

# Seek and Find

## Marketing Research

### Objectives

- A** Describe marketing research and its role in business decision making.
- B** Describe the steps of the marketing-research process.



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### Table of Contents

<b>A</b>	<b>Marketing Research: A Window to the Changing World</b>	<b>2</b>
<b>B</b>	<b>Marketing Research: How It's Done</b>	<b>14</b>
<b>So What?</b>	Why bother learning about marketing research?	<b>2</b>
<b>THE GRAY ZONE</b>	What would you do?	<b>5</b>
<b>Make It Pay!</b>	Use what you've learned—right now!	<b>21</b>

You probably learned the scientific method years ago. You remember the steps, don't you? Ask a question; conduct



a background investigation; formulate the hypothesis; test the hypothesis; analyze your findings; and draw a conclusion. If you've taken a biology or chemistry class lately, you're probably quite familiar with the process.

The scientific method isn't just used in laboratories filled with beakers and Bunsen burners, though. It's an analytical process that is also used by marketing researchers to reach valid conclusions about their current market and to predict future trends. They formulate questions, review relevant background information, develop hypotheses, collect data, and analyze it to draw conclusions based on their research. Although marketing researchers' investigations aren't likely to save lives (as scientists' research might), their research is still extremely important. Marketers need all the information they can get to make informed decisions about their competitors, products, pricing, advertising, consumer trends, and target market(s). With this knowledge, marketers contribute to business success.

## Marketing Research: A Window to the Changing World

Long ago, a Greek philosopher said "The only constant in life is change." This still holds true today. Very few things in life—including market conditions—remain the same for long. Consumers' expectations for smartphones, for example, have been all over the place in recent years. First, consumers wanted phones that could easily be used for watching videos and playing online games, resulting in larger mobile devices. Then, consumers said they wanted smaller phones that they could easily operate with one hand and fit into their pockets comfortably. In response, smartphone companies developed smaller phones, but consumers complained that the cameras were poor quality, battery life was shorter, and the price tag was too high. Finally, in 2016, Apple released the iPhone 6 SE—with a



smaller screen, a quality camera, longer battery life, and a lower price. The *Wall Street Journal* review

"Smaller Gets Smarter With Better Battery Life to Boot" highlights those changes: <http://www.wsj.com/articles/iphone-se-review-smaller-gets-smarter-with-better-battery-life-to-boot-1458762252>.

◀ *Research has shown that consumers have various preferences for phone screen size. Apple has developed both large and small versions to increase sales and prevent users from defecting to other brands.*



What happens when phone makers misunderstand consumers' demands and get the design wrong? Find out in Satire's iPhone 7 parody ad: <https://www.youtube.com/watch?v=XNBP18nrRdw>.

To keep up with changing **trends** and fickle consumers, marketers need lots of information. **Marketing research**—the systematic gathering, recording, and analyzing of data about a specific issue, situation, or concern—is a valuable source of insight. It is an important component of a business's **marketing-information management system (MkIS)** and helps businesses to make better decisions.

Marketing-research projects vary in size and complexity. A simple marketing-research project might be to count the number of people entering an electronics store on a Saturday afternoon. A more complex project might involve surveying visitors to a business's website and electronically analyzing the results. Researchers conducting highly complex research might gather data by holding focus groups with potential customers as well as calling past customers to assess their satisfaction with a business's products.



- ▲ *Information from telephone customer-satisfaction surveys can help companies determine if their products or services meet clients' needs and expectations and may help identify problems the company needs to address.*

## Vital for Business Success

Marketing research is essential for informed, effective business decision making. Thanks to marketing research, businesses can base their decisions on concrete facts rather than opinions, gut reactions, or past experiences.

Without marketing research, for example, a business might have to guess why its sales are low. Based on past experiences, management might think that salespeople aren't working hard enough or that the product mix isn't right. With marketing research, though, management might learn that sales are low because the business's promotions are not reaching the target market. In that case, armed with additional data about what advertising media would gain the target market's attention, the business could develop a more effective promotional campaign.



