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Marketing Research

Tenth Edition

Marketing Research

Tenth Edition

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DSS Research

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*Dedicated to
Mimi Olsen
Abby, Will, Connor, Will, Cole, Jake, Knox*

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Preface

THE WORLD OF MARKETING RESEARCH HAS CHANGED

Some research pundits would say that the world of marketing research has completely changed since the last edition of this text was published in 2012. While we aren't willing to go that far, we do agree that several innovations and trends have had a substantial impact on the field of marketing research. The era of Big Data has arrived! Big data analytics can offer profound insights into customers, potential customers, and markets like never before. We introduce big data in Chapter One and discuss it, where applicable, throughout the text. Further, not isolated to big data, the area of analytics has arrived with clients demanding tools that provide more direction and insight for decision making. This trend is noted at appropriate places in the text, but particularly in Chapter Eighteen.

The trend toward mobile and social media marketing research is changing how decision making information is obtained and, in some cases, what data is gathered. This is discussed extensively in Chapter Seven. The availability of online survey tools, such as those offered by Survey Monkey, has resulted in many more firms diving into do-it-yourself (DIY) marketing research. We cover the benefits and dangers of the trend toward DIY marketing research in Chapter Twelve.

AS IN EVERY PAST EDITION, WE OFFER: REAL DATA/REAL RESEARCH/REAL RESEARCHERS

Real Data – A new Nationwide Survey on Quick Service Restaurants Created Exclusively For This Text

Our new case examines how Americans 18 to 34 years old view, patronize and consume food from Quick Service Restaurant (QSR) chains such as McDonalds, Taco Bell and many more. By analyzing the data you can gain insights on what factors caused consumers to patronize a particular chain and which chains perform the best on factors such as quality of food, menu variety, atmosphere and others. The case also features a host of demographic characteristics to enable you to analyze preferences, likes and dislikes by attitudes toward health and nutrition, level of education, income, living situation, and other variables.

We have retained our three popular data cases, which are based on a nationwide sample of 2,000 college-aged students. The sample was drawn by the world leader in sampling solutions, Survey Sampling International. You can find out more about them at www.surveysampling.com. Each of the three cases focuses on topics of interest to college students. They include an Online Dating Service, an Online Student Travel Service, and a new chain of combination fast-food and convenience store located near college campuses. Not only do we have demographic and attitudinal data for each respondent,

but working with Claritas, a leading provider of marketing databases (www.claritas.com), we offer students a chance to work with PRIZM NE appended to our data sets. This version of the original PRIZM is the most widely used target marketing system in the United States! PRIZM NE is a 66-segment model. These segments are arranged to make up two standard sets of groups: Social Group and Lifestage Group.

In addition to these cases, we have retained the data case, Rockingham National Bank Visa Card Survey, for the tenth edition. This was done in response to many requests from our users. We know that you will enjoy working with this student favorite!

Real Research

What could be more real than a new nationwide study on quick service restaurants. The sample was drawn, the questionnaire created, and data gathered by marketing research professionals at DSS Research. All end-of-chapter cases are real and most are new for this tenth edition. It is part of our commitment to you to bring the student the most authentic, real-world marketing research text on the market.

Real Market Researchers

Our world-view is that of marketing research. We are here every day, not as observers, but participants. Roger Gates, one of your co-authors is President of DSS Research, one of America's largest health-care marketing research firms. You can learn more at www.dss-research.com. Carl McDaniel was a co-founder of a marketing research company that is vibrant today. He also was a co-founder of the Master of Science in Marketing Research program at the University of Texas at Arlington. Along with Roger Gates and several others, Carl created the MSMR Advisory Board. The Advisory Board consists of leaders and shakers in the marketing research industry (go to www.uta.edu/msmr/advisory-board/advisory-board-members.com). You are holding the only text written by marketing research insiders. It is like writing about football as you witness the game from the stands or writing about the sport as a player on the field. We are not spectators viewing marketing research from afar. Unlike authors of other research texts, we are on the field and continue to offer you the global leader in marketing research texts.

AS THE FIELD OF MARKETING RESEARCH CONTINUES TO TRANSFORM, WE ARE THERE, EVERY STEP OF THE WAY, PROVIDING THE LATEST TRENDS AND METHODOLOGY IN EVERY CHAPTER

New Content by Chapter:

Chapter One – The Role of Marketing Research in Management Decision Making

New section on “The Era of Big Data” and its impact on marketing research. New box on forces that are poised to change the world of marketing research. Dynamic new examples throughout.

