Chapter 3
Marketing Research

Meet Helen Armstrong,
Client Services Director of Research International in London

Q & A with Helen Armstrong

Career high?
Doing all the research for the global launch of Colgate’s Total toothpaste

A job-related mistake you wish you hadn’t made?
Travelling to Seville on a bank holiday to do ad testing work for Pepsi and the testing equipment broke.

Your Hero?
No hero, but my anti-hero is Margaret Thatcher.

Motto to live by?
Live for today.

What drives me?
Curiosity.

My management style is . . .
Inclusive and involving.

Don’t do this when interviewing me . . .
Tell me that women’s purchase of luxury goods is not rational.

Client Services Director working across business sectors, Helen is highly experienced, having spent more than 20 years in product development, segmentation and brand strategy. She’s worked both in the UK and internationally in a wide variety of areas including agricultural and construction equipment, IT, food service, FMCG, alcoholic beverages, finance and luxury goods.

Helen is experienced in both qualitative and quantitative research techniques with particular application in international markets. She has specialist experience in conducting and applying segmentation studies in an international context and will aid the effective management and analysis of segment solutions. She is a full member of the Market Research Society and heads RI UK’s segmentation expert forum.
The World Gold Council (WGC) (www.gold.org) is a commercial marketing organisation funded by the world’s leading gold mining companies with a remit to stimulate demand for gold in all its forms in regions around the world. The key gold jewellery markets are the United States, Italy, India, Saudi Arabia and China. However, prior to 2003 the gold market was in decline in most regions around the world, with gold jewellery commoditised and sold by length and gold investment seen as a short-term option.

In late 2001 WGC identified the need to do some in-depth fundamental market research to understand what consumers thought about gold in general and specifically to understand the functional and emotional benefits of owning gold and what were the barriers to buying more gold. This research was also designed to help to define what makes gold different in the eyes of consumers, i.e. its unique selling propositions (USPs). The research was to be used to segment gold consumers and subsequently to develop more appropriate and targeted communications campaigns around gold. Helen Armstrong, who was then working for GfK Roper Consulting, met with the World Gold Council (WGC) to understand the organisation’s needs and explore the market research options. Helen suggested a combination of qualitative interviews and focus groups followed by a large quantitative survey in all the major markets. There were challenges with qualitative research in these markets, such as multi-language requirements when researching in India and issues with interviewing females in Saudi Arabia which requires an all-female research team. However, the main issue, and far more important than any local research issues, was deciding who should actually be interviewed, which had many implications for the study. Should the study be limited to buyers and receivers of gold, or should it encompass all women whether they buy or not?

Helen Considers her Options . . .

Option 1 Focus on existing purchasers of gold only

In this option, the qualitative personal interviews would focus only on women who had purchased gold in the past year. Six personal interviews and accompanied shops were proposed and four two-hour focus groups per country (United States, Italy, India, Saudi Arabia and China). Personal interviews were important as some of the motivations for purchasing gold are very personal and women might not feel comfortable talking about these in a focus group, hence the need to use both approaches. Focusing on existing gold purchases also allowed some accompanied shopping interviews to be done to look at their decision-making processes when shopping for gold. This was to be followed in each country by 750 face-to-face in-home questionnaire surveys of about one hour to get a quantitative assessment of the functional and emotional benefits of buying or receiving gold. The advantages of this option and only researching gold users is that there was thought to be more potential in getting existing purchasers, who already like gold, to purchase more. It would provide a deeper understanding of existing users’ perception and allow a more in-depth segmentation of them. The time and cost was also much less than alternative options, coming in at around £350,000.

Option 2 Include stakeholders and opinion leaders in the sample as well as gold purchasers

In this option, the idea was to research a broader sample of consumers to include everyone who was involved in buying or receiving jewellery, whether gold or not. In addition to focusing on purchasers, it was felt that the views of internal industry stakeholders such as WGC heads from their important markets and opinion leaders who were experts from the fashion industry, design and fashion media would be important to the overall learning and success of the study. This involved nine one-hour telephone interviews with internal stakeholders and five face-to-face one-hour interviews with opinion leaders in the five markets. The advantages of this option were that it provided information about other competing forms of luxury goods from the main competitive set. In addition, understanding non-buyers’ perceptions of gold might uncover some of the barriers as to why they were not buying. However it had significant implications for the research design and the outcome. It was not possible to mix buyers and non-buyers of gold in the same focus group because strong preferences for buying or not buying gold can influence participants. The disadvantage of this option was that it would mean an increase in the number of personal interviews to 12 and 8 focus groups per country and you cannot do accompanied shopping trips with non-buyers.
There were also potential implications for the sample size and the length of interviews. It may increase the number of interviewees for the quantitative part, (from 750 to 1000–1250) in order to have sufficient numbers for a segmentation study involving the additional non-buyers. This would add considerable time and expense to the tune of £400,000.

**Option 3 Broaden the study to include all luxury goods consumers whether they buy jewellery or not**

In this option, the stakeholder and opinion leader interviews would be retained, but the consumer population to be studied would include everyone, *whether they bought jewellery or not*. The advantage to this option is that it would allow the research to examine the total market of buyers and potential buyers, which was particularly important in China where gold jewellery purchasing at that time was very limited. The option would provide a better understanding as to why and where consumers currently got some of the emotional and functional benefits from buying competing products to gold, such as holidays, fashion accessories, electronics or other luxury items. It would also explore barriers to buying jewellery as a category and thus tap into consumers who might be in the market, but did not yet buy gold. However, this would mean that many people in the sample might not have experience of buying or receiving gold and thus the research could potentially focus on the perceptions of the majority of non-buyers. Also sample sizes needed to be increased (from 750 to 1000–1250) to provide sufficient numbers of buyers and non-buyers to do a quantitative segmentation study and thus the cost of this approach was in the region of £500,000. Another potential disadvantage of this broader sample structure was that with a wider sample definition of the target population, many more segments might be identified which might lead to complex and more expensive communication programmes to meet the needs of each segment.

Put yourself in Helen’s shoes. Which option do you think is best and why?

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**Objectives**

When you finish reading this chapter, you will understand and be able to identify and evaluate:

1. The role of the marketing information system and the marketing decision support system in marketing decision making
2. The marketing research process
3. The differences among exploratory, descriptive and causal research techniques available to marketers
4. The different types of data-collection methods and types of consumer samples that researchers use
5. The growing use of online research

**Knowledge Is Power**

In Chapter 1, we talked about how marketing is a decision process in which marketing managers determine the strategies that will help the organisation meet its long-term objectives. In Chapter 2, we said that successful planning meant that managers made good decisions for guiding the organisation. But how do marketers make good decisions? How do they go about developing marketing objectives, selecting a target market, positioning (or repositioning) their product, and developing product, price, promotion and place strategies?

The answer is information. Information is the fuel that runs the marketing engine. To make good decisions, marketers must have information that is collectable and accessible as well as accurate, up to date and relevant. Information is also indispensable for effective Customer Relationship Management (CRM). Only with access to the best possible information are companies able to identify truly valuable customers and satisfy them on a long-term basis. As you’ll see in Figure 3.1, we are now in the second section of the book, ‘Understanding Consumers’ Value Needs’. Part of the marketer’s role in understanding these needs is to conduct marketing research in order to identify them. In this chapter, we will discuss some of the tools that marketers use to get that information. In the chapters that follow, we will look at consumer behaviour, at how and why organisations buy, and then at how marketers sharpen their focus through target marketing strategies. But first, let’s talk about the marketing information system.
The Marketing Information System

One of the ways in which firms collect information is through a marketing information system (MkIS). The MkIS is a process that first determines what information marketing managers need and then gathers, sorts, analyses, stores and distributes relevant and timely marketing information to system users. Another possible definition comes from the American Marketing Association, which describes an MkIS as ‘a set of procedures and methods for the regular, planned collection, analysis, and presentation of information for use in making marketing decisions’.\(^1\) As you can see in Figure 3.2, the MkIS system includes three important components:

- Four types of data;
- Computer hardware and software to analyse that data and to create reports;
- Information and the decision makers who use it.

Where exactly do all the data come from? Information to feed the system comes from four major sources: these are internal company data, marketing intelligence data on competition and other elements in the firm’s business environment, information gathered through marketing research and acquired databases.

The data are stored and accessed through computer hardware and software. Based on an understanding of managers’ needs, MkIS personnel generate a series of regular reports for various system users. For example, supermarket chain Tesco gains most of the market insights through information from its Tesco Clubcard loyalty scheme. The research specialist firm Dunnhumby, which is responsible for Tesco’s database management, receives five billion bits of information per week through the Clubcards and is able to convert the data into regular, valuable reports about sales figures, customer preferences and shopping patterns.

Let’s take a closer look at each of the four different data sources for the MkIS.
1. Internal Company Data

The internal company data system uses information from within the company to produce reports on the results of sales and marketing activities. Internal company data consists of a firm’s internal records of sales, basic information which every company possesses—information such as which customers buy which products in what quantities and at what intervals, what items are in stock and which ones are back-ordered because they are out of stock, when items were shipped to the customer, and what items have been returned because they are defective.

Often, an MkIS allows salespeople and sales managers in the field to access internal records through a company intranet. An intranet is an internal corporate communications network that uses internet technology to link company departments, employees and databases. Intranets are secured so that only authorized employees have access. When the MkIS is made available to managers, they can serve their customers better by having immediate access to information on pricing, inventory levels, production schedules, shipping dates, and the customer’s sales history.

Marketing Metrics

**BP Lubricants intranet-based data repository**

Global oil company BP has a lubricants division active in 60 countries. Maintaining an accurate picture of these markets is challenging. Historically, marketing data had been manually transcribed onto spreadsheets and then manually consolidated into one master spreadsheet, often with the need for re-keying of data or cutting and pasting. The company decided to standardize its global marketing data and as a first step defined and agreed a set of data standards. Next it created a standard data collection system that could be used by all 60 countries. Then a set of macro programs was written that loaded the country data into a master spreadsheet that was hosted on the corporate intranet. Users globally can access a set of reports from their web browsers that enable them to compare and rank their performance against that in the 59 other countries; they can also press a button that automatically generates a PowerPoint slide show with the latest figures.
But equally important – because salespeople and sales managers are the ones in daily direct contact with customers – their reports are entered directly into the system via the company intranet. This means the reports can provide an important source of information to upper management on changes in sales patterns or new sales opportunities.

From the internal company data system, marketing managers can get daily or weekly sales data for a brand or product line. They can also get monthly sales reports which help them to measure progress toward sales goals and market share objectives. For example, managers and buyers at many large retailers use up-to-the-minute sales information obtained from shop cash registers around the country so they can detect problems with products, promotions, and even the firm’s distribution system.

2. Marketing Intelligence

As we saw in Chapter 2, to make good decisions marketers need to have information about the marketing environment. Possessing up-to-date and relevant information is absolutely crucial for successful knowledge management which is seen as a vital tool for achieving competitive advantage. Thus, a second important element of the MkIS is the marketing intelligence system, a method by which marketers get information about everyday happenings in the marketing environment. The name intelligence may suggest cloak-and-dagger spy activities, in reality nearly all the information companies need about their environment – including the competitive environment – is available by monitoring everyday sources: newspapers, trade publications, or simple observations of the marketplace. And because salespeople are the ones ‘in the trenches’ every day, talking with customers, distributors and prospective customers, they can provide valuable information as well.

