**CHAPTER 1**

**THE PURPOSE AND PROCESS OF MARKETING RESEARCH**

**CHAPTER OUTLINE**

**Managerial Decision-Making** pg 4

In order to avoid poor choices and waste in production, information on consumer needs must be available to those making production decisions. Decisions related to markets require some ability to track and predict the behavior of large groups of people. The methodology of marketing research facilitates the gathering, quantification, and assessment of useful information regarding such group behavior in a systematic and unbiased manner. Its purpose is to gather information in a rigorous, scientific way that improves managerial decisions. (Instructor may wish to ask students for examples of poor choices possible when information on consumption is not available.)

**Research Methodologies for Decision-Making**

The steps of marketing research methodology are:

1. Determine what information is needed.
2. Design a method for collecting this information.
3. Manage the data collection.
4. Analyze and interpret the results.
5. Communicate the findings in a way that clarifies the implications for managerial decision making.

**What is Marketing Research?**

Marketing research gathers information to identify opportunities and problems in marketing, to choose more effective actions in the marketplace, to monitor the effects of these actions and to build understanding of marketing processes. Its scope encompasses all sources related to marketing (the firm, competitors, channel structure, “marketing mix,” and both the social and technological environment). It plays a role in four main settings:

1. marketing (classic marketing functions)
2. firm in general (e.g., finance, firm dynamics)
3. marketing research industry (e.g., syndicated research services)
4. society (e.g., tracking behavior for educational public service campaigns)

**Marketing Research Criteria**

The four main criteria for marketing research are that it be systematic, objective, informational, and targeted for decision making.

* “Systematic” refers to the requirement that data gathering and analysis be designed and organized in advance.
* “Objective” means that marketing researchers strive to be unbiased and impartial in how they conduct their research.
* “Informational” and “targeted for decision making” mean that the data are gathered and interpreted with the goal of reducing uncertainty in a decision situation. Data that are not relevant to this goal are not considered informational.

**What Is Marketing?** pg 8

The “marketing concept” refers to a shift in emphasis from optimizing production processes to improving all aspects of marketing practice. The model of the marketing system used in this book is depicted in Figure 1.1 on page 8. This conceptual scheme includes two main types of variables: dependent variables, which are the outputs or phenomena one seeks to explain, and independent variables which are the inputs used to explain them.

**Independent Variables**

Independent variables in marketing research include situational factors, which cannot be readily controlled, and various marketing decisions made by the organization. Situational variables represent the environment to which the firm must adapt, including availability of resources, actions of competitors, economic climate, market trends, government regulation, and geography. Among the independent variables under the control of the organization are the marketing mix variables, which include pricing, manufacturer and retail promotion, point-of-purchase displays, ad spending and such aspects of distribution as trade deals. Combinations of different levels of these variables form alternative marketing programs or courses of action through which the firm attempts to steer the market.

**Dependent Variables**

The behavioral responses of consumers to the independent variables are the dependent variables with which marketing research is concerned. These include purchases, buying intentions, preferences, and attitudes. Behavioral responses form the basis for the organization’s monetary and non-monetary performance measures. Monetary measures include sales, market share, profit, internal rate of return, and return on investment (ROI). Non-monetary performance measures are the organization’s image, attitudes toward the organization, consumer satisfaction, and brand ‘equity,’ among others.

**Connecting Variables**

Uncovering and analyzing the relationships between independent and dependent variables in the marketing system is the basis of marketing research and its ability to facilitate better decisions among alternative courses of action. This information is combined with managers’ experience, judgment and intuition in the decision-making process. The cost of gathering the information must be weighed relative to the level of confidence gained in selecting the optimal course of action in deciding whether it is worthwhile to undertake research.

**Marketing Management Decisions** pg 10

An organization’s well-being is dependent on the wisdom of the decisions made by its managers. The vast majority of decisions made by managers involve recurring situations which are familiar to the management, involve little uncertainty and have a low potential for surprise. Managers rely heavily, if not exclusively, on their experience and judgment in making such decisions. Unfamiliar decisions that do not fit the manager’s usual givens, are more often aided by a more formal approach called the decision-making process.

**Steps of the Decision-Making Process**

The decision-making process may be conceived as a series of steps:

1. Recognizing a unique marketing problem or opportunity, often through performance monitoring. (Instructor may wish to ask students for examples of problems or opportunities.) Problems and opportunities are not opposites, but may be two faces of the same situation.
2. Clarifying the decision. The manager needs to define and clarify the main issues and causal factors operating in the decision situation.
3. Identifying alternative courses of action. In marketing, a course of action means a specific combination of marketing mix variables.
4. Evaluating alternatives.
5. Selecting a course of action. Formal marketing research techniques help quantify the risk relative to the expected return in a manner consistent with a firm’s stated objectives.
6. Implementing the selected course of action and monitoring its effects.

**The Marketing Management Process**

The informational feedback between the marketing system and the decision making process is called the marketing management process. Managers aim to influence the performance measure in a predictable manner, using both by their past experience and information gathered through marketing research.

**Information Needs**

Information needs for improved decision-making include information on situational variables, marketing mix variables, and performance measures.