Chapter Two – The Marketing Research Industry and Research Ethics

New material on big data analytic firms. New list of America's largest research firms. New section on online, mobile, and Big Data analytic tracking firms. All new discussion on the state of the marketing research industry including material on research in a period of great change.

Chapter Three – Problem Definition, Exploratory Research, and the Research Process

Completely rewritten section on research objectives as hypothesis. New Practicing Marketing Research box on making marketing research more strategic.

Chapter Four – Secondary Data and Big Data Analytics

Completely rewritten chapter emphasizing the nature of secondary data and Big Data. New section on what advantages Big Data offers a firm and a discussion on how Big Data came about. New material on making Big Data actionable. A section on the growing importance of data visualization.

Chapter Five – Qualitative Research

Revised material on key attributes of a good focus group moderator. Discussion of a new trend in focus groups entitled "the rotated opposed view." New discussion on getting the right respondents for focus groups. Detailed, new examples on individual depth interviews and "story telling".

Chapter Six – Traditional Survey Research

New material on telephone refusal rates. New discussion on predictive dialing. New Practicing Marketing Research box on respondent respect. Important new data on the maximum length of interviews.

Chapter Seven – Online Marketing Research – The Growth of Mobile and Social Media Research

Major new sections on mobile internet research and social media marketing research. New material on using blogs as a form of individual depth interviews. New discussion on online bulletin board focus groups. New section on webcam online focus groups. New section on improving virtual focus groups with telepresence. Completely revised material on online individual depth interviews and participants in a research community. New discussion on the quality of online samples.

Chapter Eight – Primary Data Collection: Observation

Expanded discussion on ethnography. New section on neuromarketing. Completely revised section on eye tracking. New section on in-store tracking. All new material on television audience measurement and tracking. Major new sections on online tracking and social media tracking. In-depth examples of Facebook, Pinterest, and Twitter.

Chapter Nine – Primary Data Collection: Experimentation and Test Marketing

Eliminated some sections and focused the chapter more on the practical problems of doing experiments including new material on simulated test markets. New commentary and examples are offered throughout the chapter.

Chapter Ten – The Concept of Measurement

New material on construct equivalence. New Practicing Marketing Research box on designing a better questionnaire.

Chapter Eleven – Using Measurement Scales to Build Marketing Effectiveness

Expanded discussion of graphic rating scales as “sliders.” Major new section on Net Promoter Scores.

Chapter Twelve – Questionnaire Design

Discussed the changing nature of data collection in marketing research. Added new coverage of issues related to designing questionnaires for mobile devices, including Practicing Marketing Research covering tips for effective mobile interviewing. New discussion on how to approach the appropriate data collection method based on the options available today. Updated discussion of online interviewing tools and options. Added information on benefits and dangers of DIY research, including best practices. New case covers mobile survey research example.

Chapter Thirteen – Basic Sampling Issues

Major new discussion of sampling issues related to big data and social media. Updated the role of data collection methods and sampling related to mobile data collection and big data. Added Practicing Marketing Research feature discussing the blending of social media and online panels. New information on the comparability of online panel and telephone survey results is provided.

Chapter Fourteen – Sample Size Determination

A number of new examples are given and a new end-of-chapter case.

Chapter Fifteen – Data Processing and Fundamental Data Analysis

New section on quality assurance procedures for online data collection. Updated coding discussion with discussion of automated coding systems, text processing software and word clouds with an extended Practicing Marketing Research on text processing. Addressed the need for some type of text processing to address big data and the analysis of social media feeds. Also added a Practicing Marketing Research feature covering an application of Semantria text analytics and how this system can be utilized to improve market insights. Discussed the declining reliance on crosstabs and the reasons for this decline. Added case that asks students to compare traditional coding results with what they can get from Semantria. Data provided, access to Semantria is free.

Chapter Sixteen – Statistical Testing of Differences and Relationships

New material on statistical testing in the context of big data. New Practicing Marketing Research feature that discusses, in simple terms, the logic behind statistical testing.

Chapter Seventeen – Bivariate Correlation and Regression

New Practicing Marketing Research feature on regression. A second Practicing Marketing Research feature discusses using regression analysis in key driver analysis. New case provides a very realistic and current example requiring the application of regression analysis.

Chapter Eighteen – Multivariate Data Analysis

New Practicing Marketing Research feature covers the high demand for data scientists in marketing research. Fuzzy clustering added to cluster analysis discussion, and also neural networks. Conjoint analysis section updated with recent developments. The application of multivariate techniques to big data was added. Also, material on predictive analytics, which includes a detailed discussion of the predictive analytics process and predictive analytics implications in marketing research. Interesting finding from predictive analytics (“How Target Figured Out a Teen Girl

Was Pregnant Before Her Father Did”) added as a Practicing Marketing Research feature. Case added covering predictive analytics in retail.

