Sales information systems
 - Databases, Data warehousing, Data mining
 - 2) Marketing intelligence system
 - 3) Marketing research system

Marketing Intelligence system

Is a set of procedures and sources that managers use to obtain everyday information about developments in the marketing environment.

Eight possible ways to improve to improve marketing intelligence

- 1) Train and motivate sales force to spot and report new developments
- 2) Motivate channel members to share intelligence
- 3) Hire external experts to collect intelligence
- 4) Network internally and externally
- 5) Set up a customer advisory panel
- 6) Utilize government data resources
- 7) Purchase information from outside suppliers
- 8) Collecting marketing intelligence on the internet

Marketing environment

A marketing environment is a combination of internal and external environmental forces and factors that influences the business operation of a business and its ability to serve its customers. ■

1) Internal environment

The internal factors of an organization that plays roles to create, communicate and deliver market offerings. This includes all departments such as sales, finance, research and development, accounting, etc. Each of these departments influences marketing decisions. Adding to this factors like organizational culture, organization structure, policies, etc.

2) External environment

- Microenvironment
- Macroenvironment

Micro environment

Factors close to the company that affects it's ability to serve it's customers.

- Customers
- Competitors
- Suppliers
- Creditors
- Marketing Intermediaries
- Publics – General public, Media publics, citizen action groups, etc

Macroenvironment

Macroenvironment components of a marketing environment consist of all external forces and factors that impact the whole industry rather than just changing an organization directly.

Macroenvironment components

- 1) Demographic environment
- 2) Economic environment
- 3) Socio-cultural environment
- 4) Natural environment
- 5) Technological environment
- 6) Political-legal environment

Demographic environment

- Population growth
- Population age mix
- Ethnic markets
- Educational groups
- Household patterns
- Geographical shifts

Economic environment

- Consumer psychology
- Income distribution
- Income levels and consumption patterns
- Business cycle

Sociocultural environment

- Based on views
 - Views of ourselves
 - Views of others
 - Views of organisation
 - Views of society
 - Views of nature
 - Views of the universe
- High persistence of core cultural values
 - Core beliefs and values
 - Secondary beliefs and values
- Religion
- Languages
- Food habits
- Lifestyle
- Subculture

Natural environment

- Availability of raw materials
- Environmental degradation
- Shift in usage of energy sources
- Corporate environmentalism
- Government protection
- Rise in sustainability marketing

Technological environment

- Rapid innovation
- Accelerating pace of change
- Unlimited opportunities for innovation
- Varying R&D budgets
- Increased regulation on technological changes
- Rise of social media

Political & legal environment

- Laws
- Political situation
- Increase in business legislation
- Government agencies
- Growth of special interest groups

Environmental scanning

Careful monitoring of an organisation's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans

- Ad-hoc scanning

Short term, infrequent examinations usually initiated by a crisis or due to the detection of an unexpected opportunity

- Regular scanning

Done on a regular schedule (Say weekly, monthly, quarterly, annually, etc)

- Continuous scanning

Done on an ongoing basis

FORECASTING DEMAND

Breakdown of a market

- 1) Potential market - Comprises of set of consumers with a sufficient level of interest in a market offer. However, their interest is not enough to define a market unless they also have sufficient income and access to the product
- 2) Available market – Is the set of consumers who have interest, income and access to a particular offer.
- 3) Target market – Part of qualified available market the company decides to pursue.
- 4) Penetrated market – Is the set of consumers who are buying the company's product

Market demand

Market demand for a product is the total volume that would be by a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

Market forecast

The market demand predicted on the basis of a certain marketing expenditure is called market forecast for a given marketing environment under a defined marketing program.

