

# Marketing Research

Alvin C. Burns

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EDITION

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EDITION

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Only we know how much our wives, Jeanne and Libbo, have sacrificed during the times we have devoted to this book. We are fortunate in that, for both of us, our wives are our best friends and smiling supporters.

Al Burns,  
*Louisiana State University*

Ron Bush,  
*University of West Florida*

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# Preface to Marketing Research, Seventh Edition

## What's New in the Seventh Edition?

- **New! Reorganization and Reduced Length.** Our adopters have asked for a more concise approach, and we delivered exactly that with this seventh edition. We have reduced the chapters to 16 instead of 20 or more chapters you'll see in many texts. We accomplished this aim by combining some chapters and streamlining the material. For example, we combined the chapter on steps in the research process and determining the problem into one chapter. We combined the chapter on secondary data with packaged (formerly known as standardized) services. We combined the chapters on measurement and questionnaire design. Finally, we combined the chapters on descriptive analysis with tools of parameter estimation. This streamlined approach keeps the focus on the core lessons to be learned.

*Benefit:* The book is more synchronized with a 15- or 16-week semester. Students now have a comprehensive learning experience in a more manageable package.

- **New! Updated Integrated Case.** Through our own teaching, we have found that an integrated case is an excellent teaching tool. One case taught throughout the course allows students to see the linkages that exist in the real world all the way from formulating the problem through data analysis. We have made improvements in the case we introduced in the sixth edition. We changed the name of the case to Global Motors (a division of ZEN Motors), but we kept the same characters and the essentials of the 6th edition case: Advanced Automobile Concepts. However, we streamlined the case by reducing some of the issues, and we reduced the number of variables in the case.

The case focuses on a new manager who must determine the type of automobiles the auto market will demand in the future. Students using this case will learn how to examine attitudes and opinions (for example, attitudes about global warming) that may influence consumer choice, how to determine the most preferred models, and how to identify market segment differences between the different models. Students are shown how SPSS tools can aid them in analyzing case data to make important decisions. We have included one integrated case in every chapter. These appear as the second case at the end of each chapter.

*Benefit:* The Global Motors integrated case offers the benefit of allowing students to examine the integrated nature of marketing research projects and to more easily see how data are used to help managers choose from among decision alternatives.

- **New! Influence of Social Media.** We talked to many marketing research professionals to get an understanding of how the industry is adapting to the spread of social media. We immersed ourselves in these new services and listened to dozens of presentations. We selected a representative sampling of these services to include in this new edition. Many of these are highlighted by Social Media Applications in Marketing Research Insights throughout the book.

**Benefit:** Students have the latest information on industry practices regarding social media. Students will be able to appreciate how an environmental change, such as the rapid rise in social media, provides threats as well as opportunities to an industry.

- **New! YouTube Examples.** Today, you can find almost anything illustrated by video on YouTube. We didn't want to add YouTube to our book until we saw value in it. That time has come! Today you can find many applications of marketing research on this Internet resource. Our YouTube references in the text provide useful insights ranging from problem definition to statistical analysis to report writing.

**Benefit:** For students who like video learning, our YouTube references provide different perspectives and how-to insights on topics covered in the text.

- **New! Mobile Marketing Research.** Another dramatic change in marketing research practice since our sixth edition has been the adoption of mobile technologies. We attended the Mobile Marketing Research Conference in 2011 and gained invaluable insights. We met people who are today's pioneers and tomorrow's leaders in mobile technology. The title of a recent article in *Quirk's Marketing Research Review* puts it this way: "Mobile Research Has Gone Mainstream." We agree, and we have integrated what we have learned about it as well as insights from leaders in this technology into this new edition.

**Benefit:** Students will be able to appreciate a rapidly expanding technology that is having a major impact on the marketing research industry. Readers will see how mobile research provides fast access to information not easily accessible from traditional methods.