Chapter Nineteen – Communicating The Research Results

New Practicing Marketing Research feature added with tips for preparing a marketing research report for a contemporary audience. Also added a feature covering the importance of telling a story in the research report and a Practicing Marketing Research feature on how to give more effective research presentations.

Chapter Twenty – Managing Marketing Research

Added more emphasis on project management and provided a new Practicing Marketing Research feature covering project management. Added discussions of the RFP process and proposal preparation. Feature added on the elevation of marketing research in the corporate hierarchy and, added feature on how the future marketing organization might look. New case added covering the process of selecting a research supplier.

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Classroom-Tested Instructor’s Manual

We have done everything possible to facilitate your teaching marketing research with a comprehensive instructor’s manual. Each chapter contains the following:

- **Suggested Lesson Plans.** Suggestions are given on how to decide the chapter material, based on the frequency and duration of your class period.
- **Chapter Scan.** A quick synopsis highlights the core material in each chapter.
- **Learning Objectives.** The list of learning objectives found in the text is repeated here.

- **General Chapter Outline.** The main headers provide a quick snapshot of all the content areas within the chapter.
- **List of Key Terms.** The key terms introduced to the students in the text are repeated here.
- **Detailed Chapter Outline.** This outline fleshes out the general outline given previously. It also indicates where ancillary materials fit into the discussion: PowerPoint slides, exhibits from the text, learning objectives, and review questions. Boxed features are also included in this outline.
- **Summary Explaining Learning Objectives.** An explanation of how the learning objectives are satisfied by chapter material is the basis of the Instructor's Manual summary.
- **Answers to Pedagogy.** Suggested answers and approaches to the critical thinking questions, the Internet activities, the cases, the cross-functional questions, and the ethical dilemmas are offered at the end of each chapter or part.

Instructors can access the electronic files on the Instructor Companion Site at www.Wiley.com/College/Mcdaniel.

Comprehensive PowerPoint Package

We have created a comprehensive, fully interactive PowerPoint presentation with roughly 400 slides in the package. You can tailor your visual presentation to include the material you choose to cover in class. This PowerPoint presentation gives you the ability to completely integrate your classroom lecture with a powerful visual statement of chapter material. Keep students engaged and stimulate classroom discussion! The entire collection of slides will be available for download from our Web site at www.Wiley.com/College/Mcdaniel.

Classroom-Tested Comprehensive Test Bank

Our test bank is comprehensive and thoroughly classroom-tested. The questions range from definitions of key terms to basic problem-solving questions to creative-thinking problems. This new and improved test bank includes approximately 60 questions per chapter consisting of multiple-choice, true/false, and essay questions. Regardless of the type and level of knowledge you wish to test, we have the right questions for your students. A computerized version of this newly created test bank is also available on the book's companion Web site so that you can customize your quizzes and exams. Instructors can access the electronic files on the Instructor's Companion Site at www.Wiley.com/College/Mcdaniel.

Focus Group Video and Lecture Launches

Additional *Real Research* is offered through a focus group video conducted by another one of our research partners. Jerry Thomas, president of Decision Analyst (www.decisionanalysis.com). Decision Analyst, Incorporated is a large international marketing research firm. The focus group subject is online dating data case. We also offer several interviews featuring Jerry Thomas and your author, Carl McDaniel, discussing key topics in marketing research. For more information on this 45-minute video, available on DVD, please contact your local Wiley representative.

New Wiley Marketing Research Video Series

New interview-style video clips of top marketing research companies. Each video, six to eight minutes in length, presents interviews with key personnel to discuss how they apply the major concepts of marketing research to their business. The Marketing Wiley Research Video Series can be accessed on the student and Instructor's Companion site at www.Wiley.com/College/Mcdaniel.

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CHAPTER 1

The Role of Marketing Research in Management Decision Making

LEARNING OBJECTIVES

1. Review the marketing concept and the marketing mix.
2. Comprehend the marketing environment within which managers must make decisions.
3. Examine the history of marketing research.

Welcome to the fascinating world of marketing research! How does marketing research help managers reach their goals? How did the field of marketing research evolve? What big changes are occurring? We will explore this topic in Chapter 1.

Nature of Marketing

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.¹ Good customer relationships often result in exchanges; that is, a good or service is exchanged for money. The potential for exchange exists when there are at least two parties and each has something of potential value to the other. When the two parties can communicate and deliver the desired goods or services, exchange can take place.

