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# Market Research

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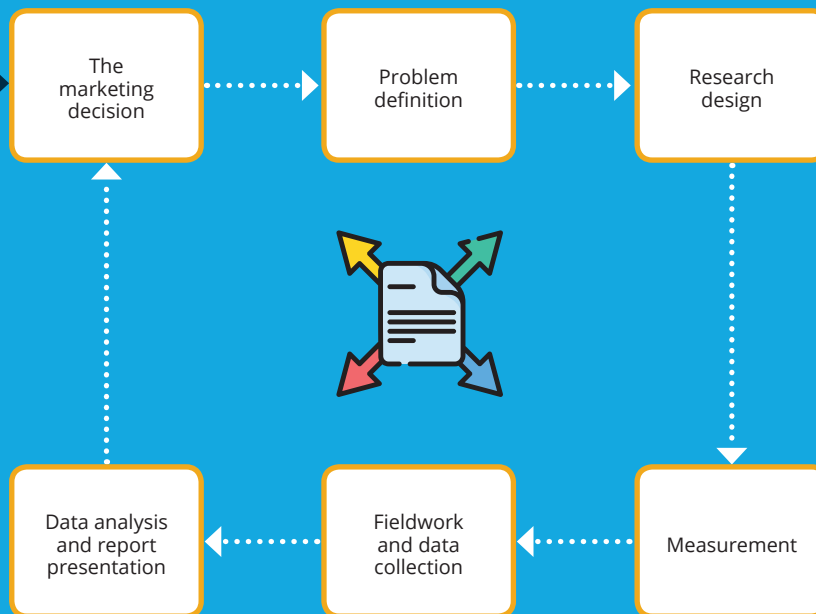


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## INTRODUCTION TO THE RESEARCH PROCESS



### CHAPTER

#### 1 The role of marketing research and the research process

# 1

## The role of marketing research and the research process



### WHAT YOU WILL LEARN IN THIS CHAPTER

#### LEARNING OBJECTIVES

- L01** To understand the difference between basic and applied marketing research.
- L02** To understand the managerial value of marketing research as a management decision-making tool and its role in the development and implementation of marketing strategy.
- L03** To understand when marketing research is needed and when it should not be conducted.
- L04** To understand that marketing research sits within a global context and is continuously changing in response to new communication technologies.
- L05** To list the stages in the marketing research process.

#### IN FOCUS

#### What makes a good marketing research study?

One way in which the impact of marketing research can be evaluated is by examining some of the winners and finalists of the Market Research Society (MRS) awards in 2018. These are judged by industry peers and take into account how much research has provided insights and outcomes that are useful for clients.

The 2018 Award for Application of Research<sup>1</sup> was presented to the agency McCann Manchester for the work it did for Aldi, which followed their shoppers' journey towards Christmas. This research combined ethnographic and observational research of 20 Aldi shoppers over nine weeks, in order to study in depth their motivations and behaviours as part of annual Christmas shopping trips. The research showed that that Aldi shoppers are 'master planners' who carefully budget and plan their Christmas shopping. This led Aldi to reconsider their communications regarding gifting and in brochures, and to realise that the purchase of a fresh, yet value-for-money turkey was a tipping point for higher purchases within the store, usually occurring one week before Christmas. The results of this research were also validated via survey research involving the broader population.



Market research is also essential for many not-for-profit organisations and to give voice to those who are not considered as part of government policy. The MRS winner for Public Policy / Social Research<sup>2</sup>, ICM Unlimited, conducted research about disability benefits reforms in the United Kingdom, focusing on the impact on those individuals with multiple sclerosis (MS). Proposed legislation for a 20-metre mobility rule would have dramatically the pension eligibility of MS sufferers. Through the MS Society, the agency developed a four-stage methodology of stakeholder interviews, a

literature survey, qualitative interviews with 18 people who have MS, and a representative survey of 1234 people with MS. The research aimed to provide the participants with a voice, rather than speaking on their behalf. This was because the research study was co-designed with a forum drawn from the MS Society, which provided suggestions and constructive criticism at each stage of the research process. ICM also used an online forum (Slack) as an additional area where members could provide feedback. Significant findings were the degree of pain and fatigue felt by sufferers, and the stress of additional assessments.

This research led to considerable public pressure to change the mobility definitions of policy, and serves as a benchmark for research involving people who have a disability.

Market research has also evolved to include research in social media. A study titled 'From Brexit to Beckham: How information spreads on Twitter', with research company IPG Megabrands and Twitter, analysed 12 news stories and 4 million tweets in 2017.<sup>3</sup> The research found

that at some point in every story, influential 'early-adopter' tweeters always appear on the scene – and their appearance is generally a prelude to a rapidly achieved broader popularity for news stories. The research also found that including user-generated content was an essential means of generating popularity for news broadcasts.

As can be seen, market research uses a comprehensive set of approaches (surveys, qualitative research and social media) that can help organisations to better meet important outcomes (profits, better government policy, and more effective advertising and communications) and even help make a difference to people's lives. This is an exciting and dynamic field of business and an occupation that provides many with interests and challenges across all sectors of society. This chapter examines the nature of market research, and introduces a step-by-step process for conducting research that can be applied to any type of organisation or client.

## LO1 THE NATURE OF MARKETING RESEARCH

Marketing research covers a wide range of phenomena. In essence, it fulfils the marketing manager's need for knowledge of the market. The manager of a food company may ask, 'Will a package change improve my sales?' A competitor may ask, 'How can I monitor my sales and retail trade activities?' A marketing manager in the banking and finance industry may ask, 'To whom am I losing sales? From whom am I taking sales?' All of these marketing questions, as well as others related to specific marketing decisions, require information about how customers, distributors and competitors will respond to marketing decisions. Marketing research is one of the principal tools for answering such questions.

The task of marketing research is to help specify and supply accurate information to reduce the uncertainty in decision-making. Although marketing research provides information about consumers and the marketplace for developing and implementing marketing plans and strategies, it is not the only source of information. Every day, marketing managers translate their experiences with marketing phenomena into marketing strategies. Information from a manager's experiences frequently is used in an intuitive manner because of time pressures on business decisions or because the problem does not warrant more formal research methods. However, the primary task of marketing management is effective decision-making. Relying on seat-of-the-pants decision-making – decision-making without systematic inquiry – is like betting on a long shot at the racetrack because the horse's name is appealing. Occasionally there are successes, but in the long run, intuition without research can lead to disappointment. Marketing research helps decision-makers shift from intuitive information-gathering to systematic and objective investigating.

**marketing research**

The function that links the consumer, customer and public to the marketer through information that identifies and defines marketing opportunities and problems; generates, refines and evaluates marketing actions; monitors marketing performance; and improves understanding of marketing as a process.

## Marketing research defined

**Marketing research** can be defined as the function that links the consumer, customer and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.<sup>4</sup> Marketing research specifies the information required to address managerial decision-making, designs the method for collecting the information, manages and implements the data-collection process, analyses the results, and communicates the findings and their implications.

This definition suggests first that marketing research information is not intuitive or haphazardly gathered. Literally, research (re-search) means ‘to search again’. The term connotes patient study and scientific investigation wherein the researcher takes another, more careful look at the data to discover all that is known about the subject.

Second, if the information generated or the data collected is to be accurate, marketing researchers must be objective. Researchers should be detached and impersonal rather than biased and attempting to support their preconceived ideas. If bias enters into the research process, the value of the research is considerably reduced. The importance of striving for objectivity cannot be over-emphasised: without objectivity, research is valueless.

This definition of marketing research is not restricted to any one aspect of the marketing mix. The objective of the research is to facilitate the managerial decision-making process for all aspects of the firm’s marketing mix: pricing, promotion, distribution and product decisions. By providing the necessary information on which to base decisions, marketing research can reduce the uncertainty of a decision and thereby decrease the risk of making the wrong decision. However, research should be an aid to managerial judgement, not a substitute for it.

Management is more than conducting marketing research; applying the research remains a managerial art. For example, a few years ago, research indicated that women who bought frozen dinners tended to lead hectic lives and had trouble coping with everyday problems. Using this information, an advertising agency developed an ad for Beef Short Cuts in Australia that showed a run-down working mother flopping into a chair just before her family was to arrive home for dinner. Suddenly realising that she had a problem, the woman had the bright idea of cooking a Beef Short Cuts meal. But the beginning of the ad turned out to be a terrible mistake. The company quickly found out that the last thing working mothers wanted to be reminded of was how tired they were. Research can suggest directions for changes in the marketing mix, but it cannot ensure the correct marketing execution.

Finally, this definition of marketing research is limited by one’s definition of marketing. Although research in the marketing area of a for-profit corporation is marketing research, a broader definition of marketing research includes non-profit organisations such as the MS Society (UK), the Singapore Art Museum and the BBC. Each of these organisations exists to satisfy social needs, and each requires marketing skills to produce and distribute the products and services that people want. Hence, marketing research may be conducted by organisations that are not business organisations. National governments, for example, perform many functions that are similar, if not identical, to those of business organisations. Public service managers may use research techniques for evaluative purposes in much the same way as managers at Samsung or Mazda. This book explores marketing research as it applies to all types of organisations and institutions that engage in some form of marketing activity.

## Research in a digital and social media age

Change is a certainty, and the tools of marketing research reflect technological evolution as much as any area of business. Later in the book, we will discuss state-of-the-art research technologies, but here we introduce the notion of digital marketing and how it works with marketing research to help shape value. **Digital marketing** is a term used to capture the various electronic, communicative technologies through which marketing enterprises (suppliers, manufacturers, retailers etc.) work together with customers towards enhancing value from interaction, including exchange and relationships.<sup>5</sup>

In the early 20th century, the widespread adoption of telephones greatly facilitated communication. In the late 20th century, optical scanners made traditional mechanical cash registers obsolete, along with band-stampers (a

**digital marketing**

The various electronic, communicative technologies through which marketing enterprises work together with customers towards enhancing value from interaction.

device used to stamp the price, in purple ink, on cans, jars and boxes in stores) and label guns, and allowed the automatic recording of all sales to be fed into computers in real time. Today, so-called smart technologies (phones, tablets, computers) are ubiquitous, enabling not only online purchases to be recorded, but app usage, search behaviour, and a consumer's whereabouts as well – all become potentially useful data.

Figure 1.1 provides an overview of how marketing research fits into the business dynamic, with a particular emphasis on digital technologies. Marketing research programs digital technologies to collect information, and that information feeds back into marketing research as consumers use various devices and applications. When a consumer creates a product review and shares it on Facebook, that review has the potential to become data in a marketing research project. Marketing strategy helps shape research questions, and the resulting research enables the design of the marketing mix. All of these activities feed directly or indirectly into consumption value. And, to the extent that marketing enables value creation, other stakeholders realise value as well. Marketing research serves as the nerve centre for the socially engaged marketing firm.

