



Chapter 3

Marketing research and information systems

TEACHING RESOURCES QUICK REFERENCE GUIDE

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PURPOSE AND PERSPECTIVE

This chapter focuses on the ways of gathering information needed for marketing decisions. First, we discuss the role of marketing research in decision making and problem solving. We also identify a set of steps to follow in conducting a marketing research project: 1) locating and defining problems or research issues, 2) designing the research project, 3) collecting data, 4) interpreting research findings, and 5) reporting research findings. Then we turn to the methods of gathering marketing research data. We describe various sources of secondary data. We explore primary data-collection methods in detail, focusing on sampling, survey methods, observation methods and experimentation. We discuss how new technologies, such as the Internet, aid marketers in collecting, organising and interpreting marketing research data. Finally, we consider ethical and international issues in marketing research.

LECTURE OUTLINE

I. THE IMPORTANCE OF MARKETING RESEARCH

- A. *Marketing research* is the systematic design, collection, interpretation and reporting of information to help marketers solve specific marketing problems or take advantage of market opportunities.
 1. It is a process for gathering market insights not currently available to decision makers.

2. The purpose of marketing research is to inform an organisation about competitors, customers' needs and desires, marketing opportunities for particular goods and services, and changing attitudes and purchase patterns of customers.
- B. The real value of marketing research is measured by improvements in a marketer's ability to make decisions.
 1. Marketers should treat information in the same manner as other resources utilised by the firm and they must weigh the costs of obtaining insights against the benefits derived.
 2. Information should be judged worthwhile if it results in marketing activities that better satisfy the firm's target customers, leads to increased sales and profits, or helps the firm achieve some other goal.

II. THE MARKETING RESEARCH PROCESS

To maintain the control needed to obtain accurate information, marketers approach marketing research as a process with logical steps. These steps should be viewed as an overall approach to conducting research rather than as a rigid set of rules to be followed in each project.

A. Determine the scope for marketing research

1. The first step in launching a research study is issue or problem definition, which focuses on uncovering the nature and boundaries of a situation or question related to marketing strategy or implementation. The first sign of a problem is typically a departure from some normal function, such as conflicts between or failures in attaining objectives.
2. Marketing research often focuses on identifying and defining market opportunities or changes in the environment. When a firm discovers a market opportunity, it may need to conduct research to understand the situation more precisely so it can craft an appropriate marketing strategy.
3. To pin down the specific boundaries of an issue or problem through research, marketers must define the nature and scope of the situation in a way that requires probing beneath the superficial symptoms.

B. Select the research method

Once the issue or problem has been defined, the next step is *research design*, an overall plan for obtaining the information needed to address it. This step requires determining what type of research is most appropriate for answering the research question(s).

1. Types of Research

The nature and type of research varies based on the research design and the hypotheses under investigation. A *hypothesis* is an informed guess or assumption about a certain problem or set of circumstances. Marketers may elect to conduct either exploratory, descriptive or experimental research. While each has its distinct purposes, the major differences between them are formalisation and flexibility rather than the specific research methods used.

a) Exploratory Research

Marketers may conduct *exploratory research* when they need more information about a problem or want to make a tentative hypothesis more specific. The main purpose of exploratory research is to better understand a problem or situation and/or to help identify additional data needs or decision alternatives.

b) Descriptive Research

If marketers need to understand the characteristics of certain phenomena to solve a particular problem, descriptive research can aid them.

It is conducted to clarify the characteristics of certain phenomena and thus solve a particular problem.

c) Experimental Research

Experimental research allows marketers to make causal deductions about relationships. Experimentation requires that an independent variable (one not influenced by or dependent on other variables) be manipulated and the resulting changes in a dependent variable (one contingent on, or restricted to, one value or set of values assumed by the independent variable) be measured.

2. Research Reliability and Validity

In designing research, marketing researchers must ensure that research techniques are both reliable and valid.

- a) A research technique has *reliability* if it produces almost identical results in repeated trials.
- b) To have *validity*, the method must measure what it is supposed to measure, not something else.

C. Collect and Prepare Data

The next step in the marketing research process is collecting data. The research design must specify what types of data to collect and how they will be collected.

1. Types of Data

- a) *Primary data* are observed and recorded or collected directly from respondents. This type of data must be gathered by observing phenomena or surveying people of interest.
- b) *Secondary data* are compiled both inside and outside the organisation for some purpose other than the current investigation.

2. Sources of Secondary Data

Marketers often begin the data-collection phase of the marketing research process by gathering secondary data.

- a) Internal sources of secondary data can include the organisation's own database, which may contain information about past marketing activities as well as accounting records.
- b) External sources of data include periodicals, government publications, unpublished sources, online databases, subscription information services, and the Internet.

3. Methods of Collecting Primary Data

The collection of primary data is a more lengthy, expensive, and complex process than the collection of secondary data.

a) Sampling Procedures

- (1) Because the time and resources available for research are limited, it is almost impossible to investigate all members of a target market or other population.
 - (a) A *population*, or 'universe,' includes all the elements, units, or individuals of interest to researchers for a specific study.
 - (b) By systematically choosing a limited number of units—a *sample*—to represent the characteristics of a total population, researchers can project the reactions of a total market or market segment.
 - (c) *Sampling* in marketing research is the process of selecting representative units from a total population. Most types of marketing research employ sampling techniques.
- (2) There are two basic types of sampling: probability sampling and non-probability sampling.

