



Marketing Research

Applied Insight

Sixth Edition

Daniel Nunan
David F. Birks
Naresh K. Malhotra

MARKETING RESEARCH

APPLIED INSIGHT



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Brief contents

<i>Preface</i>	<i>xiii</i>
<i>Publisher's acknowledgements</i>	<i>xiv</i>
<i>About the authors</i>	<i>xviii</i>
1. Introduction to marketing research and insight	1
2. Defining the research problem and developing a research approach	26
3. Research design	53
4. Secondary data collection and analysis	84
5. Internal secondary data and analytics	115
6. Qualitative research: its nature and approaches	141
7. Qualitative research: focus group discussions	173
8. Qualitative research: in-depth interviewing and projective techniques	201
9. Qualitative research: data analysis	227
10. Survey and quantitative observation techniques	261
11. Causal research design: experimentation	296
12. Measurement and scaling: fundamentals, comparative and non-comparative scaling	327
13. Questionnaire design	365
14. Sampling: design and procedures	403
15. Sampling: determining sample size	435
16. Survey fieldwork	461
17. Social media research	481
18. Mobile research	505
19. Data integrity	520
20. Frequency distribution, cross-tabulation and hypothesis testing	548
21. Analysis of variance and covariance	593

22.	Correlation and regression	624
23.	Discriminant and logit analysis	665
24.	Factor analysis	699
25.	Cluster analysis	727
26.	Multidimensional scaling and conjoint analysis	754
27.	Structural equation modelling and path analysis	787
28.	Communicating research findings	823
29.	Business-to-business (b2b) marketing research	845
30.	Research ethics, privacy and trust	871
	Glossary	899
	Subject Index	917
	Name Index	946
	Index of Organisations	948

Contents

<i>Preface</i>	xiii	Research questions	48
<i>Publisher's acknowledgements</i>	xiv	Hypothesis	49
<i>About the authors</i>	xviii	Summary	49
		Questions	50
		Exercises	51
		Notes	51
1 Introduction to marketing research and insight	1	3 Research design	53
<i>Objectives</i>	2	<i>Objectives</i>	54
<i>Overview</i>	2	<i>Overview</i>	54
What does 'marketing research' mean?	3	Research design definition	55
Marketing research in context	6	Research design from the decision makers' perspective	56
Definition of marketing research	6	Research design from the participants' perspective	57
The global marketing research industry	14	Research design classification	63
Justifying the investment in marketing research	17	Descriptive research	67
The future – addressing the marketing research skills gap	19	Causal research	73
<i>Summary</i>	22	Relationships between exploratory, descriptive and causal research	74
<i>Questions</i>	23	Potential sources of error in research designs	76
<i>Exercises</i>	24	<i>Summary</i>	79
<i>Notes</i>	24	<i>Questions</i>	80
		<i>Exercises</i>	80
2 Defining the research problem and developing a research approach	26	<i>Notes</i>	81
<i>Objectives</i>	27	4 Secondary data collection and analysis	84
<i>Overview</i>	27	<i>Objectives</i>	85
Importance of defining the research problem	28	<i>Overview</i>	85
The marketing research brief	29	Defining primary data, secondary data and marketing intelligence	86
Components of the marketing research brief	30	Advantages and uses of secondary data	88
The marketing research proposal	33	Disadvantages of secondary data	89
The process of defining the problem and developing a research approach	36	Criteria for evaluating secondary data	89
Environmental context of the problem	38	Classification of secondary data	93
Discussions with decision makers	38	Published external secondary sources	94
Interviews with industry experts	40	Databases	98
Initial secondary data analyses	41	Classification of online databases	98
Marketing decision problem and marketing research problem	42	Syndicated sources of secondary data	100
Defining the marketing research problem	45	Syndicated data from households	103
Components of the research approach	46		
Objective/theoretical framework	47		