- ▲ *Old Spice discovered women were the main consumers of bathroom products and that men were using fruity shower gels women prefer. A shower gel scented for men promoted with humorous ads aimed at women resulted in a year-over-year sales increase of 27% within six months.*

## THE GRAY ZONE

Like most teenagers and young adults, you probably spend a good deal of time online—searching, sharing, and liking on social media sites such as Facebook, Instagram, and Snapchat. In fact, according to recent surveys, 95 percent of American teens access the Internet on a daily basis. Did you realize, though, that your movements on social media or online search engines are likely being tracked and recorded for future use? Websites like Google and Twitter may be tracking your purchases, opinions, geographic location, friends, family, and even legal or medical problems right now. Not only do sites track all this information, they often sell it to other companies or organizations who may request it. Is this illegal? Not if you knowingly consented to the collection of these data. Did you read these sites' lengthy privacy policies, though? Probably not.

There is growing concern that there should be limits to the types of data an online company can collect. Critics point out that consent must be informed and freely given, and that most users are unaware of the personally identifiable, permanent track record that is regularly being collected and stored about them. These websites, on the other hand, argue that they track these data to build better experiences for their users. What do you think? Are the companies acting ethically in collecting these data, or should they be stopped?



## How Marketing Research Is Used

One of the most important ways that businesses use marketing research is to help them implement the marketing concept: a philosophy of conducting business that is based on satisfying customer wants and needs while achieving company goals. Marketing research helps businesses to identify those needs and wants.

Marketing research is used to solve specific marketing problems as well as to identify problems that may or may not be readily apparent. Marketers use marketing research to make decisions about what products to offer, what prices to charge, which channels of distribution to use, where to offer products, and what forms of promotion work best. Marketing research also helps marketers to gauge the effectiveness of elements of an existing marketing mix. Here are other specific ways that businesses use marketing research:

**To develop a profile of the typical customer.** A business may use marketing research to determine its typical customer's age, income, education, spending patterns, and social media use. Starbucks is able to develop **profiles** of their customers through loyalty cards. In the article "Starbucks Exec: We Know Who You Are, We Know How You're Different From Others," *Business Insider* author Kim Bhasin explains how Starbucks gathers information about its customers: <http://www.businessinsider.com/starbucks-exec-on-loyalty-card-data-tracking-2013-3>.

**To analyze the business's sales and market share.** Businesses often use marketing research to evaluate their performance and compare their sales with industry sales. Using these data, businesses can calculate what percentage of the market they currently hold, also known as **market share**, as well as determine projected sales and use of their products.



▲ By paying with a registered card or the Starbucks mobile app, customers earn discounts and Starbucks is able to analyze customers' spending habits and send them offers, usually on their smartphones.



What type of smart device do you think has the greatest market share—desktop PCs, portable PCs, tablets, or smartphones? Check out 2dark2sleep’s chart of market share by product category to find out if you’re right: <https://2dark2sleep.files.wordpress.com/2013/11/worldwide-smart-connected-device-forecast-market-share-by-product-category-2012-2017-icharts.png>.

**To describe the target market.** Businesses often conduct marketing research to better understand their target market, the activities those consumers enjoy, what they buy, and what factors motivate them to purchase certain products. In 2007, for instance, toymaker Lego initiated marketing research to better understand a market the company had previously been unsuccessful marketing to—girls. As a result of the four-year study involving over 3,500 girls and their mothers around the world, the toymaker better understood how girls play with Legos and what characters, accessories, and colors are important to them. Based on these detailed research findings, Lego introduced the “Friends” product line in 2012 and quickly turned many girls into Lego enthusiasts.



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By identifying the preferences of girls, Lego saw a sales increase of 25% in 2012.



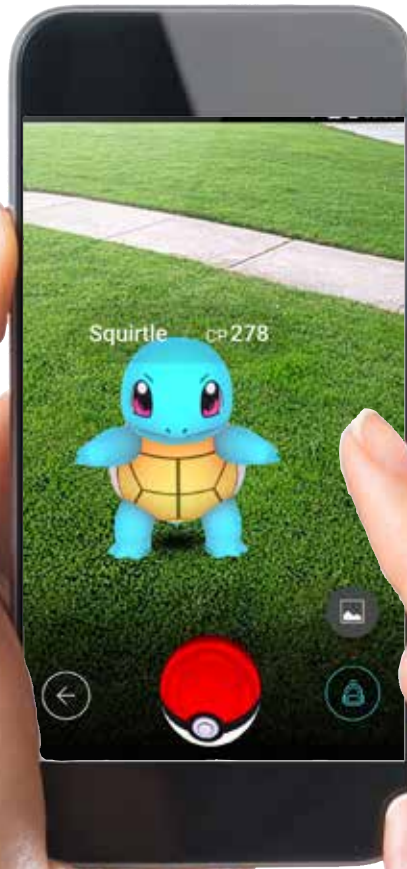
By Browser at <https://www.flickr.com/photos/brickee/1029141736>