In recent years, the web has become a major source of marketing intelligence. Tremendous amounts of information are available on company web pages, including those of competitors, through news sources from around the globe, through government reports, and on trade association sites. The ease of accessing and searching the web and individual sites makes the internet an attractive source of marketing intelligence.

Sometimes companies engage in specific activities to gain intelligence. For example, retailers often hire ‘mystery shoppers’ to visit their shops and those of their competitors posing as customers to see how people are treated. (Imagine being paid to shop for a living!) When McDonald’s set up a quality improvement scheme, its managers sent mystery shoppers to visit restaurants on a regular basis to collect information about the shop environments and service. Other information may come from speaking to organisational buyers about competing products, attending trade shows, or simply purchasing competitors’ products.

Marketing managers may use marketing intelligence data to predict fluctuations in sales due to economic conditions, political issues, and events that heighten consumer awareness or to forecast the future so that they will be on top of developing trends. For example, knowledge
of trends in consumer preferences, driven by the younger teen generation, prompted Avon to create an entirely new brand of cosmetics called Mark. While traditional Avon salesladies (and buyers) are 30+, Mark is sold and bought by tweens, teens and 20-somethings. The cosmetic industry, for example, is currently experiencing a new trend concerning beauty and skincare products for men. Firms like Biotherm or L’Oréal which were able to forecast this trend gained an extraordinary advantage as they could launch profitable product lines and attract customers before the competition became aware of the trend.

Indeed, some marketing researchers, known as futurists, specialise in predicting consumer trends to come. They try to forecast changes in lifestyles that will affect the wants and needs of customers in the coming years by engaging in scenario planning. Futurists try to imagine different scenarios, or possible future situations, that might occur and assign a level of probability to each.

A scenario can be shaped by a number of key outcomes. For example, deregulation laws could shape the future of the banking or telecommunications industries. In those cases, a futurist might develop different scenarios for different levels of deregulation, including forecasts assuming no deregulation, moderate deregulation, and complete deregulation. Each scenario allows marketers to consider the impact of different marketing strategies and to come up with plans based on which outcomes they consider are most likely to happen. No one can predict the future with certainty, but it’s better to make an educated guess than no guess at all and be caught totally unprepared. Even something as seemingly simple as accurately predicting the price of a gallon of petrol next year greatly affects business success.

In some cases, companies are enlisting consumers’ help to predict the success or failure of different products. The online stock exchange Ball Street (http://ball-street.frd.de/view/) is a virtual project from the Financial Times Germany and Dresdner Bank which was launched for the world cup in 2006, where football fans could trade stocks, for example of national teams, and by doing so forecast the results of the tournament. The predictions of Ball Street turned out to be quite precise and were of great interest for sponsors and investors. The stock exchange game was so popular that it was kept alive after the world cup and now predicts the German premier league.3

Of course, collecting marketing intelligence data is just the beginning. An effective MkIS must include procedures to ensure that the marketing intelligence data are translated and combined with internal company data and other marketing data to create useful reports for marketing managers.

3. Marketing research

Marketing research refers to the process of collecting, analysing and interpreting data about customers, competitors, and the business environment to improve marketing effectiveness. It is defined by the American Marketing Association (AMA) as the function that links
consumer, customer and public to the marketer through information. Although marketing intelligence data are collected continuously to keep managers abreast of happenings in the marketplace, marketing research is called for when unique information is needed for specific decisions. Whether their business is selling cool clothes to teens or coolant to factories, firms succeed by knowing what customers want, when they want it, where they want it – and what competing firms are doing about it. In other words, the better a firm is at obtaining valid marketing information, the more successful it will be. Therefore, virtually all companies rely on some form of marketing research, though the amount and type of research they conduct varies dramatically. Although marketing research offers many potential benefits, a firm must not lose sight of the costs involved. Conducting effective marketing research can be very expensive and time consuming and therefore should not be undertaken in every case. If a company faces serious budget deficits, if managers cannot agree what information they need for decision making, or if poor timing would result in irrelevant research results, it is very likely that costs of the research outweigh its benefits. A careful cost-benefit analysis will therefore help the company to find out whether marketing research can be beneficial in a certain situation or not. In general, marketing research available in an MkIS include syndicated research reports and custom research reports.

**Syndicated research** is general research collected by firms on a regular basis, then sold to other firms. The QScores Company, for instance, reports on the familiarity and appeal of over 1700 celebrity performers and provides information about how they are being perceived by customers. The obtained research can serve as a decision basis for companies that are interested in using a performer in their advertising. The services of the QScores Company include ratings of cartoon characters, sports stars and even deceased celebrities, so that the client could, for example, gain insights into the demographic appeal of Elvis Presley and Marilyn Monroe and determine whether they would be a valuable input for an advertising campaign. The Broadcasters’ Audience Research Board (BARB), for example, conducts research on the estimated number of people watching certain television shows and sells this audience data to the TV channels and advertisers. Another example is the British Marketing Research Bureau (BMRB), which conducts a variety of syndicated research ranging from social policy and public interest research, environmental and climate change research to reports on in-store advertising, giving information about customer perceptions, shopping behaviours and the most useful media to use for advertising.

Alternative examples of syndicated research techniques are consumer panels, where members receive periodic invitations to participate in a survey, or retail audits, which are the continuous monitoring of product flows from supplier to consumer. As valuable as it may be, syndicated research doesn’t provide all the answers to marketing questions because the information collected typically is broad but shallow; it gives good insights about general trends, such as who is watching what television shows or what brand of perfume is hot this year.

Often firms need to undertake custom marketing research. **Custom research** is research conducted for a single firm to provide answers to specific questions. This kind of research is especially helpful for firms when they need to know more about why certain trends have surfaced.

Some firms maintain an in-house research department that conducts studies on its behalf. Many firms, however, hire outside research companies that specialise in designing and conducting projects based on the needs of the client. These custom research reports are another kind of information that is included in the MkIS.

Marketers may use marketing research to identify opportunities for new products, to promote existing ones, or to provide data about the quality of their products, who uses them and how. Sometimes a company will even do research to counter a competitor’s claim. Procter & Gamble (P&G), for example, challenged rival Revlon’s claim that its ColorStay line of cosmetics wouldn’t rub off. P&G researchers wanted to answer a specific question: was
ColorStay’s claim true? Because that kind of question can’t be answered by buying a syndicated report, P&G commissioned 270 women to provide the specific information needed to support its case against Revlon. The women rubbed their cheeks against their shirts while wearing ColorStay and reported that, in fact, most of the shirts did get stained. Revlon, however, countered that P&G’s test was flawed because the women might have been encouraged to rub too hard. Revlon did its own test on 293 women who were told to use ‘the pressure they use when caressing someone else’s face’. This time the women found few stains. To avoid further controversy, Revlon now says that ColorStay won’t rub off under ‘normal circumstances’.6 (Aren’t you relieved?)

4. Acquired databases

A large amount of information that can be useful in marketing decision making is available in the form of external databases. Firms may acquire databases from any number of sources. For example, some companies are willing to sell their customer database to non-competing firms. Government databases, including the massive amounts of economic and demographic information compiled by the statistics offices of the respective country, are available at little or no cost.

Recently, the use of such databases for marketing purposes has come under increased government scrutiny. Using the data for analysing consumer trends and product planning is one thing – using it for outbound mailings and unsolicited phone calls and emails has evoked a backlash resulting in ‘do-not-call’ lists and anti-spam laws. Maybe you have noticed that when you sign up for a credit card or have other occasion to give a seller your contact information, you receive an invitation to ‘opt out’ of receiving promotional mailings from them or from others who may acquire your contact information from them later. By law, if you decide to opt out, companies cannot use your information for marketing purposes.

Marketing Decision Support Systems

A firm’s marketing information system generates regular reports for decision makers on what is going on in the internal and external environment. But sometimes these reports are inadequate. Different managers may want different information, and in some cases, the problem that must be addressed is too vague or unusual to be easily answered by the MkIS process. As a result, many firms take the vital step to beef up their MkIS with a marketing decision support system (MDSS). An MDSS includes analysis and interactive software that allows marketing managers, even those who are not computer experts, to access MkIS data and conduct their own analyses, often over the company intranet. Figure 3.3 shows the elements of an MDSS.

Marketing Metrics

Deciding Which Ice Cream

Famous ice cream producer Ben & Jerry’s, owned by consumer product giant Unilever, was looking for a technology system which would give managers and marketing executives easy access to customer information collected by the different departments. The IT (information technology) department chose a business intelligence software called BusinessObjects which offered the possibility to easily and quickly receive, analyse and act on consumer information data. This made it a lot easier for the company to discover buying patterns and taste preferences and react to customer comments. Any cream and chocolate sprinkles with your data?7
Modelling Software, ‘Perceptual Maps’ and ‘What-If’ Questions

Typically, an MDSS includes sophisticated statistical and modelling software tools. Statistical software allows managers to examine complex relationships among factors in the marketplace. For example, a marketing manager who wants to know how consumers perceive her company’s brand in relation to the competition’s brand might use a sophisticated statistical technique called multidimensional scaling to create a ‘perceptual map’, or a graphic presentation of the various brands in relationship to each other. You’ll see an example of a perceptual map in Chapter 6 on segmentation and positioning.

Modelling software can be used for scenario planning, as mentioned before, and helps decision makers to examine possible or preconceived ideas about correlations in the data – to ask cause and effect questions. For example, media modelling software allows marketers to see what would happen if they made certain decisions about where to place their advertising. A manager may be able to use sales data and a model to find out how many consumers stay with his brand and how many switch, thus developing projections of market share over time.

Contingency planning is the sister tool of scenario planning and is especially concerned with developing alternatives for the main plan in case of threats or emergencies – events which are foreseen but unlikely to occur. Table 3.1 gives some examples of the different marketing questions that an MkIS and an MDSS might answer.

Searching for Gold: Data Mining

As we have explained, most MkIS systems include internal customer transaction databases and many include acquired databases. Often these databases are extremely large. To take advantage of the massive amount of data now available, sophisticated analysis techniques called data mining are becoming a priority for many firms. Data mining is a process in which analysts sift through data (often measured in terabytes – much larger than kilobytes or even gigabytes) to identify unique patterns of behaviour among different customer groups. This
allows the company to get to know its customers inside out and aids successful and tailored customer relationship management.

British Airways, for example, uses data mining to create customised services for its travellers. The company receives a lot of information through customers who sign up for a frequent traveller programme or for newsletters as they have to fill out some questionnaires before joining. Through data mining the company can segment its customer base into different groups of interest concerning price, destination and dates of flights. Those customers can then receive specific promotional offers tailored to their needs.8

Data mining uses supercomputers that run sophisticated programs so that analysts can combine different databases to understand relationships among buying decisions, exposure to marketing messages and in-store promotions. These operations are so complex that companies often need to build a data warehouse (sometimes costing more than £5 million) simply to store and process the data.9

What Marketers can do with Data Mining

Data mining has four important applications for marketers:10

1. **Customer acquisition:** Many firms work hard to include demographic and other information about customers in their database. For example, a number of supermarkets offer weekly special price discounts for shop loyalty card holders. These shops’ membership application forms require that customers indicate their age, family size, address and so on. With this information, the supermarket can determine which of its current customers respond best to specific offers and then send the same offers to non-customers who share the same demographic characteristics.