How do marketing managers attempt to stimulate exchange? They follow the “right” principle. They attempt to get the right goods or services to the right people at the right

marketing

The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

place at the right time at the right price, using the right promotion techniques. The “right” principle describes how marketing managers control the many factors that ultimately determine marketing success. To make the “right” decisions, management must have timely decision-making information. Marketing research is a primary channel for providing that information.

The Marketing Concept

marketing concept

A business philosophy based on consumer orientation, goal orientation, and systems orientation.

consumer orientation

The identification of and focus on the people or firms most likely to buy a product and the production of a good or service that will meet their needs most effectively.

goal orientation

A focus on the accomplishment of corporate goals; a limit set on consumer orientation.

systems orientation

The creation of systems to monitor the external environment and deliver the desired marketing mix to the target market.

To efficiently accomplish their goals, firms today have adopted the **marketing concept**, which requires (1) a consumer orientation, (2) a goal orientation, and (3) a systems orientation. A **consumer orientation** means that firms strive to identify the people (or firms) most likely to buy their product (the target market) and to produce a good or offer a service that will meet the needs of target customers most effectively in the face of competition. The second tenet of the marketing concept is **goal orientation**; that is, a firm must be consumer-oriented only to the extent that it also accomplishes corporate goals. The goals of profit-making firms usually center on financial criteria, such as a 15 percent return on investment.

The third component of the marketing concept is a **systems orientation**. A system is an organized whole—or a group of diverse units that form an integrated whole—functioning or operating in unison. It is one thing for a firm to say it is consumer-oriented and another actually to *be* consumer-oriented. First, systems must be established to find out what consumers want and to identify market opportunities. As you will see later, identifying target market needs and finding market opportunities are the tasks of marketing research. Next, this information must be fed back to the firm. Without feedback from the marketplace, a firm is not truly consumer-oriented.

Opportunistic Nature of Marketing Research

Marketing research is an excellent tool for discovering opportunities in the marketplace. Midmarket hotel chains, such as Holiday Inn, (especially those with less than 150 rooms), often don’t generate enough traffic to support a full-service restaurant. Holiday Inn surveyed 10,000 guests and found that its guests were mostly business people, sales people, and government employees. These people revealed that they had no desire to simply sit in their room. They wanted to be around other people.

Holiday Inn management decided that the bar should play a bigger role at the hotels. The social hub would tailor Holiday Inn’s lunch and dinner menus to bar fare that can be shared, such as gourmet meatballs, sesame chicken wings, hamburgers, and a few significant entrees, such as steaks and salmon club sandwiches.

Those changes allow for more food to be served by the bar staff, which, in turn, allows Holiday Inn’s franchisees to limit their labor costs by reducing restaurant staff, especially at slow times of the day.²

External Marketing Environment

Over time, the **marketing mix** must be altered because of changes in the environment in which consumers and businesses exist, work, compete, and make purchasing decisions. Some new consumers and businesses will become part of the target market, while others will drop out of the market; those who remain may have different tastes, needs, incomes, lifestyles, and purchase habits than the original target consumers.

marketing mix

The unique blend of product/service, pricing, promotion, and distribution strategies designed to meet the needs of a specific target market.

Although managers can control the marketing mix, they cannot control elements in the external environment that continually mold and reshape the target market. Unless management understands the external environment, the firm cannot intelligently plan its future, and organizations are often unaware of the forces that influence their future.

Marketing research is a key means for understanding the environment. Knowledge of the environment helps a firm not only alter its current marketing mix but also take advantage of new opportunities. John Deal, a St. Louis resident, commissioned a marketing research study to determine the potential demand for a small (two- to three-store) chain in the local area that would feature bath and kitchen appliances and accessories. The survey results were positive and John decided to move forward. One issue that concerned John was what role the Internet should play in his stores. Fortunately, he was able to acquire a study titled “Seamless Retail” by Accenture. A few highlights were:

Forty-nine percent of consumers believe the best thing retailers can do to improve the shopping experience is to better integrate in-store, online and mobile shopping channels. Eighty-nine percent of consumers said it is important for retailers to let them shop for products in the way that is most convenient for them, no matter which sales channel they choose.

The report says that consistency weighs heavily on the consumer experience: 73 percent of consumers expect a retailer’s online pricing to be the same as its in-store pricing, and 61 percent expect a retailer’s online promotions to be the same as its in-store promotions.

Asked what kind of information would be useful to have from their favorite retailers before going to a physical store, 82 percent of consumers selected having access to current product availability as their top choice.