**Good Planning through Marketing Research**

A systematic approach to researching the information needs of marketing management facilitates good organizational planning in developing objectives, allocating marketing resources, and auditing performance. Managers design programs of controllable marketing mix variables that will accomplish the desired level of performance measures.

**The Marketing Research Industry** pg 14

Since the 1930s, marketing has shifted from production-oriented focus to a focus on consumer needs and desires.

**The History of Marketing Research**

The formal beginning of marketing research was the establishment of a research firm, The Business Bourse, in 1911. In 1919, *Commercial Research: An Outline of Working Principle* was the first major book published on the topic of marketing research. In the late 1930’s and 1940’s, textbooks and courses in marketing research became available on college campuses. Following World War II, the growth of marketing research activity dramatically increased with the growing acceptance of the marketing concept.

**Methodological Development**

From 1910 to 1920, questionnaires and surveys became popular modes of data collection. With the growth of survey research came improvements in questionnaire design and question construction, along with an awareness of biases resulting from the questioning and the interviewing process. During the 1930s, sampling became a serious methodological issue, and modern probability sampling approaches slowly gained acceptance. The commercialization of the computer rapidly increased the pace of methodological innovation, especially in the area of quantitative marketing research. Checkout scanners in supermarkets, computer-assisted telephone interviewing, data analysis by personal computer, and the advent of web surveys, email, and ecommerce have greatly impacted the marketing research profession.

**The Marketing Research System**

The marketing research system is a view of research as having a deeply involved role in the marketing management process, beyond ad hoc research for particular situations. This includes the active participation of research in the decision-making process. The marketing research system often includes intelligence systems, such as marketing information systems (MIS) or decision support systems (DSS), that involve the modeling of recurring information based on ongoing data collection.

**Marketing Research Institutions**

The main types of marketing research institutions are organizations which use marketing research (e.g., manufacturers, wholesalers, retailers, service organizations, trade associations, and government agencies), those which do marketing research for the use of other organizations (e.g. research firms for ad hoc studies, syndicated data sources, universities, and research institutes), and those organizations which fill both roles, undertaking research studies for their own planning purposes as well as doing research on behalf of clients (e.g., advertising agencies and advertising media).

**Consumer versus Industrial Research**

Consumer and industrial research differ in:

* scope (consumer deals with large populations, industrial with small ones)
* respondent accessibility and cooperation (consumers are easier to access and increasingly uncooperative)
* sample size (industrial uses much smaller samples)
* respondent definition (more difficult in industrial)
* interviewers (more difficult to train for industrial)
* cost (higher cost per interview for industrial)

In terms of research methodology, however, the research fields very similar.

**Organizational Structures**

The primary types of organizational structure are centralized organizations, where a single corporate research department performs all research, and decentralized organizations, where company divisions have their own research departments. The primary advantages of centralized organizations are better coordination and control of the research activity and more economical and flexible use of facilities and personnel. The main advantages of decentralized organizations involve more direct and specific interaction with the topic under study, more specialization to the division’s needs and markets and better cooperation with divisional managers. In general, the marketing research function should be placed near to where the marketing decisions are most often made.

**Occupations in Marketing Research** pg 20

There are four main categories of marketing research jobs:

* research director
* analyst
* technical specialist
* clerical staff

**Research Specialists**

Researchers often specialize in various steps of the research process (e.g., questionnaire design, field supervision, data analysis) or in particular marketing areas. Although the special training in statistics, mathematics and other technical fields required for much research work naturally leads to specialization, it can also lead to a weak understanding of the role of applied research within the management decision-making process.

**The Management-Research Relationship**

The success of a research project and the effectiveness of the research system depend on the ability of the managers and researchers to work together. Understanding the various factors that affect this interaction can facilitate communications:

* *Organizational Design*In organizations where management bears primary responsibility for research, researchers serve as advisors during the initial and final stages and focus primarily on data collection and processing. In organizations where researchers bear primary responsibility for research, researchers have a more powerful organizational role and are viewed as part of the management team. A compromise between the two creates research generalists who promote effective contacts between decision-makers and researchers.
* *Role of Researchers*Researchers actively support the decision-making process, yet their role is advisory. The responsibility for making the decision ultimately rests with management.
* *Role of Managers*Some managers have little training in marketing research and don’t understand its role or value in the decision-making process. The effectiveness of marketing research is dependent on the skills of the manager in using the research to appropriately inform decision-making.
* *Role of Research Suppliers*Research suppliers can lower costs, because they work only as needed, offer special skills and a wider range of options for specific problems, provide a more objective assessment, and allow the sponsoring firm to remain anonymous. On the down side, they may also be less familiar with the firm or the industry, increase the risks of the research, or increase costs overall.
* *Obstacles to Effective Use of Research*Barriers to the effective use of marketing research by management:
  + viewing research as a threat to their status
  + absence of planning procedures and organizational objectives
  + inability to work with researchers
  + isolation of marketing research personnel from managers
  + differences in emphasis and temperament

**Global Themes in Marketing Research** pg 24

Since experience and knowledge in one country or region are not always applicable in another, marketing research is particularly valuable for entering foreign markets. Challenges include language and cultural differences, less available or lower quality secondary data, less institutional infrastructure for syndicated data, sample selection and interviewing, fear of government surveillance affecting response rates or biasing responses, higher costs, government-mandated regulations, and prejudice against imports.

