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**SEVENTH EDITION**

# **MARKETING RESEARCH**

**AN APPLIED ORIENTATION**

**NARESH K. MALHOTRA | SATYABHUSAN DASH**

# Marketing Research

## An Applied Orientation

Seventh Edition



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# Marketing Research

## An Applied Orientation

Seventh Edition

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Delhi • Chennai

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To the memory of my father,  
Mr. H. N. Malhotra  
and  
To my mother, Mrs. Satya Malhotra

and

To my wife Veena and children Ruth and Paul

The love, encouragement, and support of my parents, wife,  
and children have been exemplary.

“The greatest of these is love.”

I Corinthians 13:13

“But God showed how much He loved us by having Christ die for us,  
even though we were sinful.”

Romans 5:8  
*The Holy Bible*

• • •

To my parents:

Dr. K. C. Dash  
and  
Mrs. Jyostnamayee Dash,

my loving and supportive wife Rumu,  
and  
my son Alap

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## Foreword



The world of business is moving more rapidly than ever, meaning the intelligent and thoughtful use of research is critical to keeping pace. Undoubtedly the most successful people will have a broad base of education, high levels of communication skills, and creative approaches to the opportunities racing toward us. It is a significant achievement when a textbook such as Dr. Malhotra's allows the classroom to become a source of these skills.

This text has already proven its worth as one of the most successful in the field, with well over 140 universities using it in the United States and eight foreign-language and several different English-language editions in print. It is unsurpassed in presenting the fundamentals that allow you to become a researcher and intelligent user of research. The real-life examples, titled Real Research, bring you closer to the world businesspeople face daily. At every step, you can relate to the ongoing Department Store Project, the Dell Running Case, and the practical vignettes that bring the educational material to a realistic and practical level. These materials are complemented by Active Research, Experiential Research, and Decision Research exercises that offer additional hands-on experience. The text's grasp of the leading edge of research is evident in its integration of modern tools of research such as the Internet, computer analytic software, and the latest management practices. The demonstration movies, screen captures, and step-by-step instructions for running SPSS and SAS programs provide the most extensive help available for learning these statistical packages.

We at Burke, Inc., are pleased to be asked to contribute again to a new edition. We have shared our experiences as well as our philosophies, technical skill, and thoughts about the future of research. This edition of *Marketing Research: An Applied Orientation* provides the foundation we believe every student should have. We are confident you will find its combination of theory, practice, and sound advice to be of great value to you.

**Michael Baumgardner, Ph.D.**  
*President and CEO, Burke, Inc*

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## Preface

### The New Edition—Helping You Learn Marketing Research

Marketing research is an integral part of marketing. Its task is to assess information needs and provide management with relevant, accurate, reliable, valid, and current information to aid marketing decision making (see Figure 1.2). Companies use marketing research to stay competitive and to avoid high costs of poor decisions based on unsound information.

If you are a marketing major, understanding your consumers, suppliers, channel partners, employees, and competitors and the environment is your foundation for developing effective marketing programs. You gain that understanding by conducting marketing research. This book and course will help you succeed in your marketing career.

If you are not a marketing major, any company or organization you work for will use marketing research information for making decisions. You will want to understand how to generate such information and how to evaluate its relevance, accuracy, and usefulness. The research process we describe in this book is very general and applies to any area of management, not just marketing. Only the context in which we illustrate it is marketing. Therefore, this course and this book will help you be more effective in your job, regardless of the specific area in which you work.

Since research is best learned by doing, this book emphasizes a hands-on, do-it-yourself approach. You will have many opportunities to see how marketing research affects management decisions in chapter features including Real Research, Active Research, Experiential Research, Decision Research, Project Research, cases, video cases, and extensive review questions, problems, Internet and computer exercises, and activities (role playing, fieldwork, and group discussions). The data analysis chapters illustrate in detail each step in running SPSS and SAS, and we've provided four distinct ways in which you can learn these programs on your own. SPSS and SAS files are provided for all data sets; outputs, demonstration movies, and screen captures are posted on the Web site. *This book provides students the most extensive help available to learn SPSS and SAS.* Thus, we prepared this textbook and all the additional materials to help you understand the fundamental principles of marketing research and how to apply them in real-life marketing situations.

### New to This Edition

This edition contains major revisions suggested in surveys of professors (users and nonusers) and students, critical reviews, and detailed evaluations. Significant changes include:

1. **Updating.** New and updated material starts with Chapter 1 and continues throughout the text.
2. **A New Chapter.** A new Chapter 22, "Structural Equation Modeling and Path Analysis," completes our coverage of popular data analysis techniques. It explains structural equation modeling and path analysis from an intuitive perspective and presents the techniques in a simple and easy to understand manner, retaining the text's applied and managerial orientation.
3. **New Concept Maps.** Concept maps in each chapter connect concepts in a downward-branching hierarchical structure, with labeled arrows that articulate flows and relationships. The contribution of concept maps to learning is well documented; find more information at the Institute for Human and Machine Cognition Web site at [www.ihmc.us](http://www.ihmc.us).
4. **New Running Case About Dell.** Case 1.1 begins a new running case that features Dell Computers, using the actual questionnaire and real data collected by a prominent marketing research firm. This case is another way to see the linkages between chapters and trace the entire marketing research process throughout the book. Case questions conclude each chapter; answers appear in the *Instructor's Manual*.
5. **New Critical Thinking Cases.** Three new comprehensive cases with critical thinking and case questions are structured around principles for research, instructional strategies,



Socratic questioning, critical reading and writing, higher order thinking, and assessment as propounded by the Foundation for Critical Thinking ([www.criticalthinking.org](http://www.criticalthinking.org)). These cases are 2.1 American Idol, 2.2 Baskin-Robbins, and 2.3 Akron Children's Hospital. Solutions appear in the *Instructor's Manual*.