Syndicated data from institutions	109	<i>Exercises</i>	198
<i>Summary</i>	111	<i>Notes</i>	199
<i>Questions</i>	111		
<i>Exercises</i>	112		
<i>Notes</i>	113		
5 Internal secondary data and analytics	115	8 Qualitative research: in-depth interviewing and projective techniques	201
<i>Objectives</i>	116	<i>Objectives</i>	202
<i>Overview</i>	116	<i>Overview</i>	202
Internal secondary data	119	In-depth interviews	203
Geodemographic data analyses	122	Projective techniques	215
Customer relationship management	126	Comparison between qualitative techniques	221
Big data	128	<i>Summary</i>	222
Web analytics	129	<i>Questions</i>	223
Linking different types of data	133	<i>Exercises</i>	223
<i>Summary</i>	137	<i>Notes</i>	224
<i>Questions</i>	138		
<i>Exercises</i>	138	9 Qualitative research: data analysis	227
<i>Notes</i>	139	<i>Objectives</i>	228
		<i>Overview</i>	228
6 Qualitative research: its nature and approaches	141	The qualitative researcher	229
<i>Objectives</i>	142	The process of qualitative data analysis	233
<i>Overview</i>	142	Grounded theory	245
Primary data: qualitative versus quantitative research	144	Content analysis	248
Rationale for using qualitative research	146	Semiotics	250
Philosophy and qualitative research	149	Qualitative data analysis software	253
Ethnographic research	156	<i>Summary</i>	256
Grounded theory	162	<i>Questions</i>	257
Action research	165	<i>Exercises</i>	257
<i>Summary</i>	168	<i>Notes</i>	258
<i>Questions</i>	170		
<i>Exercises</i>	170	10 Survey and quantitative observation techniques	261
<i>Notes</i>	171	<i>Objectives</i>	262
		<i>Overview</i>	262
7 Qualitative research: focus group discussions	173	Survey methods	263
<i>Objectives</i>	174	Online surveys	265
<i>Overview</i>	174	Telephone surveys	269
Classifying qualitative research techniques	176	Face-to-face surveys	270
Focus group discussion	177	A comparative evaluation of survey methods	273
Planning and conducting focus groups	182	Other survey methods	282
The moderator	187	Mixed-mode surveys	283
Other variations of focus groups	188	Observation techniques	283
Other types of qualitative group discussions	189	Observation techniques classified by mode of administration	286
Misconceptions about focus groups	190	A comparative evaluation of the observation techniques	289
Online focus groups	192	Advantages and disadvantages of observation techniques	290
Advantages of online focus groups	194	<i>Summary</i>	291
Disadvantages of online focus groups	195	<i>Questions</i>	291
<i>Summary</i>	196	<i>Exercises</i>	292
<i>Questions</i>	197	<i>Notes</i>	293

11 Causal research design: experimentation	296	Determine the content of individual questions	374
<i>Objectives</i>	297	Overcoming the participant's inability and unwillingness to answer	375
<i>Overview</i>	297	Choose question structure	379
Concept of causality	298	Choose question wording	383
Conditions for causality	299	Arrange the questions in proper order	388
Definitions and concepts	302	Identify the form and layout	390
Definition of symbols	304	Reproduce the questionnaire	391
Validity in experimentation	304	Eliminate problems by pilot-testing	392
Extraneous variables	305	Summarising the questionnaire design process	394
Controlling extraneous variables	307	Designing surveys across cultures and countries	396
A classification of experimental designs	309	<i>Summary</i>	397
Pre-experimental designs	310	<i>Questions</i>	398
True experimental designs	311	<i>Exercises</i>	399
Quasi-experimental designs	312	<i>Notes</i>	399
Statistical designs	314		
Laboratory versus field experiments	317	14 Sampling: design and procedures	403
Experimental versus non-experimental designs	319	<i>Objectives</i>	404
Application: test marketing	320	<i>Overview</i>	404
<i>Summary</i>	322	Sample or census	406
<i>Questions</i>	323	The sampling design process	407
<i>Exercises</i>	324	A classification of sampling techniques	412
<i>Notes</i>	324	Non-probability sampling techniques	413
		Probability sampling techniques	418
12 Measurement and scaling: fundamentals, comparative and non-comparative scaling	327	Choosing non-probability versus probability sampling	426
<i>Objectives</i>	328	Summary of sampling techniques	427
<i>Overview</i>	328	Issues in sampling across countries and cultures	429
Measurement and scaling	329	<i>Summary</i>	430
Scale characteristics and levels of measurement	330	<i>Questions</i>	431
Primary scales of measurement	331	<i>Exercises</i>	432
A comparison of scaling techniques	336	<i>Notes</i>	432
Comparative scaling techniques	337		
Non-comparative scaling techniques	341	15 Sampling: determining sample size	435
Itemised rating scales	343	<i>Objectives</i>	436
Itemised rating scale decisions	346	<i>Overview</i>	436
Multi-item scales	350	Definitions and symbols	438
Scale evaluation	352	The sampling distribution	439
Choosing a scaling technique	357	Statistical approaches to determining sample size	440
Mathematically derived scales	358	The confidence interval approach	441
<i>Summary</i>	358	Multiple characteristics and parameters	447
<i>Questions</i>	359	Other probability sampling techniques	447
<i>Exercises</i>	360	Adjusting the statistically determined sample size	448
<i>Notes</i>	361	Calculation of response rates	449
		Non-response issues in sampling	450
13 Questionnaire design	365	<i>Summary</i>	457
<i>Objectives</i>	366	<i>Questions</i>	457
<i>Overview</i>	366	<i>Exercises</i>	458
Questionnaire definition	368	<i>Notes</i>	458
Questionnaire design process	369		
Specify the information needed	372		
Specify the type of interviewing method	373		