**Ethical Themes in Market Research** pg 26

Marketing research methodology neither speaks to nor replaces the need for ethical criteria in decision-making. An ethical dimension must be overlaid and constantly considered by the decision-making team.

**Ethics of Performing Research**

Ethical issues in the performance of research:

* integrity of the research (e.g., withholding, altering, or misinterpreting data)
* treatment of participants and clients (e.g., subjects’ rights to privacy violated, respondents misled as to the purpose of the study, data sharing)
* espionage
* bias toward a particular viewpoint
* subcontractors allowed to violate research requirements
* study design errors found after a report was written
* data not stored securely

A number of codes of ethics have been developed to guide researchers, such as the one presented on page 28.

**Ethics of Using Research**

Ethical issues in the use of research:

* deception of research suppliers to take their proposed designs
* pressure to favor their viewpoint of what should be done
* misuse of statistics to support claims based on data that are not statistically meaningful
* details withheld to make a pet project look better
* social context issues, such as pollution, not covered by the research

Marketing research must be considered with its scope and limitations kept in mind.

**Overview of the Research Process**

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1. Establish need for information
2. Detail research objectives and information needs
3. Design research and data sources
4. Design data-collection procedure
5. Design sample
6. Collect data
7. Process and code data
8. Analyze data
9. Present results

**Establish Need for Information**

Rather than being based solely on hunches, symptoms, or excitement at the prospect of using research skills, a research project needs the specific information needed to facilitate management decisions to be precisely defined at the outset.

**Detail Research Objectives and Information Needs**

The second step is to detail the objectives and information needs of the proposed research. This should include answering the questions “Why is this project being conducted?” and “What specific information is required to attain the objectives?”

**Design Research and Data Sources**

The third step is to design the research project, including the type of information to be collected, the appropriate sources of data, and a general plan guiding the data collection and analysis phases.

**Design Data-Collection Procedure**

The fourth step is to design a data-collection procedure that elicits the information needed by the project.

**Design Sample**

The fifth step is to define the population from which the sample is to be drawn, the methods used to select the sample, and the sample size.

**Collect Data**

The sixth step is to collect the data. This is generally the most costly part of the project.

**Process and Code Data**

The seventh step is editing data forms for legibility, consistency, and completeness and coding the data by categorizing responses or groups of responses and assigning numbers to those categories.

**Analyze Data**

The eighth step is analyzing the data, generally using statistical software packages.

**Presentation of Results**

The final step is to communicate the results to the decision-maker through a written report and an oral presentation.

**Is Research Needed?** pg 31

Effective research requires that the questions being asked are the right ones for determining an appropriate strategy or effective course of action. In unfamiliar situations, the formal decision-making process can be applied to the decision to undertake research. Researchers also need to remember to clearly establish the need for research before accepting requests for research.

**Recognition of a Decision Situation**

Analyze the problems and opportunities underlying the symptoms revealed by performance measures:

* notice symptoms
* identify underlying problems
* identify underlying opportunities
* avoid pseudo-research (research undertaken for motives other than those related to decision making), such as:
  + using marketing research as a way to gain status
  + justifying decisions already made
  + establishing a scapegoat for marketing decisions that do not accomplish objectives
  + impressing clients
  + soothing anxieties with the impression that “something is being done”
  + buying time
  + following latest trends in research

**Defining the Decision**

Clearly define the nature of the decision. This may be formulated on the basis of existing information, experience and judgment or with the assistance of exploratory research.

* define decision objectives (include organizational goals and the personal objectives of the decision-makers)
* write a statement of problems and opportunities (situational analysis)

**Identifying Alternative Courses of Action**

Identify alternative courses of action. (A course of action specifies how the organization’s resources are to be deployed in a given time period, including the option of “doing nothing new.”) This can be aided by exploratory research and/or creative thinking processes. The goal of the research is to identify the course of action that will result in high performance and give the organization a competitive edge.

**Evaluating Courses of Action**

What information is needed to properly choose among the courses of action? If this information can be ascertained without a formal research project, the research is not needed. If not, the time and cost of implementing research must be weighed against the potential value of gaining the information.

**Conclusive Research** pg 39

Conclusive research is designed to provide information to help the decision-maker evaluate and select a specific course of action from among the alternative courses of action. This section details Steps 1 and 2 of the research process for conclusive research; the remaining steps are detailed in later chapters.

**Establish the Need for Information**

If the decision to undertake the research project has not involved the preliminary steps described in above, the research team must

* identify the decision-maker
* identify the decision-maker’s objectives
* identify problems and opportunities
* identify alternative courses of action

**Determine Research Objectives**

Research objectives answer the question, “What is the purpose of the research project?” These need to be stated in detail precise enough to communicate the specifics of why the study is being conducted.