6. **New Video Cases.** Each chapter, except the data analysis chapters, is followed by a video case, with questions pertaining to that chapter and all the preceding chapters. These cases are drawn from the Prentice Hall video library but have been written, with relevant discussion questions, from a marketing research perspective. Each can be used with or without the video.
7. **New Cases with Real Questionnaire and Data.** Two new cases contain real questionnaires and data sets. Although the true identity of these firms has been disguised for proprietary reasons, the data sets are real and were obtained in actual surveys conducted by marketing research companies. The cases new to this edition are Case 3.1: AT&T Wireless: Ma Bell Becomes Ma Again and Case 4.1: JPMorgan Chase: Chasing Growth Through Mergers and Acquisitions. Cases 3.1, 3.2, and 3.3 deal only with data analysis; Cases 4.1 and 4.2 are comprehensive and their questions relate to every chapter of the book. All these cases include actual questionnaires and real data.
8. **New and Updated Examples.** New examples have been added, some old ones deleted, and the remaining ones updated as appropriate.
9. **New Web Site Materials.** To keep the book concise, we have placed some material on the instructor Web site (Instructor Resource Center) and the student Web site.
10. **Updated References.** Each chapter contains many references dated 2008 or later. Of course, the classic references have been retained.

## Integrated Learning Package

If you take advantage of the following special features, you should find this textbook interesting and even fun.

1. **Balanced orientation.** We've blended scholarship with a highly applied and managerial orientation showing how marketing researchers apply concepts and techniques and how managers use their findings to improve marketing practice. In each chapter, we talk about real marketing research firms, large and small.
2. **Real-life examples.** Real-life examples (Real Research) describe the kind of marketing research firms used to address a specific managerial problem and the decisions they based on the findings.
3. **Hands-on approach.** You'll find more real-life scenarios and exercises in every chapter. Active Research features ask you to do some research on the Internet and play the roles of a marketing researcher and a marketing manager. Experiential Research features let you experience the research concepts in each chapter. Decision Research presents a real-life marketing situation in which you assume the role of a consultant and recommend marketing research and marketing management decisions.
4. **Running project.** A running example in every chapter is based on an actual department store project I conducted, although several aspects have been disguised. You will participate by conducting some research and analysis.
5. **Critical thinking emphasis.** You can practice your critical thinking skills including Socratic questioning, critical reading and writing, and higher order thinking and assessment in the three comprehensive critical thinking cases, end-of-chapter review questions, applied problems, and group discussions.
6. **Concept maps.** Concept maps help you visualize the interrelated concepts in each chapter.
7. **Extensive Internet coverage.** We'll show you how to integrate the Internet into each step of the marketing research process and you'll have plenty of opportunities to do Internet research.
8. **International focus.** Every chapter has a section titled International Marketing Research or an example illustrating a data analysis technique in an international setting. Chapter 24 introduces advanced concepts in international marketing research.
9. **Ethics focus.** Ethical issues are pervasive in marketing research. Every chapter has a section titled Ethics in Marketing Research or an example of a data analysis technique that raises an ethical question. We'll talk about ethics from the perspectives of the four stakeholders: the client, the marketing research firm, the respondents, and the general public.