- **New! International Perspectives.** While there is a focus on U.S. practice, we include new international applications of marketing research throughout this edition. We are pleased to announce that we have established a relationship with ESOMAR, the European Society of Marketing and Opinion Research; the MRIA, the Canadian Marketing Research and Intelligence Association; and the MRS, the United Kingdom's Marketing Research Society. We worked with individuals in these associations to obtain their reports on industry practices as well as insights from practitioners around the world.

**Benefit:** Students will be able to compare information about the practice of marketing research around the globe.

- **New! Presentation of Industry Data.** Chapter 2, The Marketing Research Industry, was completely rewritten to provide an international perspective on marketing research practice. New sources of information were obtained, and charts and graphs depict data not previously presented.

**Benefit:** Students will have a better understanding of the industry structure, practices, and initiatives.

- **New! New Presentation of Ethical Perspectives.** We decided to treat ethics in this book the way they are treated in the industry. We provide, where appropriate, excerpts from the *Code of Marketing Research Standards* as they are presented by the Marketing Research Association (MRA). We have long had a good relationship with the MRA, which has given us permission present excerpts from the standards. We understand that a textbook cannot teach someone to be ethical. Rather, an effective instructor equipped with a good textbook can teach students the areas of ethical sensitivity in the conduct of marketing research. Of course, we recognize that just presenting codes or standards is not enough to appropriately treat ethics. We also present many research professionals' perspectives on their work in this field. Through these encounters, we can find fascinating insights. An example of an unusual discussion about an ethical issue that most researchers do not discuss is presented in Chapter 2.

**Benefit:** Students are introduced to areas of ethical sensitivity in the practice of marketing research using the actual codes/standards that practitioners use. As a result, students should have knowledge of potential "ethical dangers," whether as a future buyer or as a supplier of research.

- **New! Updated Marketing Research Insights.** To help illustrate concepts we discuss in the text or to introduce students to some unique application being used in practice, we provide Marketing Research Insights throughout the book. Virtually all of these features are new and reflect current issues and practice in the industry. These insights generally fit the following categories: practical applications, social media applications, ethical considerations, and global applications.

*Benefit:* Students are introduced to real-world applications in the marketing research industry. By focusing on four categories, students see how current issues that are important to the industry are being addressed by today’s practitioners.

- **New! Integration of SPSS 20.0.** This seventh edition is fully integrated with SPSS 20.0. We started this integration in 1995, and we enhance the integration of SPSS by offering your students step-by-step screen captures that help them learn the keystrokes in SPSS. This allows you to spend more time teaching what the analysis technique is, when to use it, and how to interpret it. Illustrated keystrokes for the latest edition of SPSS are presented in this text with clear, easy-to-follow instructions.

*Benefit:* Students learn the latest version of SPSS, considered to be the “gold standard” among marketing researchers. By following our step-by-step screen captures, students will see the necessary menu operations and learn how to read SPSS output. Just by reading this book, they can learn a great deal about SPSS by “seeing” it operate before they get to a computer to practice.

- **New! New End-of-Chapter Cases.** In many chapters, we provide new cases to reflect much of the current material in this seventh edition. We strive to make the cases interesting to the students and illustrate real-world applications.

*Benefit:* Students can apply concepts they have just learned in the chapter to a real-world setting. This allows students to see how valuable the information they have learned is in a practical example.

- **New! Insights from Marketing Research Professionals.** We take pride in the relationships we have developed in the industry. Over the years, we have been able to acquire relationships with practitioners over a wide array of firms. Some of these professionals are CEOs, some are in midmanagement positions, and some are individual entrepreneurs who operate their own firms. Some are with old-line companies that have been around for decades, and some are with new, technology-driven firms. They are located all over the world. We think these relationships give this book a unique perspective over others. We list many of these professionals in the Acknowledgments.

*Benefit:* Students get more than an academic perspective of marketing research. They benefit from reading about real practitioners talking about real problems.

## The Intended Market for This Book

When we first conceptualized this book back in the early 1990s, we wanted to write it for undergraduate students who were taking marketing research for the first time. We saw other books that were trying to be “all things to all people.” Even though they were positioned as research texts for undergraduates, much of the material was advanced. This seventh edition, like its six predecessors, was written specifically for undergraduate students.