## Basic research and applied research

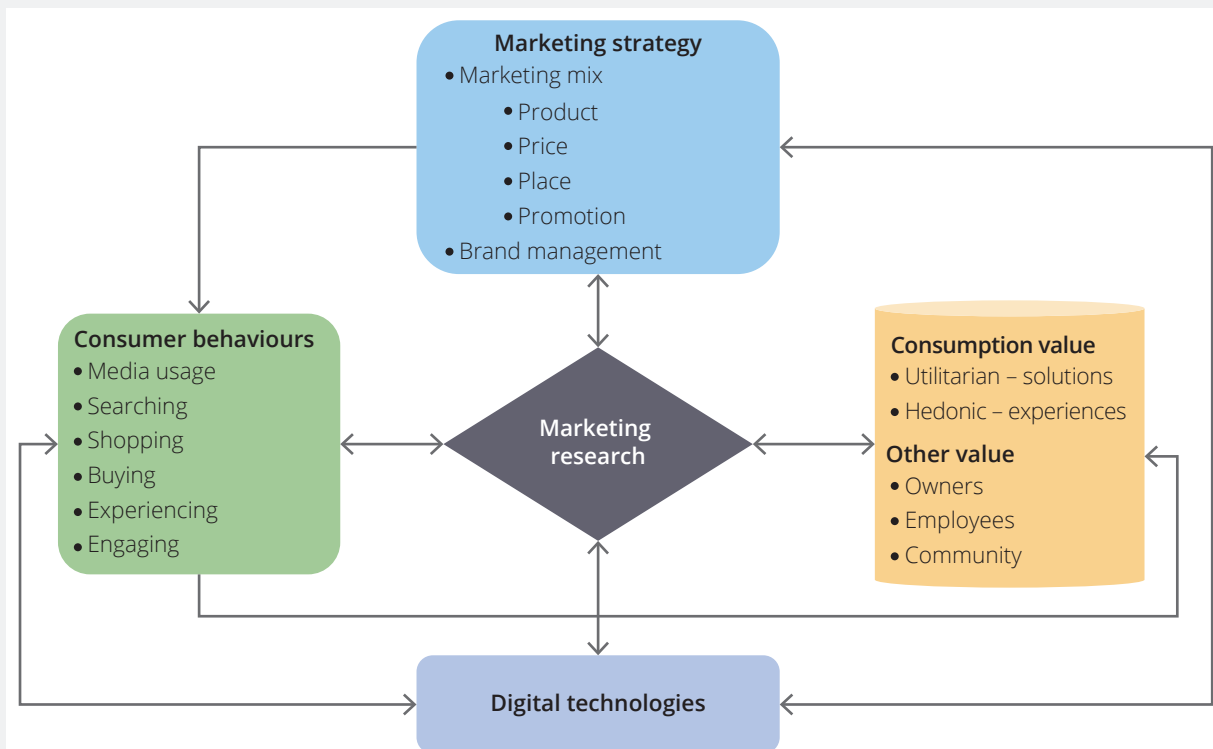
One purpose of conducting marketing research is to develop and evaluate concepts and theories. **Basic** or **pure research** attempts to expand the limits of knowledge; it is not aimed at solving a particular pragmatic problem. It has been said that there is nothing so practical as a good theory. Although this is true in the long run, basic marketing research findings generally cannot be immediately implemented by a marketing executive. Basic research is conducted to verify the acceptability of a given theory or to learn more about a particular concept. **Applied research** is conducted when a decision must be made about a specific real-life problem. Our focus is on applied research – studies that are undertaken to answer questions about specific problems or to make decisions about particular courses of action or policies.

### basic (pure) research

Research conducted to expand the limits of knowledge, to verify the acceptability of a given theory, or to learn more about a specific concept.

### applied research

Research conducted when a decision must be made about a real-life problem.



**FIGURE 1.1** » MARKETING RESEARCH IS THE NERVE CENTRE FOR THE ORGANISATION ALWAYS RECEIVING, PROCESSING AND DISTRIBUTING INFORMATION



## REAL WORLD SNAPSHOT → MADE IN POVERTY: THE TRUE PRICE OF FASHION<sup>6</sup>

Research commissioned by Oxfam, together with the Bangladesh Institute for Labour Studies and the Institute for Workers and Trade Unions in Vietnam, saw the interviewing of more than 470 workers across Bangladesh and Vietnam who supply garments for the \$23.5 billion fashion industry in Australia, including eight major fashion brands. The study showed that many workers continue to live in poverty,

struggling to feed themselves and lacking basic amenities such as running water – they earn as little as 55 Australian cents an hour. But it also estimated that paying these workers a minimum Australian wage would only add on average around 1 per cent to the cost of fashion in Australia.

Research like this is crucial as it helps drive social change into fair as well as free trade.

### DISCUSS

Why do you think Oxfam commissioned this market research study? Was this a scientific study?

#### scientific method

The techniques and procedures used to recognise and understand marketing phenomena.

Applied research is emphasised in this discussion because most students will be oriented towards the day-to-day practice of marketing management, and most students and researchers will be exposed to short-term, problem-solving research conducted for businesses or non-profit organisations.

## The scientific method

All marketing research, whether basic or applied, involves the scientific method. The **scientific method** is the way researchers go about using knowledge and evidence to reach objective conclusions about the real world. The scientific method is the same in social sciences, such as marketing, as in physical sciences, such as physics.

Figure 1.2 illustrates the scientific method. Researchers usually begin with some understanding of theory in the problem area. Consumer researchers usually are familiar with consumer behaviour theory, and by elaborating on this theory and/or combining theoretical knowledge with pure discovery, research questions emerge. Discovery can involve any means of idea generation, including exploratory techniques that we will discover later or even ‘Eureka!’ types of experiences, such as when the apple fell on Newton’s head! The early stages of the research process in particular work better when creative thinking is applied. A host of creative thinking tools exist that managers and researchers can and should apply. The researcher then develops formal research hypotheses that play a vital role throughout the remainder of the process. The next step involves testing hypotheses against empirical evidence (facts from observation or experimentation). The results either support a particular hypothesis or they do

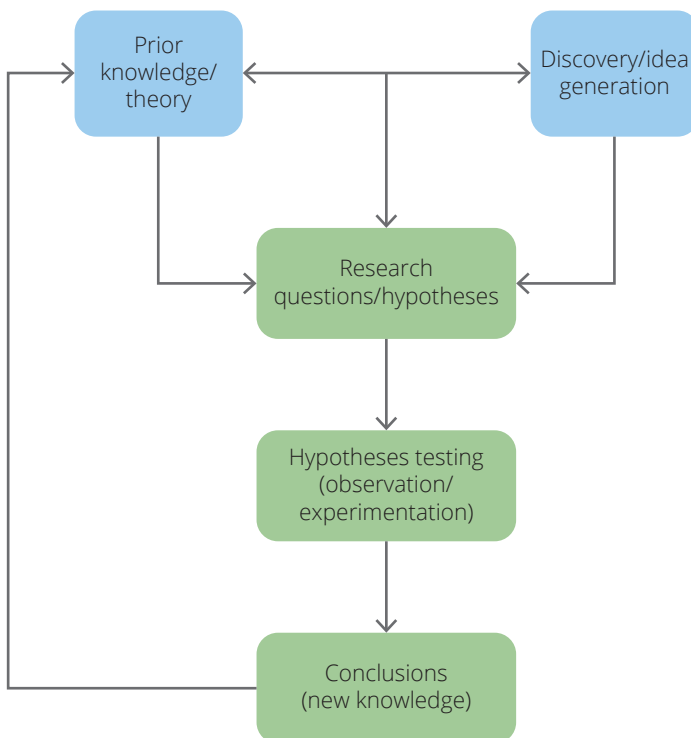


FIGURE 1.2 » THE SCIENTIFIC METHOD

not, and from these results, new knowledge is acquired that may lead to a new theory or the modification of an existing theory.

Use of the scientific method in applied research ensures objectivity in gathering facts and testing creative ideas for alternative marketing strategies. In basic research, scientific research contributes to conclusions that, over time, contribute to the development of general laws about phenomena like price and value. The scientific method is the philosophy and way of doing scientific research, the results of which are the basis for knowledge growth and better decision-making.

## L02 THE MANAGERIAL VALUE OF MARKETING RESEARCH FOR STRATEGIC DECISION-MAKING

Effective marketing management requires research. Mastercard found that acceptance of new mobile payment technology (PromptPay) in Thailand was only successful due to detailed anthropological research of some 5–6 hours per family.<sup>7</sup> The research showed that in rural Thailand, the reliance on cash and government payments meant delays and trips into towns. The political situation in that country also made trust of any institution a concern for the population. The research also used local anthropologists to understand particular local cultural nuances. The result was that the research helped build trust with rural people, and the PromptPay mobile technology was introduced with them in mind. For example, PromptPay was modified to pay utility bills, which was an issue for many in rural Thailand as it had to be linked to banks that charge higher fees. The research also revealed a desire for simplicity and automation, without the need to enter details repeatedly. It led to an increase in PromptPay users (as of November 2018) to 44.5 million people (from a population of 69 million), with 765 million transactions and 3.9 trillion baht in money transfers.

While the previous example shows the value of proper market research to society and business, we can explore the importance of market research in developing and implementing a marketing strategy in four stages:

- 1 identifying and evaluating opportunities
- 2 analysing market segments and selecting target markets
- 3 planning and implementing a marketing mix that will satisfy customers' needs and meet the objectives of the organisation
- 4 analysing marketing performance.

### EXPLORING RESEARCH ETHICS → IS NEUROMARKETING RIGHT OR WRONG?<sup>8</sup>

Market researchers are now turning to the relatively new technologies of EEGs (electroencephalograms), fMRI (functional magnetic resonance imaging), galvanic skin response measures and eye-tracking tools to measure the hierarchy of effects of consumer emotion driving consumption, rather than relying on traditional methods such as focus groups and surveys. This approach is often called *neuromarketing*. Experimental research suggests that consumers are more likely to believe that neuromarketing is ethical, even if it breaches concerns of privacy and informed consent, when it is used for a not-for-profit organisation (e.g., an organisation seeking to reduce alcohol consumption



Source: iStockphoto.com/Inspiration



among university students) rather than a profit-orientated company (e.g., a brewery targeting university students). In fact, around 60 per cent of respondents reacted favourably

to the use of neuromarketing techniques, despite their concerns, when it was used by a not-for-profit organisation.

## DISCUSS

Does this case convince you that this type of research is ethical? What is the reason for this? What does your local code of market research practice say about ethics and consent in this case?

## Identifying and evaluating opportunities

Before developing a marketing strategy, an organisation must ask where it wants to go and how to get there. Marketing research can help answer these questions by investigating potential opportunities to identify attractive areas for company action.

Marketing research may provide diagnostic information about what is occurring in the environment. A mere description of some social or economic activity, such as trends in consumer purchasing behaviour, may help managers to recognise problems and identify opportunities for enriching marketing efforts.

An excellent example of this is recent worldwide research in Formula One (F1) motor racing.<sup>9</sup> The research took place across nine international markets – Australia, Brazil, China, Germany, Italy, Russia, Saudi Arabia, the United Kingdom and the United States – and in its first year, TV audiences increased by 6 per cent across key markets and F1 became the fastest-growing global sports social media platform. The research focused on the audience experience of an F1 event, what it really feels like through the eyes of a fan, which was showcased on social media such as Facebook. It involved several extensive survey research studies of 1000 respondents in each of the nine key markets – in-depth filmed interviews with fans. The results were used in more-targeted messages, sent to fans around the globe, and showcased with international partners. The research was clearly effective, with audiences increasing globally by 11 per cent in 2017.

A second example is a research study on running shoes, the purpose of which was to investigate the occasions or situations associated with product use – that is, when individuals wore their running shoes. The researchers found that most owners of running shoes wore shoes while walking, not running. Also, most of this walking was part of a regular daily activity like shopping or commuting to work. Many of the people who wore running shoes for routine activities considered the shoes an alternative to other casual shoes. This research ultimately led to the development of the walking shoe designed for comfortable, everyday walking.<sup>10</sup>

Market opportunities may be evaluated using many performance criteria. For example, the performance criterion of market demand typically is estimated using marketing research techniques.

Estimates of market potential or predictions about future environmental conditions allow managers to evaluate opportunities. Accurate sales forecasts are among the most useful pieces of planning information a marketing manager can have. Complete accuracy in forecasting the future is not possible because change is continually occurring in the marketing environment. Nevertheless, objective forecasts of demand or changing environments may be the foundations on which marketing strategies are built.

## Analysing and selecting target markets

The second stage of marketing strategy development is to analyse market segments and select target markets. Marketing research is a significant source of information for determining which characteristics of market segments distinguish them from the overall market.

Market segmentation studies can be used, for example, to identify new segments of ecologically friendly foods, and sometimes results may provide management with more significant insights into market choice. For example,

research on the adoption of microalgae spirulina foods as a protein supplement showed that ecological concerns were not the reasons why the consumer would try and adopt such foods.<sup>11</sup> Instead, it was consumers' health-consciousness, which was true for segments labelled 'foodies', 'vegetarians', 'sporting' and food 'enjoyers'. Food neophobia, or being scared of trying new foods, was found to be a factor of choice for 'foodies' and 'enjoyers', but not for the other segments. Marketers of such new foods therefore need to take into account the fact that different motivations to try and avoid new foods exist and vary by market segment.

## Planning and implementing a marketing mix

Using the information obtained in the two previous stages, marketing managers plan and execute a marketing mix strategy. However, marketing research may be needed to support specific decisions about virtually any aspect of the marketing mix. Often, the research is conducted to evaluate an alternative course of action. For example, research on car sharing in London showed that guaranteed advance registration (GAR) was an important factor in using this service. Respondents who had the personality of being 'conscientious' were more likely to pay more for GAR. The research also found that respondents exhibited risk-seeking behaviour towards price (they associated a higher price with less risk) and weaker and insignificant risk-aversion towards walking time as the alternative.<sup>12</sup>

Managers face many different decisions about marketing mixes. The following examples highlight selected types of research that might be conducted for each element of the marketing mix.