10. **Focus on technology.** Technological developments have shaped the way in which marketing research is conducted and we talk about these throughout the book.
11. **Contemporary focus.** We apply marketing research to current topics such as customer value, satisfaction, loyalty, customer equity, brand equity and management, innovation, entrepreneurship, return on marketing, relationship marketing, and socially responsible marketing throughout the text.
12. **Statistical software.** We illustrate data analysis procedures with respect to SPSS, SAS, MINITAB, Excel, and other popular programs, but we emphasize SPSS and SAS. Separate SPSS Windows and SAS Learning Edition sections in the relevant chapters discuss the programs and the steps you need to run them. While the SAS steps are illustrated for the Learning Edition, these steps will also work for the SAS Enterprise Guide.  
The Web site includes all the SPSS and SAS data sets used in each data analysis chapter and the corresponding output files, the SPSS and SAS data sets for the relevant Internet and Computer Exercises, and cases. You can also download the SPSS and SAS demonstration movies and screen captures.
13. **Video Instruction.** Each chapter of the book, except the data analysis chapters, is followed by a video case and questions written from a marketing research perspective. You can study these cases with or without the videos.
14. **Comprehensive cases with real data.** At the end of the book, you'll find two comprehensive cases, relevant questionnaires, and statistical data files, with case questions that test your understanding of each chapter of the book. These cases (Case 4.1, JPMorgan Chase, and Case 4.2, Wendy's) will let you see the interrelatedness of all the marketing research concepts discussed in the book. The data are the actual, original data, although the identities of the actual firms have been changed. There are three additional data analysis cases with actual questionnaire and real data (Cases 3.1 AT&T, 3.2 IBM, and 3.3 Kimberly-Clark).
15. **Running case about Dell.** Case 1.1 is a running case about Dell that features the actual questionnaire and real data. This case is another way to see the linkages between chapters and trace the entire marketing research process through the book.
16. **Harvard Business School cases.** To show you how managers integrate marketing research with marketing management decisions, the book includes six Harvard Business School cases, with comprehensive marketing research questions that cover each chapter of the book (except the data analysis chapters).
17. **Live research: Conducting a marketing research project.** If your instructor wishes to implement a marketing research project, we give specific steps in each chapter.
18. **Acronyms.** Acronyms are the most popular mnemonic technique college students use. Each chapter thus contains one or more helpful acronyms that summarize important concepts.
19. **Extensive exercises and activities.** Extensive exercises and activities, which include questions, problems, Internet and computer exercises, role playing, fieldwork, and group discussion, conclude each chapter. Here you'll find ample opportunities for learning and testing yourself on the concepts in the chapter.
20. **Learning aids.** We offer a complete set of learning aids, including a Web site that can be found at [www.pearsonhighered.com/malhotra](http://www.pearsonhighered.com/malhotra).
21. **AACSB learning standards.** At the end of each chapter, we supply exercises that help you meet the AACSB learning standards with respect to
  - Communication
  - Ethical reasoning
  - Analytic skills
  - Use of information technology
  - Multiculture and diversity
  - Reflective thinking

## You Can Learn SPSS and SAS on Your Own!

Many students complain that they spend a substantial amount of time learning SPSS or SAS. We have addressed this situation. This edition provides four ways in which you can learn

SPSS and SAS on your own: (1) detailed step-by-step instructions appear in the chapter, (2) you can download (from the Web site for this book) computerized demonstration movies illustrating these step-by-step instructions, (3) you can download screen captures with notes illustrating these step-by-step instructions, and (4) you can refer to the *Study Guide and Technology Manual*, a supplement that accompanies this book. *Thus, we provide the most extensive help available anywhere to learn SPSS and SAS!*

## Tips for Using This Textbook

Here are a few tips on how to use this book to master the material.

- **Read the chapter.** Start by reading the chapter. Be sure to look at the objectives and read the overview so you will know what is in the chapter. Some students mistakenly think this step isn't important; don't skip it.
- **Review the key terms.** Read through these new terms to be sure you understand each one. Key terms are often targets of quiz and exam questions.
- **Answer the review questions.** Go through the review questions and try to answer them without looking in the chapter. When you are finished, go back and see whether you got them all correct. For those you couldn't answer; go back and locate the correct information in the chapter.
- **Do the problems.** Pick several problems you believe would be interesting. Spend some time thinking about the question and the concepts each problem explores. You can make these problems fun to do as you analyze the concepts at a deeper level.
- **Attempt the Internet and computer exercises.** These exercises give you practice in analyzing both qualitative data (that you will search on the Web) and quantitative data (that you can download from the Web site for this book).
- **Try one of the cases or video cases.** The cases and video cases provide an excellent summary of the material presented in the chapter. Read one and answer each of the questions at the end. (You do not need to see the video to answer the video case questions, but you can view it on the Companion Website for this text by visiting [www.pearsonhighered.com/malhotra](http://www.pearsonhighered.com/malhotra)).
- **Have some fun with critical thinking.** Go to one of the critical thinking cases (2.1 American Idol, 2.2 Baskin-Robbins, and 2.3 Akron Children's Hospital). These cases are comprehensive and contain questions on all the chapters except the data analysis chapters. Use what you've learned, along with the case information, to answer the critical thinking questions as well as the technical questions. Doing these cases will help you understand and apply the concepts in real-life situations from a critical thinking perspective.

## How to Prepare for Exams

If you've followed the tips, you're almost ready for the exam. A brief review of the key terms and a scan of the chapter is all you need. If not, here is a sequence of activities that will help you learn the material.

- Read the chapter.
- Review the concept maps.
- Review the key terms.
- Answer the review questions.
- Read the chapter overview.
- Read the chapter summary.
- Go through the chapter and locate all the bold and italic words. Read the context of each term to make sure you understand it.
- Start at the beginning of the chapter and read the topic sentence of each paragraph. These provide a good summary of that paragraph.
- Reread the chapter summary.

Congratulations! You are now ready for the exam. Relax; you'll do well.

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*Marketing Research: An Applied Orientation* has been translated into Chinese, Spanish, Russian, Portuguese, Hungarian, French, Bahasa Indonesian, and Japanese. It has also been published in several English-language editions including North American, International, European, Indian, and one for Australia and New Zealand. Dr. Malhotra's *Basic Marketing Research: A Decision-Making Approach*, Third Edition, was published by Prentice Hall in 2008. This book has also been translated into a number of languages.