2. **Customer retention and loyalty:** The firm can identify big-spending customers and then target them for special offers and inducements other customers won’t receive. Keeping the most profitable customers coming back is a great way to build business success because keeping good customers is less expensive than constantly finding new ones.11

3. **Customer abandonment:** Strange as it may sound, sometimes a firm wants customers to take their business elsewhere because servicing them actually costs the firm too much. Today, this is popularly called ‘firing a customer’. For example, a department store may use data mining to identify unprofitable customers – those who are not spending enough or who return most of what they buy. Top luxury fashion brand Burberry has experienced a major crisis since its well-known checked products became highly demanded by a new customer segment – the so-called ‘chavs’, who are associated with tracksuits, fake jewellery

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<tr>
<th>Questions Answered with an MkIS</th>
<th>Questions Answered with an MDSS</th>
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<tbody>
<tr>
<td>What were our company sales of each product during the past month and the past year?</td>
<td>Have our sales declines simply reflected changes in overall industry sales, or is there some portion of the decline that cannot be explained by industry changes?</td>
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<tr>
<td>What changes are happening in sales in our industry, and what are the demographic characteristics of consumers whose purchase patterns are changing the most?</td>
<td>Are the same trends seen in our different product categories? Are the changes in consumer trends very similar among all our products? What are the demographic characteristics of consumers who seem to be the most and the least loyal?</td>
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<tr>
<td>What are the best media for reaching a large proportion of heavy, medium, or light users of our product?</td>
<td>If we change our media schedule by adding or deleting certain media buying, will we reach fewer users of our product?</td>
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Table 3.1 Examples of Questions That Might Be Answered by an MkIS and an MDSS
and rowdy behaviour. Football hooligans and unpopular ex-reality soap stars wearing Burberry hats and outfits were regarded as a nightmare by Burberry, whose real desired target customers are the rich and famous. Throughout the last few years Burberry has been fighting rigorously to ‘fire’ its unwanted customers and re-establish its luxury image. Measures of customer abandonment undertaken by the company included removing baseball caps, which were extremely popular among the chavs, from its product line and replacing items with the eye-catching checked pattern by ones with a more ‘classy’ and plain design.12

4. Market basket analysis: Firms can develop focused promotional strategies based on their records of which customers have bought certain products. Hewlett-Packard, for example, carefully analyses which of its customers have recently bought new printers and targets them to receive emails about specials on ink cartridges and tips on getting the most out of their machines.

So far, we have looked at the MkIS and the MDSS, the overall systems that provide the information marketers need to make good decisions. We’ve seen how the data included in the MkIS and MDSS include internal company data, marketing intelligence data gathered by monitoring everyday sources, acquired databases and information gathered to address specific marketing decisions through the marketing research process. In the rest of the chapter, we’ll look at the steps that marketers must take when they conduct marketing research.

Marketing Metrics

How to measure car capabilities

Companies like BMW often use a market research concept called ‘car clinics’ in which customers can spend a day driving, testing and evaluating not only the car of the specific company but also the ones of their competitors. Several questionnaires, interviews and group discussions are being carried out in order to find out as much valuable information as possible. To avoid biases and make the research more reliable, the company often uses an independent agency which invites the customers to the clinic and all the cars are made unrecognisable so that the customers do not actually know which company is carrying out the research. If, for example, the research reveals that the perception of the car is better than the competitor’s car, it can be used in advertising against competitors and in order to counter their claims.
Steps in the Marketing Research Process

The collection and interpretation of strategic information is hardly a one-shot deal that managers engage in ‘just out of curiosity’. Ideally, marketing research is a continual process, a series of steps marketers take to learn about the marketplace. Whether a company conducts the research itself or hires another firm to do it, the goal is the same: to help managers make informed marketing decisions and reduce risks of taking actions which could harm the business. Figure 3.4 shows the steps in the research process, and we’ll go over each of these now.

Step 1: Define the Research Problem

The first step in the marketing research process is to clearly understand what information managers need. This step is referred to as defining the research problem. You should note that the word ‘problem’ here does not necessarily refer to ‘something that is wrong’ but instead to the overall questions for which the firm needs answers. Defining the problem has three components:

1. Specifying the research objectives: What questions will the research attempt to answer?
2. Identifying the consumer population of interest: What are the characteristics of the consumer groups of interest?
3. Placing the problem in an environmental context: What factors in the firm’s internal and external business environment might be influencing the situation?

Providing the right kind of information for each of these pieces of the problem is not as simple as it seems. For example, suppose a luxury car manufacturer wants to find out why its sales have fallen off dramatically over the past year. The research objective could revolve around any number of possible questions: Is the firm’s advertising failing to reach the right consumers? Is the right message being sent? Do the firm’s cars have a particular feature (or lack of one) that’s turning customers away? Is there a problem with the firm’s reputation for providing quality service? Do consumers believe the price is right for the value they get? The particular objective chosen depends on a variety of factors, such as the feedback the firm is getting from its customers, the information it receives from the marketplace, and sometimes even the intuition of the people designing the research.

Often the focus of a research question is driven by feedback from the marketplace that identifies a possible problem. Mercedes-Benz is a great example of a firm that, for years, has continually monitored drivers’ perceptions of its cars. When the company started getting reports from its dealers in the 1990s that more and more people were viewing Mercedes products as ‘arrogant’ and ‘unapproachable’, even to the point at which they were reluctant to sit in showroom models, the company undertook a research project to understand the reasons for this perception.

The research objective determines the consumer population the company will study. In Mercedes’ case, the research could have focused on current owners to find out what they especially liked about the car. Or it could have been directed at non-owners to understand their lifestyles, what they looked for in a luxury automobile, or their beliefs about the company itself that kept them from choosing its cars. So what did Mercedes find out? Research showed that although people rated its cars very highly on engineering quality and status, many were too intimidated by the elitist Mercedes image to consider buying one. Mercedes dealers reported that a common question from visitors to showrooms was, ‘May I actually sit in the car?’ Based on these findings, Mercedes has in recent years worked hard to adjust perceptions by projecting a slightly more down-to-earth image in its advertising, and it ultimately created new downsized classes of vehicles to appeal to consumers who wanted something a little less ostentatious.
Figure 3.4 Steps in the Marketing Research Process

The marketing research process includes a series of steps that begins with defining the problem or the information needed and that ends with the finished research report for managers.
Placing the problem in the context of the firm’s environment helps to structure the research, determine the specific types of questions to ask, and identify factors it will need to take into account when measuring results. Environmental conditions also matter. For example, when the economy is tight and sales of luxury cars are generally declining, researchers may narrow the population to be studied down to a select group of consumers who are still willing and able to indulge in a luxury vehicle. Today, many car consumers are moving away from status-conscious materialism and more towards functionality. In addition, as petrol prices have skyrocketed in recent years, drivers’ sensitivity to miles per gallon translates even to luxury brands and huge sport-utility vehicles like a mighty BMW X5. Thus, a research question might be to see how consumers react to different promotional strategies for luxury goods that go beyond simply ‘snob appeal’.

**Step 2: Determine the Research Design**

Once marketers have isolated specific problems, the second step of the research process is to decide on a ‘plan of attack’. This plan is the research design, which specifies exactly what information marketers will collect and what type of study they will do. Figure 3.5 summarises many of the types of research designs in the researcher’s arsenal. As you can see, research designs fall into two broad categories: secondary research and primary research. All marketing problems do not call for the same research techniques, and marketers solve many problems most effectively with a combination of techniques.

**Secondary Research**

The very first question marketers must ask themselves when determining their research design is whether the information required to make a decision already exists. For example, a coffee producer in the US who needs to know the differences in coffee consumption among different demographic and geographic segments of the market may find that the information needed is already available from a study conducted by the National Coffee Association.
Data that have been collected for some purpose other than the problem at hand are called **secondary data**.

Many marketers thrive on going out and collecting new, ‘fresh’ data from consumers. However, if secondary data are available, it saves the firm time and money because the expense of designing and implementing a study has already been incurred. It is often helpful to start off with secondary research as a first step in the research process. Even if it does not lead to the actual solution, it may give a better understanding of the research problem or aid in the design of further primary research. Sometimes the data that marketers need may even be ‘hiding’ right under the organisation’s nose in the form of company reports; previous company research studies; feedback received from customers, salespeople or shops; or even in the memories of long-time employees. More typically, though, researchers need to look elsewhere for secondary data. They may obtain reports published in the popular and business press, studies that private research organisations or government agencies conduct, and published research on the state of the industry from trade organisations.

For example, many companies gain market and consumer knowledge by subscribing to reports from the Mintel International group which researches many different business problems ranging from ‘opportunities for retailing in emerging markets’ to ‘new trends in the health food sector’.15

Another very effective way of acquiring useful secondary data, which gives the company new ideas, is to partner up with an academic institution such as a well-known university. Both sides benefit from this partnership as the university improves its reputation and importance and the company receives a useful, scientifically backed insight into the market and business problems. An example is the creation of the ‘Audi Lab for Market Research’ where German car manufacturer Audi partnered up with the prestigious Swiss university St. Gallen to create a leading research centre for customer needs, product improvement and development into new markets.16

On the downside, however, secondary research data may be outdated, inaccurate or not available for specialised markets and products. Before relying on secondary information, the researcher needs to assess its usefulness and the trustworthiness of the source, as well as filter out the truly relevant sources from an overload of data.

Table 3.2 lists a number of websites helpful to marketers looking for secondary research topics.

<table>
<thead>
<tr>
<th>URL</th>
<th>Description</th>
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<tbody>
<tr>
<td><a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a></td>
<td>The Office for National Statistics (ONS) collects and publishes official statistics about the UK’s society and economy.</td>
</tr>
<tr>
<td><a href="http://www.gfk.com/group/index.en.html">www.gfk.com/group/index.en.html</a></td>
<td>The GfK group is one of the world’s largest market research organisations, specialising in custom retail, retail and technology, consumer tracking, and media and healthcare.</td>
</tr>
<tr>
<td><a href="http://www.mintel.co.uk">www.mintel.co.uk</a></td>
<td>The Mintel International Group is a global supplier of consumer, media and market research and publishes reports on various business topics.</td>
</tr>
<tr>
<td><a href="http://www.bmrb.co.uk">www.bmrb.co.uk</a></td>
<td>The British Marketing Research Bureau (BMRB) provides different kinds of research solutions such as syndicated and proprietary research.</td>
</tr>
<tr>
<td><a href="http://www.lexis-nexis.co.uk">www.lexis-nexis.co.uk</a></td>
<td>Lexis-Nexis is a large database featuring information from all major newspapers, trade journals and magazines and reports.</td>
</tr>
</tbody>
</table>
Of course, secondary research is not always the answer. When a company needs to make a specific decision, it often needs to conduct research to collect primary data – that is, information collected directly from respondents to specifically address the question at hand. Primary data include demographic and psychological information about customers and prospective customers, customers’ attitudes and opinions about products and competing products, as well as their awareness or knowledge about a product and their beliefs about the people who use those products. In the next few sections, we’ll talk briefly about the various designs useful in conducting primary research.

Exploratory (Qualitative) Research

Marketers use exploratory research to generate topics for future, more rigorous studies to come up with ideas for new strategies and opportunities or perhaps just to get a better handle on a problem they are currently experiencing with a product. Besides, exploratory research also plays an assisting role in designing subsequent research. The studies are usually carried out on a small scale, are less costly than other techniques and often provide a deep insight into consumer behaviour. Quantitative research, by contrast, is rather concerned with testing hypotheses, for example with the help of large-scale surveys and other quantifiable methods. This explains why marketers may use exploratory research to test their hunches about what’s going on without too much risk. Think about Helen Armstrong’s decision.