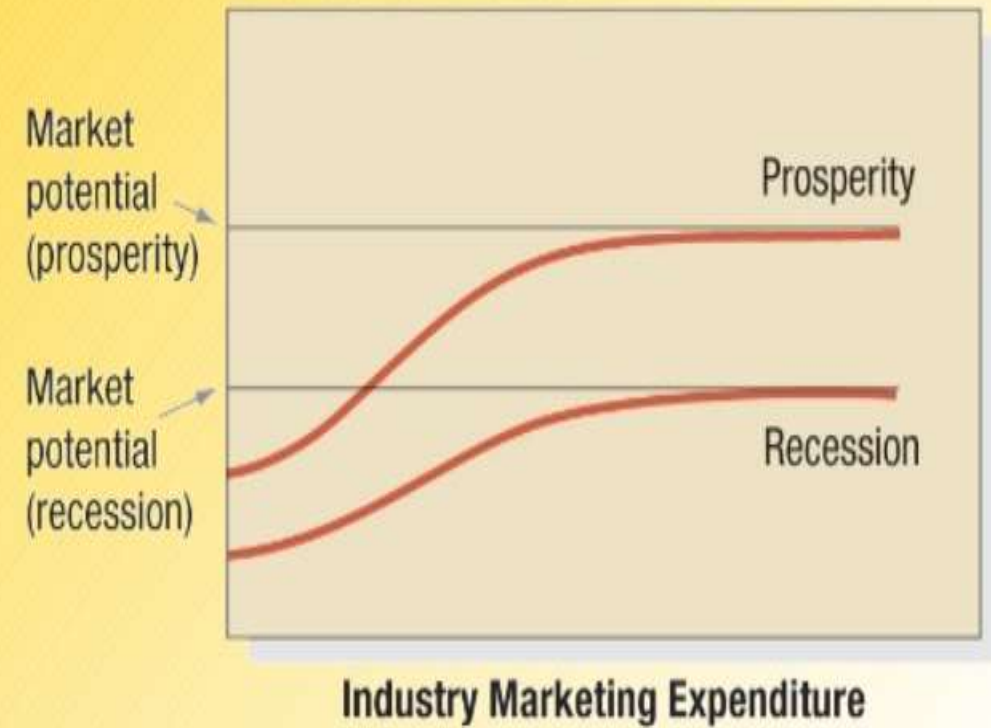
Market potential

Market forecast shows expected market demand at a level of industry marketing expenditure. However market potential shows maximum possible market demand for a given marketing environment.

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



(b) Marketing Demand as a Function of Industry Marketing Expenditure (two different environments assumed)



Company demand

Is company's estimated market demand at alternate levels of company marketing effort in a given time period. Competitor factor is considered overhere.

Company sales forecast

Is the expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

Sales quota

Sales goal set for a product line or a company division or for a particular region or for a salesperson.

Sales budget

Conservative estimate of expected volume of sales revenue and overheads for a particular time period. This helps to determine purchase quantity production, inventory management, fund allocation, etc.

Company sales potential

The absolute limit of a company demand is the market potential. Company sales potential will be equal to market potential if the company gets 100% market share. But it happens very rarely.

Estimating current demand

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

Total market potential = Potential number of buyers * Average quantity purchased by a buyer

* The price

Area market potential

Market potential based on cities, states and countries

1) Market-Buildup Method –

Calls for the potential buyers in each market and estimating their potential purchases. It produces accurate results if we have a list of all potential buyers and a good estimate of what each will buy. However this information is not always easy to gather. This method is primarily used by business marketers.

2) Multiple-Factor Index Method

Used primarily by consumer marketers. Market potential is estimated either by using existing market indexes or by developing their own indexes.

Example – To estimate sale of medicines in Delhi,

Estimated sales in Delhi = (a*Population of Delhi as percentage of Indian population)+(b*Per capita income of Delhi as to percentage of national per capita income)+(c*Number of physicians in Delhi as to percentage of number of physicians in India)

Estimating future demand

All forecasts are built on one of the three information bases

1) On the basis of what people say

Three methods:

a) Survey of buyer's intention

b) Composite of sales force opinions

Giving sales persons task to estimate their future sales. Each one of them estimates how much each current and prospective customer will buy each of company's products.

Demerits: - They can be pessimistic or optimistic depending on a recent setback or success

- Often unaware of larger environment

- Can deliberately underestimate demand to lower their sales quota

- Always need not find time to do estimates

Merits: - They have better insights

- Better confidence on sales quotas and incentives after participation on forecasting

- Provides detailed estimates broken down by product, territory, customers and sales employees

c) Expert opinion – Experts like marketing consultants, channel members, trade associations, etc.

Techniques like interviews, group discussions, pooling of individual estimates, Delphi methods, etc can be adopted.

2) On the basis of what people do

Market test method

Is desirable in forecasting new-product sales or established product sales in a new distribution channel or territory.

Undertaken when experts are not available or reliable. Can be undertaken even when buyers do not plan their purchases carefully.

3) On the basis of what people have done

Past-sales analysis

a) Time-series analysis

(Four components: Secular trend, Seasonal trend, Cyclical movement and erratic fluctuations)

b) Exponential smoothing – projecting next period's sales by combining an average of past sales and the most recent sales being given more weight than the latter.

c) Statistical demand analysis – consists of measuring each set of impact level of causal factors like income, marketing expenditures, price, etc on the sales level.

d) Econometric analysis – Consists of building sets of equation that describe a system, and proceeding to fit the parameters statistically.

MARKETING RESEARCH

A systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company.

Marketing research is mainly conducted to solve specific marketing problems faced by a company.

