

## PART 1

### TEACHING NOTES FOR CHAPTERS

#### CHAPTER ONE

#### A DECISION-MAKING PERSPECTIVE ON MARKETING INTELLIGENCE

##### Learning Objectives

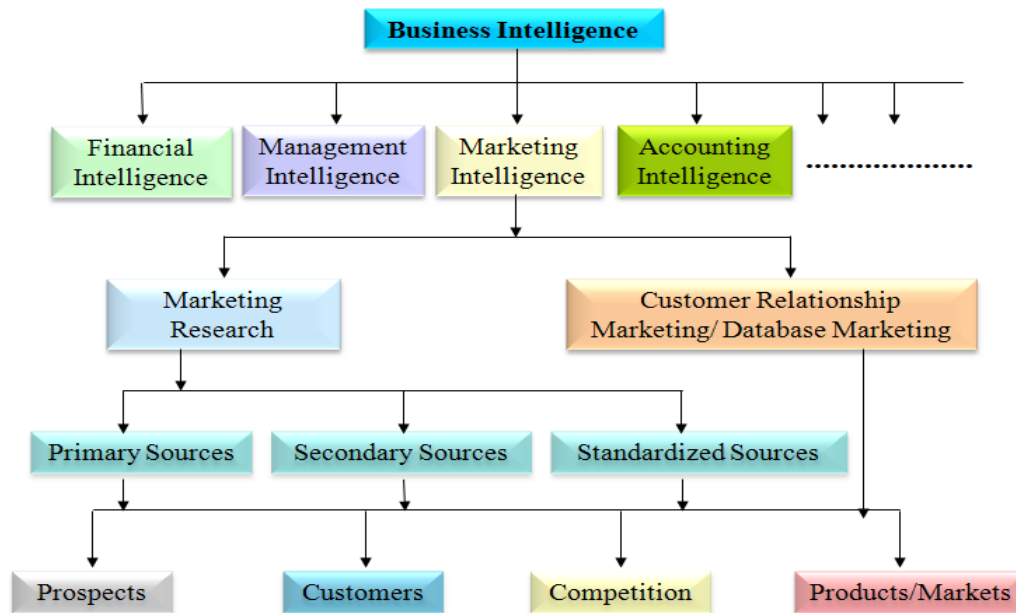
- Describe the concept of business intelligence.
- Describe the need and use of marketing intelligence in an organization.
- Describe how marketing intelligence fits in the bigger scheme of the marketing environment.
- Explain the role of marketing intelligence in decision making.
- Discuss the factors that affect marketing intelligence decisions.
- Describe how and when marketing research is used.
- Discuss the implication of ethical issues in gathering marketing intelligence.
- Discuss the ethical responsibilities and rights of the respondent in marketing research.
- Explain the impact international trade has had on marketing research.

##### Teaching Suggestions

This chapter will be discussed in the context of the introductory session to the course. This section comprises of new material on emerging trends in marketing related to Business Intelligence and Marketing Intelligence. The scope of this session will be largely dictated by the type of students, their previous marketing courses and the length of the course. However, it is always useful to put the marketing research course into context by discussing its relationship to other marketing courses and defining the nature and scope of the marketing research process.

In addition, it could be a good beginning to use **Figure1-1** below to highlight the increasing importance of concepts such as Business Intelligence and Marketing Intelligence. It is important to upfront educate the students on the hierarchical relationships of these new concepts and emphasize the relationships between Business Intelligence and Marketing Intelligence and that between Marketing Intelligence, Marketing Research and Database Marketing. This can also be used to provide a rationale for the course objectives, structure and project assignments. After this introduction, there are several alternative directions an instructor may wish to pursue.

**Figure 1-1: Typical areas under the umbrella of Business Intelligence**



### Some Guidelines

Based on the new material added in the 13<sup>th</sup> edition of this text book, it may be useful for instructors to begin this course by highlighting the changes that emerging information technology (IT) solutions have brought in to the marketing field. It may be highlighted to students that, often times organizations are not aware that valuable information lies hidden across disparate databases of their enterprise. Latest IT tools and technologies enable businesses to analyze, synthesize and collate key information pertaining to their business, market and customers. Such tools help organizations to create a structure to the information being collected by the organization, identify the critical information that impact the business, monitor changes and respond to situations with appropriate strategies.

Instructors should highlight the emergence of concepts such as Business Intelligence, Marketing Intelligence which help to gain a granular focus on important parameters that affect business performance.

Students should be enlightened with the emerging need for organizations to identify evolving customer preferences, online and offline habits etc., which would help organizations to accurately position their products and services and realize enhanced customer engagement and profitability. Discussions on the examples provided on Kit Kat and Mosaic would be relevant at this point.

Before delving further into marketing research, instructors should refer to Figure 1-1 adequately to ensure that the students understand the definition, scope and benefits of concepts such as Business Intelligence, Marketing Intelligence and Database Marketing. It is also important to emphasize the hierarchical relationships between the above concepts with marketing research.