In the 1987 AMA Educators' Proceedings, Professor Malhotra was ranked number one based on articles published in the *Journal of Marketing Research* during 1980 to 1985. He also holds the all-time record for the maximum number of publications in the *Journal of Health Care Marketing*. He was ranked number one based on publications in the *Journal of the Academy of Marketing Science (JAMS)* from its inception through Volume 23, 1995, and during the ten-year period 1986–1995 (*JAMS*, 24(4) (Fall 1996): 297). He was several times ranked number one based on publications in the *International Marketing Review*, including from 1996 to 2006 based on a study by Xu et al. published in the *Asia Pacific Journal of Management* (2008). In a landmark study by West et al. (2008) examining publications in the top four marketing journals (*JMR*, *JM*, *JAMS*, and *JCR*) over a 25-year period from 1977 to 2002, Professor Malhotra earned three top-three rankings: ranked number three based on publications in all the four journals combined, ranked number three based on publications in *JMR*, and ranked number one based on publications in *JAMS*.

Dr. Malhotra has published more than 100 papers in major refereed journals, including in *Journal of Marketing Research*, *Journal of Consumer Research*, *Marketing Science*, *Management Science*, *Journal of Marketing*, *Journal of Academy of Marketing Science*, *Journal of Retailing*, *Journal of Health Care Marketing*, and leading journals in statistics, management science, information systems, and psychology. He has also published numerous refereed articles in the proceedings of major national and international conferences. Several of his articles have received best paper research awards. Dr. Malhotra has consulted for business, nonprofit, and government organizations in the United States and abroad and has served as an expert witness in legal and regulatory proceedings with special expertise in data analysis and statistical methods.

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Part

# I

## Introduction and Early Phases of Marketing Research

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and Developing an Approach 34

In this part, we define and classify marketing research and set out a six-step marketing research process. We discuss the nature and scope of marketing research and explain its role in decision support systems. We describe the marketing research industry and the many exciting career opportunities in this field. We discuss problem definition, the first and the most important step, in detail. Finally, we describe the development of an approach to the problem, the second step in the marketing research process, and discuss in detail the various components of the approach. The perspective given in these chapters should be useful to both marketing decision makers and researchers.



## Chapter

# 1

“The role of a marketing researcher must include



consulting skills, technical proficiency, and sound management. The focus of the role is to provide information to identify marketing problems and solutions in such a way that action can be taken.”

*Michael Baumgardner, President and CEO, Burke, Inc.*

### Objectives

[ After reading this chapter, the student should be able to: ]

1. Define marketing research and distinguish between problem identification and problem-solving research.
2. Describe a framework for conducting marketing research as well as the six steps of the marketing research process.
3. Understand the nature and scope of marketing research and its role in designing and implementing successful marketing programs.
4. Explain how the decision to conduct marketing research is made.
5. Discuss the marketing research industry and the types of research suppliers, including internal, external, full-service, and limited-service suppliers.
6. Describe careers available in marketing research and the backgrounds and skills needed to succeed in them.
7. Explain the role of marketing research in decision support systems in providing data, marketing models, and specialized software.
8. Acquire an appreciation of the international dimension and the complexity involved in international marketing research.
9. Gain an understanding of the ethical aspects of marketing research and the responsibilities each of the marketing research stakeholders have to themselves, one another, and the research project.

# Introduction to Marketing Research

## Overview

Marketing research comprises one of the most important and fascinating facets of marketing. In this chapter, we give a formal definition of marketing research and classify marketing research into two areas: problem identification and problem-solving research. We provide several real-life examples to illustrate the basic concepts of marketing research. We describe the marketing research process and the six steps that are involved in conducting research and discuss the nature of marketing research, emphasizing its role of providing information for marketing decision making. Next, we provide an overview of marketing research suppliers who collectively constitute the marketing research industry, along with guidelines for selecting a supplier. The demand for well-executed marketing research leads to many exciting career opportunities, which we describe. We show that marketing research is also an integral part of marketing information systems or decision support systems.

For the purpose of illustration, we examine a department store patronage project, which was an actual marketing research project conducted by the author, and use it as a running example throughout the book. The scope of this project has been expanded in the sixth edition to include questions, and we also make available the relevant data for analysis. These "Project Research" sections appear in each chapter. The topic of international marketing research is introduced and discussed systematically in the subsequent chapters. The ethical aspects of marketing research and the responsibilities each of the marketing research stakeholders have to themselves, one another, and the research project are presented and developed in more detail throughout the text. This chapter includes several Internet and hands-on applications of marketing research in the form of "Active Research," "Experiential Research," and "Decision Research" illustrations with exercises, other emphases that pervade the entire book. For instructors wishing to implement a real-life marketing research project, we include a section titled "Live Research: Conducting a Marketing Research Project." Perhaps there is no better way to present an overview than to give a few examples that provide a flavor of the varied nature of marketing research.

## Real Research

### Boeing: Taking Flight

The Boeing Company ([www.boeing.com](http://www.boeing.com)) has been the premier manufacturer of commercial jetliners for more than 40 years and provides products and services to customers in 145 countries. Headquartered in Chicago, Boeing had about 12,000 commercial jetliners in service worldwide as of 2009, which is roughly 75 percent of the world fleet. Boeing Commercial Airplanes (BCA) is the division of Boeing that develops and sells airplanes in the commercial segment. Although the airplane manufacturing industry is an oligopoly with only a few players, the competition is intense and the stakes are high. The division understands that it is important to continuously monitor the dynamic marketplace and understand the needs and priorities of BCA customers (airlines) and their customers (people who fly). To achieve this purpose, BCA employs marketing research on a regular basis.