16 Survey fieldwork	461		
<i>Objectives</i>	462	Cleaning the data	533
<i>Overview</i>	462	Statistically adjusting the data	535
The nature of survey fieldwork	464	Selecting a data analysis strategy	537
Survey fieldwork and the data-collection process	465	Data integrity across countries and cultures	540
Selecting survey fieldworkers	465	Practise data analysis with SPSS	541
Training survey fieldworkers	466	<i>Summary</i>	544
Recording the answers	469	<i>Questions</i>	544
Supervising survey fieldworkers	471	<i>Exercises</i>	545
Evaluating survey fieldworkers	472	<i>Notes</i>	546
Fieldwork and online research	473	20 Frequency distribution, cross-tabulation and hypothesis testing	548
Fieldwork across countries and cultures	475	<i>Objectives</i>	549
<i>Summary</i>	476	<i>Overview</i>	549
<i>Questions</i>	477	Frequency distribution	552
<i>Exercises</i>	478	Statistics associated with frequency distribution	554
<i>Notes</i>	479	A general procedure for hypothesis testing	557
17 Social media research	481	Cross-tabulations	562
<i>Objectives</i>	482	Statistics associated with cross-tabulation	568
<i>Overview</i>	482	Hypothesis testing related to differences	572
What do we mean by 'social media'?	482	Parametric tests	574
The emergence of social media research	484	Non-parametric tests	580
Approaches to social media research	486	Practise data analysis with SPSS	585
Accessing social media data	488	<i>Summary</i>	588
Social media research methods	490	<i>Questions</i>	588
Research with image and video data	499	<i>Exercises</i>	589
Limitations of social media research	500	<i>Notes</i>	590
<i>Summary</i>	501	21 Analysis of variance and covariance	593
<i>Questions</i>	501	<i>Objectives</i>	594
<i>Exercises</i>	502	<i>Overview</i>	594
<i>Notes</i>	502	Relationship among techniques	596
18 Mobile research	505	One-way ANOVA	597
<i>Objectives</i>	506	Statistics associated with one-way ANOVA	598
<i>Overview</i>	506	Conducting one-way ANOVA	598
What is a mobile device?	506	Illustrative applications of one-way ANOVA	602
Approaches to mobile research	508	<i>n</i> -way ANOVA	606
Guidelines specific to mobile marketing research	510	Analysis of covariance (ANCOVA)	611
Key challenges in mobile research	514	Issues in interpretation	612
<i>Summary</i>	517	Repeated measures ANOVA	614
<i>Questions</i>	518	Non-metric ANOVA	616
<i>Exercises</i>	518	Multivariate ANOVA	616
<i>Notes</i>	518	Practise data analysis with SPSS	617
19 Data integrity	520	<i>Summary</i>	618
<i>Objectives</i>	521	<i>Questions</i>	619
<i>Overview</i>	521	<i>Exercises</i>	619
The data integrity process	522	<i>Notes</i>	622
Checking the questionnaire	523	22 Correlation and regression	624
Editing	524	<i>Objectives</i>	625
Coding	525	<i>Overview</i>	625
Transcribing	531	Product moment correlation	626

Partial correlation	630		
Non-metric correlation	632		
Regression analysis	633		
Bivariate regression	633		
Statistics associated with bivariate regression analysis	634		
Conducting bivariate regression analysis	634		
Multiple regression	643		
Statistics associated with multiple regression	644		
Conducting multiple regression analysis	645		
Multicollinearity	653		
Relative importance of predictors	654		
Cross-validation	654		
Regression with dummy variables	655		
Analysis of variance and covariance with regression	656		
Practise data analysis with SPSS	657		
Summary	658		
Questions	659		
Exercises	659		
Notes	662		
23 Discriminant and logit analysis	665		
Objectives	666		
Overview	666		
Basic concept of discriminant analysis	667		
Relationship of discriminant and logit analysis to ANOVA and regression	668		
Discriminant analysis model	668		
Statistics associated with discriminant analysis	669		
Conducting discriminant analysis	670		
Conducting multiple discriminant analysis	680		
Stepwise discriminant analysis	688		
The logit model	688		
Conducting binary logit analysis	688		
Practise data analysis with SPSS	694		
Summary	695		
Questions	696		
Exercises	697		
Notes	697		
24 Factor analysis	699		
Objectives	700		
Overview	700		
Basic concept	701		
Factor analysis model	702		
Statistics associated with factor analysis	703		
Conducting factor analysis	704		
Applications of common factor analysis	716		
Practise data analysis with SPSS	721		
Summary	722		
Questions	723		
Exercises	723		
Notes	725		
25 Cluster analysis		727	
Objectives		728	
Overview		728	
Basic concept		729	
Statistics associated with cluster analysis		731	
Conducting cluster analysis		731	
Applications of non-hierarchical clustering		742	
Applications of TwoStep clustering		744	
Clustering variables		746	
Practise data analysis with SPSS		749	
Summary		750	
Questions		751	
Exercises		751	
Notes		752	
26 Multidimensional scaling and conjoint analysis		754	
Objectives		755	
Overview		755	
Basic concepts in MDS		757	
Statistics and terms associated with MDS		757	
Conducting MDS		758	
Assumptions and limitations of MDS		765	
Scaling preference data		765	
Correspondence analysis		767	
Relationship among MDS, factor analysis and discriminant analysis		768	
Basic concepts in conjoint analysis		768	
Statistics and terms associated with conjoint analysis		769	
Conducting conjoint analysis		770	
Assumptions and limitations of conjoint analysis		778	
Hybrid conjoint analysis		778	
Practise data analysis with SPSS		780	
Summary		781	
Questions		782	
Exercises		782	
Notes		783	
27 Structural equation modelling and path analysis		787	
Objectives		788	
Overview		788	
Basic concepts in SEM		789	
Statistics and terms associated with SEM		790	
Foundations of SEM		792	
Conducting SEM		794	
Higher-order CFA		805	
Relationship of SEM to other multivariate techniques		806	
Application of SEM: first-order factor model		806	
Application of SEM: second-order factor model		809	
Path analysis		815	