### Product research

Product research takes many forms and includes studies designed to evaluate and develop new products and to learn how to adapt existing product lines. Concept testing exposes potential customers to a new product idea to judge the acceptance and feasibility of the concept. Product testing reveals a product prototype's strengths and weaknesses or determines whether a finished product performs better than competing brands or according to expectations. Brand-name evaluation studies investigate whether a name is appropriate for a product. Package testing assesses the size, colour, shape, ease of use and other attributes of a package. Product research encompasses all applications of marketing research that seek to develop product attributes that will add value for consumers.

Research on the food preferences of consumers in South-East Asia, for example, has shown that consumers in Japan prefer halal-certified food – not for any religious reason, but because such certification evokes trust and confidence concerning the cleanliness of the food.<sup>13</sup> The Kantar Global Monitor survey also showed that taste preferences are evolving: 80 per cent of consumers in Thailand said they look for new experiences and sensations in food, followed by 76 per cent of consumer in India, 69 per cent in Indonesia and 58 per cent in China and Singapore. Counterbalancing this is that consumers in these markets had pride and interest in their national food traditions.

Sometimes, market research can show that consumers use simple rules when selecting products. Research on what factors determine beef consumption found one of the most important reasons to be that the beef was locally sourced; this explained 60 per cent of choices. Consumers saw anything up to a 96-kilometre distance from the source to the outlet as being local.<sup>14</sup>

### Pricing research

Most organisations conduct pricing research. A competitive pricing study is a typical marketing research project of this type. However, research designed to learn the ideal price for a product, or to determine if consumers will pay a price high enough to cover the cost, is not uncommon.

For example, research suggests that consumers are willing to pay a higher price for national/global brands compared with private or retailer brands in the short term, but as private brands mature and become more well known, these differences become insignificant.<sup>15</sup>

Positive online word of mouth (eWOM) of a service – in this case, group tours in Japan – has been found to increase the level of acceptable prices to consumers, while negative eWOM decreases the level of acceptable prices. Interestingly, when eWOM was mixed, containing both positive and negative reviews, its effect on acceptable prices

fell between that of examples of positive and negative eWOM. Lower prices were also not enough to reduce the perceived risk of service with a negative eWOM.<sup>16</sup>

Research may answer many questions about price. Is there a need for seasonal or quantity discounts? Are coupons more effective than price reductions? Is a brand price elastic or price inelastic? How much of a price difference is optimal to differentiate items in the product line?



## REAL WORLD SNAPSHOT → HOW LEGO BECAME HOT AGAIN<sup>17</sup>

The success of *The Lego Movie* and Lego sales concurrently at an all-time high suggest that the company understands its consumers well. However, this was not always the case. Just a decade ago, sales of Lego were at an all-time low; the company was losing US\$1 million a day and posting record losses. Lego then engaged a market research firm, specialising in anthropological research, to observe the roots of play of its customers (parents and children) in their

own homes. These teams of anthropological researchers observed play in homes in Los Angeles, New York, Chicago, Munich and Hamburg. They made photo diaries and interviewed parents and their children. The research revealed that play habits had not changed; children just wanted the freedom to experiment on their own with Lego and build something masterful, or as the CEO of Lego Paal Smith-Meyer put it, 'Lego takes time'.

### DISCUSS

Outline any possible ethical issues involved in this research. Consult market research industry codes and privacy legislation in your region.

## Distribution research

Golden Books traditionally distributed its small hardcover children's books with golden spines to upmarket book retailers. When it researched where its customers would prefer to purchase Golden Books, the company learned that mass merchandisers, supermarkets and pharmacies would be just as popular distribution channels as the upmarket stores. Tesco, Sogo and Marks & Spencer are among the many major retailers that have researched home shopping services via the Internet. New interactive media, virtual reality and lower costs of home delivery as a means of distribution have the potential to revolutionise channel-of-distribution systems, and millions of dollars are being spent to research this alternative. Although most distribution research does not have the dramatic impact of the research on Internet shopping systems, research focused on developing and improving the efficiency of channels of distribution is essential to many organisations.

A typical study in the distribution area may be conducted to select retail sites or warehouse locations. A survey of retailers or wholesalers may be conducted because the actions of one channel member can significantly affect the performance of other channel members. Distribution research often is needed to gain knowledge about retailers' and wholesalers' operations, and to learn their reactions to a manufacturer's marketing policies.

Sometimes, market research can identify new opportunities for retailers and marketers in regional areas. This is very much the case in regional and rural Australia, where 38 per cent of the country's population live (8.8 million people), and who have a higher yearly spend on groceries (\$93 000) than their metropolitan counterparts. The media costs of reaching this market are also substantially lower than in the capital cities of Australia.<sup>18</sup>

## Promotion research

Research that investigates the effectiveness of premiums, coupons, sampling deals and other sales promotions is classified as promotion research. Promotion research includes buyer motivation studies to generate ideas for copy

development, media research, and studies of advertising effectiveness. However, the most time, money and effort are spent on advertising research.

Marketing research findings have found that different appeals are effective in mainland cities like Shanghai and Hong Kong. Both regions preferred advertisements that were entertaining, but Shanghai people preferred more realistic advertisements and not those that made people look stupid compared to those in Hong Kong. Shanghai viewers also preferred advertisements that were more stylish and classy than those in Hong Kong.<sup>19</sup> Based on such research, marketers therefore need to adopt separate media campaigns for regions within China.

Media research helps an advertiser decide whether television, newspapers, magazines or other media are best suited to convey the advertiser's message. Choices among media alternatives may be based on research that shows how many people in the target audience each advertising vehicle can reach. Although the population of New Zealand is small, at around 4.5 million, there are a number of local newspapers that are widely read by many local communities, and these are not owned by the two dominant publishing groups. Consumers believe they reinforce a sense of belonging, and they are likely to purchase products and services from companies that advertise in them.

Research in Japan suggests that most Japanese favour the 15-second advertising slot for image-based and peripheral messages. Long commute times of around 70 minutes a day to the office mean they have ample time to read newspapers and magazines. Therefore, marketers in Japan, based on this research, run two campaigns: an awareness and corporate branding campaign on television, and a more detailed and informative campaign in print.

## The integrated marketing mix

The individual elements of the marketing mix do not work independently. Hence, many research studies investigate various combinations of marketing ingredients to gather information to suggest the best possible marketing program.

## Analysing marketing performance

After a marketing strategy has been implemented, marketing research may serve to inform managers whether planned activities were executed correctly and are accomplishing what they were expected to achieve. In other words, marketing research may be conducted to obtain feedback for the evaluation and control of marketing programs. This aspect of marketing research is especially crucial for successful total quality management.

**Performance-monitoring research** refers to research that regularly, sometimes routinely, provides feedback for the evaluation and control of marketing activity. For example, most firms continuously monitor wholesale and retail activity to ensure early detection of sales declines and other anomalies. In the grocery and pharmaceutical industries, sales research may use Universal Product Codes (UPC) on packages read by electronic cash registers and digital checkout counters to provide valuable market-share information to store and brand managers interested in the retail sales volumes of their products. Market-share analysis and sales analysis are the most common forms of performance-monitoring research. Almost every organisation compares its current sales with previous sales and with competitors' sales. However, analysing marketing performance is not limited to the investigation of sales figures.

Other forms of performance-monitoring research include the 'Tell Coles' customer feedback surveys and research on the Victorian Child Protection Agency, using the exit surveys of past staff to identify potential problems within the organisation. In many universities today, student surveys on unit evaluation and teaching form a vital part of the performance-monitoring process of teaching.

Increasingly, the evaluation of health programs is also conducted by market research companies: another type of performance monitoring. When analysis of marketing performance indicates that things are not going as

### performance-monitoring research

Research that regularly provides feedback for the evaluation and control of marketing activity.

planned, marketing research may be required to explain why something went wrong. Detailed information about specific mistakes or failures is frequently sought. If a general problem area is identified, breaking down industry sales volume and a firm's sales volume into different geographical areas may explain specific problems. Exploring problems in greater depth may indicate which managerial judgements were erroneous.

### LO3 WHEN IS MARKETING RESEARCH NEEDED?

A marketing manager confronted with two or more alternative courses of action faces the initial decision of whether or not to conduct marketing research. The determination of the need for marketing research centres on:

- 1 time constraints
- 2 the availability of data
- 3 the nature of the decision to be made
- 4 the benefit of the research information in relation to costs.

#### Time constraints

Systematic research takes time. In many instances, management believes that a decision must be made immediately, allowing no time for research. Decisions sometimes are made without adequate information or a thorough understanding of market situations. Although making decisions without researching a situation is not ideal, sometimes the urgency of a situation precludes the use of research.

#### Availability of data

Often, managers already possess enough information to make sound decisions without marketing research. When they lack adequate information, however, research must be considered. Managers must ask themselves if the research will provide the information needed to answer the fundamental questions about a decision. Furthermore, if a potential source of data exists, managers will want to know how much it will cost to obtain the data.

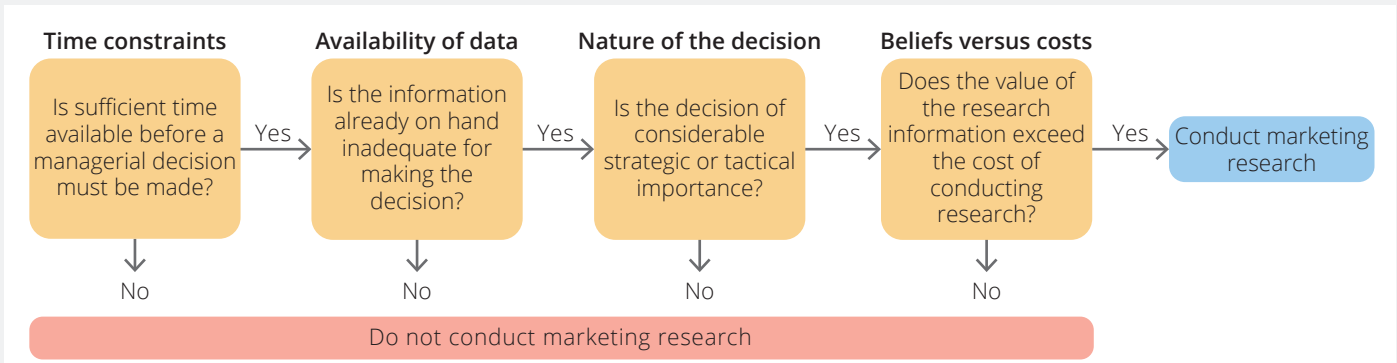
If the data cannot be obtained, research cannot be conducted. For example, many African nations have never conducted a population census. Organisations engaged in international business often find that data about the business activity or population characteristics that are readily available in the Western world are non-existent or sparse in developing countries. Imagine the problems facing marketing researchers who wish to investigate the market potential in places such as East Timor and Rwanda.

#### Nature of the decision

The value of marketing research will depend on the nature of the managerial decision to be made. A routine tactical decision that does not require a substantial investment may not seem to warrant a substantial expenditure for marketing research. For example, a computer company must update its operator's instruction manual when it makes minor product modifications. The research cost of determining the proper wording to use in the updated manual is likely to be too high for such a minor decision. The nature of the decision is not totally independent of the next issue to be considered: the benefits versus the costs of the research. In general, however, the more strategically or tactically important the decision, the more likely it is that research will be conducted.

#### Benefits versus costs

There are both costs and benefits of conducting marketing research. Earlier, we discussed some of the managerial benefits of marketing research. Of course, conducting research to obtain these benefits requires an expenditure of money. In any decision-making situation, managers must identify alternative courses of action and then weigh the value of each alternative against its cost. Marketing research can be thought of as an investment alternative. When



**FIGURE 1.3 » DETERMINING WHEN TO CONDUCT MARKETING RESEARCH**

deciding whether to make a decision without research or to postpone the decision in order to conduct research, managers should ask three questions:

- 1 Will the payoff or rate of return be worth the investment?
- 2 Will the information gained by marketing research improve the quality of the marketing decision enough to warrant the expenditure?
- 3 Is the proposed research expenditure the best use of the available funds?

