

Chapter Five – How companies manage marketing research

The meaning of marketing research

Today, marketing research is pervasive. It is very likely that anyone reading this book has been a respondent in some kind of marketing research study. As the internet continues to develop there will be a trend towards more investment in marketing research. This will be caused by the increasing isolation of the individual in our society and the corresponding need to access more information through impersonal versus personal methods. It is unlikely that many readers of this text will ultimately have marketing research as their primary employment so we have presented marketing research in a non-technical manner.

As we have discussed at length, a marketing orientation requires that the organization study and understand what will bring its customers satisfaction. This may sound simple, but it is not. Often very creative techniques are needed to truly understand what the customer is seeking and how to deliver that solution on a profitable basis. Customers seek benefits, and it is often difficult for the customer to express what those benefits are. The marketing research department is responsible for providing this understanding. However, marketing research should never be seen as a separate entity isolated from the rest of the marketing function or from the other functional areas of the firm. If this happens, marketing research departments often lose what creativity they had and begin to focus on a known set of techniques with which marketing research personnel are comfortable. This results in a lack of fresh thinking and innovative approaches. The marketing research function also, ironically, becomes separated from the R&D function and those in the organization responsible for new product conceptualization.

We will define marketing research as “all techniques used to provide information that assists the firm in all of its decision-making processes relevant to customers or clients.” While this definition is very broad, it is aimed at giving the marketing research function the breadth and depth of latitude that it needs to operate effectively. Note that the outcome of marketing research is enhanced decision-making about needs and wants in the marketplace and how to meet those needs and wants. Also note that marketing research is responsible for not only data gathering about customers, but data analysis and presentation to management about customers and other issues.

Types of marketing research

Marketing research approaches are varied. One marketing research project may entail questioning thousands of people by use of a survey instrument while another project may only involve meeting with a few present customers for breakfast. There are many different types of marketing research projects that require various types of knowledge and academic background. Approaches to

conducting marketing research range from quantitative to qualitative in nature. Quantitative marketing research is composed of sophisticated techniques that require substantial competence in descriptive statistics while qualitative marketing research may require a broad knowledge of psychology (the study of individual behavior), sociology (the study of group behavior), and social psychology (the study of individual behavior in a group). Unfortunately, there is presently no required accreditation for a person to perform marketing research, thus, there are many unqualified individuals and organizations that sell marketing research services, particularly qualitative marketing research, who are not well trained or educated in the discipline and do not have sufficient experience.

Quantitative Marketing Research

Types of quantitative marketing research include surveys, audience measurement for different types of media, and store audits, to name only a few. Although marketing texts usually devote considerable attention to these approaches, the quantitative approach has given way to qualitative marketing research in many cases. Thus, qualitative research, at present, is growing much faster in popularity. The reasons for this are that qualitative research is usually less expensive and faster to perform than quantitative marketing research.

Qualitative Marketing Research

Qualitative research is less involved with numbers and usually provides a 'closer touch' with the subjects in the research project. Types of qualitative research include focus groups and observational studies. Focus groups gather a small number of respondents together to discuss topics yielded by the research questions. A moderator leads the discussion and helps keep discussion lively and focused around the research questions. The moderator creates or is furnished with a 'discussion guide' that outlines the areas to be explored in the focus group.

Observational studies involve watching respondents while they are engaged in some activity. A common use of the observational method is watching children play with prototypes of toys to understand which toy will be most popular. Mechanical observation is also used at retail stores to count the number of customers (sometimes with a simple turnstile) and in other public areas, parks for example.) Secret shoppers, also called mystery shoppers, are often used to help obtain a real customer's assessment of a store's service quality (Check out the following websites:

<http://www.nwscape.com/cgi-bin/nwscape/shoppers/welcome>;
<http://www.bmilt.com/>; <http://www.customer-1st.com/>).