**Specify Information Needs**

What specific information is needed by the decision-maker? The list of information needs generally corresponds to an elaboration of the research objectives in a finer degree of detail. Each question on the questionnaire should have a direct correspondence to an information need, and each information need should have a direct correspondence to at least one research objective. Those developing the list of information needs should keep in mind whether the information can be realistically obtained.

**Visualize the Research Findings**

Potential research findings must be concretely conceptualized, while considering, “Of what use are these data to the decision situation?” Mocking up potential research findings helps ensure that the data to be collected will fit the information needs. This helps decision-makers identify gaps and more clearly specify how the data should be analyzed and presented.

**Develop Decision Criteria**

Decision criteria are rules for selecting among courses of action, generally in the form of a series of “if-then” statements, given various data outcomes. Decision criteria must be developed before anyone involved learns the actual results. This ensures that organizational objectives take priority over personal objectives.

**Determine the Cost and Value of the Research**

Cost-benefit analyses of research involve quantification of costs and subjective evaluation of potential benefits. Breakeven points—the number of units of a product that need to be sold to break even on the cost of the research project—indicate the level of benefit needed to cover the cost of research. They represent a relatively small share of market in large markets (e.g., 1 million units) than for much smaller market (e.g., 10,000 units), so research is more justifiable in large markets than small. It is also easier to justify as the ratio of variable cost to selling price decreases. The benefit increases with the level of uncertainty around the outcomes of alternative courses of action.

**Formally Propose Research**

Submit written research request, including all points to be covered. For projects conducted predominantly within the organization, this doubles as the research proposal.

**Proposal Guidelines**

Research proposals include a definition of the problem, the decision objectives and information needs of the research, the alternative course of action, personnel qualifications, how the project will be evaluated, and the project budget and timetable.

**Errors in Marketing Research** pg 45

The two main types of errors in marketing research are sampling errors and non-sampling errors.

**Sampling Errors**

Samples are used in marketing research to estimate certain quantities in the population. The difference between the sample value and the true underlying population value is called sampling error—the unavoidable inaccuracy stemming from not having a huge quantity of data.

**Non-Sampling Errors**

Non-sampling errors are errors that occur in the research process over and above the sampling error, including those arising from both inadvertent mistakes and deliberate deceptions.

**Types of Non-Sampling Errors**

* faulty problem definition
* incorrect population definition
* sampling frame not representative of the population
* non-response errors
* poor questionnaire design
* measurement error
* improper causal inferences

**KEY TERMS** pg 50

**behavioral response**Any of a number of actions or mental states triggered by marketing actions, which can include actual purchases, intentions to purchase, feelings, attitudes, or beliefs.

**code of ethics**A system of rules, standards, and guidelines defining ethical behavior within professional organizations and in relation to the general public.

**conclusive research**Research aimed at evaluating and predicting the outcomes of several possible courses of action, ordinarily to select the best among them.

**consumer research**Marketing research into consumer characteristics, attitudes, beliefs, opinions, and behavior.

**contribution margin**Sales revenue minus variable costs—when calculated for a single product (unit), often called “unit contribution,” and represents the pure profit made by selling one additional unit.

**course of action**One of the specific possible sets of actions to be evaluated via conclusive research.

**data sources**Any of a number of commercial vendors or internal repositories of information used to improve marketing research decisions; typically includes prior primary research, internal firm records, various trade publications, and both industry and government reports.

**decision criteria**A set of if-then guidelines that help managers select among predetermined courses of action (e.g., a product will be introduced nationally if its share at test market is above a certain threshold value).

**decision objectives**The goals of the company (and decision-makers) that the marketing research project will help to achieve; must be explicitly recognized when identifying the project’s information needs.

**decision support system (DSS)**A dedicated system—usually comprising both hardware (e.g., computer systems and the databases they house) and software (e.g., custom-coded programs for collecting, managing, and analyzing data)—useful for making marketing decisions and analyzing the expected outcomes of specific marketing actions (also known as “what if?” or sensitivity analyses).

**decision variables**The quantities that must be determined, as in a particular marketing research project, typically including pricing, distribution, promotion levels, and sales goals.

**decision-making process**A series of steps undertaken in the course of making a marketing-related decision. Conceptualized as: (1) recognizing a problem or opportunity, (2) clarifying the decision, (3) identifying alternative courses of action, (4) evaluating alternatives, and (5) selecting a specific course of action.

**demand analysis**A formal model that will help forecast demand (either unit or volume sales) for a product, consisting of determining the variables giving rise to demand as well as tying them in statistically to a demand forecast, usually via regression and time-series techniques.

**dependent variables**Variables whose value is related to or determined by the values of a number of independent variables; often called the “outcome variables.”

**exploratory research**Research less focused on quantification than on generating qualitative insights; helps to generate hypotheses rather than systematically investigate them and is useful in breaking down broad, complex problems into smaller, more tractable ones.

**independent variables**Variables that can be controlled or measured, which one hopes to relate to the dependent variable, ordinarily via a statistical model.

**industrial research**Marketing research aimed not at individual consumers, but at interactions between firms and their representatives; for example, in so-called “B2B” contexts.