Listen to Lego CEO Forgen Vig Knudstorp share his thoughts about the research and new product here: [http://www.dailymotion.com/video/xp5cru\\_lego-friends-new-play-theme-for-girls-to-help-secure-2012-growth-for-lego-group\\_news](http://www.dailymotion.com/video/xp5cru_lego-friends-new-play-theme-for-girls-to-help-secure-2012-growth-for-lego-group_news).

**To determine how to reach the target market.**

After describing its target market, a business needs to determine how to attract the market. Marketing research can reveal what messages appeal to the target market, how frequently the business should communicate with the target market, which promotional methods appeal to the target market, and what advertising media are likely to be successful with this target market.

- ▶ *The viral success of the Pokemon Go mobile app in 2016 is a great example of how understanding a target group can lead to success. Using mobile phones paired with geolocation technology created a mobile game of augmented reality that was easily shared on social media and appealed to millennials' digital preferences. It also took them on a nostalgic trip back to a favorite childhood game.*



**To forecast sales and trends.** To predict future sales and trends, businesses need to know what customers are buying. A car maker could forecast sales by learning whether consumers are buying large or small cars, how often they buy new vehicles, and what features they look for in new cars.

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**To be more competitive.** Businesses want to know how they are doing compared to their competitors and what they could do to beat the competition. Businesses conduct marketing research to learn what customers expect of them and their competitors, as well as what characteristics customers associate with different brands.

In 2007, the chocolate maker Hershey's experienced flat sales due to competition from Mars and Cadbury and predicted a further decline in profits for 2008. To determine how to compete in a market the company was used to dominating, Hershey's turned to research experts, The Cambridge Group, for advice. The Cambridge Group recommended a large-scale research project of the entire confectionary market to identify the most profitable consumer groups. Through this research, Hershey's discovered and embraced a new target market: consumers who are willing to pay more money for their personal favorite treats. As a result, Hershey's "sweetened" its product offerings to this market in 2009 and doubled its cash flow from the previous year.

**To prevent unnecessary financial losses.** Marketing research can help businesses to understand what markets to target, what products to offer, what sales channels to use, what prices to charge, what packaging to use, how much inventory to carry, and how to promote the products.

**To keep up to date.** Marketers use marketing research to keep up with current trends, styles, and buying patterns. Taco Bell's practice of hiring social intelligence experts (young professionals addicted to social media) provides an internal research team to stay current with popular trends like emoji use. In 2014, Taco Bell decided it was time for "taco" to be part of the emoji conversation, petitioning the Unicode Consortium to create a taco emoji. A social media storm ensued as taco lovers texted and tweeted until they could communicate "taco" visually, and then, they did that.



onov245/ikopylov/iStock/Thinkstock

**To maintain or determine image.** Businesses poll their customers to find out what customers are saying about the businesses and whether they are satisfied. To find out about its **corporate brand**, a day spa might ask its clients to share their impressions of the spa.

## Describing Marketing Research

Did you know that effective marketing-research projects have certain specific characteristics? These characteristics apply to all research regardless of scope or complexity. Ways to describe effective marketing research include:

- **Systematic**

Marketing research is a step-by-step process similar to the scientific method. No matter how much data are being gathered, the research process always involves gathering, recording, and analyzing information.

- **Accurate**

Accuracy is essential in all aspects of marketing research, from the initial **research design** to the statistical program used to analyze the results. Research data need to be as exact and precise as possible so that wise business decisions can be made. Just think, what would happen if a company launched a new product based on inaccurate data?

- **Objective**

Researchers must keep their own opinions out of the way while they are gathering data. If a researcher's biases are obvious to research respondents, then the respondents may give answers they feel the researcher wants to hear, rather than what they personally believe or know to be true. For that reason, researchers should exercise caution when using research collected by someone else.