The Marketing Research Process

In order to obtain useful results, that is, results on which we can make reliable decisions, we must follow a consistent process. We recommend a process that includes these steps:

- a. Establish a research project
- b. Conduct the research project
- c. Analyze the findings of the research project
- d. Summarize and Present the findings of the research project
- e. Assess the findings of the research project

Establish a research project

This step will usually involve four steps:

- a. meet with client(s)
- b. jointly explore problem or opportunity to be researched
- c. create research questions
- d. based on the research questions, create a research design

Meet with client(s)

When beginning a marketing research project, we need to start with identifying the problem or opportunity. Although there are exceptions, this will often require a personal meeting with all of those involved in establishing the project including the client, the researcher(s), and others involved in the project. The initial meeting is often not sufficient to establish the problem or opportunity to be researched. Another meeting is usually required to define the problem or opportunity clearly enough to create research questions.

It is imperative that this initial meeting be approached with an open mind and no preconceived notions about 'the answer.' If a client or company manager already has 'the answer' (has already essentially decided on what the findings of the project will be), a marketing research project is a waste of resources. We say this because too often the findings of a well-executed study are rejected because it found the 'wrong answer.' We have no way of estimating how often this happens, but we can say it happens often.

The reason we break meeting with clients into a separate step is because there will often be several meetings. It is important to realize that **divergent thinking** will play an important role at this point of the research process. That is, this is the stage that the researcher must avoid seeking closure and keep an open mind about how to characterize the problem or opportunity under consideration. Clients will often have lots of ideas about the project, including the problems and a likely solution to the problem. However, clients often bring a 'symptom' into consideration as the 'problem.' For example, if one says that 'sales are down in the southeast region.' This is a symptom, not the problem. The problem is the

cause of the drop in sales in the southeast so the researcher must search 'upstream' in time and events from the sales decline. This stage is a data gathering stage for the researcher. Often, after meeting with the client, the researcher may decide not to take the research project because the client is 'not ready' to pursue the project.

Create research questions

After the researcher and client have agreed on problem or opportunity definition, the researcher will be able to formulate *research questions*. A research question is a statement of what queries the project will seek to answer. In our example, likely causes identified in client meetings included aggressive efforts by a new competitor, demographic shifts in the population, and the possibility that our product is outdated in the eyes of the marketplace. Thus, the research questions may be stated for the southeast region study as:

Research question 1 – what is the impact of our competitors on our sales?
Research question 2 – what demographic changes have taken place recently?
Research question 3 – have there been changes in perception of our product?

Note that the 'research question' is rarely synonymous with a 'survey question' that is, several survey questions will usually be required to address one research question. Formulating dependable survey questions is a highly technical and demanding process that requires extensive training and experience. Survey questions should be both reliable and valid. Reliability is the ability of a certain question to gain consistent responses over asking the same questions several times. For example, if we ask several people the same question and get very similar results, we can say the question is reliable. However, this does not mean that the question will be useful for our study. Questions also need to be *valid*. Validity is the ability of a question to measure what it purports to measure.

For example, assume we are attempting to ascertain peoples' attitudes toward Dillard's Department Store. We have male and female models interview customers as they enter the store. Male models interview all females entering the store, and female models interview all males entering the store. The results of the survey indicate that "Ninety percent of those surveyed find the Dillard's shopping experience either "Extremely enjoyable" or "Very enjoyable." Were the findings of this survey reliable? Were they valid? Remember, to be reliable a question need only produce consistent answers and to be valid, a question must measure what the researcher claims it measures. Answers appear at the end of the chapter.

Create a research design

The research design is the approach we use to answer the research questions. Often the client will have already decided on a research design without

considering what the appropriate one would be. For example, in one case, a small candy manufacturer had decided it needed to 'research the market.' The company had already created a survey form to be sent out through mail. A meeting was held between the candy company and a marketing research company. After some consideration of research questions, the research design was changed to include a series of focus groups, and a mall intercept survey. The mail survey was deleted from the research plan.

Research designs can be qualitative or quantitative or include both types of research in larger projects. When the budget will allow it, which is rare, both qualitative and quantitative approaches should be used to answer the research questions. Alternatively, often clients must choose only one or two of the most compelling research questions to address using either a quantitative approach or a qualitative approach.