Boeing recently entrusted Harris Interactive ([www.harrisinteractive.com](http://www.harrisinteractive.com)) with a study of this type. Harris Interactive, one of the largest market research firms in the world, is based in Rochester, New York. It is best known for *The Harris Poll* and for pioneering Internet-based research methods. Boeing commissioned a study to determine the aircraft preferences of fliers. "We presented respondents with real-life air travel scenarios to better understand the attitudes and feelings that led to their choices," said Dr. David Bakken, senior vice president of marketing sciences, Harris Interactive. "What we found was that travelers taking very long flights generally prefer the more convenient and flexible experience provided by smaller planes."

The study was a survey based on 913 interviews conducted in the United Kingdom, Tokyo, and Hong Kong with international travelers (age 18 and over) who had taken at least one recent eight-hour or longer flight. Interviews were conducted between November 2003 and February 2004 using a two-stage methodology. Respondents were first screened and qualified by telephone or via in-person interviews, and then they completed an online survey at home or work or at a central interviewing location. In each region, Harris polled equal numbers of Premium Class Business, Economy Business, and Economy Leisure travelers. Some key findings:

- More than 60 percent preferred a single-deck, 250-passenger airplane to a double-deck, 550-passenger airplane for nonstop flights.
- Seven out of 10 travelers preferred a nonstop trip on a single-deck, 250-passenger airplane to a trip involving a connecting flight on a double-deck, 550-passenger airplane with an on-board lounge.
- Travelers in all the classes of service from all three regions believed smaller airplanes would provide a better experience with check-in, boarding, disembarking, baggage claim, and customs/immigration than the 550-seat aircraft.

From Boeing's point of view, these were important insights. The company is responding with enhanced products. Based on these findings and subsequent product research that involved in-depth interviews and surveys of airlines, BCA developed a new version of the Boeing 737, which caters to the 100- to 215-seat market. The new concept is focused on bringing more economical solutions to airlines, a better flight experience to passengers, and improved environmental performance to the world. The newest members of the Boeing 737 family—the 737-600/-700/-800/-900 models—continue the 737's preeminence as the world's most popular and reliable commercial jet transport. Meeting the market demands, the 737 family has won orders for more than 5,200 airplanes, an amazing feat even for Boeing.<sup>1</sup> ■

## Real Research

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### Satmetrix Puts Customer Metrics in Real Time

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Many of the nation's largest corporations are realizing that the information they can get from clients and customers through marketing research can best be used if it is provided each day. How about each minute? This is the basis upon which a company called Satmetrix ([www.satmetrix.com](http://www.satmetrix.com)), a customer feedback solution company, operates—real time. The Satmetrix Customer Relationship program is designed to maximize the impact of customer interactions by continuously gathering and transforming customer dialogues into potential actions that can be taken to increase sales and customer satisfaction. This program is focused on feeding the voice of the customers back into the organization. Not only can customers go online and submit complaints and suggestions to the company, but Satmetrix also hosts live chat sessions for users of certain products. All of this is done with the aim of capturing the true words and emotions of consumers, and in turn using this information to improve or develop products and services. Satmetrix capitalizes on the need for “live” marketing research.

As of 2009, the Internet continues to revolutionize the marketing research process. With the use of online services, there is no need for extra data input that traditional research methods require. Satmetrix itself is not the traditional full-service supplier of marketing research. As a standardized limited-service provider, the company does not get involved with every aspect of the research process. The approach, design, and data preparation are the same for each customer, and these are the parts of the research process with which the company is involved.

Their service, however, aids clients in identifying any problems with products through customer feedback and with problem solving, especially if customers give suggestions. For example, network station NBC ([www.nbc.com](http://www.nbc.com)) takes advantage of Satmetrix services to obtain feedback from viewers. It helps the network to learn what viewers are looking for, their likes, and their dislikes. Ideally, the feedback is used and television shows are altered to more closely suit viewers' tastes and desires, thus leading to an increased number of people tuning in to watch the shows. NBC found, for example, that viewers wanted a sitcom that was lighthearted, clever, and humorous; therefore, *Kath and Kim*, a remake of the popular Australian comedy by the same name, was launched on October 9, 2008. Viewer feedback provided by Satmetrix has been instrumental in composing and modifying scripts and storylines. As a result, in 2009, *Will and Grace* was a top-rated comedy show on NBC.<sup>2</sup> ■

## Real Research

### Scion: The Illustrious Offspring of Toyota

Toyota has had tremendous success with both the Toyota and Lexus brands of cars. The Lexus brand was created to sell cars more luxurious than those previously offered by Toyota and to cater to the older, more affluent crowd. However, the company noticed an opportunity in the younger, “Generation Y” crowd (those born between 1977 and 1995), where Toyota had a relatively smaller market share. More than 65 million Americans fall into this demographic category. Cars bought by this group are less expensive and more youth-oriented. Chief rivals within this competitive landscape include Honda, Volkswagen, BMW, Mazda, Ford, and Chevrolet.