Software to support SEM	818	Implications of the differences between business and consumer purchases for researchers	852
Summary	818	The growth of competitive intelligence	864
Questions	820	The future of b2b marketing research	867
Exercises	820	Summary	868
Notes	821	Questions	868
		Exercises	869
		Notes	869
28 Communicating research findings	823	30 Research ethics, privacy and trust	871
Objectives	824	Objectives	872
Overview	824	Overview	872
Why does communication of research findings matter?	825	Ethics in marketing research	874
Importance of the report and presentation	827	Professional ethics codes	874
Preparation and presentation process	828	Ethics in the research process	878
Report preparation	829	Ethics in data collection	880
Guidelines for graphs	834	Data analysis	887
Report distribution	836	Ethical communication of research findings	888
Digital dashboards	837	Key issues in research ethics: informed consent	889
Infographics	838	Key issues in research ethics: maintaining respondent trust	891
Oral presentation	839	Key issues in research ethics: anonymity and privacy	892
Research follow-up	840	Key issues in research ethics: suggesting and frugging	895
Summary	841	Summary	896
Questions	842	Questions	896
Exercises	843	Exercises	897
Notes	843	Notes	897
29 Business-to-business (b2b) marketing research	845	Glossary	899
Objectives	846	Subject Index	917
Overview	846	Name Index	946
What is b2b marketing and why is it important?	848	Index of Organisations	948
The distinction between b2b and consumer marketing	848		
Concepts underlying b2b marketing research	849		

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Preface

What's new in this edition?

Working as a marketing researcher remains an intellectually stimulating, creative and rewarding career. Marketing research is a huge and growing industry at the forefront of innovation in many sectors of the economy. However, few industries can have been presented with as many challenges and opportunities as those faced by marketing research due to the growing amounts of data generated by modern technology.

Founded upon the enormously successful US edition, and building upon the previous five European editions, the sixth edition of this book seeks to maintain its position as the leading marketing research text, focused on the key challenges facing marketing research in a European context. As with previous editions, this aims to be comprehensive, authoritative and applied. As a result, the book covers all the topics in previous editions while including updates that reflect the changes and challenges that have impacted the marketing research sector since the fifth edition was published. This includes the impact of new technologies, the growth of 'insight' and the shifting role of research ethics, for example, through considering the impact of GDPR. This edition has been significantly updated, with new content, updated cases studies and a major focus on the issues and methods generated by new technologies.

Integrated learning package

If you take advantage of the following special features, you should find this text engaging, thought provoking and even fun:

- 1 *Balanced orientation.* This book contains a blend of scholarship and a highly applied and managerial orientation, showing how researchers apply concepts and techniques and how managers use their findings to improve marketing practice. In each chapter, we discuss real marketing research challenges to support a great breadth of marketing decisions.
- 2 *Real-life examples.* Real-life examples ('Real research' boxes) describe the kind of marketing research that companies use to address specific managerial problems and how they implement research to great effect.
- 3 *Hands-on approach.* You will find more real-life scenarios and exercises in every chapter. The end-of-chapter exercises challenge you to research online and role play as a researcher and a marketing manager. You can tackle real-life marketing situations in which you assume the role of a consultant and recommend research and marketing management decisions.
- 4 *International focus.* Reflecting the increasingly globalised nature of marketing research, the book contains examples and cases from around the world and embeds key cross-cultural issues within the wider discussion of research techniques and methods.
- 5 *Contemporary focus.* We apply marketing research to current challenges, such as customer value, experiential marketing, satisfaction, loyalty, customer equity, brand equity and management, innovation, entrepreneurship, relationship marketing, creativity and design and socially responsible marketing.
- 6 *Instructor's manual.* The Instructor's manual is very closely tied to the text, but is not prescriptive in how the material should be handled in the classroom. The manual offers teaching suggestions, answers to end-of-chapter questions, discussion points. The manual includes PowerPoint slides, incorporating key figures and tables.

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1

Introduction to marketing research and insight

Stage 1

Problem definition

Stage 2

Research approach developed

Stage 3

Research design developed

Stage 4

Fieldwork or data collection

Stage 5

Data integrity and analysis

Stage 6

Communicating research findings

Marketing research supports decision making through collecting, analysing and interpreting information to identify and solve marketing problems.