For those instructors who wish to draw the distinction between public versus private sector applications of marketing research, they can begin with the American Marketing Association's definition of marketing research and discuss how marketing research can aid decision making in both the private and public sector research applications.

For those instructors who wish to give more emphasis to the marketing planning process Table 2-1 will be an ideal starting point. The revenues of the top 25 firms in the US marketing research industry stood at \$22.5 billion in 2016, with a growth of 4.6% over 2015. It is worth noting that the revenue generated by the top 25 firms outside their home countries was more than twice the revenue they generate in their home countries.

It is important that students understand two fundamental points which will be emphasized in subsequent chapters. These concepts should be established early in the course. The first is that research plays a continuous and cumulative role in the development of any marketing strategy. This can be illustrated by reviewing how research supports marketing decisions. The second is that research is a tool and like any tool, it can be misused. This can be illustrated by discussing ethical research and the barriers to effective research utilization.

Some instructors prefer to begin their course with a motivating case that illustrates the facets and issues that will be covered. The Clover Valley Dairy case at the end of Part I is well suited to this purpose. A further advantage to using this case early in the course is that it provides a useful context for subsequent discussions of the value of research information.

### **Questions and Problems**

1. In the chapter introduction, we note that the purpose of this chapter is to illustrate the role that marketing research should play in any organization. The basic research questions are shared by all organizations that need to understand and react to market requirements. This point can be reinforced with the aid of this question. Perhaps the best way to use the question is to divide the class into small groups, assign each group to one organization, and give them fifteen or twenty minutes in class to develop the possible uses of marketing research. Then each group is given a few minutes to make a presentation to the other groups. To clarify what is required of the groups it is useful to take one organization and discuss it in depth before giving them the assignment.

Considering the various cases that are presented in 1.1, there are some basic marketing research studies that can be conducted to gain an overall understanding of businesses in general:

- (a) surveys of consumer satisfaction and dissatisfaction, and complaints,
- (b) store location analyses (i.e., assessing market potentials for new stores or expansion of present stores),
- (c) surveys of customer buying patterns to measure Sears competitive position in each region and product group,
- (d) experiments to evaluate alternative pricing levels,
- (e) analysis of product movement data to estimate acceptance of new products of fashion items,
- (f) new product concept and market testing,
- (g) studies of the effectiveness of media advertising (television and local print advertising)
- (h) testing alternative formats and layouts for catalogs, as well as evaluating different catalog distribution methods,
- (i) studies of the effectiveness of media advertising (television ad local print advertising),
- (j) life style research to help anticipate changing product requirements.

These are only illustrative, but help to reveal the scope—and excitement of marketing research. Additionally, there are specific marketing research studies that can be undertaken by certain businesses, to answer more targeted questions that address unique aspects of those businesses. In recent times, advances in marketing through social media, big data, and novel data collection methods (e.g., Amazon Mechanical Turk) have changed the way companies collect data and conduct research. These aspects can be brought out through these organizations. For instance, a business that wants to

design an indoor children's play area can use virtual reality to get feedback on different layouts, games and user experiences. An online video streaming that collects vast amounts of big data on users' clickthroughs, search activities, viewing patterns etc. can integrate this information with data from its digital engagement activities to identify key consumer insights that might aid promotional activities. Also note that although Sears Roebuck (now Sears) may be dated, this exercise is to test students to see how they would conduct market research for this firm if it was to exist as Sears Roebuck today.

2. Students should understand how marketing research can make a contribution to clarifying and resolving issues and choosing between the decision alternatives present in each stage of the Marketing Planning Process.

- (a) **Situation analysis.** This involves understanding how the organization fits into its market environment. Both primary and secondary information can be used to identify the threats and opportunities facing an organization. These include socio economic trends, data available from the Census, industry information, customer research on why they buy or use the organization's product or service and/or competitive offerings, sales force input on the competition or channel concerns and trade association data.

- (b) **Strategy development.** This involves combining external marketing research with internal organizational objectives. Selection of a served market should reflect what market the business is well positioned to serve. Insights into this question can be obtained by conducting customer research and analyzing competitive strengths and weaknesses in product offerings, distribution channels, customer loyalty and so on. Research can help select the served market segment by revealing gaps between customer preferences and competitive offerings. Marketing Research in Action 1-2 is a good example of how a retail company followed a winning strategy to achieve market leadership.