## Our Approach

Given our intended market, throughout the first six editions we strived to provide instructors with a book designed for undergraduates who wanted to know the “nuts and bolts” of marketing research. For example, our chapter on measurement teaches students the basic question

formats, the scales of measurement, the primary uses of each type of scale, and the common methods used to measure popular constructs. It does not dwell on different forms of reliability and validity or the method used to develop valid and reliable multi-item scales. In our analysis chapters, we cover the basic “bread-and-butter” statistical procedures used to analyze data, but we do not cover multivariate techniques or nonparametric statistics in the book itself.

Our approach and writing style have probably been the two main reasons the book has been the market leader for well over a decade. Student evaluations indicate that we deliver on our intent to write at the level that people studying marketing research for the first time understand. We hope your teaching evaluations regarding the textbook will arrive at the same appraisal.

## Recommended Prerequisites

To prepare for this course, we feel students should have taken an introductory course in marketing. We assume students know what we mean when we talk about marketing strategy and the elements of the marketing mix. Students having had an introduction to a marketing course will better appreciate the role that marketing research plays in helping managers make better marketing decisions. We also recommend that students take an introductory statistics course prior to taking this course. It helps for them to know concepts such as the area under the normal curve,  $z$  scores, and the basics of statistical testing, including interpretation of  $p$  values. However, since we both have taught for many years, we are well aware that many students will not recall many of these concepts, and, where necessary, we provide some review of these basics.

## AACSB Guidelines

The Association to Advance Collegiate Schools of Business–International (AACSB), our accreditation society, influences us a great deal. We strive to keep current with AACSB’s recommendations and guidelines, such as including material that will aid in your course assessment efforts, covering ethical issues, and pointing out global applications.

We include a number of items that should help in assessing your students’ understanding of the course content. Each chapter begins with learning objectives. Embedded in each chapter are Active Learning exercises that allow students to apply the knowledge just acquired to some real-world resource. Synthesize Your Learning exercises in this edition require that students revisit chapters to integrate their knowledge from those chapters. For our test bank, Pearson has adopted guidelines established by AACSB. We discuss this in a following section.

## Considerations for Planning Your Syllabus

We offer some sample syllabi in the Instructor’s Manual. However, some general observations may be helpful in planning a particular syllabus.

- You may not want to cover every chapter. There are typically 15 weeks in a semester and an average of 10 weeks in a quarter, and there are 16 chapters in the book. Some faculty tend not to cover the material in Chapter 5 we refer to as *packaged information*, Chapter 6 on qualitative research, Chapter 15 on regression, or Chapter 16 on the research report. Please understand, we are not recommending you omit any of these chapters; we are simply sharing what we hear from our adopters. This is a personal decision.
- Objective or essay tests? Many factors go into making this decision. However, we have found it useful to use both. We often ask perhaps 35 objective questions worth 2 points each and then three essay questions worth 10 points each. Also, some subjects—sample

size determination, for example—are better treated by giving the students problems to solve.

- **Number of tests?** We often break the material down into three tests per term. In our experience, students find the first eight chapters to be about equivalent in terms of difficulty. Chapters 9 and 10 on sampling plans and sample size are viewed as more difficult, and the analysis chapters the most difficult.
- **Project?** Some professors offer a live research project in the course; this requires a heavy time commitment, which should be taken into consideration when writing your syllabus. We offer specific suggestions for conducting a project in our Instructor’s Manual.

## Other Features in the Seventh Edition

- **Online Link to Careers in Marketing Research.** Some students will be interested in marketing research as a career. Beginning with the sixth edition and continued for the seventh, we provide an online Careers link. This gives us the opportunity to post new happenings in the industry as they occur. Students will find descriptions of positions, salary information, educational requirements, and links to actual position openings.

There are some excellent masters programs in marketing research. Our Careers link also provides information on these programs. Go to [www.pearsonhighered.com/burns](http://www.pearsonhighered.com/burns) and click on the link for the Companion Website for Marketing Research, seventh edition. When you open any chapter, you will see the list of links in the left margin. Click on “Careers.”