Forty-nine percent of those surveyed are influenced by in-store offers (promotional displays, salespeople), 56 percent are influenced by e-mail coupons and offers, and an equal amount say they are influenced by coupons mailed to their home. Sixty-nine percent and 62 percent, respectively, said that online pop-up ads and mobile banner ads would never influence their purchasing.³

After having read the report, John was then in a position to craft an effective integrated retailing strategy involving the web and a traditional store.

Marketing Research and Decision Making

Marketing research plays two key roles in the marketing system. First, as part of the marketing intelligence feedback process, marketing research provides decision makers with data on the effectiveness of the current marketing mix and offers insights into necessary changes. Second, marketing research is the primary tool for exploring new opportunities in the marketplace. Segmentation research and new product research help identify the most lucrative opportunities for a firm.

Marketing Research Defined

Now that you have an understanding of how marketing research fits into the overall marketing system, we can proceed with a formal definition of the term, as stated by the American Marketing Association:

Marketing research is the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information

required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

marketing research

The planning, collection, and analysis of data relevant to marketing decision making and the communication of the results of this analysis to management.

descriptive function

The gathering and presentation of statements of fact.

diagnostic function

The explanation of data or actions.

predictive function

Specification of how to use descriptive and diagnostic research to predict the results of a planned marketing decision.

We prefer another definition: **Marketing research** is the planning, collection, and analysis of data relevant to marketing decision making and the communication of the results of this analysis to management.

Importance of Marketing Research to Management

Marketing research can be viewed as playing three functional roles: descriptive, diagnostic, and predictive. Its **descriptive function** includes gathering and presenting statements of fact. What is the historic sales trend in the industry? What are consumers' attitudes and beliefs toward a product? Opening a pack of bacon is a messy job. Bacon lovers have to reach into the package, and if they only pull out a few slices, there's no easy way to store the remainder. Oscar Mayer marketing researchers hear plenty from consumers about what they disliked about its former bacon packaging. So marketers figured the best solution would be a packaging innovation that eliminated the chore of placing the opened pack in a resealable plastic bag or wrapping it in plastic or foil. This unwanted task was done so that the last piece of bacon would be as fresh as the first.

Oscar Mayer Center Cut Bacon was introduced in a new "Stay-Fresh Reclosable Tray." The flip-top lid allows easy access to the bacon inside. The top snaps closed, making it readily resealable. The flat tray makes for simplified storage in the refrigerator.

The second role of research is the **diagnostic function**, wherein data and/or actions are explained. For example, what was the impact on sales when the Oscar Mayer package design was changed? How can product/service offerings be altered to better serve customers and potential customers? Since kids eat over 5 billion ounces of ketchup each year, Heinz decided that the heavy users (kids) should have a lot to say (via marketing research) about how to make ketchup fun. Heinz listened and watched children using ketchup, which resulted in a new bottle design and name selection. The true ketchup connoisseurs helped create Heinz EZ Squirt ketchup!

The final role of research is the **predictive function**. How can the firm best take advantage of opportunities as they arise in the ever-changing marketplace? Bonobos is the largest apparel brand ever built on the web in the United States. They attribute customer dialogue (marketing research) for helping them create a signature line of better-fitting men's pants. Their research brings the customer into the design process to create successful product offerings. Marketing research has identified different target markets for Bonobos such as the "Sporty Guy," "Guy Next Door," and "Men Who Wear Red Pants."⁴

The Unrelenting Drive for Quality and Customer Satisfaction Quality and customer satisfaction are the key competitive weapons in today's marketplace. U.S. automobile manufacturers have been among the most battered in recent years but now are running side by side with the imports. The watchwords are quality and customer service. As one auto executive puts it:

If you go back to even a very short time ago, our whole idea of a customer was that we would wholesale a car to a dealer, the dealer would then sell the car to the customers, and we hoped we never heard from the customer—because if we did, it meant something was wrong. Today, we want to establish a dialogue with the customer throughout the entire ownership experience. We want to talk to our customers every step of the way. We want to be a consumer-products and services company that just happens to be in the automotive business.⁵

Where does marketing research come into play? The J. D. Power Awards rank cars based on the level of customer satisfaction. This, in turn, drives sales of specific companies and models. Lexus has always done well in a number of quality and customer satisfaction studies. This has helped increase sales of the IS, LS, and RX models. At some Lexus dealers, you can get a manicure and a massage while having your oil changed. Automobile manufacturers use marketing research to aid designers, determine what new features to add to specific models, and learn how their cars stack up with those of the competition.