For example, the development of the Mazda MX-5 or Miata sports car was conducted without detailed marketing research. The Japanese product development team wanted to present management with a fully working model that met engineering and design innovations, rather than being constrained by more conservative market research findings. The team was also worried that upper management might not have accepted on paper what was, for the company, a radical design. The MX-5, unlike other Mazdas at the time, had a rear-wheel drive, which meant it would be a risky proposition since production costs would be higher. However, since its launch in the late 1980s the car has been an unqualified success. Nowadays though, Mazda, in the development of new MX-5 models, conducts more detailed marketing research, especially with respect to body shape and design.

Nevertheless, without the luxury of hindsight, managers made a reasonable decision not to conduct research. They analysed the cost of the information (that is, the cost of test marketing) relative to the potential benefits of the information. The situation is different now as Mazda may have more to lose in terms of sales of a famous brand than was the case in the past when the MX-5 was initially designed as a car for the speciality market. [Figure 1.3](#) outlines the criteria for determining when to conduct marketing research.

## L04 MARKETING RESEARCH IN THE TWENTY FIRST CENTURY

Marketing research, like all business activity, has been strongly influenced by two significant trends in business: increased globalisation, and the rapid growth of the Internet and other information technologies. These trends will continue, and likely accelerate, as the 21st century progresses. We consider their significance in marketing research here.

### Global marketing research

Marketing research has become increasingly global. Some companies have extensive international marketing research operations. Upjohn conducts marketing research in 160 different countries. Nielsen, known for its television ratings, is the world's largest marketing research company; two-thirds of its business comes from outside the United States.

Companies that conduct business in foreign countries must understand the nature of those particular markets and judge whether they require customised marketing strategies. For example, although the nations of the European Union share a single formal market, marketing research shows that Europeans do not share identical tastes for many consumer products. Marketing researchers have found no such thing as a typical European consumer: language, religion, climate and centuries of tradition divide the nations of the European Union. A British firm that advised companies on colour preferences found inexplicable differences in Europeans' preferences in medicines. The French prefer to pop purple pills, but the British and Dutch favour white ones. Consumers in all three countries dislike bright red capsules, which are big sellers in the United States. This example illustrates that companies that do business in Europe must judge whether they need to adapt to local customs and buying habits.<sup>20</sup>

Although the nature of marketing research can differ around the globe, the need for marketing research is universal. Throughout this book we discuss the practical problems involved in conducting marketing research in Asia, Europe, the Middle East and elsewhere.

## Communication technologies

Virtually everyone is 'connected' today. And increasingly, many people are 'connected' nearly all the time. The typical university student spends several hours a day on YouTube, Facebook and other social networking sites that connect them to content and to others. Each move provides access to information but also leaves a record of data that tells a great deal about that particular consumer. Across the United States, Walmart gathers and stores more data every hour (about 3 petabytes) than exists in the collections of the Library of Congress. The amount of data now is not discussed in terms of megabytes or terabytes, but zetabytes (1 sextillion bytes – 1 and 21 zeros).

The speed with which people exchange information continues to increase. During the 1970s, exchanging information overnight from anywhere in the continental United States was heralded as a near miracle of modern technology. Today, we can exchange information from nearly anywhere in the world to nearly anywhere else in the world almost instantly. A researcher can get on Skype, WhatsApp or FaceTime and interview decision-makers anywhere as long as an Internet connection is present. Our smart devices enable us to converse, but they also serve as a means of communication that can even involve marketing research data. Marketing researchers arm trained interviewers with iPads and similar devices that can display graphic images to respondents and provide a structured guide to the interview. Thus, the expressions 'time is collapsing' and 'distance is disappearing' capture the tremendous revolution in the speed and reach of our communication technologies.

As recently as the 1970s, most computer applications required expensive mainframe computers found only in huge corporations, major universities and large governmental/military institutions. Researchers could expect to wait hours or even longer to get results from a statistical program involving 200 respondents. Today, even the most basic laptop computers can solve complicated statistical problems involving hundreds of thousands of data points in practically a nanosecond. Small, inexpensive appliances like a smartphone access software and data existing on a cloud (large servers that supply information and software to large numbers of Internet users), reducing the need for specialised software and conventional personal computers. More and more, all manner of appliances like refrigerators, air conditioners and even light globes deposit information in a database.

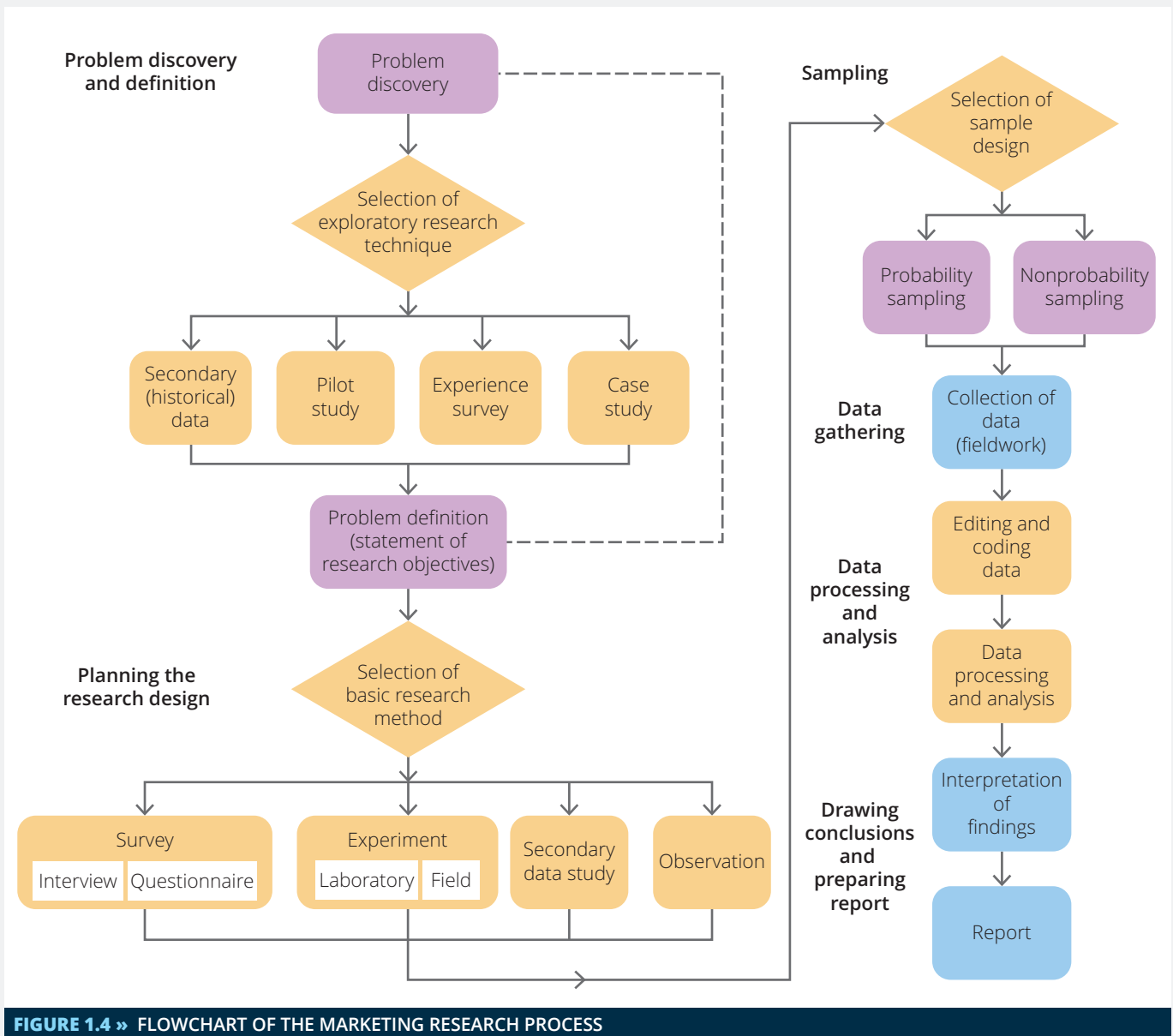
## LO5 STAGES IN THE RESEARCH PROCESS

As previously noted, marketing research can take many forms, but a systematic inquiry is a common thread. Systematic inquiry requires careful planning of an orderly investigation. Marketing research, like other forms of scientific inquiry, involves a sequence of highly interrelated activities. The stages of the research process overlap continuously, and it is somewhat of an oversimplification to state that every research project has precisely the same ordered sequence of activities. Nevertheless, marketing research often follows a general pattern. The stages are:

- 1 defining the problem
- 2 planning a research design

- 3 planning a sample
- 4 collecting the data
- 5 analysing the data
- 6 formulating the conclusions and preparing the report.

For example, the objectives of the research outlined in the problem definition will have an impact on the selection of the sample and how the data will be collected. The decision concerning who will be sampled will affect the wording of questionnaire items. If the research concentrates on respondents with low educational levels, the wording of the questionnaire will be more straightforward than it would be if the respondents were university graduates. Figure 1.4 portrays these six stages as a cyclical, or circular-flow, process. The circular-flow concept is used



**FIGURE 1.4** » FLOWCHART OF THE MARKETING RESEARCH PROCESS



because the conclusions from research studies usually generate new ideas and problems that need to be investigated.

Note that the organisation of this textbook follows each stage in the research process, with Chapter 2, which discusses defining the problem, followed by a series of chapters on research designs such as exploratory/qualitative research (Chapter 3), secondary research (Chapter 4), survey research (Chapter 5), observational research (Chapter 6) and experiments (Chapter 7). This is then followed by a discussion of measurement (Chapter 8) and questionnaire design (Chapter 9). Chapters 3 to 9 thus make up the section of the text that addresses planning a research design. The next step, collecting a sample, is addressed in Chapter 10. Chapter 11 deals with the following step in the research process: data preparation. Chapters 12, 13, 14 and 15 discuss analysing data, with an overview of fundamental to advanced statistical analysis. Finally, Chapter 16 discusses the presentation of research reports, including deriving important conclusions for managers.

Note that there is no one overall approach (methodology) – in terms of research design, means of collecting data, analysing data and presenting findings – that is perfect. In each stage of the research process, decisions and trade-offs must be made under constrained budgets and times. What can be said is that some research designs, samples, means of collecting data, analysis and market research reports are better than others. The choices a researcher must make throughout the research process are discussed briefly in the next section and in greater detail throughout this textbook.

## Alternatives in the research process

The researcher must choose among a number of alternatives during each stage of the research process. The research process can be compared to a map. On a map, some paths are better charted than others, some are difficult to travel, and some are more interesting and beautiful than others. Rewarding experiences may be gained during the journey. It is important to remember that there is no single right or best path for all journeys. The road one takes depends on where one wants to go and the resources (money, time, labour and so on) available for the trip. The map analogy is useful for the marketing researcher because, at each stage of the research process, there are several paths to follow. In some instances, the quickest path will lead to appropriate research because of time constraints. In other circumstances, when money and human resources are plentiful, the appropriate path may be quite different. Exploration of the various paths of marketing research decisions is the primary purpose.

The following sections briefly describe the six stages of the research process. (Each stage is discussed in greater depth in later chapters.) **Figure 1.4** shows the decisions that researchers must make in each stage. This discussion of the research process begins with problem discovery and definition because most research projects are initiated to remedy managers' uncertainty about some aspect of the firm's marketing program.

### Discovering the problem

**Figure 1.4** shows that the research process begins with *problem discovery*. Identifying the problem is the first step towards its solution. In general usage, the word 'problem' suggests that something has gone wrong. Actually, the research task may be to clarify a problem, define an opportunity, or monitor and evaluate current operations. The concept of problem discovery and definition must encompass a broader context that includes analysis of opportunities. It should be noted that the initial stage is *problem discovery* rather than *definition*. The researcher may not have a clear-cut statement of the problem at the outset of the research process; often, only symptoms of the problem are apparent at that point. Sales may be declining, but management may not know the exact nature of the problem. Thus, the problem statement often is made only in general terms; what is to be investigated is not yet explicitly identified.

### Defining the problem

In marketing research, the adage 'a problem well defined is a problem half-solved' is worth remembering. This adage emphasises that an orderly definition of the research problem lends a sense of direction to the investigation.

A decision-maker must recognise the nature of the problem or opportunity, identify how much information is available, and determine what information is needed. The significant aspects of defining a problem in market research are the degrees of certainty and uncertainty, and the level of ambiguity.