Importance of marketing research

- 1) Provides valuable data
- 2) Studies consumer behaviour
- 3) Supplies marketing information
- 4) Evaluates marketing performance
- 5) Helps to increase goodwill
- 6) Helps in decision making
- 7) Can be beneficial for the company, distributors, consumers and the society
- 8) Comprises of application of scientifically accepted statistical methods

Limitations of marketing research

- 1) Costly
- 2) Time consuming
- 3) Need for experts
- 4) Can be misused
- 5) Data collection difficulties
- 6) Need not predict correctly
- 7) Not implementable everytime

TYPES OF MARKETING RESEARCH FIRMS

1) Syndicated-service research firms

Firms that gather consumer and trade information which they sell for a fee. Here marketing research activities are not customised in nature.

Example – A.C. Nielsen, Kantar group, etc.

2) Custom marketing research firms

Firms that tailor the research procedures to best meet the needs of each client.

3) Speciality-line marketing research firms

These firms provide specialised research services.

Example – field service firm

MARKETING RESEARCH PROCESS

Define the problem and research objectives



Develop the research plan



Collect the information



Analyze the information



Present the findings



Make the decision

Step 1: Define the problem, the decision alternatives and the research objectives

Clarity on the following helps to define the problem appropriately:

- 1) What is to be researched (the content, the scope)?
- 2) Why is it to be researched (the decisions that are to be made)?

The problem should not be too broad or too narrow

Specify decision alternatives

Objectives are statements that specify on what the researchers are aiming to accomplish through the research work.

- 1) Main objectives
- 2) Sub-objectives

- **Step 2: Develop the research plan**

Development of the most efficient plan for gathering the required information

1) Data sources

- a) Primary data
- b) Secondary data

2) Research approaches

Primary data can be collected in five ways

a) Observational research

Gathering of fresh data by observing the subjects for the study

Ethnographic research – Uses concepts and tools from anthropology and other social science disciplines to provide deep understanding of how people live and work

b) Focus Group Research

c) Behavioural data

d) Experimental research

e) Survey research

3) Research instruments

Instruments for collecting primary data

a) Questionnaire – A document that consists a set of questions in order to collect the data from the respondents.

Types of questions

i) Closed-End questions

- Dichotomous questions
- Multiple choice questions
- Likert scale questions
- Semantic differential questions

Eg – Quality of service provided by Dell

Excellent _____ Poor

- Importance scale questions
- Rating scale questions
- Intention to buy scale questions

ii) Open end questions

b) Qualitative measures

Relatively unstructured measures

i) Word associations

What comes into your mind when you hear Nike? _____

ii) Projective techniques

Sentence completion

Story completion

Picture response

Thematic Appreciation Test

iii) Visualisation

iv) Brand personification

v) Laddering

c) Technological devices

- Galvanometers
- Tachistoscope
- Eye cameras
- Audiometer
- GPS

4) Sampling plan

Sampling unit : who is to be surveyed?

Sampling size: How many people should we survey?

Sampling procedure: How should we choose the respondents?

5) Contact methods

Mail contacts: Mail questionnaire

Telephone contacts: Telephonic interviewing

Personal contacts: Personal interviewing

Online contacts: Online questionnaires/Interviews

Step 3: Collect the information

The process through which the data will be collected from the respondents through various data collection instruments that have been developed to collect data.

Generally the most expensive, time consuming and the most prone to error part of a research

Step 4: Analyze the information

- Tabulation of data
- Elimination of unwanted/irrelevant data
- Application of statistical techniques
- Hypothesis testing

Step 5: Present the findings

- Translating data and information into insights and recommendations
- Making the report ready

STEP 6: Make the decision

- Depending on the confidence in findings, manager decide to use it ot discard it or to carry out more research

Marketing decision support system (MDSS)

Is a coordinated collection of data, systems, tools, and techniques with supporting software and hardware by which an organisation gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.

Measuring Marketing Productivity

Two approaches to measuring marketing productivity are marketing metrics and marketing-mix modelling

1) Marketing metrics – Is a set of measures that helps them quantify, compare and interpret their marketing performance.

External marketing metrics – Awareness about the products, market share, relative price, no. of complaints, customer satisfaction, distribution/availability, no. of customers, perceived quality, loyalty, relative perceived quality

Internal marketing metrics – Awareness of goals, commitment to goals, active innovation support, resource adequacy, staffing, desire to learn, willingness to change, freedom to fail, autonomy, relative employee satisfaction

2) Marketing mix models

Market Mix Models helps in quantifying the impact of several marketing inputs on various marketing outputs. The purpose of using Market Mix Models is to understand how much each marketing input contributes to marketing output, and how much to spend on each marketing input.

Marketing inputs – Price, distribution time, promotional expenditure, etc

Marketing outputs – Sales, Market share, etc

Marketing Dashboards

A marketing dashboard is a reporting tool that displays marketing analytics, KPIs, and metrics using data visualizations. Marketing dashboards are designed to provide teams with a real-time window into marketing performance. At its core, a marketing dashboard answers the question, “How are we performing right now?”

- 1) Customer performance scorecards
- 2) Stakeholder performance scorecards

THANK YOU