**Benefit:** Students have the most up-to-date information about careers.

- **Active Learning Challenges.** We innovated in the sixth edition with the inclusion of short exercises embedded at strategic points in each chapter where students are tasked to use the concept(s) they have just learned to experiment with or apply to some illustrative situation. We believe these exercises serve to solidify learning on the relevant concepts, and we have retained these Active Learning features in the seventh edition.

**Benefit:** Active learning allows students to practice or apply some concept or technique they have just read about. Learning is facilitated by reading and then “doing.”

- **Synthesize Your Learning.** We have retained this feature from the sixth edition to help students synthesize the knowledge they have gained across several chapters. The exercises require students to go back to previous chapters and integrate material into answers for the exercise. The following Synthesize Your Learning exercises are found at the end of the following chapters: Chapter 5, Drill Bits, Inc.; Chapter 6, Jackie & Adele’s Coffee Shop; Chapter 8, Moe’s Tortilla Wraps; Chapter 10, Niagara Falls Tourism Association; Chapter 13, Pets, Pets & Pets; and Chapter 15, Alpha Airlines.

**Benefit:** This feature allows students to integrate material that is learned in “chunks” to see how the material is related. Students benefit by learning how integrated the marketing research process really is.

- **Guidelines on Reporting Statistical Analyses to Clients.** We have noticed that after teaching our students to properly conduct a statistical analysis using SPSS, they have trouble when it comes to writing down what they have done. In our sixth edition, we added an element in that would address this problem. We believe it is a significant improvement, and we have retained and streamlined it in the seventh edition. In our data analysis chapters, we include information on how to write up the findings for the client. We offer easy-to-follow guidelines and examples.

**Benefit:** Most books teach data analysis. Students reading this book will benefit by knowing not only data analysis but also how to report what they find. This should make students better research report writers.



- **The *iReportWriting Assistant*.** When our students write reports for their marketing research projects, we find ourselves answering the same kinds of questions over and over. “How do you properly reference a journal article?” “What about referencing an online source of information?” “What do you have to reference, and what do you not have to reference?” “When I write the introduction to the research report, what are some of the topics I need to cover, and how do I word them?” We asked a business communications expert, Dr. Heather Donofrio, to develop an online resource that would help students answer these questions. Students can find assistance through the *iReportWriting Assistant*, available online ([www.pearsonhighered.com/burns](http://www.pearsonhighered.com/burns)) linked to each chapter, in these areas:

- What to do prior to writing
- Templates to help students get started writing
- Help with grammar
- Help with citations
- Example reports

**Benefit:** In addition to the report writing chapter (Chapter 16), students have an online resource quickly available to them to help with the detailed issues that arise in report writing. This resource will make them better report writers.

- **Advanced Data Analysis Modules.** Even undergraduate students taking their first course in marketing research may need some knowledge of statistical analyses other than those we have provided in the text. Many times these issues arise as a result of a particular need associated with a real-world class project. We wanted to make some of these techniques available to you online, so we have written several additional data analysis modules. The emphasis in these modules is on explaining the basics of the analysis and when it is appropriate. We also provide an example. Topics covered are:

- When to Use Nonparametric Tests
- Nonparametric: Chi-square Goodness-of-Fit Test
- Nonparametric: Mann-Whitney *U* Test
- Nonparametric: Wilcoxon Test
- Nonparametric: Kruskal-Wallis *H* Test
- When to Use Multivariate Techniques
- Factor Analysis
- Cluster Analysis
- Conjoint Analysis

Students can access the modules by going to the textbook website and opening up any chapter. They will see a link to “Online Data Analysis Modules.”

- **Online Datasets.** We offer online datasets associated with our cases. Of course, we provide the dataset for our integrated case, Global Motors. We also offer the Hobbit’s Choice dataset for professors who wish to use this case. These datasets and the chapter locations of the relevant data analysis cases are as follows:
- *Global Motors* (Global\_Motors.sav)—integrated case dataset used in Chapters 12–16
- *Hobbit’s Choice* (Hobbit.sav)—end-of-chapter case used in Chapters 12–15

To access these datasets, go to [www.pearsonhighered.com/burns](http://www.pearsonhighered.com/burns) and click on link for the Companion Website for *Marketing Research*, seventh edition. When you open any chapter, see the list of links in the left margin and click on “SPSS Student Downloads.”