## Certainty

Complete certainty means that all the information the decision-maker needs is available; the decision-maker knows the exact nature of the marketing problem or opportunity. For example, an advertising agency may need to know the demographic characteristics of subscribers to magazines in which it may place a client's advertisements. The agency knows exactly what information it needs and where to find the information. If a manager is entirely sure about both the problem or opportunity and future outcomes, then research may not be needed at all. However, perfect certainty, especially about the future, is rare.

## Uncertainty

Uncertainty means that the manager grasps the general nature of desired objectives, but the information about alternatives is incomplete. Predictions about forces that shape future events are educated guesses. Under conditions of uncertainty, effective managers recognise that spending additional time to gather information to clarify the nature of a decision can be valuable.

## Ambiguity

Ambiguity means that the nature of the problem to be solved is unclear. Objectives are vague, and decision alternatives are difficult to define. This is by far the most challenging decision situation.

Marketing managers face a variety of problems and decisions. Complete certainty and predictable future outcomes may make marketing research a waste of time. However, under conditions of uncertainty or ambiguity, marketing research becomes more attractive to the decision-makers. The more ambiguous a situation is, the more likely it is that additional time must be spent on marketing research.

Careful attention to the **problem definition stage** allows the researcher to set the proper research objectives. If the purpose of the research is clear, the chances of collecting necessary and relevant information and not collecting surplus information will be much higher.

To be efficient, marketing research must have clear objectives and definite designs. Unfortunately, little or no planning goes into the formulation of many research problems. One example is the low uptake of electric cars in many countries. Research in the United Kingdom suggests that motorists are hesitant to switch to electric cars because of concerns about the lack of charging points and the perceived cost of replacing the battery. For car manufacturers, the concern is over the lack of a standard interchangeable battery across models.<sup>21</sup>

It should be emphasised that the word 'problem' refers to the managerial problem (which may be a lack of knowledge about consumers or advertising effectiveness) and the information needed to help solve the problem. Defining the problem must precede the determination of the purpose of the research. Frequently, the marketing researcher will not be involved until line management has discovered that some information about a particular aspect of the marketing mix is needed. Even at this point, the exact nature of the problem may be poorly defined. Once a problem area has been discovered, the marketing researcher can begin the process of precisely defining it.

Although the problem definition stage of the research process probably is the most important one, it frequently is a neglected area of marketing research. Too many researchers forget that the best place to begin a research project is at the end. Knowing what is to be accomplished determines the research process. An error or omission in problem definition is likely to be a costly mistake that cannot be corrected in the later stages of the process. Chapter 2 discusses the problem definition in greater detail.

Marketing research provides information to reduce uncertainty. It helps focus on decision-making. Sometimes, marketing researchers know exactly what their marketing problems are and design careful studies to test specific hypotheses. For example, a soft-drink company introducing a new clear cola might want to know whether a gold

### problem definition stage

The stage in which management seeks to identify a clear-cut statement of the problem or opportunity.

or a silver label would make the packaging more effective. This problem is fully defined, and an experiment may be designed to answer the marketing question with little preliminary investigation.

In more ambiguous circumstances, management may be totally unaware of a marketing problem. For example, McDonald’s may notice that Mo’s Burgers, a competitor in the Japanese market, has introduced Mo’s Roast Katsu Burger, a roast pork cutlet drenched in traditional Japanese katsu sauce and topped with shredded cabbage. The managers may not understand much about Japanese consumers’ feelings about this menu item. Some exploratory research may be necessary to gain insights into the nature of such a problem. To understand the variety of research activity, it is beneficial to categorise types of marketing research.

Marketing research can be classified on the basis of either technique or function. Experiments, surveys and observational studies are just a few conventional research techniques. Classifying research, by its purpose or function, shows how the nature of the marketing problem influences the choice of methods. The nature of the problem will determine whether the research is (1) exploratory, (2) descriptive or (3) causal.



### Selection of the basic research method

Here again, the researcher must make a decision. Figure 1.5 shows the three basic techniques of exploratory, descriptive and casual research. A number of approaches can be taken for each type of research design. For exploratory research, it is usually qualitative research (see Chapter 3). With descriptive research, this can be done through surveys (see Chapter 5). Casual research is usually done by experiments or test markets (see Chapter 7). The objectives of the study, the available data sources, the urgency of the decision and the cost of obtaining the data will determine which method should be chosen. The managerial aspects of selecting the research design will be considered later.

### Uncertainty influences the type of research

The uncertainty of the research problem is related to the type of research project. Figure 1.5 illustrates that exploratory research is conducted during the early stages of decision-making when the decision situation is ambiguous, and management is very uncertain about the nature of the problem. When management is aware of the problem but lacks some knowledge, descriptive research is usually conducted. Causal research requires sharply defined problems.

### Statement of research objectives

A researcher must initially decide precisely what to research. After identifying and clarifying the problem, with or without exploratory research, the researcher should make a formal statement of the problem and the research objectives. This statement delineates the type of information that should be collected and provides a framework for the scope of the study.

A typical research objective might seek to answer a question such as: ‘To what extent did the new pricing program achieve its objectives?’ In this sense, the statement of the problem is a research question.

**FIGURE 1.5 » RELATIONSHIP OF UNCERTAINTY TO TYPES OF MARKETING RESEARCH**

	<b>Exploratory research (ambiguous problem)</b>	<b>Descriptive research (partially defined problem)</b>	<b>Causal research (problem clearly defined)</b>
Possible situation	‘Our sales are declining, and we don’t know why.’	‘What kind of people are buying our product? Who buys our competitors’ products?’	‘Will buyers purchase more of our product in a new package?’
	‘Would people be interested in our new product idea?’	‘What features do buyers prefer in our product?’	‘Which of the two advertising campaigns is more effective?’

Note: The degree of uncertainty of the research problem determines the research methodology.

The best expression of a research objective is a well-formed, testable research hypothesis. A hypothesis is a statement that can be refuted or supported by empirical data. For example, an exploratory study might lead to the hypothesis that a market share decline recognised by management is occurring predominantly among households in which the head of the household is 45 to 65 years old with an income of £30 000 per year or less. Another hypothesis might be that concentrating advertising efforts in monthly waves (rather than conducting continuous advertising) will cause an increase in sales and profits. Once the hypothesis has been developed, the researcher is ready to select a research design.

## Planning the research design

After the researcher has formulated the research problem, the **research design** must be developed as part of the **research design stage**. A research design is a master plan that specifies the methods and procedures for collecting and analysing the needed information; it is a framework for the research plan of action. The objectives of the study determined during the early stages of the research are included in the design to ensure that the information collected is appropriate for solving the problem. The researcher also must determine the sources of information, the design technique (survey or experiment, for example), the sampling methodology, and the schedule and cost of the research.

## Exploratory research

**Exploratory research** usually is conducted during the initial stage of the research process. This is generally qualitative research. The preliminary activities undertaken to refine the problem into researchable form need not be formal or precise. Exploratory research is not intended to provide conclusive evidence from which to determine a particular course of action. Mostly exploratory research is conducted with the expectation that subsequent research will be required to provide such conclusive evidence. Rushing into detailed surveys before less expensive and more readily available sources of information have been exhausted can lead to severe mistakes.

Marketing researchers must be aware of potential problems when deciding precisely what research design will best solve their research problems.

### research design

A master plan that specifies the methods and procedures for collecting and analysing needed information.

### research design stage

The stage in which the researcher determines a framework for the research plan of action by selecting a basic research method.

### exploratory research

Initial research conducted to clarify and define a problem.

## REAL WORLD SNAPSHOT → HOW REALISTIC ARE RESEARCH RESULTS?

Many managers view consumer research as a necessary precursor to product introduction. Unfortunately, innovative products that lack much in common with existing products often prove this attitude to be wrong. Hairstyling mousse is now a massive hit, yet its initial US market tests flopped. People said it was 'goopy and gunky', and that they did not like its feel when it 'mooshed' through their hair. Similarly, when the telephone answering machine was consumer tested, it faced an almost universally adverse reaction, since most individuals felt that using a mechanical device to answer a phone was rude and disrespectful. Eventually, of course, many people regarded their answering machines as indispensable and dreaded scheduling daily activities without them – until the advent of mobile devices, that is. In the same vein, the computer mouse flunked its initial



testing. Surveys indicated that potential customers found it awkward and unnecessary.

Surveys about new food products face terrible problems. A person's desire for food is powerfully influenced by the ambience of the location, dining companions, and what foods were eaten recently, all of which confound and confuse the results of survey research. Even more erratic results come from studies of children's

food, such as a new cereal or snack. Kids' responses are strongly swayed by how well they like the people doing the test and the playthings available. Worse, kids quickly change their minds, and in a taste test of several foods a child can judge one food the best but an hour later proclaim the same food 'icky'.

## DISCUSS

After reading this, and then the chapter, explain how you think market research can provide more realistic results?

For example, suppose a Chinese fast-food restaurant chain is considering expanding its hours and product line with a breakfast menu. Exploratory research with a small number of current customers might find a strong negative reaction to eating a spicy vegetable breakfast at a Chinese fast-food outlet. Thus, exploratory research might help crystallise a problem and identify the information needed for future research.

The purpose of the exploratory research process is to progressively narrow the scope of the research topic and transform ambiguous problems into well-defined ones that incorporate specific research objectives. By investigating any existing studies on the subject, talking with knowledgeable individuals and informally investigating the situation, the researcher can progressively sharpen the concepts. After such exploration, the researcher should know accurately which data to collect during the formal phases of the project and how to conduct the project. Figure 1.4 indicates that managers and researchers must decide whether to use one or more exploratory research techniques. As Figure 1.4 indicates, this stage is optional.

The marketing researcher can employ techniques from four fundamental categories to obtain insights and gain a clearer idea of the problem: secondary data analysis, pilot studies, case studies and experience surveys. Here, we will briefly discuss secondary data and focus group interviews, the most popular type of pilot study.

## Secondary data

Secondary data, or historical data, is data previously collected and assembled for some project other than the one at hand. (Primary data are data gathered and assembled specially for the project at hand.) Secondary data often can be found inside the company, at a public or university library, or on the Internet. In addition, some firms specialise in providing various types of information, such as economic forecasts, that are useful to many organisations. The researcher who gathers data from the Australian Bureau of Statistics (see <http://www.abs.gov.au>) or from The Economist Intelligence Unit (see <http://www.eiu.com>) is using secondary sources.

A literature review – a survey of published articles and books that discusses theories and past empirical studies about a topic – is an almost universal first step in academic research projects. A literature survey also is typical in many applied research studies. Students who have written term papers should be familiar with using computer search systems, indexes to published literature and other library sources to compile bibliographies of past research.

Suppose, for example, that a bank is interested in determining the best site for additional automated teller machines. A logical first step would be to investigate the factors that bankers in other parts of the country consider essential. By reading articles in banking journals, management might quickly discover that the best locations are inside supermarkets located in residential areas where people are young, highly educated and earning higher-than-average incomes. These data might lead the bank to investigate census information to determine where in the city such people live. Reviewing and building on the work already compiled by others is an economical starting point for most research.

Secondary data can almost always be gathered more quickly and more inexpensively than primary data. However, secondary data may be outdated and may not exactly meet researchers' needs because they were collected for another purpose. Nevertheless, secondary sources often prove to be very valuable in exploratory research. Investigating such sources has saved many a researcher from 'reinventing the wheel' in primary data collection.

## Pilot studies

The term **pilot study** covers a number of diverse research techniques. Pilot studies collect data from the ultimate consumers or the actual subjects of the research project to serve as a guide for a more extensive study. When the term 'pilot study' is used in the context of exploratory research, it refers to a study whose data collection methods are informal and whose findings may lack precision. For instance, a city association concerned with the revitalisation of the central business district conducted a very flexible survey using open-ended questions. The interviewers were given considerable latitude to identify changes needed in the shopping area. The results of this survey suggested possible topics for a formal investigation.

The focus group interview is a more elaborate kind of exploratory pilot study that has become increasingly popular in recent years. The focus group session brings together six to 10 people in a loosely structured format; the technique is based on the assumption that individuals are more willing to share their ideas when they are able to hear the ideas of others. Information obtained in these studies is qualitative and serves to guide the subsequent quantitative study.