Exploratory studies often involve in-depth probing of a few consumers who fit the profile of the ‘typical’ customer. Researchers may interview consumers, salespeople or other employees about products, services, ads or shops. They may simply ‘hang out’ and watch what people do when choosing among competing brands in a shop aisle. Or they may locate places where the consumers of interest tend to be and ask questions in these settings. For example, some researchers find that members of Generation Y – those born between 1977 and 1994 – are too suspicious or sceptical in traditional research settings, so they may interview young people queuing to buy concert tickets or in clubs. Firms like the trendy sportswear manufacturer Puma employ so-called ‘coolhunters’, young people who observe and record crowds in metropolitan areas with cameras and try to forecast upcoming trends. By doing so, Puma hopes to always stay one step ahead of competition and gain a leadership position regarding trends and style.

Most exploratory research is referred to as qualitative in nature: that is, the results of the research project tend to be non-numeric and instead might be detailed verbal or visual information about consumers’ attitudes, feelings and buying behaviours in the form of words rather than in numbers. For example, when Beiersdorf, producer of the well-known Nivea product range, wanted to introduce a new deodorant, it conducted a ‘blind test’ where people used the Nivea deodorant on one armpit and a conventional deodorant on the other without knowing which was which. The tested people were being questioned about the comfort and smell of the deodorant and this made it possible for Beiersdorf to improve the product.

Exploratory research can take many forms, as Helen Armstrong from Research International at the start of the chapter knows, and she has to choose how to advise the World Gold Council on which would be most appropriate. Consumer interviews are one-on-one discussions in which an individual shares his or her thoughts in person with a researcher. The mobile phone maker Nokia has
used consumer interviews in the past to identify important changes in consumer behaviour. They were able to spot a trend in customers wanting to move away from fixed line phones towards using a wireless headset service for all calls. With this new knowledge it became easier for Nokia to develop innovative product lines and stay ahead of the competition.20

Nestlé used personal interviews to find out reasons for the decline in sales of the Maggi brand. The interviews revealed that consumers perceived both the design of the bottle and the flavour of the product as uninteresting and old-fashioned. When consumers explained that they were longing for fresher ingredients and a younger design, Nestlé was able to reposition its Maggi brand and add ‘more natural qualities in terms of taste, smell, look and texture’.21

The focus group is the technique that marketing researchers use most often for collecting exploratory data. Focus groups typically consist of five to nine consumers who have been recruited because they share certain characteristics. These people sit together to discuss a product, ad, or some other marketing topic introduced by a discussion leader. Focus group facilitation is a real art that requires discipline, patience and a strong sense of when to sit back and listen and when to jump in and direct discussion. Typically, the leader video- or audiotapes these group discussions, which may be held at special interviewing facilities that allow for observation by the client, who watches from behind a one-way mirror.

In addition to getting insights from what the participants say about a product, a good moderator can sometimes learn by carefully observing other things such as body language. While conducting focus groups on bras, an analyst noted that small-chested women typically reacted with hostility when discussing the subject. The participants would unconsciously cover their chests with their arms as they spoke and complained that they were ignored by the fashion industry. To meet this overlooked need, the company introduced a line of A-cup bras called ‘A-OK’ that depicted these women in a positive light.22

Researchers use projective techniques to get at people’s underlying feelings, especially when they think that people will be unable or unwilling to express their true reactions. A projective test asks the participant to respond to some object, often by telling a story about it. For example, Georgia-Pacific, a manufacturer of paper kitchen towels, was locked in a struggle with ScotTowels (made by Kimberly-Clark) for the number two position in the US behind leading seller Bounty (made by Procter & Gamble). The company decided to re-examine its brand identity, which was personified by a 60-foot character named Brawny who held an axe. Georgia-Pacific managers were afraid that their brand was too old-fashioned or that women were confused about why a man was selling paper towels in the first place. Researchers asked women in the focus groups questions such as, ‘What kind of woman would he go out with?’ and ‘What is his home life like?’ Then the researchers asked the women to imagine how he would act in different situations and even to guess what would happen if they were locked in a lift with him for 20 minutes.

Responses were reassuring: the women saw the Georgia-Pacific kitchen towel as a knight in shining armour who would get them out of the elevator – a good spokesman for a product that’s supposed to be reliable and able to get the job done. The character kept his job and in fact since he was originally introduced in 1975 he has had two makeovers to keep his look modern.

The idea of creating brand personalities and finding out what customers think about the character was taken to a new level with the ‘Volcanicity’ campaign of bottled water producer Volvic. The company created a profile for the TV ad character ‘Mr. Volcano’ in the virtual community MSN Live Spaces (volcanogorge.spaces.live.com). Just like a real person, ‘Mr. Volcano’ published pictures, blogs and news about himself, and by the reactions which he received from other Live Space users the company could gain information about how the brand was perceived by customers.23

The case study is a comprehensive examination of a particular firm or organisation. In business-to-business marketing research in which the customers are other firms, for example,
researchers may try to learn how one particular company makes its purchases. The goal is to identify the key decision makers, to learn what criteria they emphasise when choosing among suppliers and perhaps to learn something about any conflicts and rivalries among these decision makers that may influence their choices.

An ethnography is a different kind of in-depth report. It is a technique borrowed from anthropologists who go to ‘live with the natives’ for months or even years. This approach has been adapted by some marketing researchers who visit people’s homes or participate in real life consumer activities to get a handle on how they really use products. Imagine having a researcher follow you around while you shop and then while you use the products you bought to see what kind of consumer you are.

Of course, unlike anthropologists living with indigenous tribes, marketing researchers usually don’t have months or years to devote to a project, so they devise shortcuts to get the information they need. For example, when Nissan was preparing for the $60 million launch of its first full-size truck, the Titan, its ad agency (TBWA/Chiat/Day) deployed researchers in the field to understand the psyche of such US truck owners. Team members hung out for several months at hunting expos, gun shows, cross-country events and even fishing spots – places that target consumers frequented. Results from the observations, supported by results from focus groups and interviews, provided strong ammunition for Nissan to communicate its message of what the Titan could do. Ultimately, to portray a rough-and-tumble image the ads showed dirty Titans in action, sloshing through mud and driving up inclines.\(^24\) Another example is the ‘Mini United 2007’ festival which took place in June 2007 in Zandvoort, Holland. True to the motto ‘Friends. Festival. Challenge’, thousands of Mini fans and Mini Classic fans from all over the world came together to party, socialise and exchange experiences about their favourite car. Apart from being a great PR event, this festival gave the car manufacturer excellent opportunities to mingle among the fans, conduct market research and spot trends in customer behaviour.\(^25\)

**Descriptive (Quantitative) Research**

We’ve seen that marketers have many tools in their arsenal, including focus groups and observational techniques, to help them better define a problem or opportunity. These are usually modest studies of a small number of people, enough to get some indication of what is going on but not enough for the marketer to feel confident about generalising what he or she observes to the rest of the population.

The next step in marketing research, then, often is to conduct *descriptive research*, which probes systematically into the marketing problem and bases its conclusions on a large sample of participants. Descriptive research is typically expressed in quantitative terms – averages, percentages or other statistics summarising results from a large set of measurements. In such quantitative approaches to research, the project can be as simple as counting the number of Listerine bottles sold in a month in different regions of the country or as complex as statistical analyses of responses to a survey mailed to thousands of consumers. In each case, marketers conduct the descriptive research to answer a specific question in contrast to the ‘fishing expedition’ that may occur in exploratory research.

Marketing researchers who employ descriptive techniques most often use a *cross-sectional design*. This approach usually involves the systematic collection of responses to a consumer
survey instrument, such as a questionnaire, from one or more samples of respondents at one point in time. The data may be collected on more than one occasion but generally not from the same pool of respondents.

In contrast to these one-shot studies, a longitudinal design tracks the responses of the same sample of respondents over time. Market researchers sometimes create consumer panels to get information; in this case a sample of respondents representative of a larger market agrees to provide information about purchases on a weekly or monthly basis. Procter & Gamble, for instance, recruits consumer advisory panels on a market-by-market basis to keep its finger on the pulse of local shoppers. Since P&G acquired the Gillette line of razors and blades, for the first time it had to recruit special all-male consumer panels to contribute to the development of new products such as the Fusion line of razors.26

Causal Research

It’s a fact that purchases of both nappies and beer peak between 5.00 and 7.00 p.m. Can we say that purchasing one of these products caused shoppers to purchase the other as well – and, if so, which caused which? Or is the answer simply that this happens to be the time that young fathers stop at the shop on their way home from work to pick up some brew and Pampers?27

The descriptive techniques we’ve examined do a good job of providing valuable information about what is happening in the marketplace, but descriptive research, by its very nature, can only describe a marketplace phenomenon – it cannot tell us why. Sometimes marketers need to know if something they’ve done has brought about some change in behaviour. For example, does placing one product next to another in a shop mean that people will buy more of each? We can’t answer this question through simple observation or description.

Causal research attempts to understand cause-and-effect relationships. Marketers use causal research techniques when they want to know if a change in something (for example, placing cases of beer next to a nappy display) is responsible for a change in something else (for example, a big increase in nappy sales). They call the factors that might cause such a change independent variables and the outcomes dependent variables. The independent variable(s) cause some change in the dependent variable(s). In our example, then, the beer display is an independent variable, and sales data for the nappies are a dependent variable. That is, the study would investigate whether an increase in nappy sales ‘depends’ on the proximity of beer. Another example for the use of causal research would be to examine a rise in sales after the implementation of a ‘buy-one-get-one-free’ offer. Did sales really go up because of this offer or was the rise caused by some other, external, factors? Researchers can gather data and test the causal relationship statistically.

To rule out alternative explanations, researchers must carefully design experiments that test predicted relationships among variables in a controlled environment. Because this approach tries to eliminate competing explanations for the outcome, respondents may be brought to a laboratory so that the researcher can control precisely what respondents should see. For example, a study testing whether the placement of nappies in a supermarket influences the likelihood that male shoppers will buy them might bring a group of men into a testing facility and show them a ‘virtual store’ on a computer screen. Researchers would ask the men to fill a grocery trolley as they click through the ‘aisles’. The experiment might vary the placement of the nappies – next to shelves of beer in one scenario, near paper goods in a different scenario. The objective is to see which placement gets the men to put nappies into their carts.

Although a laboratory allows researchers to exert control over what test subjects see and do, marketers don’t always have the luxury of conducting this kind of ‘pure’ research. But it is possible to conduct field studies in the real world, as long as the researchers can control the independent variables.
For example, a nappy company might choose two supermarkets that have similar customer bases in terms of age, income and so on. With the cooperation of the supermarket’s management, the company might place its nappy display next to the beer in one shop and next to the paper goods in the other and then record nappy purchases made by men over a two-week period. If a lot more nappies were bought by guys in the first shop than in the second (and the company was sure that nothing else was different between the two shops, such as a money-off coupon for nappies being distributed in one shop and not the other), the nappy manufacturer might conclude that the presence of beer in the background does indeed result in increased nappy sales.

Step 3: Choose the Method for Collecting Primary Data

When the researcher decides to collect primary data, the next step in the marketing research process is to figure out just how to collect it. Primary data collection methods can be broadly described as either survey or observation. There are many ways to collect data, and marketers are trying new ones all the time. Today, a few marketing researchers are even turning to sophisticated brain scans to directly measure our brains’ reactions to various advertisements or products. These ‘neuromarketers’ hope to be able to tell companies how people will react to their brands by scanning consumers’ brains rather than collecting data the old-fashioned way – by asking them. These techniques are still in their infancy, so for now we’ll still rely on other methods to collect primary data.