**information needs**The specific information required to attain the stated objectives of a marketing research project.

**information**The specific data required by decision-makers to reduce uncertainty in a known decision situation.

**informed consent**A policy of informing study participants about the procedures and risks involved in research that ensures that all participants give their consent to participate based on adequate information.

**intelligence system**An integrated computer system/database that collects and stores recurring marketing data, interprets it for managers via statistical models, and provides a user interface for accessing the resulting information.

**market research**The collection, storage, and analysis of data for a specific marketing and/or consumer group; often contrasted with marketing research by its limitation to a particular market or segment.

**marketing concept**A focus on the role of marketing mix variables (e.g., price, distribution, promotion) and not merely what’s “inside the box” in driving the success of a product.

**marketing information systems (MIS)**Large-scale databases and explicit procedures for the collection, storage, and analysis of data useful in making ongoing marketing decisions.

**marketing management process**A process formally relating three ongoing, interactive elements: information inputs (from marketing research and managerial judgment), the decision-making process within the marketing organization, and the marketing system itself (marketing mix, situational actors, performance measures, and behavioral responses).

**marketing mix**The set of variables that a manager or firm can use to influence a marketing outcome of interest, usually sales or market share; usually comprised of the “Four Ps”—price, product (characteristics, packaging), place (distribution channels), and promotion (consumer and trade)—as well as ad expenditures.

**marketing research system**The series of steps involved in a research project from inception to completion, including definition of a problem or opportunity, exploratory research, design of sample, survey and data collection method, data collection, data analysis, interpretation, and presentation of results.

**marketing research**The systematic process of using formal research and consistent data gathering to improve the marketing function within an organization: Information from marketing research is used to identify opportunities and problems, to monitor performance, and to link marketing inputs with outputs of interest, such as awareness, satisfaction, sales, share, and profitability.

**marketing system**A conceptual model viewing the marketing mix (what managers can control: price, product, and so forth) and situational variables (what managers cannot: competition, legal factors, and so forth) as independent variables (“inputs”) that give rise to consumers’ behavioral responses, which in turn determine performance measures (“output variables”), such as sales, share, and profit levels.

**non-response error**A form of non-sampling error that occurs when some elements meant to be included in the sample are either unavailable for measurement or choose not to reply.

**non-sampling error**Any error that occurs that is not due to the vagaries of sampling itself; these errors can introduce biases of unknown direction and magnitude, and they can arise because of faulty or incorrect problem definition, a non-representative sampling frame, non-response or measurement errors, poor questionnaire design, improper causal inferences, or even poor arithmetic.

**objective**A key criterion of marketing research that involves careful screening of possible biases, as well as impartial application of quantifiable empirical methods during the design, implementation, interpretation, and presentation of a research project.

**opportunities**Situations in which a company can improve its performance by adopting a new course of action, usually stated in terms of changes in its marketing mix.

**performance measures**The output variables of the marketing system, including brand equity, consumer satisfaction or loyalty, sales, share, and profit levels.

**population value**The value a statistic would take on if the sample were the entire population.

**problem definition**A crucial step in the marketing research process that precisely identifies the problem for study and is solved via the acquisition and analysis of data.

**problems**Conditions resulting in decreased performance (assessed by standard output measures) that may be rectified through alternate courses of action.

**pseudo-research**Projects presented as true marketing research that are aimed toward goals unrelated to reducing uncertainty in a decision situation or to meeting the stated information needs of the research.

**research design**The general plan guiding the data collection and analysis phases of the research: a framework that specifies the type of information to collect, the sources of data, and all data collection procedures and analysis.

**research proposal**A document submitted by a marketing research firm to a potential client, detailing the problem, objectives, possible courses of action, information needs, personnel qualifications of the research team, budget, and timeline of deliverables for the research project.

**sample value**The value of a statistic within a particular sample drawn from a target population.

**sampling error**The error in any measurement associated only with the randomness intrinsic to sampling itself; often defined as the difference between the observed value of a variable and the long-run averageof its repeated measurement.

**secondary data**Data collected, usually by an outside firm, for a purpose other than the study at hand (e.g., U.S. Census); the appropriate starting point for almost all marketing research projects.

**self-selection bias**Sample selection arises when some respondents, firms, or other entities decide not to supply data for reasons related to the study itself or to any variable germane to the research study; the resulting data will not only fail to be a random sample of the underlying population, but will typically lead to biased results.

**situational analysis**The use of present and/or historical data to determine which variables and factors affect business performance; often aided by SWOT analysis to identify both internal and external factors.

**situational factors**Independent variables that feed into the marketing system from the general business environment and which are therefore less affected or controlled by the choices of any single firm, including demand; competition; the legal, political, and economic climates; technological innovations; and governmental regulation.

**symptoms**Marketing measures, often those of particular concern (e.g., decreasing sales or loyalty), which in themselves lack meaningful information for improving management decisions, but that signal that corrective action may need to be undertaken.

**systematic**The requirements that a research project be planned and well-organized, the strategic and tactical aspects of the research designed in advance, the nature of the data gathered, and the mode of analysis predetermined.

**variable**Anything that can take on different (usually numerical) values (e.g., in marketing, age, gender, price, package size, sales, and share are commonly used).