- (a) With *probability sampling*, every element in the population being studied has a known chance of being selected for study. When marketers employ *random sampling*, all the units in a population have an equal chance of appearing in the sample. Another kind of probability sampling is *stratified sampling*, which divides the population of interest into groups according to a common attribute and then a random sample is chosen within each group.
- (b) *Non-probability sampling* is more subjective than probability sampling because there is no way to calculate the likelihood that a specific element of the population will be chosen. One type of non-probability sampling is *quota sampling*, in which researchers divide the population into groups and then arbitrarily choose participants from each group.

b) Exploratory Methods

(1) Often before a survey can be conducted, the marketer or researcher needs to explore what the full breadth of the research issue might be. Once all the dimensions are revealed, a survey can be designed around what the exploration revealed.

(a) A focus group is a research method involving the observation of a group interaction when members are exposed to an idea or a concept.

(b) Customer advisory boards are small groups of actual customer who serve as sounding boards for new product idea and offer insights into their feelings and attitudes toward a company's products and other elements of marketing strategy.

(c) A telephone depth interview combines the traditional focus group's ability to probe with the confidentiality provided by telephone surveys.

c) Survey Methods

- (1) Marketing researchers often collect primary data through mail, telephone, online, or personal interview surveys. Table 3.2 compares these four basic survey methods.
 - (a) Selection of a survey method depends on the nature of the problem or issue, the data needed to test the hypothesis, and the resources, such as funding and personnel, available to the researcher.
 - (b) Gathering information through surveys is becoming increasingly difficult because fewer people are willing to participate.
- (2) In a *mail survey*, questionnaires are sent to respondents, who are encouraged to complete and return them.
 - (a) A mail survey is the least expensive survey method as long as the response rate is high enough to produce reliable results.
 - (b) The main disadvantages of this method are the possibility of a low response rate and of misleading results if respondents differ significantly from the population being sampled.
- (3) In a *telephone survey*, an interviewer records respondents' answers to a questionnaire over a phone line.
 - (a) Telephone surveys have some advantages over mail surveys, including higher rate of response, speed, and the ability to gain rapport with respondents and ask probing questions.

- (b) Telephone surveys have several disadvantages, including the fact that few people like to participate in telephone surveys, which can limit participation and distort representation; telephone surveys are limited to oral communication; and interpreters of results must make adjustments for subjects who are not at home, do not have telephones, have unlisted numbers, or screen or block calls.
- (4) In an *online survey*, questionnaires can be transmitted to respondents who have agreed to be contacted and have provided their email addresses.
 - (a) The potential advantages of email surveys are quick response and lower cost than traditional mail and telephone surveys.
 - (b) In *crowdsourcing* research is usually performed by the marketer or researcher outsources a research question to a crowd or potential market through an open call, usually online. (c)

There are some ethical issues to consider when using email for marketing research, such as 'spam' (unsolicited email) and privacy.

- (d) Social networking websites are an increasingly common for marketers to conduct research. Online social networks function similarly to traditional social networks in that they are often used to gather useful data in understanding consumer decisions. Twitter, Facebook, MySpace and LinkedIn are some of the most popular social networking websites. They reduce the effort and cost of staying in touch with people. Research using online social networking websites can be a good substitute for focus groups.
- (5) In a *personal interview survey*, participants respond to questions face to face.
 - (a) One such research technique is the *in-home (door-to-door) interview*, which takes place in the respondent's home.
 - (b) *Shopping mall intercept interviews* involve interviewing a percentage of individuals passing by certain 'intercept' points in a mall.
- b) **Questionnaire Construction**
 - (1) Questions must be clear, easy to understand and directed toward a specific objective.
 - (2) A common mistake in constructing questionnaires is to ask questions that interest the researchers but do not yield information useful in deciding whether to accept or reject a hypothesis.
 - (3) Questions are usually of three kinds: open-ended, dichotomous, and multiple-choice (as shown in the text).
 - (4) Researchers must be careful about questions that a respondent might consider too personal or that might require an admission of activities that other people are likely to condemn.
- c) **Observation Methods**
 - (1) In using observation methods, researchers record individuals' overt behaviour, taking note of physical conditions and events. Direct contact with subjects is avoided.

- (2) Observation may include the use of ethnographic techniques, such as watching customers interact with a product in a real-world environment.
- (3) Data gathered through observation can sometimes be biased if the person is aware of the observation process.
 - (a) An observer can be placed in a natural market environment, such as a grocery store, without biasing or influencing shoppers' actions.
 - (b) If the presence of a human observer is likely to bias the outcome or if human sensory abilities are inadequate, mechanical means may be used to record behaviour.
- (3) Observation is straightforward and avoids a central problem of survey methods – motivating respondents to state their true feelings or opinions. However, it tends to be descriptive. When it is the only method of data collection, it may not provide insights into causal relationships. Another drawback is that analyses based on observation are subject to the biases of the observer or the limitations of the mechanical device.

D. **Analyse the Data**

After collecting data to test their hypotheses, marketers need to interpret the research findings.