## Instructor Supplements and Instructional Support

On the basis of our years of experience in teaching, we know that teaching marketing research can be a challenge. We have developed a variety of teaching and learning aids, and adopters of this textbook will receive the following ancillary materials to help them prepare their course and teach it effectively:

- **Companion Website** ([www.pearsonhighered.com/burns](http://www.pearsonhighered.com/burns)). Resources for students and instructors may be found at our website. Students may view chapter outlines, chapter objectives, and take sample tests for each chapter. Instructors have access to their online instructional resources. Students and instructors can access databases, the online statistics modules, and the *iReportWriter Assistant* at this website.
- **Instructor's Manual**. The comprehensive instructor's manual offers chapter outlines, key terms, teaching pointers, answers to end-of-chapter questions, and case solutions. The manual may be downloaded from the textbook website.
- **PowerPoint Slides**. We have greatly improved our PowerPoint presentation slides with this edition. The presentations are now more dynamic than ever. The files may be downloaded from the textbook website.
- **Computerized Test Bank**. The supplements package includes a test bank of questions prepared by test-writing professionals. This test bank is available from Pearson Education and can be loaded into Test Generator software. Test Generator allows random selection of test questions, modification of individual questions, or insertion of new questions into a test. For each question in the Test Bank, when possible, we have indicated which AACSB topic is addressed by the question. The AACSB topics are:
  - Communication abilities
  - Ethical understanding and reasoning abilities
  - Analytic skills
  - Use of information technology
  - Dynamics of the global economy
  - Multicultural and diversity understanding
  - Reflective thinking skills

Also, within the answer line of each question in the Test Bank, AACSB guidelines suggest that we indicate the chapter's learning objective that is covered. We refer you to the start of each textbook chapter for the list of learning objectives.

## Student Supplements

**SPSS Student Assistant**. With previous editions, we created the SPSS Student Assistant, a stand-alone tutorial that teaches students how to use and interpret SPSS. The SPSS Student Assistant may be downloaded from the Companion website. Installation on a personal computer is simple, and the SPSS Student Assistant will reside there for easy, immediate access. The videos show cursor movements and resulting SPSS operations and output. There is a test for each Student Assistant session so that students may assess how well they have learned the material.

Go to [www.pearsonhighered.com/burns](http://www.pearsonhighered.com/burns) and click on the link for the Companion Website for *Marketing Research*, seventh edition. When you open any chapter, see the list of links in the left margin and click on "SPSS Student Downloads" for more information.

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numbers, make notes online, print out reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information or to purchase a CourseSmart eTextbook, visit [www.coursesmart.com](http://www.coursesmart.com).

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Ron Bush,  
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# Introduction to Marketing Research

## LEARNING OBJECTIVES

- To know the relationship of marketing research to marketing, the marketing concept, and marketing strategy
- To know how to define marketing research
- To understand the function and uses of marketing research
- To see examples of marketing research for evaluating target markets, product research, pricing research, promotion research, and distribution research
- To describe a marketing information system (MIS) and understand why marketing research occupies a place in an MIS

## Welcome to the World of Marketing Research!



Leonard Murphy is the former CEO of the full-service firm *Rockhopper Research* and start-up *BrandScan360*. He is currently Editor-in-Chief of the *GreenBook Blog* and *GreenBook Research Industry Trends Report*. He is a consultant to marketing research firms, keeping them abreast of the many, fast-paced changes occurring in the industry.

Today many managers make decisions related to marketing. One manager needs to determine if Brand A's advertising is effective. Another manager needs to know if funds should be spent to develop a new product proposal. Yet another manager wishes to know how well her brands are performing against competitors' brands in the last six weeks. In some instances, managers can make decisions based on information they already have. But what about all those other decisions? If the wrong choice is made, a bad decision can have a significant negative effect on the company's bottom line. Marketing research plays a useful role in helping managers make the right choices. By providing the information managers need to make more informed decisions, marketing research earns its place in the business world.