**DISCUSSION QUESTIONS**

**1** *What factors determine the relative importance of managerial experience versus marketing research in a given situation?*

The factors determining the relative importance of managerial experience versus marketing research in a specific decision situation include how relevant the manager’s experience is to the situation, how familiar the situation is to the manager, the degree of uncertainty in the situation, and whether a decrease in the uncertainty of the decision is worth the cost of a marketing research project. Recurring, familiar decisions involve little uncertainty, so managers can generally rely on their experience and judgment. In unfamiliar decision situations, the level of uncertainty and the size of the risk are weighed against the costs of reducing the uncertainty through marketing research.

*Instructor’s Further Probe:* If you were the hiring manager of a consumer goods company and were looking for a new marketing manager, which of these two candidates would you choose, and why?

* A marketing veteran who has enormous experience but has never had education in formal marketing research steps or concepts
* A new marketing manager who, through education, has a solid grasp on the steps and concepts of marketing research but lacks the experience of a veteran

*Suggested Probe Response*: As in most cases, this depends very much on the situation. If the hiring firm needs someone to be able to make major decisions quickly, a veteran is the most likely choice. On the other hand, a newcomer to the marketing field has the structure and tools to analyze a situation and present an analysis to others, if time and money allows him/her to do so. Of course, someone with both formal understanding and experience may often be necessary. This question simply highlights the trade-off between the two in specific settings.

**2** *How might the following organizations effectively employ marketing research?*

[Answers provided below are suggestions and do not constitute an exhaustive list of all possible correct responses.]

**a** *National Museum of Art*

* Determine popularity of various permanent and temporary exhibits.
* Find ideas for new exhibits.
* Determine optimal hours of operation and entrance fees.
* Better understand reasons people choose to attend or not attend the museum.

**b** *American Airlines*

* Determine appropriate market segmentation scheme.
* Examine differing needs and purchase decision criteria of various segments.
* Determine appropriate pricing structure for various segments.
* Test new advertising or promotional campaign.
* Find ways to encourage infrequent flyers to fly American Airlines more.
* Measure level of customer satisfaction with all aspects of airline service.
* Evaluate whether changing a main hub will increase revenue.

**c** *the census*

* Compare growth rates of various ethnic groups.
* Evaluate how accurately families without fixed residences are being represented in the census.
* Analyze how measured economic activity in various sectors relates to measured population migrations.

**d** *American Consumer Satisfaction Index*

* Measure consumer attitudes toward specific companies and products.
* Assess trends in consumer satisfaction with a brand over the past decade.
* Compare various companies in an industry on specific satisfaction measures.

**e** *a senatorial campaign*

* Determine demographic characteristics of segments of supporters.
* Test appeal of various messages to different segments.
* Target likely voters for Get-Out-The-Vote campaign based on consumer preferences.

**f** *Dell Computer*

* Get feedback on new market segments.
* Evaluate preferred trade offs of memory (RAM) versus screen size at given price.
* Determine appropriate pricing levels.
* Test advertising copy.
* Test various sales techniques.
* Test product configuration preferences (hardware and software).

**g** *a public campaign against cigarette smoking*

* Measure impact of specific public service announcements or billboard ads on teen smoking.
* Compare effect on attitudes with effect on behavior.
* Compare effectiveness of various messages on different demographic groups.

**3** *If you were to undertake a research project involving a country with which you had no familiarity, what sorts of issues would you study before starting to design the project? What special considerations would you need to remain aware of after the project was underway?*

[Answers provided are suggestions; many other responses are acceptable.]

Local laws, regulations, and infrastructure must be researched in advance. Differences in language, local idioms and culture must be considered. It is advisable to hire an advisor from the region of interest who is familiar with local business and cultural standards to ensure that the project is feasible and its goals achievable. In countries with well-developed infrastructures, such as the U.S., marketing research is more structured, and information resources are well-defined and readily accessible. In countries where marketing research has not been established for as long or where access to internet or phone is much more limited, far fewer secondary data sources are available and more effort is required upfront to collect primary data (with the possible exception of one-on-one interviews). Whenever operating in a foreign market, it is important to check one’s assumptions on an ongoing basis and consult those with native cultural and linguistic fluency.

[Note that scale usage differences should be considered, although this issue is not covered until Chapter 3. See International Issues 3.2 on page 140.]

*Instructor’s Further Probe*: What effect has the increase in development and marketing to international markets had on marketing research?

*Suggested Probe Response*: Answer should focus on concepts of cultural differences and the adaptation of marketing research methods to accommodate and take advantage of these differences.

**4** Why is the analysis preceding the decision to undertake research so crucial to the success of the project?

Research is costly and time-consuming. It is only justified when its benefits in terms of reducing uncertainty in a decision situation outweigh its costs. If analysis is skipped prior to research or done poorly, the research budget may be spent on research that is unnecessary or unlikely to aid decision-making.

*Instructor’s Further Probe*: Can you think of examples of unneeded research?