- 1. The first step in drawing conclusions from most research is displaying the data in table format.
- 2. Next, the data must be analysed: *Statistical interpretation* focuses on what is typical or what deviates from the average.

E. **Transform the Analysis Results into Insights**

- 1. The final step in marketing research is to report the research findings. The marketer must take a clear, objective look at the findings to see how well the gathered facts answer the research question or support or negate the initial hypotheses.
- 2. The report of the research results is usually a formal, written document.

III. **USING TECHNOLOGY TO IMPROVE DATA ANALYSIS**

- A. The ability of marketers to track customer buying behaviour and to discern what buyers want is changing the nature of marketing.
 - 1. Customer relationship management is being enhanced by integrating data from all customer contacts to improve customer retention.
 - 2. Information technology permits internal research and quick information gathering to understand and satisfy customers.
 - 3. The integration of telecommunications and computer technologies is allowing marketers to access a growing array of valuable information sources related to industry forecasts, business trends and customer buying behaviour.
- B. **Marketing Information Systems**
 - 1. A *marketing information system (MIS)* is a framework for the day-to-day management and structuring of data gathered regularly from sources both inside and outside an organisation. It provides a continuous flow of information about prices, advertising, expenditures, sales, competition and distribution expenses.

2. The main focus of the marketing information system is on data storage and retrieval, as well as on computer capabilities and management's information requirements.
3. An effective marketing information system starts by determining the objective of collecting particular data – that is, by identifying decision needs that require certain information. The company can then specify an information system for continuous monitoring to provide regular, pertinent insights on both the external and internal environment.

C. Databases

1. Databases – collections of information arranged for easy access and retrieval – allow marketers to tap into an abundance of information useful in making marketing decisions: internal sales reports, newspaper articles, company news releases, government economic reports, bibliographies, and more, often accessed through a computer system.
2. Marketing researchers can also use commercial databases developed by database companies to obtain useful insights for marketing decisions.
3. Regularly and systematically collected data by a research company on household demographics, purchases, television viewing behaviour, and responses to promotions such as coupons and free samples are referred to as *single-source data*.

D. Marketing Decision Support Systems

A *marketing decision support system (MDSS)* is customised computer software that aids marketing managers in decision making by helping them anticipate the effects of certain decisions.

IV. ISSUES IN MARKETING RESEARCH

A. The Importance of Ethical Marketing Research

1. Because marketing managers and other professionals are relying more on marketing research, marketing information systems and new technologies to make better decisions, it is essential that professional standards be established by which such research may be judged reliable.
2. Such standards are necessary because of the ethical and legal issues that develop in gathering marketing research data.
3. Organisations such as the Marketing Research Association, Australian Market and Social Research Society and Market Research Society of New Zealand have developed codes of conduct and guidelines to promote ethical marketing research.

B. International Issues in Marketing Research

1. The marketing research process described in this chapter is used globally, but to ensure that the research is valid and reliable, data-gathering methods may have to be modified to allow for differences in sociocultural, economic, political, legal and technological forces in different regions of the world.
2. Experts recommend a two-pronged approach to international marketing research.
 - a) The first phase involves a detailed search for and analysis of secondary data to gain greater understanding of a particular marketing environment and to pinpoint issues that must be taken into account in gathering primary research data.
 - b) The second phase involves field research using many of the methods described in the chapter, including focus groups and telephone surveys, to refine a firm's understanding of specific customer needs and preferences.

- (1) Specific differences among countries can have a profound influence on data gathering.
- (2) Primary data gathering may have a greater chance of success if the firm employs local researchers who better understand how to approach potential respondents and can do so in their own language.

DISCUSSION STARTERS

Discussion Starter 1: Reaching Consumers

ASK: How many of you simply do not answer the phone when the caller ID reports an 1800 number? How many of you hang up when you find out the call is from a marketing research company?

It is becoming increasingly difficult for companies to get data from customers. People often do not respond to phone or mail requests for information. Companies sometimes have better luck through new technology.

The opening vignette in the chapter reports how businesses that are effectively using social media are benefitting from a range of information.

Take a look at 'Social Media Marketing in 2014' from Marketing:
<http://www.marketingmag.com.au/blogs/social-media-marketing-in-2014-strategy-customer-experience-and-measurement-50258/>

ASK: What are the benefits of having real-time data from customers?

Note: This discussion may then transition into the definition of marketing research.

Discussion Starter 2: Sources of Secondary Data

ASK: What is held every 10 years in the United States as required by the Constitution and yields crucial data for marketers?

The answer is the US Census.

ASK: Why is it called the US Census and not the US Sample?

Every person in the US must be counted. It is a full accounting of the population and yields a treasure trove of information for marketers. For example, you can visit the Census Bureau website and get very specific details about the population in a given town, such as total population, percentages of males and females, breakdowns by age, home ownership and income levels. The same information can be obtained by state, region and the nation.

http://factfinder.census.gov/home/saff/main.html?_lang=en

When US Census data is fresh, such as in 2010 when the latest Census was conducted, marketers have access to accurate information from a very reliable source. The data may be used in a variety of ways for planning purposes.

Discussion Starter 3: Marketing Analytics

ASK: What is the fastest growing area of marketing research?