Focus groups and surveys by Toyota targeted at the teen through thirties age group suggested that Toyota had the image of being “my parents’ car.” Needless to say, sales to this diverse and elusive age group were small. Toyota then began a secret project, code-named “Genesis,” to research the under-30 market to find out what features they wanted in their cars and to determine their buying habits. The members of the study looked at existing Toyota models such as the Echo, the Celica, and the MR2 Spyder and found that the Generation Y crowd perceived these cars as having no cohesive theme and carrying Toyota’s older image. Several cars were brought to the United States that were being used in Japan to see what kind of reaction they would elicit. The cars that created the most buzz ultimately were modified for American preferences and resulted in a third line of cars for Toyota, aptly named “Scion” ([www.scion.com](http://www.scion.com)). The Scion name means “offspring of an illustrious family” and illustrates the fact that they are a spin-off from Toyota.

Now that Toyota had the cars and the strategy, they had to build their brand and market the new cars to this new audience. Toyota hired marketing firm ATTIK ([www.attik.com](http://www.attik.com)) to help with this task. They conducted qualitative market research through traditional focus groups and clinics as well as quantitative research through Internet surveys and youth panels. They also implemented case studies by asking people to study their younger friends’ preferences and to report their findings. The results of this market research revealed that the Generation Y crowd values individuality and expression, diversity, and style. Because they are more prone to disdain commercialism and can be swayed more effectively by word-of-mouth communications, Scion chose not to advertise through traditional channels such as network television or magazines. Rather, they decided to market the Scion through guerrilla tactics such as live concerts and events with a music or arts focus catered toward this younger crowd.

Scion took the results of their market research and applied them to their business strategy. In 2003, the first Scions were available for sale. Three different models were designed to attract a wide spectrum of younger buyers, such as the Scion xB, which is a boxy, compact sports utility vehicle. All Scions came loaded with options that were desirable to the target buyer, such as 160-watt stereos, cell phone holders, plush seats, and plenty of customization options. They implemented a no-haggling, easy-to-understand pricing structure to make the buying process more enjoyable for many of these first-time buyers.

More than 90 percent of Scion owners have never owned a Toyota car before, and the median age of Scion owners is 34, much lower than the average ages of Toyota and Lexus owners (49 and 54, respectively). Since 2006, Scion has been partnering with Nielsen Online’s BuzzMetrics service ([www.nielsen-online.com](http://www.nielsen-online.com)) to use information from consumer-generated media (CGM) in formulating their market strategies. CGM is important to Scion because that’s where their customers are and where they are most likely to see and engage in the brand. There are many blogs, Web sites, and social networking sites for discussions for customers to get more information and see how other customers like the product. All the three models (tC, xB, and xD) continued to do well through 2008, until the recession hit.

Although Toyota appears to have figured out through market research the secret to attracting younger buyers, they cannot simply be content. The tricky younger generation is fickle. Therefore, Scion and Toyota must continually rely on market research to meet the ever-changing demands of younger buyers.<sup>3</sup> ■

## Real Research

### Fast . . . Fruit?

Average consumers have become more concerned with health and nutrition. Obesity lawsuits have been filed against fast-food giants that have offered only fatty, greasy burgers and fries. As a result, many fast-food chains are now offering healthier alternatives, such as salads and fresh fruit, as well as decreasing serving sizes.

It seems that this shift toward healthier fare is paying off for fast-food chains. According to the Quick-Track<sup>®</sup> research study conducted by market research firm Sandelman & Associates ([www.sandelman.com](http://www.sandelman.com)) in 2009, Americans were satisfied with fast food. The Quick-Track is a syndicated market research project conducted quarterly to track key consumer behavioral and attitudinal measures for all major fast-food and pizza chains in individual markets. In this study, each quarter 400 respondents are surveyed in each market via a

combination of telephone and Internet interviews in more than 100 markets representing a wide range of demographics. Telephone respondents are selected via a computer-generated random sample of listed and unlisted telephone numbers, and online respondents are selected from a panel of more than 5 million Internet users.

Respondents were asked their opinions of past visits to each fast-food restaurant chain within the last three months. They were asked to rate their opinions on the overall restaurant experience as well as on 12 specific attributes such as food, service, cleanliness, and value. The responses were scored on a scale with 1 = Poor and 5 = Excellent. To ensure reliability and representation of the population, only chains with a minimum of 150 responses were considered.

The three most important attributes for respondents were cleanliness (77 percent rated it as extremely important), food taste and flavor (74 percent), and order accuracy (66 percent). The availability of healthy and nutritious food is increasing in importance among respondents, with 40 percent rating it as extremely important (up from 34 percent in 2003). The overall increase in satisfaction with fast-food chains can be attributed to the chains' responsiveness to customer demands for food quality, taste, health, and nutrition.

