

Marketing Research Essentials | 8th Edition



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Marketing Research Essentials

Eighth Edition

Marketing Research Essentials

Eighth Edition

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DSS Research

WILEY

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PREFACE

Welcome to Our World of Marketing Research

Our worldview is that of marketing research. We are here every day not as observers but as participants. Roger Gates, one of our coauthors, is president of DSS Research, one of America's largest healthcare marketing research firms. You can learn more at www.dssresearch.com. Carl McDaniel was a cofounder of a marketing research company that is vibrant today. He also was a cofounder 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. You are holding the only text written by marketing research insiders. We are not spectators viewing marketing research from afar. That would be like writing about football while witnessing the game from the stands rather than as a player on the field. Unlike authors of other research texts, we are on the field. **Welcome to the real world of marketing research.**

As a Global Leading Marketing Research Text, We Practice What We Preach

Marketing research is a managerial tool used to better understand customers, potential customers, and the marketplace. To stay on top, we must deliver a text that meets ever-changing needs. Recently, John Wiley & Sons commissioned a virtual focus group that helped us more efficiently plan this 8th edition. We are grateful to The Grandview Group for conducting the research and to the following participants for their excellent feedback: Joseph Ballenger (Stephen F. Austin State University), Joseph Cangelosi (University of Central Arkansas), Curt Dommeyer (California State University, Northridge), Maxwell Hsu (University of Wisconsin), Bill Johnson (Nova Southeastern University), Ben Ong (California State University, Fullerton), Carolyn Predmore (Manhattan College), and Kabir Sen (Lamar University). Their suggestions have made this market-leading textbook even better.

What's New? Cutting-Edge Trends and Methodology in Every Chapter

We have learned through our research that chapter-opening vignettes are not necessary. They have been dropped from this edition. We also learned that you find our real end-of-chapter cases useful and interesting to read, so we have updated them and added a new, real-world case in each chapter.

New Content by Chapter

Chapter 1—“The Role of Marketing Research in Management Decision Making” New section on social media and user-generated content. New discussion of basic research. New examples throughout.

Chapter 2—“Problem Definition, Exploratory Research, and the Research Process” New box titled, “Where Do I Send the RFP?” New examples throughout.

Chapter 3—“Secondary Data and Databases” Major new sections on behavioral targeting and the privacy battle.

Chapter 4—“Qualitative Research” New discussion of the client’s role in focus group research. New section on focus group trends. New material on focus group participants.

Chapter 5—“Traditional Survey Research” New discussion on predictive dialing. New material on cell phone interviewing.

Chapter 6—“Online Marketing Research” Updated online statistics. Updated and added sources of secondary data online. New material on researchers’ use of blogs. New material on online individual depth interviewing.

Chapter 7—“Primary Data Collection: Observation” Greatly expanded material on ethnographic research. Discussion on ethnography and focus groups. New material on mystery shopping. New discussion on observation using an MRI. New material on eye tracking. New section on gender- and age-recognition systems. Update on people meters. New section on the Symphony IRI Consumer Network. Major new discussion on Internet tracking. New discussion on Internet scraping. New section on comScore.

Chapter 8—“Primary Data Collection: Experimentation and Test Markets” New box titled “Data Use: The Insidious Top-box and Its Effect on Measuring Line Share.” New discussion of test marketing. New box titled “Quick Scans of Product-Specific Test Markets.”

Chapter 9—“The Concept of Measurement and Attitude Scales” New examples throughout. New material on the measurement process.

Chapter 10—“Questionnaire Design” New box titled “It’s All about the Objectives.” New section on laddering. New material on probing. New material on interview instructions. New section on using Facebook as a survey research platform.

Chapter 11—“Basic Sampling Issues”

New material on address-based sampling. New examples throughout.

Chapter 12—“Sample Size Determination”

New material on sample size and sample size tables. New discussion on sample size in qualitative research.

Chapter 13—“Data Processing, Data Analysis, and Statistical Testing”

New material on interview validation. New discussion on data analysis software.

Chapter 14—“More Powerful Statistical Methods”

New material on explaining correction results.

Chapter 15—“Communicating Results and Managing Marketing Research.”