Quality that means little to customers usually doesn't produce a payoff in improved sales, profits, or market share; it represents wasted effort and expense. Today, the new mantra is **return on quality**, which means that (1) the quality being delivered is the quality desired by the target market and (2) the added quality must have a positive impact on profitability. For example, banking giant Bank of America measures every improvement in service quality, from adding more tellers to offering new products, in terms of added profitability. REI, the Seattle-based outdoors sporting goods chain, has earned a nickname, "Return Everything Inc." Hundreds of returned items are stacked in bins, hanging on racks and lining shelves. Tags detail the customer complaints: "Suddenly not waterproof" on a frayed, blue, men's rain jacket from a previous decade; "Don't fit well" on a pair of thick, black, women's clogs so well-worn that their original design as faded.

At another REI store, a customer recently returned a pair of women's sandals, designed for hiking and wading in rivers. The problem? According to the tag, "not sexy enough." Several years ago, a customer in Washington State successfully returned an REI snowsuit he bought to climb Mount Rainier in 1970.⁶

In 2013, though, the chain announced it would henceforth take back items only within a year of purchase. In this case, over-the-top service quality was having a negative impact on the return on quality.

Paramount Importance of Keeping Existing Customers An inextricable link exists between customer satisfaction and customer loyalty. Long-term relationships don't just happen; they are grounded in the delivery of service and value, as the REI example shows. Customer retention pays big dividends for firms. Powered by repeat sales and referrals, revenues and market share grow. Costs fall because firms spend less funds and energy attempting to replace defectors. Steady customers are easy to serve because they understand the modus operandi and make fewer demands on employees' time. A firm's ability to retain customers also drives job satisfaction and pride, which leads to higher employee retention. In turn, long-term employees acquire additional knowledge that increases productivity.

A Bain & Company study estimates that a 5 percent decrease in the customer defection rate can boost profits by 25 to 95 percent.⁷ Another study found that the customer retention rate has a major impact on the value of the firm.⁸

The ability to retain customers is based on an intimate understanding of their needs. This knowledge comes primarily from marketing research. For example, British Airways recast its first-class transatlantic service based on detailed marketing research. Most airlines stress top-of-the-line service in their transatlantic first-class cabins. However, British Air research found that most first-class passengers simply want to sleep. British Air now gives premium flyers the option of dinner on the ground, before takeoff, in the first-class lounge. Then, once on board, they can slip into British Air pajamas, put their heads on real pillows, slip under blankets, and enjoy an interruption-free flight. On arrival at their destination, first-class passengers can have breakfast, use comfortable dressing rooms and showers, and even have their clothes pressed before they set off. These changes in British Air's first-class service were driven strictly by marketing research.

return on quality

Management objective based on the principles that (1) the quality being delivered is at a level desired by the target market and (2) the level of quality must have a positive impact on profitability.

Understanding the Ever-Changing Marketplace

Marketing research also helps managers to understand trends in the marketplace and to take advantage of opportunities. Marketing research has been practiced for as long as marketing has existed. The early Phoenicians carried out market demand studies as they traded in the various ports on the Mediterranean Sea. Marco Polo's diary indicates he was performing a marketing research function as he traveled to China. There is evidence that the Spanish systematically conducted marketing surveys as they explored the New World, and examples exist of marketing research conducted during the Renaissance.

Social Media and User-Generated Content

In the past few years, the world of promotion has been turned upside down. Previously, marketers created a message and then one, or a series, of traditional media, TV, print, radio, billboards to deliver that message to a target market. Now, more people than ever participate in blogs, forums, online communities, product/service reviews—think Trip Advisor—and social media sites that created user-generated content (UGC). The opinions expressed in the venues are unsolicited, typically honest, candid, and passionate and can be extremely thoughtful. Social media such as Twitter, Facebook, and Linked-In generate millions of comments a day about products and services. About 20 percent of all Tweets are about brands.⁹

In 2003, digital media accounted for less than 10 percent of advertising spending, relative to TV and print. In 2008, its share was in the low teens. By 2013, it exceeded 20 percent, according to Zenith Optimedia and TNS Media Intelligence.¹⁰

Marketing researchers are tapping into these huge streams of data to determine what people think about their products and services, as well as those of the competition. Researchers are building profiles of persons online and using this data to target their promotional efforts. Other researchers tap online communities to build new products and services.

Smartphones are causing major changes in the way media are used and buying decisions are made. Add in tablets, traditional computers, and TV, and one finds that the consumer may be looking at four different screens at the same time! Researchers must now measure consumers' consumption of content and their exposure to advertising across all four screens. ESPN, the sports network, is now gathering data across five platforms: radio, television, computers, smartphones, and tablets.¹¹

Asking the right questions in marketing research can be as important as getting good answers. UPS found that customers wanted more interaction with their UPS driver. Go to <http://www.ups.com> to find out how UPS uses marketing research to better serve its customers.