Source: PureSolution/Shutterstock



Objectives

After reading this chapter, you should be able to:

- 1 understand the nature and scope of marketing research and its role in supporting marketing decisions;
- 2 describe a conceptual framework for conducting marketing research, as well as the steps in the marketing research process;
- 3 distinguish between problem-identification and problem-solving marketing research;
- 4 appreciate the impact that technology is having on the marketing research industry;
- 5 understand the types and roles of research suppliers, including internal and external, full-service and limited-service suppliers;
- 6 appreciate the skills that researchers will need to succeed in the future world of marketing research.

Overview

When you hear the term marketing research what activities come to mind? People with clipboards stopping you on the street to ask for your opinion? Reading the results of a political opinion poll in the news? An email asking you to complete a customer satisfaction survey from a restaurant you have visited? All of these activities represent traditional types of marketing research activities, but they don't even begin to capture the range and breadth of activities that encompass marketing research today. At its core, marketing research is about using research techniques to generate insights about consumers that support the marketing decision-making process. Marketing research plays a key role in contemporary business success. For companies who fail to understand their customers the consequences are serious. Recent studies have shown that the most common reason that new businesses fail is a lack of 'product-market fit'.¹ In other words, through having failed to understand the market they are addressing, the companies have developed a product or service for which there was insufficient demand.

In this chapter, we introduce the concept of marketing research, emphasising its key role in supporting marketing decision making. We discuss formal definitions of marketing research and show how these link to a six-stage description of the marketing research process. This description is extended to illustrate many of the interconnected activities in the marketing research process. We then subdivide marketing research into two areas: problem-identification and problem-solving research. Finally, an overview of the global marketing research sector is provided, including details of expenditure and key research firms.

The marketing research sector (also known as the market research or insight sector – we cover the different use of these terms later in this chapter) is going through a huge period of change. Much of this change derives from adoption of new technologies. The growth in internet-based communication, the shift to mobile computing and the emergence of 'big data' have raised questions over whether traditional research techniques still work. However, technology is not the only source of change. It is getting more difficult to persuade people to take part in research, due to concerns over personal data and 'survey fatigue' driven by an over-use of surveys. However, change also brings opportunity. There is a huge innovation in research techniques including those carried out through social media research, research based on images and video and the emergence of automated research driven by AI (artificial intelligence). Above all, with organisations being awash with data, the need for researchers skilled in being able to turn these data into useful – and actionable – insight has become a valued skill.

What does 'marketing research' mean?

The term 'marketing research' is broad in meaning and application. This breadth will be explored and illustrated throughout this chapter. What will become apparent is that it is related to supporting marketing decision making in many traditional and new ways. The following examples illustrate some of the different contexts in which marketing research can be applied.

Real research

Identifying a market for e-bike

Evans Cycles, a leading bicycle retailer, wanted to take advantage of the potential for the emerging market for electric bicycles. An electric bicycle, or e-bike, is a bicycle with a small built-in electric motor. Whilst the rider still needs to pedal, the motor provides assistance to reduce the effort required to cycle, particularly uphill. The challenge was identifying a market for this application of new technology to a familiar product.²

To address this marketing problem Evans Cycles first used data from consumer-focused strategy tool Hitwise AudienceView to identify potential audiences. Following this, online qualitative research was carried out identifying the potential market for e-bikes as being men over 35. Within this two potential consumer needs were identified: people wanting to keep riding as they got older, and commuters wanting a way to have a healthy way to get to work without the physical effort of normal cycling. These insights were used to develop an online video campaign that resulted in widespread coverage and an ROI (return on investment) of nearly 800%.³

Real research

Market Research at Apple

Steve Jobs, Apple CEO and founder, was one of the most influential business leaders of modern times. Through innovations such as the iPhone and iPad he grew Apple from a struggling computer maker to become the world's most highly valued company. He was also renowned for claiming that market research was not effective at Apple. He was famously quoted as saying:

*Some people say, 'Give the customers what they want.' But that's not my approach. Our job is to figure out what they're going to want before they do. I think Henry Ford once said, 'If I'd asked customers what they wanted, they would have told me, "A faster horse!"' People don't know what they want until you show it to them. That's why I never rely on market research. Our task is to read things that are not yet on the page.*⁴

Many people will use this quote from Steve Jobs when criticising market research. However, it doesn't quite tell the whole story. Information that came to light after Steve Jobs' death found that Apple carried out a lot of market research to better understand what customers thought about both its products and competitors.⁵ As it turns out, what Steve Jobs was talking about was the role of focus groups in developing completely new and innovative products, such as the iPhone, where a customer lacks knowledge of what the product can actually do.



Source: dennizn/Alamy Stock Photo

Real research

Customer service on London buses

London's bus network is one of the world's largest, carrying more than 6.5 million passengers each day using a fleet of over 8,600 (mostly red) buses. The network is overseen by Transport for London (TfL) and keeping so many customers happy is not an easy job. TfL relies on research to make sure it understands the customer experience. TfL realised that, despite major invest-



Source: Tonobalaguer/123RF

ment, thousands of customers were contacting it each month to complain about the service received. Working with agency research partners, TfL was able to bring together data from a wide range of sources including complaints data, social media analysis, customer satisfaction surveys, customer experience ethnographies, driver depth interviews and observations and bus staff surveys.