One example of how fast-food chains respond to the consumer's desire for healthier, tasty food offerings is to provide fresh fruit as a menu option. Wendy's, for example, is now offering fresh fruit bowls as an entrée or as a dessert. McDonald's is offering a fruit and walnut salad, and IHOP is selling fruit plate entrees. These are not isolated examples in the food industry. According to marketing research firm NPD Group ([www.npd.com](http://www.npd.com)), fruit consumption in restaurants has increased by more than 10 percent from 2006 to 2009. Kerri Anderson, president of Wendy's, commented that now's the time for fruit, because people are looking for different and new tastes and for healthier alternatives.<sup>4</sup> ■

These examples illustrate the crucial role played by marketing research in designing and implementing successful marketing programs.<sup>5</sup> Note that marketing research is being used by all kinds of organizations, such as Boeing, NBC, Toyota, and fast-food restaurants (McDonald's, Wendy's, IHOP). Furthermore, marketing research has become global (Harris Interactive), real time (Satmetrix), responsive (Toyota), and much more integrated with marketing and product development (McDonald's, Wendy's, IHOP). These examples illustrate only a few of the methods used to conduct marketing research: telephone, personal, and online surveys; focus groups; in-depth interviews; and the use of the Internet as a source of information. This book will introduce you to the full complement of marketing research techniques and illustrate their applications in formulating effective marketing strategies. Perhaps the role of marketing research can be better understood in light of its definition.

## Definition of Marketing Research

The American Marketing Association formally defines marketing research as the following:

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.<sup>6</sup>

As of 2009, the American Marketing Association's Web site, MarketingPower ([www.marketingpower.com](http://www.marketingpower.com)), supplies marketing professionals with information on marketing careers, "Best Practices" articles, and industry trends. For the purpose of this book, which emphasizes the need for information for decision making, marketing research is defined as follows:

**Marketing research** is the systematic and objective identification, collection, analysis, dissemination, and use of information for the purpose of improving decision making related to the identification and solution of problems and opportunities in marketing.

Several aspects of this definition are noteworthy. First, marketing research is systematic. Thus, systematic planning is required at all stages of the marketing research process. The procedures followed at each stage are methodologically sound, well documented, and, as much as possible, planned in advance. Marketing research uses the scientific method in that data are collected and analyzed to test prior notions or hypotheses.

Marketing research attempts to provide accurate information that reflects a true state of affairs. It is objective and should be conducted impartially. Although research is always

### marketing research

The systematic and objective identification, collection, analysis, dissemination, and use of information for the purpose of assisting management in decision making related to the identification and solution of problems (and opportunities) in marketing.

influenced by the researcher’s philosophy, it should be free from the personal or political biases of the researcher or the management. Research that is motivated by personal or political gain involves a breach of professional standards. Such research is deliberately biased so as to result in predetermined findings. The motto of every researcher should be, “Find it and tell it like it is.”

Marketing research involves the identification, collection, analysis, dissemination, and use of information. Each phase of this process is important. We identify or define the marketing research problem or opportunity and then determine what information is needed to investigate it. Because every marketing opportunity translates into a research problem to be investigated, the terms “problem” and “opportunity” are used interchangeably here. Next, the relevant information sources are identified and a range of data collection methods varying in sophistication and complexity are evaluated for their usefulness. The data are collected using the most appropriate method; they are analyzed and interpreted, and inferences are drawn. Finally, the findings, implications, and recommendations are provided in a format that allows the information to be used for marketing decision making and to be acted upon directly. The next section elaborates on this definition by classifying different types of marketing research.<sup>7</sup>

### A Classification of Marketing Research

Our definition states that organizations engage in marketing research for two reasons: (1) to identify and (2) to solve marketing problems. This distinction serves as a basis for classifying marketing research into problem-identification research and problem-solving research, as shown in Figure 1.1.

**Problem-identification research** is undertaken to help identify problems that are, perhaps, not apparent on the surface and yet exist or are likely to arise in the future. Examples of problem-identification research include market potential, market share, brand or company image, market characteristics, sales analysis, short-range forecasting, long-range forecasting, and business trends research. A survey of companies conducting marketing research indicated that 97 percent of those who responded were conducting market potential, market share, and market characteristics research. About 90 percent also reported that they were using other types of problem-identification research. Research of this type provides information about the marketing environment and helps diagnose a problem. For example, a declining market potential indicates that the firm is likely to have a problem achieving its growth targets. Similarly, a problem exists if the market potential is increasing but the firm is losing market share. The recognition of economic, social, or cultural trends, such as changes in consumer behavior, may point to underlying problems or opportunities.<sup>8</sup>

Once a problem or opportunity has been identified, **problem-solving research** is undertaken to arrive at a solution. The findings of problem-solving research are used in making decisions that will solve specific marketing problems. Most companies conduct problem-solving research.<sup>9</sup> Table 1.1 shows the different types of issues that are addressed by problem-solving research, including segmentation, product, pricing, promotion, and distribution research.

**problem-identification research**

Research that is undertaken to help identify problems that are not necessarily apparent on the surface and yet exist or are likely to arise in the future.

**problem-solving research**

Research undertaken to help solve specific marketing problems.