Survey Methods

Survey methods involve some kind of interview or other direct contact with respondents who answer questions. Questionnaires can be administered on the phone, in person, through the mail, or over the internet. Table 3.3 summarises the advantages and disadvantages of different methods for collecting data.

Questionnaires

Questionnaires differ in their degree of structure. With a totally unstructured questionnaire, the researcher loosely determines the questions in advance. Questions may evolve from what the respondent says to previous questions. At the other extreme, the researcher uses a completely structured questionnaire. He or she asks every respondent exactly the same questions and each participant responds to the same set of fixed choices. You have probably experienced this kind of questionnaire, where you might have had to say if you ‘strongly agree’, ‘somewhat agree’, and so on. Moderately structured questionnaires ask each respondent the same questions, but the respondent is allowed to answer the questions in his or her own words.

Mail questionnaires are easy to administer and offer a high degree of anonymity to respondents. This removes the interviewer bias and lowers the social desirability bias. Respondents are given the opportunity to answer the questions at their own pace. On the downside, because the questionnaire is printed and mailed, researchers have little flexibility in the types of questions they can ask and little control over the circumstances under which the respondent is answering them. The researcher cannot ask any probing questions or clarify responses. Mail questionnaires also take a long time to get back to the company and are likely to have a much lower response rate than other types of data collection methods because people tend to ignore them. In addition, because they use paper, they may be perceived as being less environmentally friendly.

Telephone interviews usually consist of a brief phone conversation in which an interviewer reads a short list of questions to the respondent. Although telephone interviews are relatively
Table 3.3
Advantages and Disadvantages of Data-Collection Methods

<table>
<thead>
<tr>
<th>Data-Collection Method</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
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</table>
| Mail questionnaires    | • Respondents feel anonymous  
                        • Low cost  
                        • Good for ongoing research  | • May take a long time for questionnaires to be returned  
                        • Low rate of response; many may not return questionnaires  
                        • Inflexible questionnaire  
                        • Length of questionnaire limited by respondent interest in the topic  
                        • Unclear whether respondents understand the questions  
                        • Unclear who is responding  
                        • No assurance that respondents are being honest |
| Telephone interviews   | • Fast  
                        • High flexibility in questioning  
                        • Low cost  
                        • Limited by interviewer  | • Decreasing levels of respondent cooperation  
                        • Limited questionnaire length  
                        • High likelihood of respondent misunderstanding  
                        • Respondents cannot view materials  
                        • Cannot survey households without phones  
                        • Consumers screen calls with answering machines and caller ID  
                        • Do-not-call lists allow many research subjects to opt out of participation |
| Face-to-face interviews| • Flexibility of questioning  
                        • Can use long questionnaires  
                        • Can determine whether respondents have trouble understanding questions  
                        • Can use visuals or other materials  | • High cost  
                        • Interviewer bias a problem  
                        • Take a lot of time |
| Online questionnaires  | • Instantaneous data collection and analysis  
                        • Questioning very flexible  
                        • Low cost  
                        • No interviewer bias  
                        • No geographic restrictions  
                        • Can use visuals or other materials  | • Unclear who is responding  
                        • No assurance that respondents are being honest  
                        • Limited questionnaire length  
                        • Unable to determine whether respondent is understanding the question  
                        • Self-selected samples |

cheap, reach a large number of people quite easily, and a random sample can be generated by using random digital dialling, there are several problems with this data collection method. One problem with this method is that the growth of telemarketing, where businesses sell directly to consumers over the phone, has eroded consumers’ willingness to participate in phone surveys (especially during dinnertime!). In addition to aggravating people by barraging them with telephone sales messages, some unscrupulous telemarketers have ‘poisoned the well’ for legitimate marketing researchers by hiding their pitches behind an illusion of doing research. They contact consumers under the pretence of doing a research study when in fact their real intent is to sell the respondent something or to solicit funds for some cause. In the US, the act of selling under the guise of doing market research is called ‘sugging’, and
‘frugging’ is the practice of fundraising under the pretence of doing market research (see Marketing Ethics box). The respondent also may not feel comfortable speaking directly to an interviewer, especially if the survey is about a sensitive subject and the researcher cannot use any visual aids during the interview or try building up a rapport with the interviewee. Besides, body language and non-verbal clues cannot be observed. Collectable information therefore often stays limited and it only makes sense to use a short questionnaire. Of course, increasing numbers of people use voicemail and caller ID to screen calls, further reducing the response rate. Besides, some numbers may not be listed, which can lead to an unrepresentative sample. And, as noted earlier, do-not-call lists allow many would-be research subjects to opt out of participation both in legitimate marketing research and unscrupulous telemarketing.29

Using face-to-face interviews, a live interviewer asks questions of one respondent at a time. Although in ‘the old days’ researchers often went door to door to ask questions, which allowed the interviewer to adapt questions to the specific situation and possibly gain deeper insights, that’s much less common today because of fears about security and because the large numbers of dual income families make it less likely to find people at home during the day. Other disadvantages are that this research method is very time-consuming, expensive, slow to complete and that there is a high likelihood of bias, for example that the respondent will answer in a socially desirable way. Typically, today’s face-to-face interviews occur in a shopping centre intercept study in which researchers recruit shoppers in shopping centres or other public areas. You’ve probably seen this going on in your local shopping centre where a smiling person holding a clipboard stops shoppers to see if they are willing to answer a few questions.

Shopping centre intercepts offer good opportunities to get feedback about new package designs, styles or even reactions to new foods or fragrances. Besides, this method is easy to supervise and less time-consuming than for example in-house interviews. However, because only certain groups of the population frequently shop at shopping centres, a shopping centre intercept study does not provide the researcher with a representative sample of the population (unless the population of interest is shopping centre shoppers). In addition to being more expensive than mail or phone surveys, respondents may be reluctant to answer questions of a personal nature in a face-to-face context.

Online questionnaires are growing in popularity, mainly due to their ability to reach a large number of people, speed of distribution and collection and low cost. However, the use of such questionnaires is not without concerns. Many researchers question the quality of responses they will receive – particularly because (as with mail and phone interviews) no one can be really sure who is typing in the responses on the computer. In addition, it’s uncertain whether savvy online consumers are truly representative of the general population.30 Response rates are often rather low since consumers might perceive them as spam, have technical problems or are worried about data security issues. As a result it can be argued that although online surveys become easier to do, good online surveys become increasingly harder to do.31 However, these concerns are rapidly evaporating as research firms devise new ways to verify identities; present surveys in novel formats, including the use of images, sound and animation; and recruit more diverse respondents.32 The importance and impact of online surveys will be covered in more depth later on in this chapter.

Observational Methods

The second major primary data collection method is observation. Observation is a type of data collection that uses a passive instrument in which the researcher simply records the consumer’s behaviour – often without their knowledge. On the one hand, observational research offers
STEPS IN THE MARKETING RESEARCH PROCESS

Marketing Ethics

Have you ever been Sugged or Frugged?

The Labour Party and some charities have been accused of ‘selling under guise’ or ‘sugging’. Sugging is something that appears to be market research questionnaires at first, and actually is little more than direct marketing forms soliciting the names, addresses and ideally cash from participants. It relies on the fact that there are plenty of people who are willing to cooperate with market research, but who don’t want to get involved in a sales approach. Frugging is fund raising under the guise of doing market research. So a cancer charity might ask people about their perceptions on the risks of getting cancer and end up by asking for a donation. Ultimately, the important thing is not to mislead the consumer. If you haven’t, it’s up to the consumer whether they want to fill out a questionnaire and give money.

Debate, Discuss, Disagree

1. Have you ever been sugged or frugged?
2. Should sugging and frugging activities be allowed?
3. If so, when in the direct mail, e-mail or street interview should the respondent be told they will be asked for money?

the advantage of being able to measure behaviour in a direct and flexible way. On the other hand, however, it can be rather difficult to interpret and generalise the observed patterns. Researchers might tend to ‘see what they want to see’ in the observed behaviours. Besides, disguised research, for example with hidden cameras, might cause some difficulties regarding legal issues. Researchers do this through personal observation, unobtrusive measures and mechanical observation.

When researchers use personal observation, they simply watch consumers in action to understand how they react to marketing activities. Household goods manufacturer Vileda gained insight into customer behaviour by sending researchers into their homes and observing their cleaning techniques. It was discovered that there is a large customer group with a rather easy-going attitude towards cleaning which helped the company develop its Magic Mop which makes cleaning fast and convenient.

A shopping centre in Texas became a laboratory for the workplace of the future when it put a ‘Connection Court’ in the middle of the shopping centre. In an observational project sponsored by the internet Home Alliance, a group of mostly high-tech companies including Cisco Systems, Microsoft, and IBM, workers installed chairs and couches; set up desks with laptops, flat-panel monitors and printers; and hooked up a high-speed wireless internet network. This space is free for use by people who want to work in a more casual – and public – setting. The motivation: to understand if and how people want to work outside their homes and offices. With the spread of wireless internet by companies like McDonald’s and Starbuck that are setting up networks to let their customers work, these companies are doing observational research to understand just how to structure the physical environment that will let them do that more comfortably.

Researchers use unobtrusive measures that measure traces of physical evidence that remain after some action has been taken when they suspect that people will probably alter their behaviour if they know they are being observed. For example, instead of asking a person to report on the alcohol products which they currently stock at home, the researcher might go to the house and perform a ‘pantry check’ by actually counting the bottles in the drinks cabinet. Another option for collecting primary data is to sift through garbage, searching for
clues about each family’s consumption habits. The ‘garbologists’ can tell, for example, which soft drink accompanied what kind of food. As one garbologist noted, ‘The people in this study don’t know that we are studying their garbage so the information is totally objective’. Smelly, too!

Mechanical observation is a primary data-collection method that relies on non-human devices to record behaviour. For example, one well-known application of mechanical observation is A.C. Nielsen’s famous use of ‘people meters’ – boxes attached to the television sets of selected viewers, to record patterns of television watching. Data obtained from these devices indicate who is watching which shows. These ‘television ratings’ help the networks determine how much to charge advertisers for commercials and which shows to cancel or renew, although critics claim that there are problems of undercounting minorities, Arbitron has recently deployed thousands of ‘portable people meters’, or PPMs. PPMs resemble pagers and automatically record the wearer’s exposure to any media that has inserted an inaudible code into its promotion (TV ad, shelf display, and so on). Thus, when the consumer is exposed to a broadcast commercial, cinema ad, internet banner ad or other form of commercial exposure, the PPM registers, records and time-stamps the signal. At day’s end, the media history is downloaded by a home docking station that simultaneously recharges the PPM. Portability ensures that all exposures register, eliminating obtrusive people meters and written diaries that participants often forget to fill out. The Institute of Practitioners in Advertising developed ‘IPA Touchpoints’ which measure the exposure of an individual to media streams with a PDA (personal digital assistant) in combination with a self-completion questionnaire. The Touchpoint project is designed to get an insight into how consumers move through the media jungle and to improve overall industry media research. This form of market research helps with answering questions like ‘is TV still the dominant form of media?’ or ‘how much time do consumers in the Greater London area spend shopping on the internet?’