For example, the National Drug Strategy, which aims to reduce the consumption of illicit drugs in Australia (see <https://www.health.gov.au/resources/collections/national-drug-strategy>), used focus groups to help identify attitudes and motivations of youth towards the use of illicit drugs. Fifty-seven focus groups were used, each consisting of three friends who had similar attitudes and behaviours towards drugs. These focus groups captured the variety of users of drugs, from light users of tobacco and alcohol to cannabis users and through to intravenous users. The research suggested there were six distinct patterns when it came to the use of illegal drugs by youth:

- 1 considered rejectors
- 2 cocooned rejectors
- 3 careful curious
- 4 risk controllers
- 5 thrill seekers
- 6 reality swappers.<sup>22</sup>

Four primary methods of exploratory research have been identified, but such research does not have to follow a standard design. Because the purpose of exploratory research is to gain insights and discover new ideas, researchers may use considerable creativity and flexibility. Data generally are collected using several exploratory techniques. Exhausting these sources usually is worth the effort because the expense is relatively low. Furthermore, insights into how and how not to conduct research may be gained from activities during the problem definition stage. If the conclusions made during this stage suggest marketing opportunities, the researcher is in a position to begin planning a formal, quantitative research project.

### pilot study

A collective term for any small-scale exploratory research technique that uses sampling but does not apply rigorous standards.



A typical focus group session brings together six to 10 people to explore consumer opinions and behaviours. Focus groups, like other pilot studies, use sampling but do not apply rigorous standards.

**descriptive research**

Research designed to describe the characteristics of a population or phenomenon.

## Descriptive research

The principal purpose of **descriptive research**, as the name implies, is to describe characteristics of a population. Marketing managers frequently need to determine who purchases a product, portray the size of the market, identify competitors' actions, and so on. Descriptive research seeks to determine the answers to who, what, when, where and how questions.

Descriptive research often helps to segment and target markets. For example, research by *Euromonitor*, a division of *The Economist* magazine, found a worldwide movement towards conscious consumerism in developed countries. This has been typified by animal-friendly behaviour, with around 30 per cent of respondents to a global survey looking for free-range animal products and around 19 per cent preferring grass- or pasture-raised animals. The research also revealed concerns about the use of animals in cosmetics testing (21.2 per cent).<sup>23</sup> This has led companies such as L'Oréal France to launch new cosmetics products, such as salon hair dyes like Botanëa, which is a 100 per cent herbal hair colour base that is free from animal testing and contains no animal products.

Descriptive research is often used to reveal the nature of shopping or another consumer behaviour. Research by A First Data on gift card use in the United Kingdom showed that 74 per cent of consumers spent more than the card value (an average of £42), and that 38 per cent of gifting budgets were spent on gift card purchases.<sup>24</sup>

Accuracy is of paramount importance in descriptive research. While they cannot wholly eliminate errors, good researchers strive for descriptive precision. Suppose a study seeks to describe the market potential for 5G smartphones. If the study does not precisely measure sales volume, it will mislead the managers who are arranging production scheduling and budgeting and making other decisions based upon it.

Unlike exploratory research, descriptive studies are based on some previous understanding of the nature of the research problem. Although the researcher may have a general understanding of the situation, the conclusive evidence that answers questions of fact necessary to determine a course of action has yet to be collected. Many circumstances require descriptive research to identify the reasons consumers give to explain the nature of things. In other words, a *diagnostic analysis* is performed when consumers are asked questions such as 'Why do you feel that way?' Although they may describe why consumers feel a certain way, the findings of a descriptive study such as this, sometimes called *diagnostics*, do not provide causal evidence. Frequently, descriptive research attempts to determine the extent of differences in needs, attitudes and opinions among subgroups.

## Surveys

Surveys are the most common method of descriptive research. Most people have seen the results of political surveys by Newspoll or Roy Morgan Research, and some have been respondents (members of a sample who supply answers) to marketing research questionnaires. A survey is a research technique in which information is gathered from a sample of people using a questionnaire. The task of writing a list of questions and designing the format of the printed or written questionnaire is an essential aspect of the development of a survey research design.

Research investigators may choose to contact respondents by telephone or mail, on the Internet or in person. An advertiser spending considerable money on buying advertisement time during the 2022 World Cup football final may use an online panel to quickly gather information concerning their responses to the advertising. A forklift truck manufacturer trying to determine the cause of low sales in the wholesale grocery industry might choose a mail questionnaire because the appropriate executives are hard to reach by email. Film marketers often use survey research to gauge audience response. A manufacturer of a birth-control device for men might determine the need for a versatile survey method wherein an interviewer can ask a variety of personal questions in a flexible format. While



Shutterstock.com/Jacob Lund

Gauging audience responses to three or four versions of film trailers or television commercials is a typical research project designed to bring more people in on opening night. Audience previews have been responsible for the decisions about the final version of many films.

personal interviews are expensive, they are valuable because investigators can use visual aids and supplement the interviews with observations.

Each of these survey methods has advantages and disadvantages. A researcher's task is to find the most appropriate way to collect the needed information.

## Secondary data

Like exploratory research studies, descriptive and causal studies use previously collected data. Although the terms 'secondary' and 'historical' are interchangeable, we use the term *secondary data* here. An example of a secondary data study is the use of a mathematical model to predict sales on the basis of past sales or a correlation with related variables. Manufacturers of digital cameras may find that sales are highly correlated with discretionary personal income. To predict future market potential, projections of disposable personal income may be acquired from the government or a university. This information can be manipulated mathematically to forecast sales. Formal secondary data studies have benefits and limitations similar to those of exploratory studies that use secondary data, but generally, the quantitative analysis of secondary data is more sophisticated.

## Observation

The objective of many research projects is merely to record what can be observed – for example, the number of vehicles that pass by a proposed site for a petrol station. This can be mechanically recorded or observed by people. Research personnel known as mystery shoppers may act like customers to observe the actions of sales personnel or do comparative shopping to learn prices at competing outlets.

The main advantage of the observation technique is that it records behaviour without relying on reports from respondents. Observational data are often collected unobtrusively and passively without a respondent's direct participation. For instance, the Nielsen company uses a 'people meter' attached to television sets to record the programs being watched by each household member. This eliminates the possible bias of respondents stating that they watched the Prime Minister's address rather than a sitcom on another station.

Observation is more complicated than mere 'nose counting', and the task is more complicated than the inexperienced researcher would imagine. Several things of interest – such as attitudes, opinions, motivations and other intangible states of mind – simply cannot be observed.

## Causal research

The main goal of **causal research** is to identify cause-and-effect relationships among variables. Exploratory and descriptive research usually precedes cause-and-effect relationship studies. In causal studies, researchers typically have an expectation about the relationship to be explained, such as a prediction about the influence of price, packaging, advertising and the like on sales. Thus, researchers must be quite knowledgeable about the subject. Ideally, the manager wants to establish that one event (say, a new package) is the means for producing another event (an increase in sales). Causal research attempts to establish that when we do one thing, another thing will follow. The word 'cause' is common in everyday conversation, but from a scientific research perspective, a real causal relationship is impossible to prove. Nevertheless, researchers seek certain types of evidence to help them understand and predict relationships.

A typical causal study has management change one variable (for example, advertising) and then observe the effect on another variable (such as sales). Some evidence for causality comes from the fact that the cause precedes the effect. In other words, having an *appropriate causal order of events*, or temporal sequence, is one criterion for causality that must be met to be able to establish a causal relationship. If a consumer behaviour theorist wishes to show that an attitude change causes a behaviour change, one criterion that must be established is that attitude change precedes the behaviour change.

## Experiments

Marketing experiments hold the greatest potential for establishing cause-and-effect relationships. Experimentation allows the investigation of changes in one variable (such as sales) while manipulating one or two other variables

**causal research**  
Research conducted to identify cause-and-effect relationships among variables.



(perhaps price or advertising) under controlled conditions. Ideally, experimental control provides a basis for isolating causal factors by eliminating outside, or *exogenous*, influences.

Test marketing is a frequently used form of marketing experimentation. Increasingly, because of cost, this is being conducted online. LifePoints (<https://www.lifepointspanel.com>) provides a panel of consumers from over 200 countries and examines, both qualitatively and quantitatively, reactions to new brands and products. Respondents are paid in terms of an online currency, which they can later redeem for products and services. This may include products and brands they were exposed to in the test market. Thus, a realistic yet affordable option is currently available to marketers to examine the worldwide acceptance of their products.

An experiment controls conditions so that one or more variables can be manipulated in order to test a hypothesis. Many companies in the fast-moving consumer goods industry conduct experiments that simply determine consumer reactions to different types of packaging.

Results from field experiments can also lead to a deliberate modification of the marketing mix. Retailers using scanner data can determine if the use of loss leaders, or specials, generates higher sales in other product categories.

Other experiments—laboratory experiments, for example—are deliberate modifications of an environment created for the research itself. One example of a laboratory experiment is a toy company showing alternative versions of a proposed television advertisement to groups of children and observing which one holds their attention the longest.

Most basic scientific studies in marketing (for example, the development of consumer behaviour theory) ultimately seek to identify cause-and-effect relationships. One often associates science with experiments. To predict a relationship between, say, price and the perceived quality of a product, causal studies often create statistical experiments with controls that establish contrast groups. A number of marketing experiments are conducted by both theory developers and pragmatic businesspeople. More is said about experiments and causal research in Chapter 7.



## REAL WORLD SNAPSHOT → REINVENTING CONVENIENCE STORE FOOD AT 7-ELEVEN<sup>25</sup>

The winner of the ESOMAR research effectiveness awards in Australia for 2015 was 7-Eleven and research firm Bergent Australia. Changes in food packaging and advertising were made as the result of a shopper-focused study that used qualitative, quantitative and controlled experiments to uncover surprising yet usable attitudes and behaviours in the food-to-go market. Shopper-generated videos were also used to illustrate the keys to optimising range, service, packaging and marketing. Now more than halfway through

implementing the research recommendations, since June 2015, 7-Eleven has already achieved 117 per cent gross profit, 125 per cent sales volume, and 118 per cent sales value for Food on the Go (FotG). The brand image also improved significantly, and the first new-design store doubled FotG sales value (like-for-like stores). However, the controversy in 2015–16 over the company not paying its staff award wages is believed to have diminished the success of this campaign.

### DISCUSS

This research used hidden cameras to examine shopper behaviour in stores. Is that ethical? Why do you think this? How might the research approach here have been improved?

## The 'best' research design

It is argued that there is no single best research design, and there are no hard-and-fast rules for proper marketing research. This does not mean, however, that the researcher faces chaos and confusion. It means that the researcher can choose among many alternative methods for solving a problem. Consider the researcher who must forecast sales for the upcoming year. Some commonly used forecasting methods are surveying executive opinions, collecting sales force composite opinions, surveying user expectations, projecting trends and analysing market factors.

The ability to select the most appropriate research design develops with experience. Inexperienced researchers often jump to the conclusion that the survey method is the best design because they are most familiar with this method. When Chicago's Museum of Science and Industry wanted to determine the relative popularity of its exhibits, it could have conducted a survey. Instead, a creative researcher familiar with other research designs suggested a far less expensive alternative: an unobtrusive observation technique. The researcher suggested that the museum merely keep track of the frequency with which the floor tiles in front of the various exhibits had to be replaced, indicating where the heaviest traffic occurred. When this was done, the museum found that the chick-hatching exhibit was the most popular. This method provided the same results as a survey but at a much lower cost.

After determining the proper design, the researcher moves on to the next stage – planning the sample.



### REAL WORLD SNAPSHOT → DOES THE RISE OF BIG DATA MEAN MARKET RESEARCH IS DEAD?

These days, the problem for many companies and organisations is not getting information or data, but learning how to make sense of the abundance of information that is available to them online, via social media and digital transactions. This has led to some people claiming that market researchers may soon be replaced by data scientists and analysts. More data, though, necessitates greater insights into the patterns found and how these insights can be actioned by management. As we

will see in chapters 4 and 6 of this textbook, the collection of data and information must have a purpose behind it, a managerial question to be answered or addressed. Most importantly, it must aid our understanding of consumers or other stakeholders of the organisation. There is an old saying: data without theory (or understanding) is chaos, while theory without data is fantasy. Both are important in market research as much as in big data.

'Does the rise of big data mean market research is dead?' Would you answer this question in the affirmative or not? Explain your answer.

DISCUSS

## Sampling

Although the sampling plan is outlined in the research design, the **sampling stage** is a distinct phase of the research process. For convenience, however, we will deal with the sample planning and the actual sample generation processes together in this section.