New box titled, “Lost in Translation: Challenges Researchers Face in Communicating Their Results to Clients.” New box titled, “Doing High-Quality Work—On Time.” New material on challenges researchers face in communicating their results to clients. New material on presentations on the Internet.

Outstanding Resources for All Teaching Needs

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.

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 is available for download from our Web site.

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. Instructions can access the electronic files on the Instructor's Companion Site.

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.decisionanalyst.com). Decision Analyst, Incorporated is a large international marketing research firm. The focus group subject is an online dating data case. We also offer several interviews featuring Jerry Thomas and 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 Marketing Research Video Series

Brand 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 Wiley Marketing Research Video Series can be accessed on the Student and Instructor's Companion sites.

Acknowledgments

This book could not have been written and published without the generous expert assistance of many people. A big thanks goes to Pam Rimer for typing Carl McDaniel's portion of the manuscript and to Jan Schneider for all the assistance she provided to Roger Gates on this edition.

Our deepest gratitude goes to the team at John Wiley & Sons for continuing the trend of excellence established by this text. Thank you to Franny Kelly (Senior Acquisitions Editor), Brian Baker (Project Editor), and Melissa Solarz (Editorial Assistant).



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The Role of Marketing Research in Management Decision Making

1 CHAPTER

LEARNING OBJECTIVES

- 1. To review the marketing concept and the marketing mix.
- 2. To comprehend the marketing environment within which managers must make decisions.
- 3. To define marketing research.
- 4. To understand the importance of marketing research in shaping marketing decisions.
- 5. To learn when marketing research should and should not be conducted.
- 6. To learn how the Internet is changing marketing research.
- 7. To understand 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? We will explore these topics in this chapter.

The Nature of Marketing

→ 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.

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 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.

→ marketing concept

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

The Marketing Concept

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.

→ 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.

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.

→ goal orientation

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

The Opportunistic Nature of Marketing Research

→ systems orientation

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

Marketing research is an excellent tool for discovering opportunities in the marketplace. Marketing research recently discovered that when it comes to selecting cosmetics, consumers look for brands they trust and brands that make makeup—both buying it and applying it—natural and easy. Seventy percent of the respondents claim that they use makeup. They favor Cover Girl over any other brand. Out of 60 cosmetic brands, Cover Girl was cited by 14 percent as their favorite, placing it on top. Clinique was second on the list, with 10 percent of the mentions, and Maybelline (L’Oreal) and Mary Kay tied for third, with 8 percent each.

When the consumers were asked what they loved most about their favorite makeup line, they chose brand trust over all the other factors; the actual product attributes

mattered much less. More than two-thirds said they love their makeup because they trust the brand, while only one-third cited loving it “because it feels wonderful.” Factors like “uses humane testing/is environmentally safe” were not weighted strongly and emerged toward the bottom of the list.

Cover Girl led the other brands in most of the attributes consumers care about most, scoring highest in categories such as great value, brand trust, wears well throughout the day, and easy, no-mess application.

A common sentiment that emerged in the survey is that makeup wearers want a natural and authentic look rather than something ultramodern.

Among those still buying new products, tween girls (ages 8–12) have upped their product usage, while teens (ages 13–17) and young women (18–24) reported declines in their usage of beauty products.

Significantly more influential to tweens than TV and even their friends, these girls say that they “look to their parents and siblings to see what they are using to help decide what to buy and use.”²

So marketing research has identified the market leaders, determined why specific brands are popular, learned the “look” that makeup wearers are seeking, ascertained which market segments for new products are growing and which are in decline, and, for the growth segment (tweens), who influences their purchase decisions. Insights such as these will help a cosmetic marketing manager create a more powerful and effective marketing mix.

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.

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 to alter its present marketing mix, but also to identify new opportunities. For example, when Ann Arbor, Michigan–based Domino’s Pizza introduced its pizza delivery in Japan, a major change in Japanese consumers’ behavior was needed as well. Domino’s managed to rise to the challenge successfully. If Domino’s had merely tested the acceptability of the service it delivered in other parts of the world, it never would have entered Japan. Japanese consumers typically don’t eat tomato-based food, and Asians tend to have allergies to milk products. Home delivery was not widely accepted, housewives were reluctant to give up cooking, houses were small, and finding customers in the labyrinthine streets of Tokyo seemed impossible. A market for pizza didn’t exist, nor was there any sign of hope for creating one.