The answer is marketing analytics. Many of the new analytic firms assist organisations in understanding consumer web use to optimise website design. In the following podcast link, the CEO of one of the leading optimisation firms discusses how information is used.

<http://www.youtube.com/watch?v=KrqjXgid2MY>

Discussion Starter 4: Market Research

In using observation methods, researchers record individuals' overt behaviour, taking note of physical conditions and events. Direct contact with subjects is avoided. Observation may include the use of ethnographic techniques, such as watching customers interact with a product in a real-world environment.

Read the following article: <http://rmsbunkerblog.wordpress.com/2012/01/20/what-is-observational-research/>

Discuss how this is an effective way to gain consumer insights into the psyche of key target markets.

CLASS EXERCISES

Class Exercise 1: The objective of this class exercise is to apply the marketing research process to solving a marketing problem.

You are considering opening a new 'Fluff-and-Fold' laundry pick-up, cleaning, and delivery service for students. You are uncertain whether sufficient demand exists and you have questions about when students will need your service most and what level of service they will require. You realise that marketing research can help solve your information needs. You must now decide how to best answer these questions.

1. Define the problem.
2. Design the research project.
3. After consulting any secondary data available, you decide to conduct an exploratory study with students in your classes. Develop open-ended questions to ask other students that will provide information regarding your hypotheses.
4. Having gained some insight into the problem, you are now ready to conduct a descriptive study. You decide to conduct a survey to further test your refined hypotheses. However, you have several decisions to make regarding this study.
 - a. What type of sampling approach (random, stratified, area, quota) will you use and why?
 - b. What survey method (mail, telephone, personal interview) will you use and why?
 - c. How will you construct the questionnaire? Develop open-ended, dichotomous, or multiple-choice questions that will test your hypotheses. Remember to remain impartial and inoffensive.

Question 1. The answers to this question will depend on how the students view the opportunity on your campus. Typical problem statements might include 'We don't know if a sizable, profitable market exists for Fluff-and-Fold', or 'We don't know which dorms at what times offer good opportunities for our service'. You might suggest that *focus groups* could help define the problem more clearly.

Question 2. Most students will take the example and adapt it. However, you might push them further by asking, 'Can you be any more specific about the target market? For instance, do you expect more underclassmen will use the service? More males or females?' Other typical hypotheses might involve service expectations (one-day pickup and delivery) and daily operation issues (primary demand on weekends versus weekdays).

Question 3. This may be a good time to explain how a focus group can help resolve or clarify research problems. You may even want to set up a focus group discussion in class. After students have developed a few open-ended questions (for example, 'How much would you be willing to pay for Fluff-and-Fold service?'), you might want to allow time for students to gather from one another information related to the questions. You might also point out that inexpensive data collection such as focus groups or polling customers can ensure better marketing decisions.

Question 4. Observation, combined with interviews, may be an efficient way to determine what times students will need the service. However, observation alone will not assess true feelings or opinions.

In part a), perhaps the best way to select a sample is through the use of stratified sampling, especially if demand is likely to vary by classification (freshmen, etc.). The student directory should provide this information. However, quota sampling, which is non-probabilistic, may suffice for exploratory research.

In part b), mail surveys may be the cheapest (because of campus mail) and may be suitable for the short surveys most students will develop. However, response rate may be low. Phone surveys might increase the response rate, but finding students at home may be problematic. Personal interviews conducted at central meeting points on campus might help overcome refusals but might also introduce interviewer and sample bias.

In part c), you may want to illustrate the problems associated with double-barrelled, leading, non-mutually exclusive, and exhaustive questions, among others. You might even have students collect data by using these questions.

Class Exercise 2: This exercise is designed to prompt students to think about how to solve data-collection problems.

Students should discuss the merits of alternative data-collection methods as they solve each problem. Obviously, each problem can be solved by more than one collection method. The students should decide which data-collection procedure is best for each situation and be able to defend their choices.

What is the most appropriate data-collection method for each of the following research questions?

1. How do consumers in Victoria feel about Christmas shopping?
2. How do Woolworths customers feel about Myers' customer service?
3. How many people Australia-wide currently live in apartments?
4. How do AmEx customers view that company's new pricing policy?

Possible answers:

1. Telephone interviews or possibly focus-group interviews.
2. Supermarket intercept interviews.
3. This information can be obtained most easily in a census report. However, if census information is too dated to be useful, the next best source might be the Census of Population and Housing (<http://australai.gov.au>). Overall, this type of data is usually available in secondary form from government or industry sources.
4. A mail survey of AmEx customers

Class Exercise 3: This exercise is designed to prompt students to think about the merits of online versus traditional data-collection methods.

Students should discuss the advantages and disadvantages of the two marketing research methods for different types of products and under different circumstances.

Under what circumstances and for what types of products would you choose online surveys over more traditional survey methods such as mail and telephone survey?

Possible answer:

Online surveys are easier to develop, can provide a quicker response and cost less than traditional surveys. Further, they have the potential to generate data from geographically widely dispersed customers.

This method is, therefore, ideal when firms are under time-pressure to receive information from their customers. Some products have a short product life cycle, such as newspapers, and it does not make sense for firms to gather customer data over many weeks or months.