To learn how to avoid research bias, view the video titled "Avoiding Bias in Survey Questions" from Mindset Learn: <https://www.youtube.com/watch?v=pCRPXx-2GAU>.

- **Thorough**

To help a business with its decision making, marketing researchers must gather sufficient data. Inadequate research may not give the business enough information to make good decisions. Doing research right often requires more money and time. Having insufficient resources for research often results in unsatisfactory data.

- **Timely**

There are usually due dates associated with marketing research. Let's say that a company needs data to decide what product to feature in its upcoming Super Bowl commercial. If research results are not available until after the Super Bowl, then those data are of no help when making advertising decisions.

- **Reliable**

Marketing research must be reliable, which means that if the same research were repeated or conducted by other researchers, the results would be the same. In other words, marketers should get essentially the same data every time that a particular research project is conducted.

- **Valid**

Effective marketing research is valid research: It actually measures what the researcher intends to measure. If research data are valid, then marketers can make more accurate generalizations about their target markets and future sales.



Kickstart, a low-calorie energy drink, is marketed to busy moms. Traditionally energy drinks like Monster and Red Bull were marketed to young active adults. However, research has shown that young mothers have the highest purchasing index of energy drinks.

## Who Does Marketing Research?

Businesses and organizations of all types and sizes use marketing research. The size of the business or organization often determines how it carries out research activities. Some conduct their own marketing research, while others hire the services of outside marketing researchers.

The U.S. Census Bureau (part of the U.S. Department of Commerce), for example, conducts its own research via the U.S. Census every 10 years to collect information about the nation's residents. Large businesses such as Disney and Apple usually have their own marketing-research departments as well. But if these businesses need a special type of research or need more research than their departments can handle, they may also hire outside research consultants.

Marketing-research consulting firms range in size from individual researchers to large firms. J.D. Power and Associates, for instance, is a large American-based global marketing-information service firm best known for its research on customer satisfaction with car quality and dependability. Automotive, cellphone, and computer manufacturers regularly use the data J.D. Power collects to evaluate their own products and competitors' products.

Nielsen is another well-known provider of global research. The company collects data regarding television viewing habits and other popular media use such as Twitter, Instagram, Facebook, and YouTube to develop an accurate view of current consumer preferences and trends. Nielsen recently formed a partnership with Time Warner Media Lab to use neuroscience and biometrics to collect enhanced facial-coding and eye-tracking data from consumers responding to certain products or advertisements. For an overview of the types of global data Nielsen can provide, check out its "About Us" page, which includes video of some large-scale statistics impacting the future of marketing: <http://www.nielsen.com/us/en/about-us.html>.



▲ *J.D. Power ranked Mini Cooper "Highest in Sales Satisfaction Among Mass Market Brands" four years in a row (2010-2013). This type of information can be used by buyers and by automakers to evaluate vehicles.*



Small businesses or organizations generally carry out marketing research on their own. They may gather data from social media or from information that they have on hand or from published reports. They may also survey customers to learn more about the customers' wants and needs.

## Summary

Marketing research is the systematic gathering, recording, and analyzing of data about a specific issue, situation, or concern. Businesses that obtain reliable marketing-research data make better, more informed decisions. Marketing research helps businesses implement the marketing concept in many ways. Effective marketing research is systematic, accurate, objective, thorough, timely, reliable, and valid. Some businesses conduct their own research activities, while others hire outside consultants.



Many small businesses and organizations use free online survey services such as Googleforms.com, Surveyplanet.com and Surveymonkey.com to conduct marketing research.

## TOTAL RECALL

1. What is marketing research?
2. Why is marketing research important?
3. How do businesses use marketing research?
4. What are seven characteristics of marketing research?
5. How does the size of a business or organization influence how it carries out marketing research?

# Marketing Research: How It's Done

Just like the scientific method, marketing research is a process of specific steps. To conduct marketing research, marketing researchers need to take the following steps:

## Identify the Reason for the Research

The first step in the research process is identifying the problem, issue, situation, or concern to be researched. This is an important step because if the business does not clearly identify and define the reason for the research, the business may invest its time and money unwisely.