Of course, many research firms are developing techniques to measure which websites are being visited and by whom. As we’ll see shortly, there are ways for companies to tell where you’ve travelled in virtual space, so be careful about the sites you surf!

Data Quality: Garbage In, Garbage Out

We’ve seen that a firm can collect data in many ways, including focus groups, ethnographic approaches, observational studies, and controlled experiments. But how much faith should marketing managers place in what they find out from the research?
All too often, marketers who have commissioned a study assume that because they have a massive report full of impressive-looking numbers and tables, they must have the ‘truth’. Unfortunately, there are times when this ‘truth’ is really just one person’s interpretation of the facts. At other times, the data used to generate recommendations are flawed. As the expression goes, ‘garbage in, garbage out’!37 That is, bad data mean bad managerial decisions. Typically, three factors influence the quality of research results – validity, reliability and representativeness.

Validitiy is the extent to which the research actually measures what it was intended to measure. This was part of the problem underlying the famous New Coke fiasco in the 1980s in which Coca-Cola underestimated people’s loyalty to its flagship soft drink after it replaced ‘Old Coke’ with a new, sweeter formula. In a blind taste test, the company assumed testers’ preferences for one anonymous cola over another was a valid measure of consumers’ preferences for a cola brand. Coca-Cola found out the hard way that measuring taste only is not the same as measuring people’s deep allegiances to their favourite soft drinks. After all, Coke is a brand that elicits strong consumer loyalty and is nothing short of a cultural icon. Tampering with the flavours was like assaulting Mum and her Sunday roast. Sales eventually recovered after the company brought back the old version as ‘Coca-Cola Classic’.38

Reliability is the extent to which the research measurement techniques are free of errors. Sometimes, for example, the way a researcher asks a question creates error by biasing people’s responses. Imagine that an attractive female interviewer working for Trojans condoms stopped male college students on campus and asked them if they used contraceptive products. Do you think their answers might change if they were asked the same questions on an anonymous survey they received in the mail? Most likely, their answers would be different because people are reluctant to disclose what they actually do when their responses are not anonymous. Researchers try to maximise reliability by thinking of several different ways to ask the same questions, by asking these questions on several occasions, or by using several analysts to interpret the responses. Thus, they can compare responses and look for consistency and stability.

Reliability is a problem when the researchers can’t be sure that the consumer population they’re studying even understands the questions. For example, kids are difficult subjects for market researchers because they tend to be undependable reporters of their own behaviour, they have poor recall, and they often do not understand abstract questions. In many cases, the children cannot explain why they prefer one item over another (or they’re not willing to share these secrets with grown-ups).39 For these reasons, researchers have had to be especially creative when designing studies on younger consumers. Figure 3.6 shows part of a completion test used to measure children’s preferences for television programming in Japan.

Representativeness is the extent to which consumers in the study are similar to a larger group in which the organisation has an interest. This criterion for evaluating research underscores the importance of sampling, the process of selecting respondents for a study. The issue then becomes how large or small the sample should be and how these people are chosen. The requirements regarding representativeness have to be adapted slightly depending on what type of research the marketers use. When a large-scale survey is being conducted as part of a quantitative research project, representativeness is absolutely crucial. When dealing with qualitative research, such as a focus group, marketers will much rather look for in-depth information about this small group of consumers than for representativeness across the whole population. In order to ensure representativeness, it is important to select an experiment group, which receives a certain stimulus, as well as a control group, which does not receive any stimulus. Afterwards, the results can be compared. We’ll talk more about sampling in the next section.
The growth of the internet is rewriting some of the rules of the marketing research process. As more and more people have access to the web, many companies are finding that the internet is a superior way to collect data – it’s fast, it’s relatively cheap and it lends itself well to forms of research from simple questionnaires to focus groups.

Fifty per cent of European researchers state that they have replaced face-to-face interviews with online research. Seventy-five per cent of research decision makers in the US have tried online research and expect to use it again in the future. In 2005, some researchers predicted that within two years, online surveys would have an average predicted share of business of 39.6 per cent, more than telephone (30.7 per cent), face-to-face (23.9 per cent) or mail surveys (5.7 per cent).

Developments in online research are happening quickly, so let’s take some time now to see where things are heading.

The web is revolutionising the way many companies collect data and use them to guide marketing decisions. There are two major types of online research. One type is information gathered by tracking consumers while they are surfing. The second type is information gathered through questionnaires on websites, through e-mail or from moderated focus groups conducted in chat rooms.

The internet offers an unprecedented ability to track consumers as they search for information. Marketers can better understand where people go to look when they want to learn about products and services – and which advertisements they stop to browse along the way. How can marketers do this? One way is by the use of cookies. Beware the Cookie Monster! Cookies are text files inserted by a website sponsor into a user’s hard drive when the user connects with the site. Cookies remember details of a visit to a website, typically tracking which pages the user visits. Some sites request or require that visitors ‘register’ on the site by answering questions...
Mr Michael Howley,  
University of Surrey

I would choose option 2, sample everyone who was involved in the purchasing or receiving of jewellery whether gold or not. In this way you would focus on those who had purchased gold jewellery or received it, and thereby establish their motivations for doing so, while also studying those who had purchased jewellery which was not gold. This second group must constitute a prime target market for the WGC because as they have shown a willingness to purchase or receive jewellery of some sort it should be a relatively easy step to convert them to the concept of gold jewellery. By contrast, option 3 would, to my mind, involve spreading the net too broadly. By extending the population to be studied to include everyone, whether they buy jewellery or not, the researcher runs the risk of including large numbers of respondents who are highly unlikely ever to purchase gold jewellery and thereby wasting resources in studying them. The difference between the size of the budgets involved, £350,000 for option 1 and £500,000 for both options 2 and 3, is not really significant compared with the huge potential returns that would accrue from a successful communications strategy inaugurated by the WGC and its partners.

Associate Professor Jacob Aabroe,  
Roskilde Business College,  
Denmark

If there are no financial constraints, I would choose to examine the broadest possible population (option 3). It is of little use to know the habits of existing gold customers when the purpose is to find out why people are NOT buying gold for jewellery. Using a sample that includes the entire population for the marketplace is the best choice for the World Gold Council, as it can help to identify new potential customers, as well as to understand existing customers better. The expectation that this type of study will most likely find more segments, leading to higher communication expenses, is not a valid reason to exclude it as an option. Consumers are acting in a more complex way today than ever before and companies should take this into account when they perform their marketing research.

Professor Stephen Brown,  
University of Ulster

They say that if Thomas Edison had held focus groups he’d have invented bigger candles, not light bulbs. And Alexander Graham Bell, analogously, would’ve built a better bullhorn. My preferred option therefore is none of the above. It is almost impossible to grasp the meaning of gold using market research techniques as vapid as focus groups and tick-box questionnaires. Such meanings, I suspect, are very deeply embedded in the consumer psyche. They cannot be adequately accessed by methods that scratch the surface, at most. Even much-lauded methodologies like ethnography, projective research and metaphor elicitation are incapable of cracking the code of something as tantalisingly mysterious as gold. Can focus groups really get a handle on ‘gold fever’? I very much doubt it.

GfK Roper Consulting might be better off initiating a programme of cultural market research, which attempts to grasp underlying meanings by examining the artefacts of popular culture – for example, movies like The Gold Rush or The Treasure of the Sierra Madre or Diamonds Are Forever – which better express the essence of consumer motivation than the pie-charted results of 1250 survey interviews. This is not to say that questionnaire surveys and focus groups are pointless. All market research information, if judiciously evaluated, can help creative managers make better decisions, but market research findings must always be taken with a sizeable pinch of salt. Indeed, even if sales subsequently soar in the markets that have received the research-led treatment, that doesn’t necessarily mean the marketing made it happen. There’s a world of difference between correlation and causality.
to many sites, such as online newspapers or travel agencies that require this information to admit you. This information generated from tracking consumers’ online journeys has become a product as well – companies sell these consumer data to other companies that are trying to target prospects. But consumers have become increasingly concerned about the sharing of these data. In a study of 10,000 web users, 84 per cent objected to the reselling of their information to other companies. Although internet users can delete cookie files manually or install anti-cookie software on their computers, there are many people who feel there is a need for privacy regulation and for cookie regulation in order to limit potential abuses.

Online Research Applications

The internet offers a faster, less expensive alternative to traditional communication data collection methods. Here are some ways companies are using the internet to get feedback from consumers:

- **New-product development**: In the 1990s, Procter & Gamble spent more than five years testing products such as Febreze, Dryel and Fit Fruit & Vegetable Wash the old-fashioned way before launching in the US. Using online tests, its Crest MultiCare Flex & Clean toothbrush was launched in less than a year. General Motors and Nissan are two car makers that now gather online consumer reactions to forthcoming products. Such research allows manufacturers to learn what consumers want in future vehicles.

- **Estimating market response**: A few cutting-edge companies are creating virtual worlds and using them to test consumers’ responses to brands. Using ‘There-bucks’, people who sign up to join the virtual community at There.com can choose to ‘buy’ products like Levi’s Type I jeans or Nike’s high-end Zoom Celar shoes on the site. Companies can then analyse who chose to buy which brands and which activities they engaged in while on the site (for example, do people who select the Levi’s style tend to spend a lot of time socialising in There clubs that are available on the site?).

- **Exploratory research**: Online focus groups have mushroomed in popularity in recent years. Firms such as itracks.com offer complete focus group capabilities via the web, claiming that ‘online research does not mean you lose the human touch. The online environment elicits honest responses, uninfluenced by peer pressure or group dominance’. To achieve this comfort level, all participants and the moderator log in anonymously using password protection. Of course, with online groups it is impossible to observe body language, facial expressions and vocal inflection. But marketers continue to develop new ways to talk to consumers in virtual space, including software that allows online focus group participants to indicate non-verbal responses. For example, an online participant can register an expression of disgust by clicking on the command to ‘roll eyes’.

- **Instant messaging**: A few forward-thinking marketers are starting to take advantage of the fact that 75 per cent of teens who go online use IM (instant messaging) and 48 per cent trade IM messages at least once a day. These researchers link IM to online focus groups: a moderator can conduct a chat with a respondent using IM technology in order to probe his or her answers more deeply in a separate conversation.

Advantages and Disadvantages of Online Data Collection

Many marketing research companies are running, not walking, to the web to conduct studies for clients. Why? For one thing, replacing traditional mail consumer panels with internet panels allows marketers to collect the same amount of data in a weekend that used to take six to eight weeks. And consumers can complete surveys when it is convenient – even at 3 a.m. in
their pyjamas. There are other advantages: companies can conduct large studies at low cost. International borders are not a problem either, since in many regions (such as Scandinavia) internet use is very high and it’s easy to recruit respondents. web-based interviews eliminate interviewer bias or errors in data entry.

However, no data collection method is perfect, and online research is no exception – although many of the criticisms of online techniques also apply to offline techniques. One potential problem is the representativeness of the respondents. Although the number of internet users continues to grow, many segments of the consumer population, mainly the poor and elderly, do not have equal access to the internet. In addition, in many studies (just as with mail surveys or shopping centre intercepts) there is a self-selection bias in the sample in that respondents have agreed to receive invitations to take part in online studies, which means they tend to be the kind of people who like to participate in surveys. As with other kinds of research such as live focus groups, it’s not unusual to encounter ‘professional respondents’ – people who just enjoy taking part in studies (and getting paid for it). Online firms such as Harris Interactive, Survey Sampling, or Greenfield online address this problem by monitoring their participants and regulating how often they are allowed to participate in different studies over a period of time.