In addition, as new technology facilitates the analysis of massive amounts of new data sources as well as those generated by traditional research efforts, marketing researchers are poised to further support the company's performance. This book presents the basics of marketing research. You will also learn that the practice of marketing research is constantly changing as the environments affecting the industry evolve. Just a few years ago, companies had not heard of "social media." Communications about a company or brand were to a

large extent controlled by the company, transmitted through the traditional media according to a predetermined schedule. It's a different world today. Consumers set the agenda and effectively control the perception of brands through myriad channels, available anywhere and anytime via socially enabled mobile devices. This new world is both a challenge and an opportunity for marketing organizations, and researchers are at the forefront of learning how to leverage these changes for business impact.

We hope you enjoy learning about marketing research and how the industry is adapting to today's environment!

—Leonard Murphy

*Text and images: By permission, Leonard Murphy, Greenbook.*

Events in the last decade have brought many changes to the world of business. As Leonard Murphy points out, many changes have influenced the marketing research industry. Globalization has added real meaning to the phrase “the business world”! The Internet and many other technological innovations have allowed us to realize the promises of the “information age” in a few short years, and new technologies continue to change the competitive landscape with much greater frequency than ever before. Social media have been adopted at unprecedented rates, allowing people to be “in touch” at a level that is changing human behavior. Widespread adoption of mobile devices and apps put consumers on the information highway 24/7. Significantly, consumers have been given the power, through these online innovations, to generate their own information, creating “consumer-generated media.”<sup>1</sup>

These technological changes by themselves challenge managers to keep pace, but they must also understand and respond to a changing world economy. Entire countries grapple with solvency. Political revolution has changed much of the world, and continued unrest threatens more change.<sup>2</sup> As these upheavals continue, businesses cannot stand by and wait for the dust to settle. They must react and even, whenever possible, anticipate what these changes will mean for their markets. Managers must determine what products to make or services to offer, which methods of advertising are most effective, which markets are growing or declining, which prices will help their firm realize its target return on investment (ROI), and which distribution system will add the greatest value to the supply chain. The pace of change means old information is not as useful in making decisions today. As you will learn in the following pages, this is where marketing research plays a role: It provides information to help

Change is occurring at an unprecedented pace in several areas: technology, communications, social relationships, global economy, and politics. Managers need new information to help them make informed decisions more than ever. Marketing research is one source of this information.



Photo: bannosuke/Fotolia



To establish a solid foundation for studying marketing research, you will need to understand its role in and relationship to marketing, along with its definition, uses, forms, and connections to marketing information systems.

Marketing may be thought of as “meeting needs profitably.”

What is marketing? The American Marketing Association defines marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Modern marketing thought holds that firms should *collaborate with* and *learn from* consumers. Social media is facilitating this collaboration, as illustrated in Marketing Research Insight 1.1.

To practice marketing well in today’s environment requires more and better information. As you will learn, marketing research provides information to decision makers.

**Marketing Research on YouTube™**  
See consultants Schneider and Hall at: [www.youtube.com](http://www.youtube.com). Search “Lessons from New Product Launches—Cell Zone to iPad.”

decision makers make better decisions. This book will help you learn the process of marketing research so that you will better understand when to use marketing research to make better, more informed decisions as you aim to manage in a world of unprecedented change.