Identifying the reason for the research includes determining what information the business needs to solve the problem or issue. Researchers need to determine what kind of data to collect, how much data to gather, and why the data are needed. In addition, the business needs to determine whether what it learns from the research will be worth the potential costs of the research.



- ▲ *Powerful search engines can access great amounts of data instantly, making it easy for anyone to quickly conduct research. However, for research to be effective, clear research goals need to be developed so relevant data can be reviewed and analyzed.*

## Set Research Objectives

Once a business decides to proceed with marketing research, it should set specific objectives, or goals, for the project. Research objectives fall into one or more of the following categories based on the reason for the research:

- **To explore the current situation**

Businesses use **exploratory research** when they can't clearly define their reasons for research. Exploratory research typically focuses on **qualitative data**, such as respondents' opinions and personal interpretations rather than facts and figures.

- **To define the current situation**

**Descriptive research** is used to gather specific data related to the identified research problem. Examples of such data include the specific characteristics of a target market, economic data directly affecting the business, or information about competitors. Such data are quantitative data—the facts and figures can be presented in the form of a chart or graph.

- **To test the situation**

**Causal research**, sometimes called **conclusive research**, focuses on cause-and-effect relationships and tests "what if" theories. It determines the impact that one item or entity has on another.

- **To predict future situations**

Businesses use **predictive research** to help them forecast future business developments, such as estimating future sales, predicting the growth or decline of a market, or projecting consumer tastes.



▲ *Door-to-door surveys can be valuable when understanding the needs or opinions of people within a community and are necessary to fulfill the specific goals of a research project.*

## Develop a Hypothesis

The next step is to develop a testable hypothesis based on the research objective(s). A **hypothesis** is a statement of the expected outcomes of the research—a theory you are trying to prove or disprove. For instance, if a research objective is to identify a target market for new condominiums, a possible hypothesis would be that single, professional males working within five miles of the condos are a potential target market. Without a hypothesis to test, you would not know what data to focus on in your research efforts.

## Determine the Research Design

Determining the research design for a marketing-research project involves creating a master plan for how the research will be carried out. This helps to keep the project on track. Putting the research design in writing helps ensure that the business and the researcher, whether a company employee or an outside consultant, have the same information. The written plan should address the following questions:

- **What types of data are needed?**

Many businesses use both secondary and **primary data** when conducting research. **Secondary data** are facts and figures collected for purposes other than the project at hand. Secondary data can be accessed quickly, are relatively inexpensive, and sometimes meet researchers' needs, eliminating the need for additional research. However, the secondary research may not directly apply to the problem at hand. To obtain data that specifically apply to the research project, researchers must conduct primary research. Primary data are more up to date and relevant.



*NiroDesign/Stock/Thinkstock*

Today, many companies harness the power of social media as an inexpensive tool to gather information about their products and consumers. Platforms like Twitter, LinkedIn, Instagram, and Facebook already have powerful search capabilities that allow users to access a large amount of data.

For more insight into how these tools are affecting market research, read the article “How to Use Social Media for Market Research” by Ray Nelson: <http://www.socialmediatoday.com/content/how-use-social-media-market-research>.



- **How much data will be collected?**

The scope of the research project affects the amount of data needed. A business introducing new products would gather more data than one investigating low sales of current products. When data must be analyzed by hand, the amount collected needs to be limited.

- **Where will researchers find the data?**

It is usually impossible to study everyone, so researchers must use **sampling**: the process of choosing a representative group of customers to survey. Researchers must decide whom to survey, how many to survey, and how to select those to survey. Selecting an appropriate group to sample is important to the success of the research.

Data may be gathered from inside or outside the business. **Internal data** can be found within the business and are usually secondary data. Internal data sources include sales records, customer/client records, and financial statements. **External data**, on the other hand, are found outside the business and may be either secondary or primary data. External sources of secondary data include publications by government agencies, trade associations, and commercial marketing-research firms. To gather primary data from external sources, researchers must conduct new research.

- ▶ *An airport conducting research would need to identify which customers to survey. Domestic or international? Frequent fliers? Vacationers? Business travelers? Family and friends picking up their loved ones?*



- **What primary data-collection methods will be used?**

Before gathering primary data, researchers must determine what method(s) of research to conduct. There are three basic data-collection methods that are used in marketing research—**survey**, **observation**, and **experiment**.