Class Exercise 4: This exercise is designed to prompt students to think about different and innovative ways of gathering data from customers.

It is becoming increasingly difficult for firms to gather data from customers. People often do not respond to firms' requests for information over the phone, through mail or emails.

Develop a list of three alternative primary data-collection methods that can help marketers to find out what customers really want.

Possible answer:

1. An example of an innovative primary data-collection method is observing customers in their own environment. Some firms, such as L'Oreal 'go native' and accompany consumers from the point of sale to the moment they actually use a product in order to gain valuable insights about consumers' needs.
2. Firms may also engage consumers in conversations via social media tools, such as Facebook fanpages and ask consumers online about their needs and wants. This is often done through online polls; to encourage participation firms typically offer an incentive such as the chance to win a voucher.

CHAPTER QUIZ

1. To maintain the control needed to obtain accurate information, marketers approach marketing research as a process. Which of the following steps of that process focuses on uncovering the nature and boundaries of the marketing situation to be studied?
 - a. locating and defining problems
 - b. designing the project
 - c. collecting data
 - d. interpreting findings
 - e. reporting findings.

2. **The Dow Jones News Retrieval has developed a collection of information arranged for easy access and retrieval. This is an example of:**
 - a. a database
 - b. single-source data
 - c. comprehensive company reports
 - d. a marketing decision support system
 - e. multiple-source data.
3. **In _____ sampling, there is no way to calculate the likelihood that a specific element of the population being studied will be chosen.**
 - a. population
 - b. random
 - c. stratified
 - d. probability
 - e. non-probability.
4. **Participants in _____ receive a research question through an open call usually online.**
 - a. online surveys
 - b. crowdsourcing
 - c. personal interview surveys
 - d. telephone surveys
 - e. probability samples.
5. **Research design means developing a plan for obtaining the necessary market information. When a researcher forms an informed guess or assumption about a certain problem, he or she is:**
 - a. conducting a search of secondary data
 - b. forming a hypothesis
 - c. examining research reliability
 - d. considering how to collect primary data
 - e. examining research validity.
6. **The final step in the marketing research process is:**
 - a. defining the problem or research issue
 - b. designing the research project
 - c. collecting data
 - d. interpreting research findings
 - e. reporting research findings.
7. **When a population is divided into distinct groups based on some particular characteristic and a probability sample is taken from each group, this exemplifies _____ sampling.**
 - a. area
 - b. quota
 - c. stratified
 - d. cluster
 - e. simple random.

- 8. External sources of secondary data include trade associations, periodicals, government publications, unpublished sources, and:**
- a. focus groups
 - b. exploratory research
 - c. personal interviews
 - d. experimental research
 - e. online databases.

Answers are: 1. a; 2. a; 3. e; 4. b; 5. b; 6. e; 7. c; 8. e.

ANSWERS TO ISSUES FOR DISCUSSION AND REVIEW

1. What is marketing research? How does marketing research help decision making?

Marketing research is the systematic design, collection, interpretation, and reporting of information to help marketers solve specific marketing problems or take advantage of market opportunities. Marketing research provides information that improves marketer's ability to make decisions. For example, information on customer needs, preferences in store layout, use of Internet portals.

2. Is conducting marketing research always a worthwhile expense?

The costs of obtaining the information must be weighed against the benefits derived. Information is worthwhile if it results in marketing activities that better satisfy the company's target customers, leads to increased sales and profits or helps the company to achieve some other goal.

3. What are the steps in the marketing research process?

Locating and defining the problem or research issue

Designing the research project

Collecting data

Interpreting research findings

Reporting research findings

4. List several sources of secondary data. What are some key reasons that secondary data is often used by marketing?

Good sources of secondary data include:

Internal sources might include the company's financial and operational records or customer contacts. Examples of internal data would be advertising expenses, sales figures, and customer complaints.

External sources might include government publications, trade associations, marketing research companies, and business magazines. Examples of external data would be census information, consumer trends, or competitors' prices.

Secondary data is often used by marketers because it is generally less expensive and obtained more quickly and easily than primary data.

5. Describe the different types of approaches to marketing research and indicate when each should be used.

Exploratory research is conducted to gather more information about a problem or to make a tentative hypothesis more specific. Conclusive research is designed to verify insights through an objective procedure to help marketers in making decisions. Conclusive research may be descriptive or experimental. Descriptive research is conducted to clarify the characteristics of certain phenomena to solve a particular problem. Experimental research allows marketers to make causal inferences about relationships.

6. What is the difference between the two basic types of sampling? Describe two variants of probability sampling?

The 2 basic types of sampling are probability sampling and non-probability sampling. In probability sampling every element in the population being studied has a known chance of being selected for study. In non-probability sampling, there is no way to calculate the likelihood that a specific element of the population being studied will be chosen. Two variants of probability sampling are random sampling and stratified sampling.

In random sampling every element of the population has an equal chance of appearing in the sample.

In Stratified sampling the population is divided into groups according to a common attribute (such as geographic region) and then a random sample is selected from within each group. This division is done to ensure that each major segment of a population appears in a final sample.

7. Briefly describe the four basic survey methods used to obtain data and the primary advantages and disadvantages of each.

The four basic survey methods used are: mail surveys, telephone surveys, online surveys and personal interview surveys.