*Suggested Probe Response*: Unneeded research (called “pseudo-research” in the text) means research that does not provide information for a decision, including situations where a decision is pre-determined, where research is conducted that gathers data that is not relevant to a decision situation, and where research is conducted when decision criteria have not been defined in relation to the data to be collected. Instructor may discuss various examples of pseudo-research in the text (see page 31 in particular) or ask students to imagine situations where this might happen, leading into the discussion of question 6 below.

**5** *The Wool Producers Board of New Zealand wants to stimulate the primary demand for wool in the world. What marketing research could the board do to facilitate the development of such a primary demand stimulation campaign? Describe a program of marketing research in detail. Explain how potential errors in marketing research will be controlled in this program.*

Key areas that need to be addressed in this mini-case: global marketing research, error minimization, and developing a program using the marketing research process. Types of marketing research that could be performed in this case include trend analysis and demographic analysis in each region of the world under consideration through investigation of secondary data; exploratory research of both major distributors and important consumers groups for wool regarding consumer perceptions about and uses for wool, and possible messages for ad campaigns; and conclusive research regarding alternative courses of action. This type of research would lead researchers to the factors influencing the purchase and use of wool, including how wool might be substituted for other fabrics in wide current use. With these factors identified, marketers could then focus on using this knowledge to stimulate demand for wool.

The error control plan should consider both sampling and non-sampling sources of potential error, particularly for any proposed primary research (for example, undersampling of consumers who are not currently purchasers of wool-based products).

The following is just one example of various issues involved in creating a program for marketing research in this case.

1. Recognize and define the problem.   
   In this case, the problem is finding a way to stimulate the primary demand for wool in the world, especially so in areas where utilization is below expectations. Further definition is needed to identify what areas of the world have the potential to use wool (e.g., areas with continual warm climates will have far less demand for wool than cooler regions).
2. Determine the research objectives and information needs.   
   To stimulate the demand for wool, research must determine who uses wool, why they use it, and how they use it. Information needed therefore includes demographics and industry trend analysis on a global scale.
3. Data sources include interviews in various countries with industry experts, focus groups, and access to reference information regarding consumer buying patterns (both from wool manufacturers and from reports done by outside firms). Data collection procedures can be complex when performing marketing research on a global scale and when surveying both end-users and other businesses. Researchers will have to use the expertise of local firms and people to plan the collection of the data.
4. Sample design will have to be planned carefully since there are many vagaries and variables in the sample population on a global scale. Segmented research may have to be performed.
5. Collect, process, and analyze data.  
   Potential errors in this marketing research program could result in sampling errors and non-sampling errors. To minimize errors, it will be important to carefully regulate the data collection process (especially since data from various sources around the world will be collected), provide standards for the various procedures used in analyzing and coding the collected data, and provide verification procedures to ensure that the data are accurate.
6. Present results (oral presentation and/or written report).

**6** *Suppose that your role in a research project were to perform statistical analyses and help explain them for the research report. You realize later that, of the many dozens of analyses run, only those explicitly supporting a costly departmental expansion—and not those that either failed to support it or called it directly into question—were included in the final report put together by other members of the research team to be read by upper management. What might you do, and how would it affect how you carried out future analyses?*

Answers will vary, as they will necessarily reflect students’ individual senses of ethics. The choices would include keeping silent in deference to fellow researchers, confronting this issue with those responsible, bringing it to the attention of a trusted manager, and in some cases even whistle-blowing to the outside world. Options for the future might include greater vigilance in noticing such a situation earlier, building connections with those involved in decision-making in order to educate them on the dangers of such a course of action as well as the value of impeccable marketing research, greater involvement in the writing of future reports, and leaving the company if its standards for behavior remain at an unacceptable level.

Because such discussion often touches on internal politics within companies, the instructor may wish to connect it to discussion of Marketing Research Focus 1.4, Handling Common Differences between Researchers and Marketers, on page 22, and Case 1.5, Ethical Dimensions in Marketing Research on page 171.

**REVIEW QUESTIONS**

**1** Which of the following is not an example of statistical reasoning?

**a** What are the chances of that happening?

**b** Candidate B received 16 votes out of 19

**c** We’re more likely to get what we want if we don’t compromise up front.

**d** Is there enough interest in this idea to be worth going ahead with it?

Ans: b

Rationale: Statement b merely states data, without using any kind of statistical reasoning regarding that data. Question a asks for an evaluation of the probability of a certain event happening. Statement c interprets the chances of a certain outcome based on one course of action. Question d asks for an evaluation of a course of action based on available data regarding the proportion of people interested in that course of action. See Marketing Research Focus 1.1, What Is Research?

**2** Over which independent variables does a company exert control?

**a** marketing mix

**b** performance measures

**c** situational variables

**d** all independent variables

Ans: a

Rationale: Performance measures are variables dependent on the behavioral response. Situational variables are not controllable. Independent variables include both the marketing mix and the uncontrollable situational variables.

**3** What distinguishes marketing research from what is usually referred to as market research, as well as other sorts of social science research?

**a** the application of rigorous methodology

**b** focus on managerial decision making, broader than markets and consumers

**c** the systematic collection of multiple, different types of data

**d** the overall approach to data processing and statistical analysis

Ans: b

Rationale: All forms of research, if carried out well, rely on rigorous methodology, data processing, multiple data types, and statistical analysis. Marketing research is distinguished by the emphasis on supporting the decision-making process.