Survey is the most popular data-collection method. To conduct a survey, researchers develop a set of written questions designed to gather specific data, called a **questionnaire**. In years past, surveys typically took the form of **personal interviews** or **postal surveys**. Today, though, thanks to advances in technology, **online surveys** and **telephone interviews** are the most popular methods to collect survey data. In the years to come, in fact, the Internet is expected to become the primary vehicle for administering surveys, as indicated in this graph from Marc Brokenbrow: <https://www.b2binternational.com/publications/online-versus-telephone-which-is-best-in-business-to-business-market-research/>.

Observation involves gathering data by watching customers. Customers may be physically observed by other humans, or they may be monitored electronically via video cameras, **cookies**, or **scanners**. For detailed information, a researcher may ask subjects to keep a written or online diary for an extended period of time.



Data from scanners help grocery stores quickly determine what items are selling, as well as when and at what price. Companies have used scanner data to study the impact of private food labels on their name-brand pricing, while government agencies have used the information to examine redemption activity of food stamp assistance programs.



For more clarity on the use of diaries, read the article: “Dear Diary: Using Diaries in Marketing Research” by Cathy Whitehead McIntyre at Strategic Initiatives: <http://strategicinitiatives.ca/blog/market-research/dear-diary-using-diaries-in-marketing-research/#sthash.zHcwwFeU.dpuf>.

Experiment is a research method that tests cause-and-effect relationships. A good example of an experimental study is **test marketing**: the process of introducing a new product to a limited market to determine what its acceptance will be. Watch test marketing in action in the YouTube video “Lay’s New Flavors Taste Test,” which shows participants identifying four of Lay’s unique chip flavors: <https://www.youtube.com/watch?v=-hzbsdhpj18>.

- **How will the data be analyzed?**

Another important component of the research design focuses on how data will be reviewed, evaluated, and analyzed. The way in which researchers plan to analyze data affects the amount of data they collect. If data will be analyzed by hand, the amount of data must be limited. If data will be analyzed by computer, researchers can collect much more data since large amounts of data can be analyzed in a short period of time.

## Collect the Needed Data

The next step is the actual data collection. This involves surveying, observing, and experimenting. Data collection is the most expensive step in the marketing-research process because of the time and effort involved. Since data collection can be tedious, it is the step in which most mistakes are made.

archerix/Photodisc/Thinkstock



## Analyze the Data

After being collected, the data must be analyzed to be useful. Data by themselves are just a collection of facts. These data must be evaluated to determine how they relate to the research objectives. Data that have been interpreted and transformed into a useful form become information. Without this step, a business person might suffer from data overload and not know which data are meaningful.

Data analysis software and statistical programs are especially useful when determining what raw data really mean. These computer programs accept survey data, tally them, and report on how people answered each question much more quickly than humans could.

## Make Recommendations Based on Findings

When the research efforts are complete, researchers prepare a written report of their findings and suggest a course of action for the business. The research report should include the original research objectives and hypothesis, the research methodology, research results, limitations to the research, and the researchers' recommendations for the business.



Dmitrii Kotin/Photodisc/Thinkstock

- ▲ *Software can easily generate reports and graphs, but the information must still be analyzed and interpreted to be useful. Carefully evaluating collected data can produce valuable information and lead to good business decisions.*



## Summary

The marketing-research process is very systematic. Its steps include identifying the reason for the research, setting research objectives, developing a hypothesis, determining the research design, collecting the needed data, analyzing the data, and making recommendations based on the research findings.

## TOTAL RECALL

1. Explain the initial step in the marketing-research process.
2. What are the four categories of research objectives?
3. What is a hypothesis?
4. Why is determining the research design for a marketing-research project important?
5. Explain the five questions that a written research design should address.
6. What are the three basic data-collection methods used in marketing research?
7. Why should data be analyzed after they are collected?
8. Explain the last step in the marketing-research process.

## Make It Pay!

Think for a minute about your school's extracurricular activities, school organizations, or school-based enterprises. Do any of the groups conduct marketing research? If so, what types of data do they collect? How do they collect the data, and how do they use them?

If no one at your school gathers marketing research, what group do you think could benefit most from conducting a marketing-research project? Why should the group conduct research? What data should it collect? What data-collection methods should the group use?