There are other disadvantages of online research. Hackers can actually try to influence research results. Even more dangerous may be competitors who can learn about a firm’s marketing plans, products, advertising and so forth by intercepting information used in research. Despite the potential drawbacks, online research has a bright future. This research has the potential to take off even faster as a result of the 2001 terrorist attacks since many Americans are more hesitant to answer questions from strangers, drive to focus group facilities, or open mail surveys from sources they don’t recognise.

Step 4: Design the Sample

Once the researcher has defined the problem, decided on a research design and determined how to collect the data, the next step is to decide from whom to obtain the needed data. This is Helen Armstrong’s main problem in doing the World Gold Council’s research project, namely, ‘who should they interview?’ Of course, she could collect the information from every single customer or prospective customer. But this collection, known as a consensus, would be extremely expensive and time-consuming, if possible at all. Instead, researchers collect most of their data from a sample of the population of interest. Based on the answers from this sample, researchers hope to generalise to the larger population. Whether such inferences are accurate or inaccurate depends on the type and quality of the study sample. There are two main types of samples: probability and non-probability samples.

Probability Sampling

With a probability sample, each member of the population has some known chance of being included in the sample. Using a probability sample ensures that the sample is representative of the population and that inferences about the population made from the sample are justified. For example, if a larger percentage of males than females in a probability sample say they prefer action movies to ‘chick flicks’, one can infer with confidence that a larger percentage of males than females in the general population also would rather see a character get sliced and diced.

Simple random sampling. The most basic type of probability sample is a simple random sample in which every member of a population has a known and equal chance of being included in the study. For example, if we simply take the names of all students in your class, let’s assume there are 40 students for now, and put them in a hat and draw one out, each member of
your class has a 1 in 40 chance of being included in the sample. In most studies, the population from which the sample will be drawn is too large for a hat, so marketers generate a random sample from a list of members of the population using a computer program.

**Systematic sampling.** Sometimes researchers use a systematic sampling procedure to select members of a population in which they select the \( n \)th member of a population after a random start. For example, if we want a sample of 10 members of your class, we might begin with the second person on the register and select every fourth name after that, that is, the 2nd, the 6th, the 10th, the 14th and so on. Researchers know that studies that use systematic samples are just as accurate as with simple random samples. Unless a list of members of the population of interest is already in a computer data file, it’s a lot simpler to create a systematic sample.

**Stratified sampling.** Yet another type of probability sample is a stratified sample in which a researcher divides the population into segments that are related to the study’s topic. For example, imagine that you are interested in studying what types of films are most liked by members of a population. You have learned from previous studies that men and women in the population differ in their attitudes toward different types of movies – men like action flicks and women like romances. To create a stratified sample, you would first divide the population into male and female segments. Then respondents from each of the two segments would be selected randomly in proportion to their percentage of the population. In this way, you have created a sample that is proportionate to the population on a characteristic that you know will make a difference in the study results.

**Non-Probability Sampling**

Sometimes researchers do not believe the time, effort and costs required to develop a probability sample are justified, perhaps because they need an answer quickly or they just want to get a general sense of how people feel about a topic. They may choose a **non-probability sample**, which entails the use of personal judgement in selecting respondents – in some cases just asking whomever they can find. With a non-probability sample, some members of the population have no chance at all of being included in the sample. Thus, there is no way to ensure that the sample is representative of the population. Results from non-probability studies can be generally suggestive of what is going on in the real world but not necessarily definitive.

A **convenience sample** is a non-probability sample composed of individuals who just happen to be available when and where the data are being collected. For example, if you simply stand in front of the student union and ask students who walk by to complete your questionnaire, that would be a convenience sample.

**Quota sampling.** Finally, researchers may also use a quota sample that includes the same proportion of individuals with certain characteristics as is found in the population. For example, if you are studying attitudes of students in your university, you might just go on campus and find bachelor, master and PhD students in proportion to the number of members of each class in the university. The quota sample is much like the stratified sample except that with a quota sample, the researcher uses his or her individual judgement to select respondents.

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**Step 5: Collect the Data**

At this point, the researcher has determined the nature of the problem that needs to be addressed. He or she has decided on a research design that will specify how to investigate the problem and what kinds of information (data) will be needed. The researcher has also selected the data collection and sampling methods. Once these decisions have been made, the next task is to actually collect the data.
Although collecting data may seem like a simple process, researchers are well aware of its critical importance to the accuracy of research. There are several criteria which affect how successful the chosen research collection method will be. A precise timescale can help, for example accurate decision making and the access to relevant skills and expertise can speed up the collection process. When interviewers are involved, researchers know that the quality of research results is only as good as the poorest interviewer collecting the data. Careless interviewers may not read questions exactly as written, or they may not record respondent answers correctly. So marketers must train and supervise interviewers to make sure they follow the research procedures exactly as outlined. In the next section, we'll talk about some of the problems in gathering data and some solutions.

Challenges to Gathering Data in Foreign Countries

Conducting market research around the world is big business for many firms. Remember Helen Armstrong and the World Gold Council project at the beginning of the chapter. However, market conditions and consumer preferences vary worldwide, and there are major differences in the sophistication of market research operations and the amount of data available to global marketers. In Mexico, for instance, because there are still large areas where native Indian tribes speak languages other than Spanish, researchers may bypass these groups in surveys.

Another example for 2003 (the last year for which figures are available), estimated expenditures for research by marketing research companies – $387 million – rank China number two in Asia Pacific markets, topped only by Japan. In fact, money spent on marketing research in China is growing faster than in any other country in the world, with increases of over 25 per cent a year. The reason for such expenditures is obvious: China is an emerging market of more than 1.3 billion potential consumers. Interestingly, however, there's an erroneous impression among foreign marketers that most of the population lives in large cities. Coupled with real infrastructure and transportation challenges, this demographic misconception has left large portions of the vast Chinese countryside virtually untouched by modern marketing – so far.46

For these and other reasons, choosing an appropriate data collection method is difficult. In some countries, many people may not have phones, or low literacy rates may interfere with mail surveys. Local customs can be a problem as well. Offering money for interviews is generally considered rude in Latin American countries.47 Saudi Arabia bans gatherings of four or more people except for family or religious events, and it's illegal to stop strangers on the street or knock on the door of someone's house.48

Cultural differences also affect responses to survey items. Both Danish and British consumers, for example, agree that it is important to eat breakfast, but the Danish sample may be thinking of fruit and yogurt while the British sample is thinking of toast and tea. Sometimes marketers can overcome these problems by involving local researchers in decisions about the research design.

Another problem with conducting marketing research in global markets is language. Sometimes translations just don’t come out right. In some cases entire subcultures within a country might be excluded from the research sample. In fact, this issue is becoming more and more prevalent inside the United States as non-English speakers increase as a percentage of the population.

To overcome language difficulties, researchers use a process called back-translation, which requires two steps. First, a native speaker translates the questionnaire into the language of the targeted respondents. Then this new version is translated back into the original language to ensure that the correct meanings survive the process. Even with precautions such as these, however, researchers must interpret data obtained from other cultures with care. The European Society for Opinion and Marketing Research (ESOMAR, www.esomar.org) is a world organisation which publishes codes and guidelines for conducting market research. Look at their website. Why is such an organisation useful? Which standards do you regard as most necessary?
Step 6: Analyse and Interpret the Data

To understand the important role of data analysis, let’s take a look at a hypothetical research example. In our example, a company that markets frozen foods wishes to better understand consumers’ preferences for varying levels of fat content in their diets. They have conducted a descriptive research study in which they collected primary data via telephone interviews. Because companies recognise that gender is related to dietary preferences, they have used a stratified sample that includes 175 males and 175 females.

Tabulating and Cross-Tabulating

Typically, marketers first tabulate the data as Table 3.4 shows – that is, they arrange the data in a table or other summary form so they can get a broad picture of the overall responses. The data in this table show that 43 per cent of the sample prefers a low-fat meal. In addition, the data show that there is a desire to cross-classify or cross-tabulate the answers to questions by other variables. Cross-tabulation means that the data are examined by subgroups, in this case males and females.
separately, to see how results vary between categories. The cross-tabulation in Table 3.4 shows that 59 per cent of females versus only 27 per cent of males prefer a meal with low fat content. In addition, researchers may wish to apply additional statistical tests.

Based on the tabulation and cross-tabulations, the researcher must then interpret or draw conclusions from the results and make recommendations. For example, the study results shown in Table 3.4 may lead to the conclusion that females are more likely than males to be concerned about a low-fat diet. The researcher might then make a recommendation to a firm that it should target females in the introduction of a new line of low-fat foods.

### Step 7: Prepare the Research Report

The final step is to prepare a report of the research results. In general, a research report must clearly and concisely tell the readers what they need to know in a way that they can understand. A typical report includes the followings:

- An executive summary of the report that covers the high points of the total report.
- An understandable description of the research methodology.
- A complete discussion of the results of the study, including the tabulations, cross-tabulations and additional statistical analyses.
- Limitations of the study (no study is perfect).
- Conclusions and recommendations for managerial action based on the results.

Now you’ve learned about marketing research, and read ‘Real People, Real Decisions’ advice to see which market research strategy Helen Armstrong chose for her client, the World Gold Council. Here’s how it worked out.
shopping trips were conducted with consumers by market. All were buyers of luxury goods, split between those who included gold in their purchase and those who did not. Four two-hour focus groups were also conducted among buyers of luxury goods, again divided between those who bought gold and those who did not.

The final quantitative research was conducted among 1000–1250 women, regardless of whether they bought gold or not, with a longer interview than in option 2.

Despite the potential issue with a large number of segments, it was felt that this final structure gave a better picture of the role and value of gold jewellery in consumers’ lives. Including non-buyers was crucial for market development in the US, China and Italy where fewer people buy gold. As the WGC was not going to repeat this for a few years, yet was going to focus its worldwide marketing campaigns to target the key segments identified, it wanted the research to be as comprehensive and statistically robust as possible and to have confidence in the results. Being the most comprehensive option (which in fact involved spending the equivalent of 3.5 working years talking to consumers throughout the whole project), it also had the greatest credibility when talking to gold retail partners in each of its core countries.

The study has proved invaluable to World Gold Council, such that a major update was undertaken in 2005 to explore in detail the motivations behind the behaviours observed to give them even greater insight into the functional and emotional benefits of gold and the role gold jewellery plays in the everyday lives of consumers around the world.
Measuring success at the WCG

The study ultimately produced five global segments of gold purchasers all with differing attitudes towards and needs from gold jewellery. As a result of these segments, the WGC fine-tuned its communications strategy and messaging to more closely reflect the way target consumers perceive and purchase gold. The results speak for themselves. In the face of a consistently rising gold price, demand for gold jewellery has been robust and by the end of 2007 stood at its highest level, $54 billion. Since 2002, in the countries where the WGC worked with its partners and introduced the new communications strategy, the market has consistently outperformed those where WGC is not present. Also, gold jewellery sales outperformed GDP growth, retail sales indices and diamond and platinum jewellery sales in the target countries.
CHAPTER 3  MARKETING RESEARCH

1. The role of the marketing information system and the marketing decision support system in decision making. A marketing information system (MkIS) is composed of internal data, marketing intelligence, marketing research data, acquired databases, and computer hardware and software. Firms use an MkIS to gather, sort, analyse, store and distribute information needed by managers for marketing decision making. The marketing decision support system (MDSS) allows managers to use analysis software and interactive software to access MkIS data and to conduct analyses and find the information they need.