Analysis of this data, particularly that of social media data, found that customers viewed their interactions with employees as nearly as important as the reliability of bus services or the range of routes offered. Many complaints were due to bus drivers not always stopping when expected or poor communication when something went wrong, such as a delay or disruption. On the other hand, analysis of employee data showed that bus drivers viewed their role as functional – simply driving the bus!

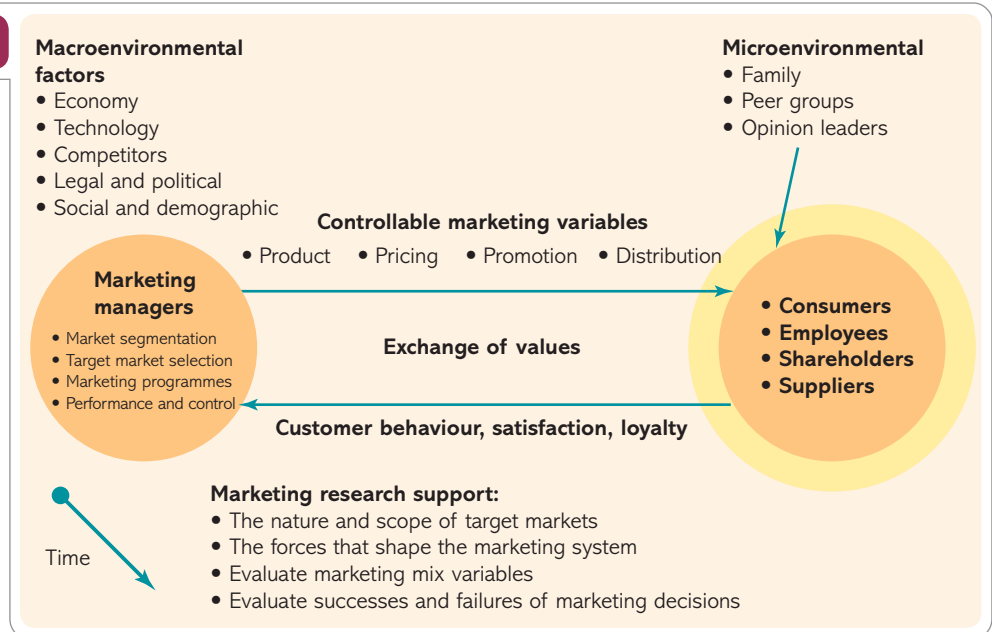
Research identified the disconnect, which was then addressed via a series of workshops to help bus drivers understand the importance of customer experience and develop customer service skills. Follow-up research six months later indicated that the workshops had significantly increased employees' engagement with customers.⁶

These examples illustrate the variety of methods used to conduct marketing research, which may range from highly structured surveys with large samples to open-ended, in-depth interviews with small samples; from the collection and analysis of readily available data to the generation of 'new' quantitative and qualitative data; from personal face-to-face interactions to remote observations and interactions with consumers via the internet; from small local studies to large global studies. As is best highlighted by the case of Apple, marketing research techniques can't be used to solve all business problems, but every company, even Apple, has a place for marketing research. This book will introduce you to the full complement of marketing research techniques and challenges. These examples also illustrate the crucial role played by marketing research in designing and implementing successful marketing plans. This book will introduce you to a broad range of marketing applications supported by marketing research.

The role of marketing research can be better understood in light of a basic marketing paradigm depicted in Figure 1.1. The emphasis in marketing, as illustrated in the TfL example above, is on understanding customer experiences and the delivery of satisfaction. To understand customer experiences and to implement marketing strategies and plans aimed at delivering satisfying experiences, marketing managers need information about customers, competitors and other forces in the marketplace. In recent years, many factors have increased the need for more accurate and timely information. As firms have become national and international in

Figure 1.1

The role of marketing research within the marketing system



scope, the need for information on larger and more distant markets has increased. As consumers have become more affluent, discerning and sophisticated, marketing managers need better information on how they will respond to new products and other new experiences. As competition has become more intense, managers need information on the effectiveness of their marketing tools. As the environment is changing more rapidly, marketing managers need more timely information to cope with the impact of these changes.

Marketers make decisions about what they see as potential opportunities and problems, i.e. a process of identifying issues. They go on to devise the most effective ways to realise these opportunities and overcome problems they have identified. They do this based on a 'vision' of the distinct characteristics of the target markets and customer groups. From this 'vision' they develop, implement and control marketing programmes. This 'vision' of markets and subsequent marketing decisions may be complicated by the interactive effects of an array of environmental forces that shape the nature and scope of target markets. These forces also affect the marketers' ability to deliver experiences that will satisfy their chosen target markets. Within this framework of decision making, marketing research helps the marketing manager link the marketing variables with their environment and customer groups. It helps remove some of the uncertainty by providing relevant information about marketing variables, environment and consumers.