If you take your first bite of a steak and conclude that it needs salt, you have just conducted a sample. Sampling involves any procedure that uses a small number of items or a portion of the population to make a conclusion regarding the whole population. In other words, a sample is a subset of a larger population. If specific statistical procedures are followed, a researcher need not select every item in a population because the results of a good sample should have the same characteristics as the population as a whole. Of course, when errors are made, samples do not give reliable estimates of the population.

An infamous example of error due to sampling is the 1936 *Literary Digest* fiasco. The magazine conducted a survey and predicted that Republican Alf Landon would win by a landslide over Democrat Franklin D. Roosevelt in that year's presidential election. This prediction was wrong – and the error was due to sample selection. Post-mortems showed that *Literary Digest* had sampled its readers as well as telephone subscribers. In 1936, these people were not a representative cross-section of voters, because, in those days, people who could afford magazine subscriptions and a phone service were generally well-to-do – and a disproportionate number of them were Republicans.

### sampling stage

The stage in which the researcher determines who is to be sampled, how large a sample is needed, and how sampling units will be selected.

It seems, though, that market researchers do not always learn from their mistakes. Recent Newspolls held in Australia for the May 2019 federal election had the Coalition losing to Labor 48.5 per cent to 51.5 per cent. The only problem was that the polls were based on landline sampling, and many Australians these days preference mobiles or don't have landlines at all. The result in the election, by the way, was a narrow win by the Coalition.

This example suggests that the first sampling question to ask is: 'Who is to be sampled?' The answer to this primary question requires the identification of a *target population*. But defining this population and determining the sampling units may not be so easy. If, for example, a bank surveys people who already have accounts for answers to image questions, the selected sampling units will not represent potential customers. Specifying the target population is a crucial aspect of the sampling plan.

The next sampling issue concerns the *sample size*. How big should the sample be? Although management may wish to examine every potential buyer of a product or service, doing so may be unnecessary as well as unrealistic. Typically, larger samples are more precise than smaller ones, but proper probability sampling can allow a small proportion of the total population to give a reliable measure of the whole. A later discussion will explain how large a sample must be in order to be truly representative of the universe or population.

The final sampling decision concerns choosing how to select the sampling units. Students who have taken a statistics course generally understand simple random sampling, in which every unit in the population has an equal and known chance of being selected. However, this is only one type of sampling. For example, a cluster sampling procedure may reduce costs and make data-gathering procedures more efficient. If members of the population are found in close geographical clusters, a sampling procedure that selects area clusters rather than individual units in the population will reduce costs. Rather than selecting 2000 individuals throughout New Zealand, it may be more economical to first select three local government areas and then sample within those areas. This will substantially reduce travel, hiring and training costs. In determining the appropriate sampling plan, the researcher will have to select the most appropriate sampling procedure for meeting the established study objectives.

There are two basic sampling techniques: probability sampling and non-probability sampling. A *probability sample* is a sample in which every member of the population has a known, non-zero probability of selection. If sample units are selected on the basis of personal judgement (for example, a test market city is selected because it appears to be typical), the sampling method is a *non-probability sample*. In reality, the sampling decision is not a simple choice between two methods. Simple random samples, stratified samples, quota samples, cluster samples and judgemental samples are some of the many methods for drawing a sample. Chapter 10 gives a full discussion of these techniques.



ONGOING  
PROJECT

## Gathering data

Once the research design (including the sampling plan) has been formalised, the process of gathering or collecting information, the **data-gathering stage**, may begin. Data may be gathered by humans or recorded by machines. Scanner data illustrate electronic data collection by machine.

Obviously, many research techniques involve many methods of *data gathering*. The survey method requires some form of direct participation by the respondent. The respondent may participate by filling out a questionnaire or by interacting with an interviewer. If an unobtrusive method of data gathering is used, the subjects do not actively participate. For instance, a simple count of motorists driving past a proposed franchising location is one kind of data-gathering method. Whichever way the data are collected, it is crucial to minimise errors in the process. For example, data gathering should be consistent in all geographical areas. If an interviewer phrases questions incorrectly or records a respondent's statements inaccurately (not verbatim), significant data collection errors will result.

### data-gathering stage

The stage in which the researcher collects the data.

Often, there are two phases to the process of gathering data: pretesting and the main study. A pretesting phase using a small subsample may determine whether the data-gathering plan for the main study is an appropriate procedure. Thus, a small-scale pretest study provides an advance opportunity for an investigator to check the data-collection form to minimise errors due to improper design, such as poorly worded or organised questions. There is also a chance to discover confusing interviewing instructions, learn if the questionnaire is too long or too short, and uncover other such field errors. Tabulation of data from the pretests provides the researcher with a format for the knowledge that may be gained from the actual study. If the tabulation of the data and statistical results does not answer the researcher's questions, the investigator may need to redesign the study.

## Processing and analysing data

### Editing and coding

After the fieldwork has been completed, the data must be converted into a format that will answer the marketing manager's questions. This is part of the **data-processing and analysis stage**. Data processing generally begins with editing and coding the data.

*Editing* involves checking the data-collection forms for omissions, legibility and consistency in classification. The editing process corrects problems such as interviewer errors (an answer recorded on the wrong portion of a questionnaire, for example) before the data are transferred to a computer.

Before data can be tabulated, meaningful categories and character symbols must be established for groups of responses. The rules for interpreting, categorising, recording and transferring the data to the data storage media are called *codes*. This coding process facilitates computer or hand tabulation. If computer analysis is to be used, the data are entered into a computer and verified. Computer-assisted (online) interviewing is an example of the impact of technological change on the research process. Telephone interviewers, seated at computer terminals, read survey questions displayed on the monitor. The interviewer asks the questions and then types in the respondents' answers. Thus, answers are collected and processed into the computer at the same time, eliminating intermediate steps that could introduce errors.

### Analysis

*Analysis* is the application of reasoning to understand the data that have been gathered. In its purest form, the analysis may involve determining consistent patterns and summarising the relevant details revealed in the investigation. The appropriate analytical technique for data analysis will be determined by management's information requirements, the characteristics of the research design and the nature of the data gathered. Statistical analysis may range from portraying a simple frequency distribution to very complex multivariate analysis, such as multiple regression. Later chapters discuss three general categories of statistical analysis: univariate analysis, bivariate analysis and multivariate analysis.

## Drawing conclusions and preparing a report

As mentioned earlier, most marketing research is applied research aimed at making a marketing decision. An essential but often overlooked aspect of the marketing researcher's job is to look at the analysis of the information collected and ask: 'What does this mean to management?' The final stage in the research process, the **conclusions and report-preparation stage**, consists of interpreting the information and making conclusions for managerial decisions.

The research *report* should effectively communicate the research findings. Too many reports are complicated statements of technical aspects and sophisticated research methods. Frequently, management is not interested in detailed reporting of the research design and statistical findings but wishes only to have a summary of the findings. If the findings of the research remain unread on the marketing manager's desk, the study will have been useless. The importance of effective communication cannot be over-emphasised. Research is only as good as its applications.

### data-processing and analysis stage

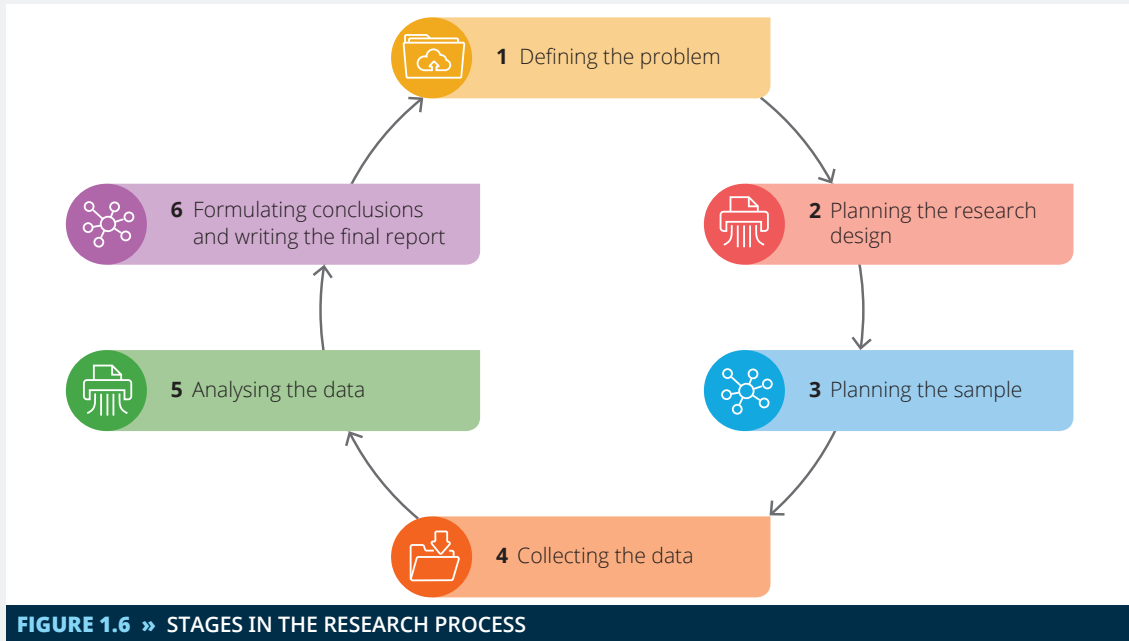
The stage in which the researcher performs several interrelated procedures to convert the data into a format that will answer management's questions.

ONGOING  
PROJECT



### conclusions and report-preparation stage

The stage in which the researcher interprets information and draws conclusions to be communicated to decision-makers.



Marketing researchers must communicate their findings to a managerial audience. The written report serves another purpose as well – it is a historical document that will be a record that may be referred to later if the research is to be repeated, or if further research is to be based on what has gone before.

Now that we have outlined the research process, note that the order of topics in this book follows the flowchart of the research process presented in Figure 1.6. Keep this flowchart in mind while reading later chapters.

## REAL WORLD SNAPSHOT → HARLEY-DAVIDSON MEANS FAMILY<sup>26</sup>

A good family doesn't keep secrets. Harley-Davidson treats customers like family and believes that in a good relationship, one doesn't keep secrets from the other. Harley practises a wide variety of research, and one recent tool involves mining social media sites. For instance, Harley-Davidson discovered a link between Kirchart skateboards and 'hogs'. Searching for the brand's name on social network sites like Facebook, they discovered a link to a YouTube video in which professional skateboarders for Heath Kirchart rode Harley-Davidson motorcycles across the country on their summer tour. As a result, Harley leveraged this information by becoming an official sponsor of Kirchart's tours.

Harley, an iconic American brand, is an international company. Before Harley-Davidson goes overseas, Harley needs considerable research on each international market. In late 2009, Harley opened its first dealerships in India. Indian consumers were more accustomed to scooters



Source: AP Photo/Krishnamudu Kes

than 'hogs', but the rising middle class and a new demand for luxury products created opportunity. Survey research among Indian consumers showed a favourable opinion since the early 2000s. However, high duties imposed by

the Indian Government and difficult emission regulations proved too much of a barrier for Harley for several years.

Successful lobbying of the Indian Government then led to the easing of some of the restrictions, and Harley now offers

12 models ranging from a smallish 883 cc model to the 1800 cc model, more fitting of the title 'hog'. In this way, Harley can address the needs of the luxury market and those desiring a more practical bike that still makes a statement.

What are some of the challenges faced by this company in doing research worldwide. Are there any recent developments outlined in this chapter which have made this easier or harder? Explain your thinking.

DISCUSS

## The research program strategy

Our discussion of the marketing research process began with the assumption that the researcher wished to gather information to achieve a specific marketing objective. We have emphasised the researcher's need to select specific techniques for solving one-dimensional problems, such as identifying market segments, selecting the best packaging design or test marketing a new product.

However, if you think about a firm's marketing mix activity in a given period of time (such as a year), you'll realise that marketing research is not a one-shot activity – it is a continuous process. An exploratory research study may be followed by a survey, or a researcher may conduct a specific research project for each aspect of the marketing mix. If a new product is being developed, the different types of research might include market potential studies to identify the size and characteristics of the market; product usage testing to record consumers' reactions to prototype products; brand name and packaging research to determine the product's symbolic connotations; and test marketing of the new product. Because research is a continuous process, management should view marketing research at a strategic planning level. The **program strategy** refers to a firm's overall plan to use marketing research. It is a planning activity that places a series of marketing research projects in the context of the company's marketing plan. Organisations like David Jones, ANZ Bank, Meat and Livestock Australia and TAC Victoria have all used a research program to monitor and improve their performance in marketing and social campaigns.