**4** Which of the following data are most likely to be considered information for someone anticipating voting in an upcoming election?

**a** the number of people voting, according to recent polls

**b** the prior occupations of the candidates’ staff

**c** the candidates’ stated platforms

**d** the countries that candidates have visited recently

Ans: c

Rationale: Information refers to data which reduce uncertainty in decision situations. Of the listed data sources, the platforms of the candidates are most directly relevant to the decision of whom to vote for.

**5** Examples of inputs (independent variables) and outputs (dependent variables) studied in marketing research are, respectively:

**a** marketing mix; profits.

**b** performance measures; pricing.

**c** behavioral responses; situational factors.

**d** government regulation; economic climate.

Ans: a

Rationale: Inputs/independent variables include situational factors (such as government regulation and economic climate) and the marketing mix; outputs/dependent variables include behavioral responses and performance measures. Marketers wish to relate variables they can either control or measure to those which indicate favorable marketing outcomes, like sales and profit.

**6** The variable cost of a new anti-depressant is $0.50 per pill. The market size is 600,000 pills, and a bottle of 20 pills sells for $35. If the firm decides that marketing research is justified up to 5%, what is the maximum available for marketing research?

**a** $1,050,000

**b** $51,750

**c** $37,500

**d** $17,143

Ans: c

Rationale: Contribution margin = ($35/20) – $0.50 = $1.25 / pill   
5%\*600,000\*$1.25 = $37,500

**7** Which of the following is a problem? In the past 6 months:

**a** sales revenue has increased half as quickly as projected.

**b** sales revenue has decreased 20% overall.

**c** customer satisfaction with the company has decreased 5%.

**d** a new competitor is charging a lower price on quality-matched items.

Ans: d

Rationale: The other three are symptoms, not problems.

**8** A mock-up of research findings using simulated data is valuable because:

**a** it prepares managers for the experience.

**b** it reduces the expense of collecting actual data.

**c** it helps managers to notice omissions and develop decision criteria.

**d** marketing researchers tend to be better at visualization than managers.

Ans: c

Rationale: Although mock-ups are helpful in many ways, they are most useful in noticing what might have been done differently, or information needed that wasn’t collected, so that decision criteria can be developed in advance.

**9** Which is a valid reason for undertaking a marketing research project?

**a** The contribution margin and the market size are large.

**b** A major decision has been made, and managers wish to be able to justify the decision.

**c** A top manager is anxious and needs assurance about courses of action.

**d** A manager is uncertain about a decision and wishes to decrease this uncertainty.

Ans: d

Rationale: Marketing research information helps reduce uncertainty in a decision that needs to be made; it should not be undertaken simply because the market is large, one needs justifications, or due to anxiety.

**10** “The reduction of customer service was responsible for a 15% increase in revenues over the past year.” This is an example of which non-sampling error?

**a** improper causal inference

**b** faulty problem definition

**c** sampling frame non-representative of the population

**d** poor questionnaire design

Ans: a

Rationale: Many factors could have led to, or combined to lead to, the increase in revenues; attributing to one alone is improper causal inference.

**TOPICS FOR FURTHER DISCUSSION**

A. A public service organization has found that its membership consists almost entirely of wealthy Caucasian women over 60. While it has been open to males for decades and has sought to diversify its membership across age, income and ethnic groups, it has not succeeded. Discuss with the students

* what they think the decision and the information needs should be in this case
* whether they think the first priority should be to determine why previous efforts have failed
* what alternative courses of action would they recommend evaluating through research
* what assumptions may be involved and how marketing research might be used to get past these

B. A small company that sells hand-made wooden furniture in the U.S. has imported some of its stock from the Philippines for the past 10 years. The fees for shipping the furniture from the Philippines to the U.S. is regularly double to triple the cost of the furniture itself. It has decided to look into the possibility of setting up its own small shipping company to improve shipping service in a way that directly reduces its own costs and makes extra revenue by providing shipping to other companies. Ask the students what information the company would need to make this decision. Discuss with the students

* whether they think a marketing research project is still warranted if the company has some familiarity with the Philippines from its past years of business and is reluctant to invest tens of thousands of dollars into research
* possible obstacles relative to possible gain
* the nature of risk, the degree to which some risks can be quantified while others are subjective, and the individual differences in evaluating which risks are “worth it”

C. Data has shown that minority groups in the U.S. tend to use polling places over absentee voting at a greater frequency than Caucasian voters. A state bill to give counties the option of holding all-postal elections came under fire from minority groups for this reason. Discuss with the students

* what causal inference is being made and how to determine if it is proper
* what kind of research activities might need to be done to determine whether minority turnout would be increased or decreased, given that all-postal elections have greater voter turnout overall
* what other options might ensure that minority turnout did not decrease during all-postal elections
* how causal inferences made in the press may or not be proper. Ask students if they can think of examples, and discuss whether each is proper. The answer to each may be somewhat a matter of option (e.g., some causal inferences will be clearly improper whereas others will be debatable).

**FURTHER READING**

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