Mail surveys – questionnaires are sent to respondents to complete and return. Inexpensive to do, but response rates can be poor and those responding may not be representative of the population. Surveys must also be short and easy to complete. Obtaining mailing lists can be difficult.

Telephone surveys – interviewer phones respondents and records their answers. Higher response rates than mail, quicker to obtain results and allows probing questions to be asked. However, visual aids cannot be used, many people have unlisted numbers or no phones. Others screen calls to avoid marketing calls.

Online surveys – surveys are distributed by email, on company websites or through online communities such as chat rooms and newsgroups. Inexpensive to do but the sample is limited to those with computer access and may not be representative. Survey must be easy to complete.

Personal interviews – the most expensive technique, but also the most flexible. Surveys can include visual aids and in-depth questions. A risk is that interviewer bias will be introduced and people may not be at home to interviewers.

8. What three types of questions are usually used in the construction of surveys?

Open-ended, dichotomous and multiple choice questions are usually used in surveys.

9. What is a marketing information system, and what should it provide?

A marketing information system is a framework for the day-to-day management and structuring of information gathered regularly from sources both inside and outside an organisation. A marketing information system should provide information about prices, advertising expenditures, sales, competition, consumer behaviour, and distribution expenses. The value of a marketing information system is measured by the improvements it makes in the marketer's ability to make decisions.

10. What is a principal concern that consumers have about market research – particularly where survey data is collected online?

Consumers are wary of how personal data collected by marketers will be used. Particular issues being a) is the information secure, b) will their information be sold to third parties.

SUGGESTED ANSWERS TO MARKETING APPLICATIONS

1. Imagine that, concerned by falling retail sales, David Jones has just gathered together its senior executives to discuss ways to increase sales in struggling departments and locations. What type of customer data (primary or secondary) might the marketing research team need to help understand the problem and inform decision making?

- Men's clothing
- Outer suburban store
- Small electrical
- Children's toys

It is important for students to recognise the range of data that is available, and from where. Secondary data (economic) will help to explain the problem with sales in a lot of situations. Manipulating this data, such as breaking it down into geographic regions will be needed. Secondary data, particularly relating to competition and industry information and potentially changes in social demographics, will also help. Primary data on potential in store issues (range, department location, floor layout etc) will be useful.

2. The University Newspaper has asked you to see how political issues are influencing the voting intentions of the University's students at the next Federal Election. What sampling method will you use and why?

Stratified probability sampling would be the most appropriate technique in this situation, and this is what is generally used for voter intention surveys. A simple random survey does not guarantee that all voting sub-groups (in this case students from every faculty, year level and gender) would be represented. To overcome this, we would use stratified probability sampling. We would mirror the actual composition of students in the sub-groups in our survey sample – for example if the university has 50% women, then so would our sample.

3. Choose a small, local business that you think could benefit from undertaking some marketing research. What do you see as their business problem? From their business problem, develop a research question and outline a method to approach this question. Explain why you think the research question is relevant to the business and why the particular methodology is suited to the question and the business.

Students are free to choose any small business they wish; students should realise that virtually any

company can benefit from marketing research. For example, a local coffee shop can gain valuable insights into consumers' needs and wants as much as multinationals, such as Microsoft or Mercedes. Sampling and data-collection methods, however, vary a lot depending on the nature and scope of a business. Students should be clear on the research question that guides their marketing research. Firms must seek to gather data that allows them to take a clear, objective look at the data to see how well it answers the research question or supports or negates the initial hypotheses.

4. You've decided to open a boutique Web Development Agency and you will market your services to small businesses (those with fewer than 50 employees). Discuss which database you would use to obtain your marketing information? Explain why you would use it.

A database is a collection of information arranged for easy access and retrieval. It allows marketers to tap into an abundance of information useful in making marketing decisions. A web development agency would need information on small businesses, with a web-site, within their chosen demographic area. Information on the nature of the business and how long they have been in business will also be important.

This data could be used to individually approach the small businesses with offers that meet their specific needs. .

5. ESOMAR, (The World Association of Opinion and Marketing Research Professionals) is a global, non-profit association for marketing research professionals. The organisation's aim is to encourage, advance and elevate market research worldwide. Visit the association's website at <http://www.esomar.org/>.

a. What are some examples of research resources that ESOMAR provides to help marketing professionals conduct research?

ESOMAR's website has 'a broad range of useful information for researchers, and those interested in market research, who are looking for reference materials that can help them in their everyday activities'. These include: Global Guidelines on out-of-home audience measurement, discussion on use of mobile apps, using mobile phones for research.

b. ESOMAR introduced the first professional code of conduct for marketing research professionals in 1948. The association continues to update the document to address new technology and other changes in the marketing environment. According to ESOMAR's code, what are the specific professional responsibilities of marketing researchers?

According to ESOMAR's code, marketing researchers have a number of specific professional responsibilities:

- They must ensure that customers' co-operation in a market research project is entirely voluntary at all stages. They shall not be misled when being asked for their co- operation.
- Researchers shall take all reasonable precautions to ensure that respondents are in no way harmed or adversely affected as a direct result of their participation in a market research project.
- Researchers shall not unjustifiably criticise other researchers(see http://www.esomar.org/uploads/public/knowledge-and-standards/codes-and-guidelines/ESOMAR_ICC-ESOMAR_Code_English.pdf)

c. What Australian and New Zealand organisations apply the ICC/ESOMAR code?