Primary and Secondary data

Collecting data can be done in two ways. First, we can collect the data our self to address the research questions. When we do, the data collected are called *primary data*. When we use data for decision-making based data that has been collected by someone else to address different research questions, this data is called *secondary data*. **Marketing researchers should always explore sources of secondary data before they decide to collect primary data.** The internet contains huge amounts of secondary data and free, published data can be obtained free with the help of professional library personnel. Professionally librarians are highly trained and are usually happy to be of assistance. In organizational marketing, secondary data research often begins with the examination of the NAIC (formerly SIC) codes relevant to the companies of interest in the study. (see the following website: http://dir.yahoo.com/Reference/Standards/North_American_Industry_Classification_System_NAICS/).

Many private reporting organizations provide information about industrial organizations based on the NAIC. Two such firms are Standard and Poors (<http://www.standardpoor.com/>) and the Dow Jones Company (<http://www.dowjones.com/>). These are only two of many organizations that provide such services.

Sampling and Selection of the Sample

Often marketing research studies require that data be collected through the process of sampling. A **census** is taken when we attempt to collect data from all possible respondents in a specified population. For example, the U.S. Census Bureau attempts to count every person in the U.S. every ten years. On the other hand, sampling is collecting data from only a portion of all possible respondents in the population of interest. That is, once we agree that we need to gather data

from a limited number of organizations or individuals, we must determine how they are to be chosen for the sampling process. There are two types of sampling: *probability sampling and nonprobability sampling*. Results derived from probability samples can be applied to the remainder of the population of organizations or people in the population of interest. Results derived from nonprobability samples cannot be applied to the remainder of the population of interest. For example, if we draw a sample of students at a university to determine their attitudes toward raising tuition in order to build a parking garage on campus, in a probability sample we can generalize our results to the other students on campus (the population of interest). However, if we collect a nonprobability sample, the responses gained only apply to the students we questioned in that sample. Note this has to do with **HOW** the sample is selected. If we just meet students on campus and do interviews, this would be a nonprobability sample and would not necessarily produce results that would predict how most students and others on campus feel about the parking garage.

Thus, probability samples provide more powerful prediction abilities. However, probability samples are much more complex and expensive to gather.

Types of nonprobability samples are judgment samples (the interviewer is asked to apply his/her own opinion as to what respondents 'fit' the profile of people to be interviewed), quota samples (the interviewer is given clear direction regarding how many people of what type to interview, for example, 'fifty females, and fifty males), and convenience samples (the interviewer selects people to interview based on the easiest ones to interview). One can see that the selection process for nonprobability samples is usually unsophisticated and straightforward.

However, when we decide to draw a probability sample, that is, one for which we can apply basic descriptive statistical techniques as taught in business statistics courses (for example, "z" scores, parametric, i.e., normal distributions, etc.) A simple probability sample is one in which each subject in the population of interest has an equal and known probability of being included in our sample. Can you think of a way to draw a sample of students at your university or organization that would have these two characteristics?

Selection of nonprobability samples only requires that the people interviewed are in the population of interest and, sometimes, as in the case of samples there is not even a guarantee of that!

Conduct the research project

The research design should provide good guidance for performing the research. As you already know, research projects can be quantitative or qualitative in nature or even involve both kinds of research approaches. The statement of the research design should be sufficiently complete to allow a qualified, independent

researcher to execute the research study by following the statement of research questions and research design.

Analyze the findings of the research project

This stage is comprised of organizing the data gathered and carefully ascertaining what the data indicate. Especially for quantitative studies, statistical software is often used to facilitate activities in this stage of the project. SPSS, SAS, (statistical package for the social sciences – websites <http://www.spss.com>; <http://www.ats.ucla.edu/at/software/stat/sas/sas.htm>) or a similar statistical package is often used to perform the analysis necessary for this step. In the same spirit as this e-book, Professor Bill Miller, formerly a professor at Iowa State University, offers a free statistical package on the internet at his website: <http://openstat.homestead.com/>.