- (c) **Marketing program development.** This involves using marketing research to support specific management decisions. The decisions listed in Table 1-4 could be supported by research as follows:

- (i) Segmentation decisions. A bank could gain insights into this question by conducting a survey of all retail bank customers in the area being served by the bank. Information on banking patterns, benefits sought, satisfaction with present branch and classification information could be obtained to address this need.
    - (ii) Product features decisions. These often involve trade-offs between price and type of features. Also, there are many possible combinations of features. Surveys of customer preferences for combinations of features are useful here.
    - (iii) Distribution decisions. Useful information on the appropriate type of retailer can be obtained from industry trade association statistics on trends in the type of retailers. Is one type replacing another?
    - (iv) Choice of advertising appeal. The choice is often made on the basis of the results or a more or less realistic experiment comparing the ability of alternative appeals to change attitudes or influence behavior.
    - (v) Personnel selling decisions. Usually high potential customer types for a particular product can be described using socioeconomic and demographic data available from the Census. The relationship between product usage and these variables may be obtained from a survey of present and prospective customers.
    - (vi) Price decisions. The type of trade-off analysis used to identify product features can also be used to choose among alternative price levels for particular sets of product features.

- (vii) Branding decisions. Branding provide firms an identification for consumers among the competing offerings in the market. This identification is achieved by logos, slogans, symbols dedicated to the product. Such an identification helps in product positioning and a place in the consumer's choice set.
  - (viii) Customer satisfaction decisions. Satisfaction arises out of a consumer's feeling of pleasure or disappointment upon comparing a product's actual performance to expectations. Customer satisfaction has an important impact on repeat usage and companies use various approaches to measure it. An important aspect of this is customer complaint management, and the policies adopted to help recover customer goodwill when faced with complaints.
- (d) **Implementation.** This involves controlling the marketing program. Analyzing actual sales results with marketing objectives to determine product/service acceptance on a variety of dimensions including price, advertising, product/service feature, etc. In addition, the sales force can provide valuable input in the reaction of retailers or distribution to the new product or service.
3. Ethical problems that marketing researchers face in designing and conducting field studies stem from the potential to abuse the rights of respondents. Marketing Research in Action 1-5 discusses the code of ethics of The Marketing Research Association. Students should be encouraged to read the code in order to be able to appreciate the importance and relevance of ethics in marketing research. Some issues that would present the conscientious researcher with an ethical dilemma are:
- Deciding how much to reveal to respondents about the research without jeopardizing the research objectives. This could rise in product testing in which the research wants to judge product acceptance by conducting simulated product tests in which the identical product is tried by the respondent except for variations in characteristics such as color that have no influence on product quality;
  - The need to code respondent answers for subsequent analysis vs. promising anonymity to the respondents;
  - The trade-off between gaining respondent cooperation and revealing the true duration of a lengthy interview;
  - Withholding information on the purpose and sponsorships of the interview in order to ensure respondents answers remain unbiased;
  - Misrepresenting the compensation or not mentioning to a respondent that a follow up interview will be made in order to gain cooperation.
4. Much marketing research information is used directly to formulate and evaluate strategic alternatives at the business level, and evaluate new opportunities at the corporate level. By having marketing research report to a senior planning executive, the resulting research is more likely to be responsive to strategic requirements and take a long-run perspective. Obviously, this arrangement does not provide adequately for short-term information requirements, such as territorial sales analyses or advertising campaign evaluations. Thus, it is desirable to have a separate group at a lower level in the organization with responsibility for these requirements.
5. Virtually all research users will at some time use the services of outside research specialists. This will be discussed further in Chapter 3. Some factors affecting the choice of whether a firm will contract out a research study or do it themselves are: the skill or experience level of internal personnel, the time constraint of the projects, the confidentiality of the projects, the facilities required to conduct the research, the intended use of research results and the cost of using internal vs. external researchers.

6. Marketing research directed toward strategy development answers three critical questions: what business should we be in? How will we compete? What are the objectives for the business?

Programs embrace specific tasks, such as developing a new product or launching a new advertising campaign. An action program usually focuses on a single objective in support of one element of the overall business strategy. This is where the bulk of ongoing marketing research is directed.

7.
  - a. Factors that influence marketing research decisions: relevance, type and nature of information sought, timing, availability of resources, and cost-benefit analysis.
  - b. A marketing research company should avoid ethical issues: violating client confidentiality, improper execution of research.
  - c. Generally, the factors that influence a manager's decision to use research information are: research quality, conformity to prior expectation, clarity of presentation, political acceptability within the firm, challenge to the status quo.
8. The process of production and the finished product is finalized, and the target market determined, so marketing research for program development is needed here. Marketing research should help make decisions in the following areas: segmentation, product, distribution, advertising and promotion, personal selling, price, branding, customer satisfaction.
9. From the sponsor's point of view, it depends on the purpose for which the research was initiated in the first place. If the very purpose of the research is for an unethical purpose like publishing false or highly exaggerated advertisements, a written code of ethics cannot stop the sponsor. Sponsors could also use research as a tactic to get a foot in the door of prospective customers and then use the opportunity to launch a sales pitch.

From the supplier's point of view, the information collected while conducting research is supposed to be confidential. However, in some instances they could be tempted to use that to their own benefit. It may also not be possible for all individuals to overcome their personal biases while conducting research and this could have an impact on the results.