**FIGURE 1.1**  
**A Classification of Marketing Research**



**TABLE 1.1****Problem-Solving Research****Segmentation Research**

determine basis of segmentation  
 establish market potential and responsiveness for various segments  
 select target markets and create lifestyle profiles, demography, media, and product image characteristics

**Product Research**

test concept  
 optimal product design  
 package tests  
 product modification  
 brand positioning and repositioning  
 test marketing  
 control store tests

**Pricing Research**

importance of price in brand selection  
 pricing policies  
 product line pricing  
 price elasticity of demand  
 response to price changes

**Promotional Research**

optimal promotional budget  
 sales promotion relationship  
 optimal promotional mix  
 copy decisions  
 media decisions  
 creative advertising testing  
 claim substantiation  
 evaluation of advertising effectiveness

**Distribution Research**

type of distribution  
 attitudes of channel members  
 intensity of wholesale and retail coverage  
 channel margins  
 location of retail and wholesale outlets

Classifying marketing research into two main types is useful from a conceptual as well as a practical viewpoint. However, problem-identification research and problem-solving research go hand in hand, and a given marketing research project may combine both types of research. This was illustrated in the opening Boeing example. The consumer surveys identified potential demand for smaller planes (problem identification). Subsequent product research led to the introduction of the new versions of the Boeing 737, which cater to the 100- to 215-seat market (problem solving). Kellogg's provides another example.

**Real Research****Crunchy Nut Red Adds Color to Kellogg's Sales**

Kellogg's ([www.kelloggs.com](http://www.kelloggs.com)), marketing its products in more than 180 countries as of 2009, experienced a slump in the market and faced the challenge of reviving low cereal sales. Through problem-identification research, Kellogg's was able to identify the problem and, through problem-solving research, develop several solutions to increase cereal sales.

Kellogg's performed several tasks to identify the problem. The researchers spoke to decision makers within the company, interviewed industry experts, conducted analysis of available data, performed some qualitative research, and surveyed consumers about their perceptions and preferences for cereals. Several important issues or problems were identified by this research. Current products were being targeted to kids, bagels and muffins were winning for favored breakfast foods, and high prices were turning consumers to generic brands. Some other information also came to light during the research. Adults wanted quick foods that required very little or no preparation. These issues helped Kellogg's identify the problem. It was not being creative in introducing new products to meet the needs of the adult market.

After defining the problem, Kellogg's went to work on solutions. It developed and tested several new flavors of cereals using mall intercept interviews with adult consumers. Based on the results, Kellogg's introduced new flavors that were more suited to the adult palate but were not the tasteless varieties of the past. For example, in 2008 it introduced Kellogg's Nutri-Grain Cereal Bar Blackberry. This new cereal bar is filled with blackberries. The new cereal bar was supported by an ad campaign and major in-store promotions.

Through creative problem-identification research followed by problem-solving research, Kellogg's has not only seen an increase in sales, but also increased consumption of cereal at times other than just breakfast.<sup>10</sup> ■

## ACTIVE RESEARCH

### NFL Is Ticked Pink

Visit [www.nfl.com](http://www.nfl.com). Use a search engine as well as your library's online databases to obtain information on women's attitudes toward the National Football League (NFL).

As the marketing director of the NFL, what marketing strategies would you formulate to target female fans? The NFL would like to appeal to more female fans. What kind of marketing research would you recommend?

Problem-identification and problem-solving research not only go hand in hand, as shown by the Kellogg's example, but they also follow a common marketing research process.

## The Marketing Research Process

We conceptualize the **marketing research process** as consisting of six steps. Each of these steps is discussed in great detail in the subsequent chapters; thus, the discussion here is brief.

### marketing research process

A set of six steps that defines the tasks to be accomplished in conducting a marketing research study. These include problem definition, development of an approach to the problem, research design formulation, fieldwork, data preparation and analysis, and report preparation and presentation.

### Step 1: Problem Definition

The first step in any marketing research project is to define the problem. In defining the problem, the researcher should take into account the purpose of the study, the relevant background information, the information needed, and how it will be used in decision making. Problem definition involves discussion with the decision makers, interviews with industry experts, analysis of secondary data, and, perhaps, some qualitative research, such as focus groups. Once the problem has been precisely defined, the research can be designed and conducted properly. (See Chapter 2.)

### Step 2: Development of an Approach to the Problem

Development of an approach to the problem includes formulating an objective or theoretical framework, analytical models, research questions, and hypotheses and identifying the information needed. This process is guided by discussions with management and industry experts, analysis of secondary data, qualitative research, and pragmatic considerations. (See Chapter 2.)

### Step 3: Research Design Formulation

A research design is a framework or blueprint for conducting the marketing research project. It details the procedures necessary for obtaining the required information, and its purpose is to design a study that will test the hypotheses of interest, determine possible answers to the research questions, and provide the information needed for decision making. Conducting exploratory research, precisely defining the variables, and designing appropriate scales to measure them are also a part of the research design. The issue of how the data should be obtained from the respondents (for example, by conducting a survey or an experiment) must be addressed. It is also necessary to design a questionnaire and a sampling plan to select respondents for the study. More formally, formulating the research design involves the following steps:

1. Definition of the information needed
2. Secondary data analysis
3. Qualitative research
4. Methods of collecting quantitative data (survey, observation, and experimentation)
5. Measurement and scaling procedures
6. Questionnaire design
7. Sampling process and sample size
8. Plan of data analysis

These steps are discussed in detail in Chapters 3 through 12.