The researcher must be careful to be organized and remain objective during this stage. The statement of the research design should provide guidance to the researcher about how the data should be organized and classified. There is often some pressure on the researcher to ‘find the right answer’ as we indicated above, but for the sake of integrity, the researcher must remain objective as s/he records, classifies and analyzes the data.

Summarize and Present the findings of the research project

After the data are analyzed, the researcher must draw conclusions from the findings and present the findings in a comprehensible manner. When summarizing and presenting a research project, the best guide is to keep it simple and ‘accessible’ to the reader of the report. The temptation for the researcher is often to rely too heavily on statistics and this can very rapidly lose the attention and interest of the client. Use of such terms as “a two sigma range” only succeeds in confusing the client and very often over-emphasis on jargon can alienate the client. Ironically, this is particularly important when presenting a report to clients who are highly intelligent and educated. They know how the use of jargon is often used to obfuscate the facts and this may indicate a lack of preparation on the part of the presenter.

The Marketing Research Industry

There is a broad range of marketing research services available throughout the world. However, we in the U.S. tend to be the most researched population in the world. In other countries, marketing research may be limited or culturally unacceptable. Conducting research projects in countries other than the U.S. often requires different research methods and may entail a total revamping of the research design.

Many companies in the U.S. provide marketing research services and data. For example, A.C. Nielsen (<http://acnielsen.com/>) is one of the largest, if not the largest organization in the U.S. specializing in marketing research. Many of the major advertising agencies also conduct major consumer and organizational research (see <http://www.jwtworld.com/>; and <http://www.saatchi-saatchi.com/innovation/launch.html>, for example).

Brief discussion of types of surveys

While focus groups and other qualitative procedures are gaining popularity, surveys remain popular, as well. There are three primary kinds of surveys: mail surveys, face-to-face surveys (personal interviews), telephone surveys, and a growing category, internet surveys, which presently are quite similar to mail surveys in terms of advantages and disadvantages. We often categorize the different types of surveys on the three dimensions. First, flexibility or to what extent is the interviewer able to adjust his/her questions to the respondent depending on circumstances. Second, we also look at response rate, that is, what proportion of those whom we contact will ultimately participate in our study. And finally, cost, that is, how much will it cost us to acquire each response to our survey.

Mail surveys are usually the least flexible, but may provide the lowest cost per completed survey. However, this depends on the research questions and how straightforward the survey questions are. Face-to-face surveys are still very popular, particularly the mall-intercept interview format in which interviewers are asked to solicit respondents from the general population of people who visit shopping malls. Firms engaged in organizational marketing can make use of this same concept by implementing 'trade show intercepts.' Trade show intercepts are similar to mall intercepts in practice except that these interviews are conducted during a trade show and respondents are first qualified, not on demographic criteria but on criteria related to their employment. These approaches will remain popular into the foreseeable future although such intercepts are a nonprobability method of gathering data, and thus, cannot technically be generalized to the overall population of interest. Telephone surveys are still popular but are becoming more difficult to execute due to growing telemarketing techniques that many consumers attempt to avoid. That is, telemarketers often adopt a 'foot in the door' approach by which they first claim to be doing 'a marketing research study' in order to gain a segue into a sales presentation over the telephone. As more and more consumers 'block' their phone lines from solicitation, telephone surveys will become more challenging to conduct.

As adoption of the internet as a method of communication continues, surveys that utilize the internet as a medium for gathering data will increase. Surveys can be easily adapted and completed on the internet making the data collection process relatively simple. However, at present it is difficult to verify the

background of respondents and this reduces the attractiveness of the internet for data collection aimed at gaining attitudes toward products and services. An exception would be when the study involves those who are intimately related to internet operation and use such as Webmasters. A few interesting websites that maintain data on surveys done regarding internet use are:

<http://www.isc.org/ds/new-survey.html>, <http://home.wizard.com/wwpr.html> and <http://www.hot-topics.com/tellus.htm>).