Instead of trying to sell its existing product and service to the market, Domino’s used its marketing research about customers to design a new product and service offering for Japan. It introduced toppings such as fish and sushi. To sustain its 30-minute delivery, Domino’s developed a complex address database and small scooters to navigate the narrow streets in Tokyo. Through this research process, this pizza-delivery service that no one asked for became a big hit in Japan.³

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

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.

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.

The Importance of Marketing Research to Management

➔ **descriptive function**
The gathering and presentation of statements of fact.

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 pull out only a few slices, there's no easy way to store the remainder. Oscar Mayer marketing researchers heard 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.

➔ **diagnostic function**
The explanation of data or actions.

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? Kraft Foods noticed that consumers were flocking to “low-carb” diets. The company used marketing research to determine whether this was a fad or a long-term trend. Determining that “low carb” was more than a fad, it entered into an alliance with Arthur Agatston, the creator of the South Beach Diet. The result was certain Kraft products being labeled “South Beach Diet Recommended.” Further marketing research led to a broad line of products under the “South Beach Diet” brand. Products include cereal, meal replacement and cereal bars, refrigerated sandwich wraps, frozen entrees, and frozen pizza.

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

The Unrelenting Drive for Quality and Customer Satisfaction Quality and customer satisfaction have become the key competitive weapons as America emerges from the worst recession since the 1930s. American automobile manufacturers have been among the most battered in recent years. Now, 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 and customers are every step of the way. We want to be a consumer-products and services company that just happens to be in the automotive business.⁴

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.

➔ **return on quality**
A 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.

The passion to drive down costs can destroy the delicate balance between efficiency and service. For example, a University of Michigan annual marketing research survey, the American Customer Satisfaction index, revealed that Home Depot slipped to dead last among major U.S. retailers.⁵ Cost cutting, including replacing many full-time workers with part-timers and reducing the profit-sharing pool for all workers, created a customer service disaster. As a result, same-store sales at Home Depot lagged far behind the much better-liked Lowe's. New management has now placed a priority on customer service, and sales are improving.

The 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. 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.⁶ Another study found that the customer retention rate has a major impact on the value of a firm.⁷

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.

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 that 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, and billboards to deliver that message to a target market. Now, we have more people than ever participating 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; are typically honest, candid, and passionate; and can be extremely thoughtful. Social media such as Twitter, Facebook, and LinkedIn generate millions of comments each day about products and services. About 20 percent of all tweets are about brands.⁸

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



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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 drivers. Go to <http://www.ups.com> to find out how UPS uses marketing research to better serve its customers.

Indications are that the stream of UGC and social media users will continue to grow. For example, 56 percent of social media users need to check Facebook at least once a day, and 12 percent check in every couple hours. Forty-eight percent said that they check their Facebook or Twitter pages before bed, during the night, or as soon as they wake up. After going to bed, persons under 25 were much more likely to check their social media during the night.⁹

The skyrocketing growth of UGC and social media has already brought numerous changes to the marketplace and to the field of marketing research. We will be touching on these changes throughout the book, including the emotionally charged issue of Internet privacy.

The 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, 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 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.

➔ **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 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? On the other hand, **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. The findings of basic research usually cannot be implemented by managers 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.

➔ **applied research**
Research aimed at solving a specific, pragmatic problem—such as 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.

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 Microsoft, IBM, Xerox, and Hewlett-Packard. H-P's research arm, for example, has been doing work in areas such as nanotechnology and computer

algorithms that could more efficiently sift the Internet for huge amounts of public data to predict business trends.

Prith Banerjee, director of HPLabs, said that about two-thirds of the labs' projects are relatively short-term initiatives that are intended to produce results within about five years. The remaining one-third is basic research that may not pan out for a decade or more.¹⁰

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 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?

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 present performance.

- ➔ **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.



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

Rex F. May

The 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, 2 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 but 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 & 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



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The super-premium ice cream market is reaching saturation. At this point, it might not be wise to enter this market. However, marketing research is necessary to keep products already in the market ahead of the competition.