2. The marketing research process. The research process begins by defining the problem and determining the research design or type of study. Next, researchers choose the data collection method, that is, whether there are secondary data available or if primary research with a communication study or through observation is necessary. Then researchers determine what type of sample is to be used for the study and then collect the data. The final steps in the research are to analyse and interpret the data and prepare a research report.

3. The differences among exploratory, descriptive and causal research and some research techniques available to marketers. Exploratory research typically uses qualitative data collected by individual interviews, focus groups or observational methods such as ethnography. Descriptive research includes cross-sectional and longitudinal studies. Causal research goes a step further by designing controlled experiments to understand cause-and-effect relationships between marketing independent variables, such as price changes, and dependent variables, such as sales.

4. The different types of data-collection methods and types of samples that researchers use. Researchers may choose to collect data via survey methods and observation approaches. Survey approaches include mail questionnaires, telephone interviews, face-to-face interviews or online questionnaires. A study may utilise a probability sample such as a simple random or stratified sample in which inferences can be made to a population on the basis of sample results. Non-probability sampling methods include a convenience sample and a quota sample. The research tries to ensure that the data are valid, reliable and representative. Validity is the extent to which the research actually measures what it was intended to measure. Reliability is the extent to which the research measurement techniques are free of errors. Representativeness is the extent to which consumers in the study are similar to a larger group in which the organisation has an interest.

5. The growing use of online research. Online research accounts for more than 25 per cent of all marketing research. Online tracking uses cookies to record where consumers go on a website. Consumers have become increasingly concerned about privacy and how this information is used and made available to other internet companies. The internet also provides an attractive alternative to traditional data collection methods because of its speed and low cost.
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Chapter Review

Marketing Concepts: Testing Your Knowledge

1. What is a marketing information system (MkIS)? What types of information are included in a marketing information system? How does a marketing decision support system (MDSS) allow marketers to easily get the information they need?
2. What is data mining? How is it used by marketers?
3. What are the steps in the marketing research process? Why is defining the problem to be researched so important to ultimate success with the research project?
4. What techniques are used to gather data in exploratory research? How can exploratory research be useful to marketers?
5. What are some advantages and disadvantages of telephone interviews, postal questionnaires, face-to-face interviews and online interviews?
6. When considering data quality, what are the differences among validity, reliability and representativeness? How do you know data have high levels of these characteristics?
7. How do probability and non-probability samples differ? What are some types of probability samples? What are some types of non-probability samples?
8. What is a cross-tabulation? How are cross-tabulations useful in analysing and interpreting data?
9. What is a cookie? What ethical and privacy issues are related to cookies?
10. What important issues must researchers consider when planning to collect their data online?

Marketing Concepts: Discussing Choices and Ethical Issues

1. Some marketers attempt to disguise themselves as marketing researchers when their real intent is to sell something to the consumer. What is the impact of this practice on legitimate researchers? What do you think might be done about this practice?
2. Do you think marketers should be allowed to conduct market research with young children? Why or why not?
3. Are you willing to divulge personal information to marketing researchers? How much are you willing to tell, or where would you draw the line?
CHAPTER 3  MARKETING RESEARCH

4. What is your overall attitude toward marketing research? Do you think it is a beneficial activity from a consumer's perspective? Or do you think it merely gives marketers new insights on how to convince consumers to buy something they really don't want or need?

5. Sometimes firms use data mining to identify and abandon customers who are not profitable because they don't spend enough to justify the service needed or because they return a large proportion of the items they buy. What do you think of such practices? Is it ethical for firms to prune out these customers?

6. Many consumers are concerned about online tracking studies and their privacy. Do consumers have the right to 'own' data about themselves? Should governments limit the use of the internet for data collection?

7. One unobtrusive measure mentioned in this chapter involved going through consumers’ or competitors’ garbage. Do you think marketers should have the right to do this? Is it ethical?

8. Consider the approach to tracking consumers’ exposure to promotions via portable people meters, or PPMs. How would you feel about participating in a study that required you to use a PPM? What would be the advantage of a PPM approach versus keeping a written diary of television shows you watched and ads you saw?

Marketing Practice: Applying What You’ve Learned

1. Your firm is planning to begin marketing a consumer product in several markets. You have been given the responsibility of developing plans for marketing research to be conducted in South Africa, in Spain, and in China. In a role-playing situation, present the difficulties you expect to encounter, if any, in conducting research in each of these areas.

2. As an account executive with a marketing research firm, you are responsible for deciding on the type of research to be used in various studies conducted for your clients. For each of the following client questions, list your choices of research approaches.
   a. Will television or magazine advertising be more effective for a local bank to use in its marketing communication plan?
   b. Could a new package design for breakfast cereal do a better job at satisfying the needs of buyers and thus increase sales?
   c. Are consumers more likely to buy brands that are labelled as environmentally friendly?
   d. How do female consumers determine if a particular perfume is right for them?
   e. What types of people read the local newspaper?
   f. How frequently do consumers switch brands of soft drinks?
   g. How will an increase in the price of a brand of laundry detergent affect sales?
   h. What are the effects of advertising and sales promotion in combination on sales of a brand of shampoo?

3. Your marketing research firm is planning to conduct surveys to gather information for a number of clients. Your boss has asked you and a few other new employees to do some preliminary work. He has asked each of you to choose three of the topics (from among those listed next) that will be included in the project and to prepare an analysis of the advantages and disadvantages of these communication methods of collecting data: mail questionnaires, telephone interviews, face-to-face interviews, and online questionnaires.
   a. The amount of sports nutrition drinks consumed in a city.
   b. Why a local bank has been losing customers.
   c. How heavily the company should invest in manufacturing and marketing home fax machines.
   d. The amount of money spent on euro lottery tickets in Denmark, Sweden, Holland and the UK.
   e. What local doctors would like to see changed in the hospitals in the city.
   f. Consumers’ attitudes toward several sports celebrities.

4. For each of the topics you selected in item 3, how might a more passive (observation) approach be used to support the communication methods employed?
Marketing Miniproject: Learning by Doing

The purpose of this miniproject is to familiarise you with marketing research techniques and to help you apply these techniques to managerial decision making.

1. With three other students in your class, select a small retail business or fast-food restaurant to use as a ‘client’ for your project. (Be sure to get the manager’s permission before conducting your research.) Then choose a topic from among the following possibilities to develop a study problem:
   - Employee–customer interactions.
   - The busiest periods of customer activity.
   - Customer perceptions of service.
   - Customer likes and dislikes about offerings.
   - Customer likes and dislikes about the environment in the place of business.
   - The benefits customers perceive to be important.
   - The age groups that frequent the place of business.
   - The buying habits of a particular age group.
   - How customer complaints are handled.

2. Develop a plan for the research:
   a. Define the problem as you will study it;
   b. Choose the type of research you will use;
   c. Select the techniques you will use to gather data;
   d. Develop the mode and format for data collection.

3. Conduct the research.

4. Write a report (or develop a class presentation) that includes four parts:
   a. Introduction: a brief overview of the business and the problem studied;
   b. Methodology: the type of research used, the techniques used to gather data (and why they were chosen), the instruments and procedures used, the number of respondents, duration of the study, and other details that would allow someone to replicate your study;
   c. Results: a compilation of the results (perhaps in table form) and the conclusions drawn;
   d. Recommendations: a list of recommendations for actions management might take based on the conclusions drawn from the study.

Real People, Real Surfers

Exploring the Web

As discussed in this chapter, monitoring changes in demographics and other consumer trends is an important part of the marketing intelligence included in an MkIS. Today, much of this information is gathered by government research and is available on the internet.


On the homepage, click on population. You should be able to locate the statistical data for your area by using a search engine such as Google, and entering something like ‘Utrecht Statistical Abstract’. Using both state data and Statistics Netherlands data, develop a report on a city or county of your choice that answers these questions:

1. What is the total population of your city or town?
2. Describe the population of the area in terms of age, income, education, ethnic background, marital status, occupation and housing.
3. How does your city or town compare to the demographic characteristics of the entire UK or Dutch or Danish population?
4. What is your opinion of the different websites you used? How useful are they to marketers? How easy were they to navigate? Was there information that you wanted that was not available? Was there more or less information from the sites than you anticipated? Explain.

Now, take a look at the website at www.pearsoned.co.uk/solomon to see some videos from YouTube relating to aspects of this chapter.
A standard mobile phone lets you send and receive calls, shop numbers and addresses, and play games. Advanced mobile phones let you take and send digital photos, access the internet, and listen to music. With that in mind the question is, how many more features can manufacturers and service providers pack into a mobile phone? And when will the buying public say 'enough' about what they are willing to pay for all these features? The people at NeoMedia Technologies, designer of NeoReader software for mobile phones, hope the answer to the first question is 'at least one more', and the answer to the second question is 'hopefully, not for a long time'.

Mobile phone software launched by NeoMedia in late 2006 allows consumers to use the camera feature of their phone to look up information about virtually anything that has a UPC, or Universal Product Code. For example, a consumer in a beauty supply shop is considering buying a certain brand of shampoo but is not sure if the shampoo works well with her type of hair. Unfortunately, the package description doesn’t answer her question. To gather more information about the product, the consumer can select the NeoMedia software from the icon already included on her mobile phone and take a picture of the UPC on the shampoo package. The software will read the UPC and link to the website for the product. Once the connection is made, the consumer can use her phone to browse the product’s website to learn whether the shampoo is compatible with her hair.

Consider products that have bar codes on them – textbooks, music CDs, computers, MP3 players and cereal boxes – or could have bar codes – cars, paintings in museums, and buildings – and the possibilities for this latest addition to mobile phone software seem endless. What if a group of friends wants to see a film one evening but can’t decide what to see? If you have a mobile phone with the right software, you can snap...
You can snap a picture of the bar codes on promotional posters at the cinema and watch the film trailers.

a picture of the bar codes on the promotional posters at the cinema and watch the film trailers. After everyone has viewed the ad for each film, the group can decide which film to see. Also, consider a tourist passing by Big Ben in London and wanting to know when it was built, who designed it and how much it cost. With the right mobile phone software he could take a picture of a unique product code attached to or near the building and pull up the Wikipedia.org entry for that building.

To successfully introduce this product, NeoMedia Technologies will need a detailed marketing plan that includes an examination of the external environment. In addition, there may be market research applications to the technology. For example, questionnaires could have a bar code in restaurants or bar and you could complete the survey online in real time while you are experiencing the event and the data would be aggregated instantaneously for the company. By allowing access to many more websites in real time, web tracking of what people do on the web will become more important and could give clues and to which type of information people want to see more of. There could be a code for the hotline or complaints line so you could take a picture or video of the problem and upload it onto the company’s complaint pages.

NeoMedia Technologies’ marketing planning must also consider who is its real customer? Is it the mobile phone manufacturers that can pre-install the software on the phones as they are produced or consumers who can select the software as an option to install when they purchase the phone from a phone service provider? Or could it be used by market research agencies alone as a data collection tool? To maximise the opportunities for success in the marketplace, NeoMedia Technologies must make good marketing planning decisions.

Things to Think About

1. What are the market research applications of NeoReader?
2. Which type of data do you think it would be best and worse at collecting?
3. What types of situations or companies might most be interested in these applications and why?
4. What course of action would you recommend for them to exploit these?

References

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