By adopting the ICC/ESOMAR Code associations state that they apply self regulation according to the same rules as the Code. By endorsing the ICC/ESOMAR Code associations state that they apply their national code which is similar and at least as restrictive as the Code.

Australian organisations that apply the ICC/ESOMAR code are:

- Marketing Association of Australia and New Zealand
- AMSRO - Association of Market & Social Research Organisations
- AMSRS - Australian Market & Social Research Society
- Australian Association of National Advertisers
- Australian Marketing Institute

New Zealand organisations that apply the ICC/ESOMAR code are:

- AMRO - Association of Market Research Organisations
- MRSNZ - The Market Research Society of New Zealand
- ANZA - Association of New Zealand Advertisers Inc.

ONLINE EXERCISE

6. NationMaster is a massive central data source that provides access to compiled data from sources such as the CIA World Factbook, UN, and OECD. Imagine that you work for an Internet company looking to establish itself in new markets. You will want information on the level of broadband access in different markets. Go to www.nationmaster.com and, in 'Categories' select firstly, 'Media', and then, 'Personal computers per capita'.

Give a summary of the top 15 countries as ranked by their number of personal computers. From this specified list of markets, include an assessment of the three countries with the most and least numbers of personal computers. What conclusions can you draw?

It is important for students to familiarise themselves with secondary data-collection tools such as NationMaster.com. Students should point out the similarities and differences between the top 15 countries as ranked by use of personalised computers. Finally, students should discuss the differences between the countries with most and least numbers of personal computers.

Note: Many additional questions for discussion could arise. For instance, does an emerging market with a high number of personal computers (e.g., Japan on number two) play a more important role for marketers than countries with less personal computers (e.g., Brazil on number 10)? If so, for which companies?

A similar exercise (using the same tool) can be conducted with categories, such as mobile phone subscribers.

ANSWERS TO DEVELOPING YOUR MARKETING PLAN

Decisions about which market opportunities to pursue, what customer needs to satisfy and how to reach potential customers are not made in a vacuum. The information provided by marketing research activities is essential in developing both the strategic plan and the specific marketing mix. Focus on the following issues as you relate the concepts in this chapter to the development of your marketing plan.

1. Define the nature and scope of the questions you must answer with regard to your market. Identify the types of data you will need about the market to answer those questions. For example, do you need to know about the buying habits, household income levels or attitudes of potential customers?

This question asks students to think seriously about all of the questions they must ask themselves with regard to the market for their product. Many issues will likely come up when determining a strategy for marketing research and this question should present students with an early opportunity to think about the questions that need answering. Students should utilise the textbook as a resource and come up with a list of questions, as well as another list that covers the types of information they will need.

2. Determine whether or not this data can be obtained from secondary sources.

Students may want to review their understanding of primary versus secondary sources of data before proceeding with this question. Students need to ask themselves what kinds of information they will need to gather in order to answer the questions they asked in question one of this exercise. Will secondary data be helpful, or will primary data be needed? Possibly, students will want to gather a mix of both.

3. Choose the appropriate survey method(s) you would use to collect primary data. What sampling method would you use?

The final question asks students to review Table 3.2, which compares different survey methods, and to decide which of these methods would be most useful when collecting primary data for their marketing research. Students should also think about the sampling method they will use – which will vary depending on their goals, their target market and the product.

WRITTEN CASE STUDY

Bom Bom Bom! Re-igniting Kmart's brand

Kmart, Australia's first discount department store, has been around for over 40 years. The first store was opened in suburban Victoria in 1969. Since then Kmart has become one of Australia's largest retailers with 190 stores across Australia and New Zealand. Chances are you've been in a Kmart store so you will know that they sell everything from kid's toys to hardware and DVDs.

In 2011, this stalwart of the Australian retail industry was struggling. Kmart was being battered by weakness in the Australian retail sector, competition from online imports and strong local competition. Worse still, over time, perception of Kmart's brand attributes had declined to a point where consumers saw very little difference between both Kmart's quality and price competitiveness and that of its main competitors, Big W and Target. After 10 years of poor financial performance, Wesfarmers, Kmart's parent company, was wondering if it should close Kmart down.

To reinvigorate Kmart, the company's new General Manager of Marketing engaged the creative agency Belgiovane Williams Mackay (BWM) and research partner, Forethought Research (Forethought). Ambitious goals were set. The business objectives were to increase:

- gross margin
- number of transactions by over 4 per cent
- store traffic by over 2.5 per cent
- consumer loyalty (measured as consumers who only shop at Kmart, and not competitors Target or Big W).

There were many fundamental questions that needed to be answered before undertaking any work. One important one was to do with pricing:

- Was Kmart's pricing strategy the right one? In 2010, in an effort to improve revenue, Kmart changed its pricing strategy from a high-low pricing model to everyday low prices (EDLP). But this strategy hadn't been as successful as anticipated.

Forethought sought to answer important questions that relate to the rational and emotive drivers of consumers' purchase behaviour:

At the explicit, rational level:

- What is the hierarchy of rational drivers of consumption in Kmart's market?
- How well does Kmart and its competitors perform on each of these drivers?