As time goes on, there will be many, more specialized, websites that keep track of internet usage.

Using technology to record learning from marketing research projects

Too often, knowledge gained from a marketing research study is lost as soon as the project is presented and a decision is made based on the study. Marketing research projects, if well designed and executed, should be stored and made readily available for use in the future. Leading companies often catalog research projects on their intranet so that future decision makers will have past marketing results available. However, this does not necessarily mean that other people in that organization will actually read and make use of those study results. Lessons can be learned by reviewing past research that was flawed. This practice enhances organizational learning substantially.

However, as the reader already knows, there is more information in our contemporary environment available than humanly possible to read and understand. Therefore, to be realistic, marketing information managers must accept the fact that most organizational learning that takes place will probably occur through 'information catching' rather than 'information seeking.' The information manager who enters the current environment with expectations that his fellow workers will avidly adopt and use the company intranet, reviewing all posted materials for the sole reason of learning more about the environment should probably adjust her or his expectations.

Chapter Five Exercises

1. Do a search on the internet using the term “marketing research.” Write a one-page summary of what you found, making note of the more interesting websites you visited in the process.
2. Do a search on the internet using the term “international marketing research.” Write a one-page summary of what you found, making note of the more interesting websites you located.
3. “Although performing marketing research is expensive, it is often much more expensive NOT to perform.” Discuss this statement and explain what the person who made the statement may mean.
4. “If a study does not have the potential to improve decision-making, it should not be performed.” Discuss this sentence and explain what the speaker means.
5. Compare and contrast quantitative marketing research and qualitative marketing research.
6. Focus groups are a growing technique used in qualitative marketing research. Based on a problem/opportunity statement, create a discussion guide and perform a focus group with some of your fellow students. Write up the results of the focus group explaining what you learned from the focus group. What problems did you have in the process? Do you believe this method is useful for gaining useful information for decision-making about customers?
7. Compare and contrast “reliability and validity,” and describe why each is important in performing marketing research.
8. Apply the marketing research process described in the chapter to outline how you would assess the reaction of consumers to a new chocolate bar.
9. Perform a ‘college intercept survey’ (that is, meet students on campus and ask them to participate in your survey) by creating a brief survey form (one-page, five or so questions). The survey can ask about anything from ‘campus life’ to favorite recreational activities of students. Summarize your results and write up a brief overview of your survey experience.
10. Search the internet using the keywords ‘mystery shoppers’ and ‘secret shoppers’
11. Check out the website <http://www.marketscore.com/>. Describe how you believe this marketing research company derives revenue for its business? Describe who you believe would be the organization’s customers.

Note on ‘Dillard’s Survey’: The survey conducted at Dillard’s was highly reliable but not valid. Why? Because, given the research design, most all participants will enjoy shopping at Dillard’s and respond accordingly! However, attitudes towards shopping at Dillard’s were not being measured in the study. Unfortunately, we were measuring attitudes towards the interviewers.

Chapter Five Glossary

marketing research – the process of obtaining information with which to improve marketing decision making

marketing research process – the series of steps followed in order to ensure the validity and reliability of information gathering processes

research question - a statement of what general areas of inquiry the project will seek to answer

research design – the plan formulated to answer the research questions

questions reliability – the ability of a question to produce consistent responses of separate trials – that is, if we ask several people the same question, do they tend to respond in a similar manner?

question validity – the extent to which the question measure what is purported to measure – that is, if we say the question measure peoples' attitudes towards our product, does it measure attitudes towards our product and not attitudes toward the interviewer, or store in which our product is sold?

probability sample – data gathered in a way that makes findings in the data applicable to the remainder of the population of organizations or people in the population of interest

nonprobability sample – data gathered in a way that fails to make findings in the data applicable to the remainder of the population of organizations or people in the population of interest

secondary data – information collected by someone other than the researcher to address different research questions

primary data – information gathered by the researcher to address specific questions of interest to that researcher

focus group – a qualitative data gathering technique in which a small number of people are brought together to discuss a series of questions of interest