The role of the researcher in supporting the marketing decision maker can, therefore, be summarised as helping to:

- describe the nature and scope of customer groups;
- understand the nature of forces that shape customer groups;
- understand the nature of forces that shape the marketer's ability to satisfy targeted customer groups;
- test individual and interactive variables that shape consumer experiences;
- monitor and reflect upon past successes and failures in marketing decisions.

Traditionally, researchers were responsible for designing and crafting high-quality research and providing relevant information support, while marketing decisions were made by the managers. However, in modern fast-moving organisations, distinction between these roles has become blurred. Researchers are becoming more aware of decision making; conversely,

marketing managers are becoming more aware of research and the use of an eclectic array of data sources that can support their decision making. This trend can be attributed to better training of marketing managers and advances in technology; the advances in technology are a theme that we will discuss in more detail throughout the text. There has also been a shift in the nature and scope of marketing research. Increasingly marketing research is being undertaken not only on an ongoing basis but on a ‘real-time’ basis, rather than a traditional notion of research being in response to specific marketing problems or opportunities.⁷ Major shifts are occurring in the marketing research industry that are impacting upon the perceived nature and value of marketing research. The nature of these shifts and their impact upon new approaches to marketing research will be addressed later in this chapter. The current and developing role of marketing research is recognised in its definition.

Marketing research in context

While the term ‘marketing research’ is relatively recent, the concepts that underlie it are not new. As long as the opinions of the public have mattered, and traders have had a need to improve their sales, some form of research has been undertaken. The bustling markets of ancient Rome have been characterised as a market economy, with traders seeking competitive advantage while dealing with suppliers, farmers and craftsmen in distant lands. As today, information on the prices consumers were willing to pay for certain products was valuable to traders and considerable effort was spent on gathering and exchanging such information.⁸ Even many modern research techniques have origins far into the past. The Domesday Book, a research project completed in 1086 for the English King William the Conqueror, contained details of land holdings in England and Wales. Perhaps Europe’s oldest and most valuable statistical document, the original, and less ominous, name of the book was *descriptio* – the Latin word for ‘survey’.

Examples of modern research techniques can be found in the use of opinion polls in the USA in the 1820s. Questionnaires were being used widely to gauge consumer opinion of advertising as early as the 1890s.⁹ Use of market research began to become widespread from 1910–20 and it is generally accepted that the marketing research industry was well embedded in commercial life by the 1930s.¹⁰ Thus, when professional associations such as ESOMAR or the UK’s market research society (MRS) were established in the late 1940s, it didn’t represent the beginning of marketing research but rather the capstone on a longer period of development.

The important point here is that marketing research has been a well-established part of commercial life for more than 100 years. It has successfully navigated the huge social, political and economic changes facing the world over this period and has continued to prosper. From television to the internet, marketing research has adapted to each new set of technologies, while the key focus on producing high-quality actionable research, and doing so with integrity, has remained.

Definition of marketing research

You might ask why we need a definition of marketing research – isn’t it obvious? The challenge is that when many managers think about marketing research, they focus on the data collection aspects of research. This ignores the importance of a wider research process and doesn’t tell us how marketing research might differ from other marketing activities. To understand these issues we can review two common definitions of marketing research. You might note that the first definition uses the term ‘market research’, while the second talks about ‘marketing research’; we will come back to this point later in this section. The first is from

ESOMAR (originally the European Society for Opinion and Market Research), a global membership organisation for research firms and practitioners:

Market research, which includes social and opinion research, is the systematic gathering and interpretation of information about individuals or organisations using the statistical and analytical methods and techniques of the applied sciences to gain insight or support decision making. The identity of respondents will not be revealed to the user of the information without explicit consent and no sales approach will be made to them as a direct result of their having provided information.¹¹

Several aspects of this definition are noteworthy. It includes opinion and social research within its definition, meaning that it's not only for-profit companies that undertake market research. Charities, governments and other third- or public-sector organisations are also important users of research. Secondly, it makes it clear that the principle of anonymity applies to market research and that the identity of those partaking in research will not be revealed. Finally, it highlights the importance of gaining consent from research participants and not selling directly to them as a result of partaking in research. Consent and anonymity are key concepts of market research and we will return to them throughout this text.

Our second definition comes from the American Marketing Association (AMA):

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.¹²

This definition has several aspects that differentiate it from the previous ESOMAR definition. It stresses the role of marketing research as a process of 'linking' the marketer to the consumer, customer and public to help improve the whole process of marketing decision making. It also sets out the challenges faced by marketing decision makers and thus where research support can help them make better decisions, and/or decisions with lower risks. Notably, it also alludes to the ethical issues surrounding market research (which will be covered in depth in Chapter 30).

We should remember that definitions often reflect the interests of those who create them. ESOMAR exists to look after and promote the interests of its members, so it is not surprising that in defining marketing research it seeks to position it as something *separate* from marketing. On the other hand, the AMA takes a more integrative view of marketing research as part of marketing activity. With this in mind, neither definition is 'best' – they simply take different perspectives and both give us a useful understanding as to the scope of marketing research.