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Proactive Role of Marketing Research

Understanding the nature of the marketing system is a necessity for a successful marketing orientation. By having a thorough knowledge of factors that have an impact on the target market and the marketing mix, management can be proactive rather than reactive. Proactive management alters the marketing mix to fit newly emerging patterns in economic, social, technological, and competitive environments, whereas reactive management waits for change to have a major impact on the firm before deciding to take action. It is the difference

between viewing the turbulent marketing environment as a threat (a reactive stance) and seeing it as an opportunity (a proactive stance). Apple, for example, has been very proactive about bringing cutting-edge technology products to the marketplace. This, in turn, has generated huge profits for the company.

A proactive manager not only examines emerging markets but also seeks, through strategic planning, to develop a long-run **marketing strategy** for the firm. A marketing strategy guides the long-term use of the firm's resources based on the firm's existing and projected internal capabilities and on projected changes in the external environment. A good strategic plan is based on good marketing research. It helps the firm meet long-term profit and market share goals.



"I don't know what I'm doing—this is pure research!"

Applied Research versus Basic Research

Virtually all marketing research is conducted to better understand the market, to find out why a strategy failed, or to reduce uncertainty in management decision making. All research conducted for these purposes is called **applied research**. For example, should the price of DiGiorno frozen pizza be raised 40 cents? What name should Toyota select for a new sedan? Which commercial has a higher level of recall: A or B? By contrast, **basic, or pure, research** attempts to expand the frontiers of knowledge; it is not aimed at a specific pragmatic problem. Basic research is conducted to validate an existing theory or learn more about a concept or phenomenon. For example, basic marketing research might test a hypothesis about high-involvement decision making or consumer information processing. In the long run, basic research helps us understand more about the world in which we live. Managers usually cannot implement the findings of basic research in the short run. Most basic marketing research is now conducted in universities; the findings are reported in such publications as *The Journal of Marketing Research* and *The Journal of Marketing*. In contrast, most research undertaken by businesses is applied research because it must be cost-effective and of demonstrable value to the decision maker.

Although basic research is still important at some firms, particularly high tech, the notion of time-to-market has changed. That is, the basic research can be fairly long term but must have a focus on ultimately solving real-world problems. Companies conducting basic research include Genentech, Cisco Systems, and Google. Google, for example, has done basic research that has led to applied research that resulted in the creation of a self-driving car.

Nature of Applied Research

Marketing research studies can be classified into three broad categories: programmatic, selective, and evaluative. **Programmatic research** is conducted to develop marketing options through market segmentation, market opportunity analysis, or consumer attitude and product usage studies. **Selective research** is used to test decision alternatives. Some examples are testing concepts for new products, advertising copy testing, and test marketing. **Evaluative research** is done to assess program performance; it includes tracking advertising recall, doing organizational image studies, and examining customer attitudes on a firm's quality of service.

Programmatic research arises from management's need to obtain a market overview periodically. For example, product management may be concerned that the existing market information base is inadequate or outdated for present decision making, or marketing

marketing strategy

A plan to guide the long-term use of a firm's resources based on its existing and projected internal capabilities and on projected changes in the external environment.

applied research

Research aimed at solving a specific, pragmatic problem—better understanding of the marketplace, determination of why a strategy or tactic failed, or reduction of uncertainty in management decision making.

basic, or pure, research

Research aimed at expanding the frontiers of knowledge rather than solving a specific, pragmatic problem.

programmatic research

Research conducted to develop marketing options through market segmentation, market opportunity analyses, or consumer attitude and product usage studies.

selective research

Research used to test decision alternatives.

evaluative research

Research done to assess program performance.

plans may call for the introduction of new products, ad campaigns, or packaging. Whatever the specific situation, current information is needed to develop viable marketing options. Typical programmatic research questions include the following:

- Has its target market changed? How?
- Does the market exhibit any new segmentation opportunities?
- Do some segments appear to be more likely candidates than others for the firm's marketing efforts?
- What new product or service opportunities lie in the various segments?

Equidistant between Los Angeles and San Francisco in the Eastern Sierra Nevada Mountains, Mammoth Mountain has been serving the skiers and snowboarders of central California for more than 50 years. With the summit reaching above 11,000 feet and average annual snowfall hitting 400 inches, thousands of customers flock to the slopes and the lodges annually.