The marketing research program strategy can be likened to a term insurance policy. Conducting marketing research minimises risk and increases certainty. Each research project can be seen as a series of term insurance policies that makes the marketing manager's job a bit safer.

### program strategy

The overall plan to conduct a series of marketing research projects; a planning activity that places each marketing project in the context of the company's marketing plan.

## TIPS OF THE TRADE → MARKET RESEARCH PLANS ARE MEANT TO AID DECISION-MAKING

Throughout this text, a 'Tips of the trade' section is provided to give hints for using and doing marketing research. The first tip is to pay attention to these sections as helpful references. Other initial tips are as follows:

- Customers and employees are valuable sources of input that leads to innovation in the marketplace and the workplace.
- Business problems ultimately boil down to information problems because, with the right information, the business can take effective action.
- Good marketing research is as rigorous as proper research in other fields, including the physical sciences.
- Research plays a role before, during and after crucial marketing decisions.
- Research helps design marketing strategies and tactics before action is taken.
- Once a plan is implemented, research monitors performance with crucial metrics, providing valuable feedback.
- After a plan is implemented, the research assesses performance against benchmarks and seeks explanations for the failure or success of the action.
- Research that costs more than it could ever return should not be conducted.

## SUMMARY

## L01

**Understand the difference between basic and applied marketing research**

Marketing research is the systematic and objective process of generating information – gathering, recording and analysing data – to aid marketing decision-making. The research must be conducted systematically, not haphazardly. And it must be objective to avoid the distorting effects of personal bias.

Applied marketing research seeks to facilitate managerial decision-making. Basic or pure research seeks to increase knowledge of theories and concepts.

## L02

**Understand the managerial value of marketing research as a management decision-making tool and its role in the development and implementation of marketing strategy**

Marketing research is a tool that companies can use to discover consumers' wants and needs so that the companies can satisfy those wants and needs with their product offerings. Marketing research is the marketing manager's source of information about market conditions. It covers topics ranging from long-range planning to near-term tactical decisions.

The development and implementation of a marketing strategy consist of four stages:

- 1 identifying and evaluating opportunities
- 2 analysing market segments and selecting target markets
- 3 planning and implementing a marketing mix that will satisfy customers' needs and meet the objectives of the organisation
- 4 analysing marketing performance.

Marketing research helps in each stage by providing information for strategic decision-making.

Managers use marketing research to define problems, identify opportunities and clarify alternatives. They also use it to determine what went wrong with past marketing efforts, describe current events in the marketplace, or forecast future conditions.

## L03

**Understand when marketing research is needed and when it should not be conducted**

Marketing managers determine whether marketing research should be conducted based on:

- 1 time constraints
- 2 availability of data
- 3 the nature of the decision to be made
- 4 the benefit of the research information versus its cost.

Decision-making is the process by which managers resolve problems or choose among alternative opportunities. Decision-makers must recognise the nature of the problem or opportunity, identify how much information is available, and recognise what information they need. Every marketing decision can be classified on a continuum ranging from complete certainty to absolute ambiguity.

**L04**

**Understand that marketing research sits within a global context and is continuously changing in response to new communication technologies**

Technology has changed almost every aspect of marketing research. Modern computing and media technologies, including smart devices (phones, watches, tablets etc.) and social networking media, facilitate data collection, study design, data analysis and data reporting. Researchers do have to be aware of the multiple ways in which companies interact with consumers. Digital marketing closely integrates marketing practice and marketing research. Furthermore, as more companies do business outside their own borders, companies are doing research in a global marketplace. This places a greater emphasis on research that can assess the degree to which research tools can be applied and interpreted in the same way in different cultures. Thus, research techniques often must culturally cross-validate results.

**L05**

**List the stages in the marketing research process**

Research proceeds in a series of six interrelated phases. The first is problem definition, which may include exploratory research using secondary data, experience surveys or pilot studies. Once the problem is defined, the researcher selects a research design. The significant designs are surveys, experiments, secondary data analysis and observation. Original research design can minimise the cost of obtaining reliable results. After the design has been selected, a sampling plan is chosen, using a probability sample, a non-probability sample or a combination of the two.

The design is put into action in the data-gathering phase. This phase may involve a small pretest before the main study is undertaken. In the analysis stage, the data are edited and coded, then processed, usually by computer. The results are interpreted in light of the decisions that management must make. Finally, the analysis is presented to decision-makers in a written or oral report. This last step is crucial because even a first project will not lead to proper action if the results are poorly communicated.

Exploratory, descriptive and causal research are three significant types of marketing research projects. The clarity with which the research problem is defined determines whether exploratory, descriptive or causal research is appropriate. Exploratory research is appropriate when management knows only the general nature of a problem; it is used not to provide conclusive evidence but to clarify problems. Descriptive research is conducted when there is some understanding of the nature of the problem; such research is used to provide a more specific description of the characteristics of a problem. Causal research identifies cause-and-effect relationships when the research problem has been narrowly defined.

Quite often, research projects are conducted together as parts of a research program. Such programs can involve successive projects that monitor an established product, or a group of projects undertaken for a proposed new product to determine the optimal form of various parts of the marketing mix.

A major problem facing students of marketing research is that they must consider each stage in the research process separately. However, without a strong emphasis on the entire process, understanding the individual stages is difficult. Thus, learning marketing research is like walking a tightrope between too broad and too narrow a focus.



## REVISITING 'IN FOCUS'

What do you think were some potential problems faced by the researchers mentioned in the opening vignette of this chapter who were studying the impact of government

policy in the United Kingdom on people with multiple sclerosis (MS)?

## QUESTIONS FOR REVIEW AND CRITICAL THINKING

- 1 Discuss a situation in which the use of market research cannot be justified.
- 2 Name some products or services that logically might have been developed with the help of marketing research.
- 3 In your own words, define marketing research and describe its task. How different is it from the social sciences?
- 4 Which of the following organisations is likely to use marketing research? Why? How?
  - a Kellogg's
  - b a British Steel company
  - c the Victorian Transport Accident Commission
  - d the British Council
  - e Google
- 5 An automobile manufacturer is conducting research in an attempt to predict consumer auto preferences in the year 2022. Is this basic or applied research? Explain.
- 6 The owner of 22 restaurants was asked how he does marketing research. He answered that he does it after midnight, driving around in a ute: 'I stay up late. If it's midnight and I don't have anything else to do, I drive around town and look at the queues in front of places. I'll look at the rubbish and see if a guy's doing business. If he's got a really clean bunch of rubbish bins and an empty Dumpmaster, he's not doing any business. I find out a lot by talking to my suppliers. I ask the bread guy how many boxes of rolls my competitor down the street is buying. Very few restaurateurs do that. But that's the way I research my market'. Is this marketing research?
- 7 Comment on the following statements:
  - a Marketing managers are paid to take chances with decisions. Marketing researchers are paid to reduce the risk in making those decisions.
  - b A marketing strategy can be no better than the information with which it is formulated.
  - c The purpose of research is to solve marketing problems.
  - d Digital marketing makes marketing research less able to be used.
- 8 In what specific ways can marketing research influence the development and implementation of a marketing strategy?
- 9 How have technological changes and globalisation of the marketplace affected marketing research?
- 10 For each of the following situations, decide whether the research should be exploratory, descriptive or causal:
  - a establishing the relationship between online visits and sales
  - b investigating consumer reactions to new models of smokeless electronic cigarettes
  - c identifying target market demographics for a tourist theme park
  - d estimating the sales potential for fencing equipment in a New Zealand sales territory.
- 11 Describe a research situation that allows one to infer causality.
- 12 A researcher is interested in knowing the answer to a 'why' question but does not know beforehand what sort of answer will satisfy. Will answering this question involve exploratory, descriptive or causal research? Explain.
- 13 Do the stages in the research process follow the scientific method?
- 14 Why is the problem-definition stage of the research process probably the most important stage?

- 15** Which research design seems appropriate for the following studies?
- a** The manufacturer and marketer of flight simulators and other pilot training equipment wish to forecast sales volume for the next five years.
  - b** A local chapter of the Stroke Foundation in New Zealand wishes to identify the demographic characteristics of individuals who donate more than \$1500 per year.
  - c** A major petroleum company is concerned with the increased costs of the 'non-sniffable' fuel Opal and is considering dropping this product.
  - d** A food company researcher wishes to know what types of food are taken as packed lunches to learn if the company can capitalise on this phenomenon.
  - e** A researcher wishes to identify who plays the *Call of Duty* video game at home, for how long, and with whom.
- 16** Should the marketing research program strategy be viewed as a strategic planning activity?

## ONGOING PROJECT



**Doing a market research project? Ask your instructor for the project worksheet for this chapter.**

The project worksheet is used to determine the type of research project you may wish to do. There are project worksheets for each chapter of the textbook to help you with each stage of the research process.

## MINI CASE 1.1 BUYING NEW ZEALAND-MADE GOODS ONLINE IN CHINA<sup>27</sup>

In China, 10 per cent of all retail transactions are now online, and there are still many small corner-store-like bricks-and-mortar retailers. The Chinese online retailer Alibaba has been estimated to be as large as the top 100 bricks-and-mortar retailers in China and holds around 80 per cent of the e-commerce market in that country. Entering the online retail space thus presents an opportunity for New Zealand firms. There is reported interest in New Zealand products and services in China

because of their authenticity and traceability. As one New Zealand exporter noted: 'The Chinese consumer wants to know that what they are buying is genuine and hasn't been counterfeited in any way'. Issues for New Zealand exports are meeting the scale of demand and having a near-perfect logistics network. Already, products such as infant baby formula, abalone, kiwifruit juice and honey are becoming popular imports from New Zealand.

- 1** What kind of research do you think needs to be done by New Zealand exporters in this case in order to enter the market in China?
- 2** Who should commission the research? The New Zealand Government? Exporters? Provide a justification for your answer.
- 3** Are there any potential cultural and technological issues involved in this research study?

QUESTIONS

## MINI CASE 1.2 THE QUIT CAMPAIGN IN AUSTRALIA AND SINGAPORE

Children in Australia spend on average \$60 million a year on cigarettes, with some 70 000 teenagers starting to smoke every year. The long-term health effects associated with smoking are well known – 75 per cent of all lung cancers are associated with smoking – but there are also immediate problems. Quit Victoria has found in research that children who smoke are more likely to be absent from school because of smoking-related ailments or because of truancy and suspension.

In order to deal with the significant health issues associated with this, Quit Victoria has designed a series of health campaigns to try to reduce the prevalence of smoking among children. Both qualitative and quantitative research has been used to develop campaigns targeting schools, promotion in sport (which appeals to young males), and advertising campaigns that are used to encourage young girls not to take up the habit. Research has not only examined how to discourage demand for cigarettes but also the supply of what is for children an illegal product to purchase.

Research that evaluates the success of the campaign, both in regards to attitudes to smoking and behaviour, has also been significant in demonstrating to the Australian Government the effectiveness of such campaigns and how they might be improved in the future. Evaluation research of anti-smoking campaigns has also been influential in New Zealand.

A similar campaign, called the National Smoking Control Programme, has been developed in Singapore. Its main activities are as follows:

- A national smoking control campaign is held annually to raise awareness about the harmful effects of smoking and to encourage smokers to quit.
- Mass media is used extensively, and innovative publicity events and programs are organised to elicit maximum media coverage.
- Interpersonal activities are conducted throughout the year at various settings, such as schools, workplaces, and healthcare and community venues.
- The QuitLine, staffed by trained nurse–counsellors, is another feature of the program. Callers can seek advice and/or information on how to quit smoking or how to help someone quit.
- Quit services are provided by three hospitals, 16 polyclinics and some non-government organisations. Teachers who are interested in helping their students to stop smoking are trained to conduct a school-based smoking-cessation program.
- As in Australia, such campaigns have been developed on the basis of market research, using a number of approaches (exploratory, descriptive and causal). The campaigns are also evaluated regularly by the respective governments so that their effectiveness can be determined.

### QUESTIONS

- 1 What type of market research do you think is appropriate in order to develop and evaluate the Quit campaign in Australia?
- 2 What differences, if any, in market research do you think would occur between market research in Singapore and Australia in this case?

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