One area of potential confusion is with distinctions between *marketing* research and *market* research. These distinctions are largely geographic, with researcher practitioners in Europe preferring 'market research' and those in the USA 'marketing research'. However, behind the semantics of the exact words used there are differing views on how the industry should be seen. 'Market research' is more closely associated with a distinct research industry and good practice. On the other hand, the AMA definition's use of 'marketing research' refers to the broader consumer context that drives the undertaking of research. While there were once a number of regional differences reflecting local research cultures in different markets, as commerce has become increasingly globalised so too has the use of language. This means that 'marketing research' has become increasingly commonly used around the world while, even within Europe, 'market research' and 'marketing research' are often used interchangeably.

Another term that is increasingly used is 'insight'. For many years, marketing and market research professionals have been associated with 'consumer insight', as illustrated by the following example from Diageo. The growth in the use of the term 'insight', often instead of

Marketing research

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.

‘market research’ or ‘marketing research’ reflects a growing focus on the output of research rather than the research process itself. This also recognises the increasingly broad and diverse array of techniques and sources being used to support marketing decision making.

Real research

What consumer insight means to Diageo¹³

Diageo’s (www.diageo.com) strong belief is that in order to be a world-class company, it all starts with the consumer: ‘Knowing them, understanding them, understanding their motivations, understanding what drives them, and subsequently utilising this information to better serve consumers’. ‘Consumer insight’ is at the heart of what they see makes them a world-class company. Consumer insight, as defined by Diageo, is: ‘A penetrating discovery about consumer motivations, applied to unlock growth’:

- Penetrating – same data, but much deeper understanding.
- Discovery – ah-ha! eureka!
- Motivations – understand the why?
- Applied – leveraged for their brands.
- Growth – organic from brand strategies based on deep consumer understanding.

Source: Renkema, R. and Zwicker, C., ‘Development of a new brand concept’, ESOMAR Consumer Insights Conference (March 2003).

At the core of the definitions of marketing and market research is an understanding of the consumer and what shapes consumers. Regardless of whether a research professional is defined as a ‘marketing researcher’, ‘market researcher’ or ‘consumer insight manager’, the focus upon consumers comes first. In this book we shall use the term marketing research, but it should be considered interchangeable with ‘market research’ or ‘insight’.

One of the major qualities of the American Marketing Association’s definition of marketing research is its use of the **marketing research process**. The process is founded upon an understanding of the marketing decision(s) needing support. From this understanding, research aims and objectives are defined. To fulfil defined aims and objectives, an approach to conducting the research is established. Next, relevant information sources are identified and a range of data collection methods are evaluated for their appropriateness, forming a research design. The data are collected using the most appropriate method(s); they are analysed 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.

It is important that marketing research should aim to be objective. It should attempt to provide accurate information in an impartial manner. Although research is always influenced by the researcher’s research philosophy, it should be free from personal or political biases of the researcher or decision makers. Research motivated by personal or political gain involves a breach of professional standards. Such research is deliberately biased to result in predetermined findings. The motto of every researcher should be ‘Find it and tell it like it is’. Second, it is worth noting the term ‘total field of information’. This recognises that marketing decisions are not exclusively supported by marketing research. There are other means of information support for marketers, from management consultants, raw-data providers such as call centres, direct marketing, database marketing telebusinesses and social media. These alternative forms of support are now competing with the ‘traditional’ view of marketing research. The methods of these competitors may not be administered with the same scientific rigour and/or ethical standards applied in the marketing research industry. Nonetheless, many marketing decision makers are increasingly using these other sources, which collectively are changing the nature of skills demanded in researchers.

Marketing research process

A set of six steps that define the tasks to be accomplished in conducting a marketing research study. These include problem definition, developing a research approach, research design, fieldwork or data collection, data analysis and communicating research findings.

The marketing research process

The marketing research process consists of six stages. Each of these stages is developed in more detail in subsequent chapters. As a result, the discussion here is brief. The process illustrated in Figure 1.2 is of the marketing research process seen in simple stages. Figure 1.3 takes the process a stage further to show the many iterations and connections between stages. This section will explain the stages and illustrate the connections between the stages.

Step 1: Problem definition. The logical starting point in wishing to support the decision maker is trying to understand the nature of the marketing problem that requires research support. Marketing decision problems are not simple ‘givens’ (as will be discussed in Chapter 2). Many researchers are surprised to learn that clearly defining a research problem can be the most challenging stage in a research project. The symptoms and causes of a business problem are not, in reality, as neatly presented as they may be in a case study, such as those found in marketing textbooks. In Figure 1.3, the first three stages show the iterations between the environmental context of the problem, the marketing decision problem and the marketing research problem. Understanding the environmental context of the problem has distinct stages (which will be discussed in Chapter 2). It involves discussion with decision makers, in-depth interviews with industry experts and the collection and analysis of readily available published information (from both inside and outside the firm). Once the problem has been precisely defined, the researcher can move on to designing and conducting the research process with confidence.

Step 2: Developing a research approach. The development of an approach to the research problem involves identifying factors that influence research design. A key element of this step involves the selection, adaptation and development of an appropriate theoretical

Figure 1.2

**Simple description
of the marketing
research process**