Yet, the resort's longstanding direct-mail program just wasn't driving the traffic. While the resort wasn't losing visitors (most resort traffic industrywide comes from existing skiers and snowboarders rather than those new to the sports), executives hoped to gain some ground in an overall stable market by injecting some life into what had become an out-of-date marketing campaign—and to increase the frequency of visits by the 900,000 customers in its database.

Resort executives used programmatic research collected from an annual survey, the National Skier and Snowboarder Opinion Survey conducted on behalf of resorts across the country, and found that 94 percent of Mammoth's users in particular acknowledge using the Internet to find information about everything from weather advisories to checking room rates at one of Mammoth's lodges.

This information led to the creation of an e-mail marketing system that reaches 18,000 subscribers. The format is chatty and informing. For example, "The weather has been beautiful here lately, and with a 12- to 14-foot base you can't go wrong anywhere on the mountain. At 1:15 p.m. the temperature is 34 degrees at Main Lodge with clear skies and moderate to gusty winds. It's extremely windy and cold on top at 17 degrees, so be sure to bundle up." Skier visit numbers have been increasing 5 percent or more annually as a result of the programmatic research!¹

Selective research typically is conducted after several viable options have been identified by programmatic research. If no one alternative is clearly superior, product management usually will wish to test several alternatives. However, selective research may be required at any stage of the marketing process, such as when advertising copy is being developed, various product formulations are being evaluated, or an entire marketing program is being assessed, as in test marketing.

The need for evaluative research arises when the effectiveness and efficiency of marketing programs must be evaluated. Evaluative research may be integrated into programmatic research when program changes or entirely new options are demanded because of current performance, such as at Mammoth Mountain.

Decision to Conduct Marketing Research

A manager who is faced with several alternative solutions to a particular problem should not instinctively call for applied marketing research. In fact, the first decision to be made is whether to conduct marketing research at all. In a number of situations, it is best not to conduct research.

- *Resources are lacking.* There are two situations in which a lack of resources should preclude marketing research. First, an organization may lack the funds to do the

research properly. If a project calls for a sample of 800 respondents but the budget allows for only 50 interviews, the quality of the information would be highly suspect. Second, funds may be available to do the research properly but insufficient to implement any decisions resulting from the research. Small organizations in particular sometimes lack the resources to create an effective marketing mix. In one case, for example, the director of a performing arts guild was in complete agreement with the recommendations that resulted from a marketing research project. However, two years after the project was completed, nothing had been done because the money was not available.

- *Research results would not be useful.* Some types of marketing research studies measure lifestyle and personality factors of steady and potential customers. Assume that a study finds that introverted men with a poor self-concept, yet a high need for achievement, are most likely to patronize a discount brokerage service. The management of Charles Schwab's discount brokerage service might be hard-pressed to use this information.
- *The opportunity has passed.* Marketing research should not be undertaken if the opportunity for successful entry into a market has already passed. If the product is in the late maturity or decline stage of the product life cycle (such as cassette recorders or black-and-white television sets), it would be foolish to do research on new product entry. The same may be true for markets rapidly approaching saturation, such as super-premium ice cream (Häagen-Dazs, Ben and Jerry's). For products already in the market, however, research is needed to modify the products as consumer tastes, competition, and other factors change.
- *The decision already has been made.* In the real world of management decision making and company politics, marketing research has sometimes been used improperly. Several years ago, a large marketing research study was conducted for a bank with over \$800 million in deposits. The purpose of the research project was to guide top management in mapping a strategic direction for the bank during the next 5 years. After reading the research report, the president said, "I fully agree with your recommendations because that was what I was going to do anyway! I'm going to use your study tomorrow when I present my strategic plan to the board of directors." The researcher then asked, "What if my recommendations had been counter to your decision?" The bank president laughed and said, "They would have never known that I had conducted a marketing research study!" Not only was the project a waste of money, but it also raised a number of ethical questions in the researcher's mind.
- *Managers cannot agree on what they need to know to make a decision.* Although it may seem obvious that research should not be undertaken until objectives are specified, it sometimes happens. Preliminary or exploratory studies are commonly done to better understand the nature of the problem, but a large, major research project should not be. It is faulty logic to say, "Well, let's just go ahead and do the study and then we will better understand the problem and know what steps to take." The wrong phenomena might be studied, or key elements needed for management decision making may not be included.
- *Decision-making information already exists.* Some companies have been conducting research in certain markets for many years. They understand the characteristics of their target customers and what they like and dislike about existing products. Under these circumstances, further research would be redundant and a waste of money. Procter & Gamble, for example, has extensive knowledge of the coffee market. After it conducted initial taste tests, P&G went into national distribution with Folgers Instant