At the implicit, emotive level:

- What is the hierarchy of discrete emotions that leads consumers to make a purchase in Kmart's market?
- How well does Kmart and its competitors perform on each of these emotional drivers?
- How well have Kmart's communications generated these discrete emotions?

If price and quality were important to Kmart's consumers, answering these questions would explain:

- How consumers perceive Kmart on quality in comparison to competitors
- How competitive consumers perceive Kmart to be on price.

Forethought's proprietary methodology, Prophecy Thoughts & Feelings®, quantitatively measures rational and discrete emotional drivers of consumption. Consumers' emotional drivers are measured online using animated avatars, known as Prophecy Feelings, to represent discrete emotions. The avatar's degree of emotion is captured visually by the avatar's changing expression.

For example, if the emotion being measured is anger, the avatar can be anything from neutral (no anger) to really, really blazing angry. As little as 2 per cent of emotions are made consciously. This method enables Forethought to measure an emotion that a consumer has not consciously expressed. Allowing consumers to self-select their level of emotion online also avoids the problems associated with using a moderator to question a survey participant. One such limitation is that participants are less likely to reveal negative emotions than positive ones.

Forethought's consumer insight breaks the communications task into two components. The first is to communicate the rational drivers of consumers' consumption decisions. These should be communicated explicitly. The second is to build communications so that the appropriate implicit consumption emotions are elicited. Explicitly conveying implicit drivers provokes consumers' scepticism and so fails in its objective.

Knowledge of these drivers would enable the creative agency to shape communications that effectively convey the desired rational drivers of consumption with the necessary implicit emotional associations.

Forethought's program of quantitative consumer research surveyed 834 Australian department store shoppers.

Their research showed that Kmart's EDLP strategy was better positioned than its old high-low pricing to achieve market-share growth. The research also indicated that Kmart needed to improve consumers' perception of the quality of its products and consumers' understanding of Kmart's everyday low prices.

Using Forethought's insights into Kmart's consumers, BWM developed the '1000 mums' campaign. One thousand mothers were invited into a closed Kmart store to touch, feel and judge the quality of Kmart's products for themselves. Based on their assessment of the product's quality the mothers were asked to guess the product's price. The mother's were impressed by the product quality and so in most cases they over-estimated the product's price. This was a real-life experiment. BWM filmed the mother's genuinely surprised and delighted reactions to the higher than expected quality and the lower than expected prices of Kmart's products.

This campaign worked by activating select emotions through the creation of a community. The mothers' community was united by common needs, good financial decisions and their shared secret – Kmart's great quality product and low prices. The campaign firmly embedded the select, implicit emotions into the Kmart brand.

Six months after the launch of the '1000 mums' campaign, Kmart was able to announce that it had achieved its business objectives:

- customer traffic increased by 3 million
- Earnings Before Interest and Tax (EBIT) increased 5.8 per cent
- sales increased by 25 million products.
- Additionally, Kmart had taken market share from both Big W and Target.

Questions: [ANSWERS TO COME]

- 1. What type of data was used by Forethought in their work with Kmart?**

- 2. What survey methods do you think were most likely used by Forethought to collect data? Why?**

- 3. What ongoing research would you recommend to Kmart to avoid the company losing touch with its customers?**

Video Case

Marketing Research Reveals Marketing Opportunities in the Baby Boomer Generation

Summary

This case illustrates how a variety of marketing research techniques can help marketers meet the needs of a target market. Baby Boomers are a profitable demographic, and with approximately 22 percent of the Australian population estimated to be 65 years or older by 2031 (ABS, 4102.0, 1999), marketers are beginning to research better ways to market to this population. Baby Boomers desire to have a variety of products available to them, and many of the products traditionally thought to belong to the younger generation are actually bought the most by older generations, such as cars and technological products. As they age, Baby Boomers are also creating a market for new products and services.

Questions for Discussion

- 1. Why are Baby Boomers such a lucrative market?**

Baby Boomer spending has been increasing, and they are estimated to have 40% of Australia's net wealth. Baby Boomers desire to have a variety of products available to them, and many of the products traditionally thought to belong to the younger generation are actually bought the most by older generations, such as cars and technological products. With approximately 22 per cent of the Australian population estimated to be 65 years or older by 2031, the spending potential for this market is growing.

- 2. How has the marketing research process been used to understand how Baby Boomers shop and interact in stores?**

Because marketers often target younger generations of consumers, little thought has been given to how accessible stores and products are for older generations. Businesses are using marketing research to understand the customer preferences of Baby Boomers, including how they shop, what they desire in products, and how to customise promotions to attract this lucrative demographic.

- 3. How have stores used marketing research findings to tailor their stores and products to appeal to Baby Boomers?**

Many businesses have used marketing research findings to customise their retail environments and their products. CVS lowered its shelves, made its store lighting softer, and installed magnifying glasses for hard-to-read labels. Diamond Foods Inc. designed the packaging of its Emerald snack nuts to be more easily opened and decreased the time it takes to rotate the caps to open its

products. However, because Baby Boomers don't like to be reminded that they are getting older, companies avoid directly mentioning how their changes help 'aging' consumers.