## Marketing Research Is Part of Marketing

To fully appreciate the role of marketing research, it is helpful to understand its role in and relationship to marketing. What is **marketing**? A short definition is “meeting needs profitably.”<sup>3</sup> When Apple designed the iPad, it met a growing need among those seeking greater computer portability in a tablet format. Amazon has been successful in creating the first generation of online book readers with its Kindle tablets.<sup>4</sup>

The American Marketing Association offers a more detailed definition:

*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*<sup>5</sup>

We should also mention that marketing thought evolves and, many believe in the principles espoused by what has become known as the *service-dominant logic for marketing*.<sup>6</sup> Under this philosophy, firms adopt a service-centered view of marketing that (a) identifies core competencies, (b) identifies potential customers who can benefit from these core competencies, (c) cultivates relationships with these customers by creating value that meets their specific needs, and (d) gauges feedback from the market, learn from the feedback, and improve the values offered to the public. Note that this view of marketing implies that firms must be *more* than customer oriented (making and selling what firms think customers want and need). In addition, they must *collaborate with* and *learn from* customers, adapting to their changing needs. A second implication is that products are not viewed as separate from services. “Is General Motors really marketing a service, which just happens to include a by-product called a *car*?”<sup>7</sup> Note that our objective here is not to discuss how marketing thought is evolving but to underscore a crucial point: To practice marketing, marketing decision makers need to make decisions. What are our core competencies? How can we use these core competencies to create value for our consumers? Who are our consumers and how can we collaborate with them? As just one example, social media have created a venue for firms to collaborate with consumers. Marketing Research Insight 1.1 illustrates this use of social media. Managers have always needed information to make better decisions. In our opinion, to practice marketing well in today’s environment requires access to more and better information. As you will learn, marketing research provides information to decision makers.

When firms make the right decisions, they produce products and services that their target markets perceive as having value. That value translates into sales, profits, and a positive ROI. However, we see many failures in the marketplace. Consultants Joan Schneider and Julie Hall state that they regularly are contacted by entrepreneurs and brand managers who believe they have come up with a revolutionary product. But Schneider and Hall state that these entrepreneurs almost never have done the research to confirm their grand expectations.<sup>8</sup> As an example, the firm Cell Zones thought it had the answer to cell phone privacy in libraries, restaurants, and so on by creating soundproof booths for private cell phone use. Had the company done the right research and noticed how people were using their new smart phones—texting—managers may have realized that talking in private would not be a big problem for consumers.

There are many examples of failed products and services. Many of the losses associated with these products could have been avoided if the managers had conducted proper marketing research. Many product extensions—taking a successful brand and attaching it to a different product—have failed. Examples include Life Savers Sodas, Colgate Food Entrees, BIC underwear, Coors Spring Water, and Frito-Lay Lemonade. Negative reactions from consumers were responsible for removing the Ken doll’s earring and taking the Cocaine Energy Drink off the market.<sup>9</sup> Could these failures have been avoided with better research information?

## MARKETING RESEARCH INSIGHT 1.1

## Social Media Marketing



## Cadbury Chocolates Collaborates with Consumers via Facebook

In 1983 Cadbury Chocolates introduced the Wispa, a chocolate candy bar with the teaser promotional line: “Have you heard the Wispa?” In 2003 Cadbury decided to remove the candy bar from its product line. But the Wispa had many fans, and they had a “voice” through Facebook. About 93 Facebook groups totaling upwards of 14,000 members petitioned Cadbury to relaunch the Wispa. Cadbury listened to these consumers and brought the candy bar back in 2007.<sup>10</sup>

Ray Poynter stated, “In a Web2.0 world, brands have to learn to ‘cede control to consumer.’”<sup>11</sup>

Facebook and the other social media give firms the opportunity to collaborate with their consumers. Marketing



Photo: © whiteboxmedia limited/Alamy

research firms are creating products to help firms learn to “listen” and communicate with consumers using social media. In the case of Cadbury, the listening and collaboration paid off. When the company relaunched the product, 41 million bars sold out in just four weeks, and the bar has sold millions more since.<sup>12</sup> Wispa is a prominent part of Cadbury’s product line today.

What have we learned so far? To practice marketing correctly, managers must have information to make more informed decisions. This is the purpose of marketing research. This is why we say that marketing research is a part of marketing; it provides the necessary information to enable managers to market ideas, goods, and services *properly*. But how do you market ideas, goods, and services *properly*? You have probably already learned in your studies that you must begin by having the right philosophy, followed by proper marketing strategy. We call that philosophy the *marketing concept*.

### THE PHILOSOPHY OF THE MARKETING CONCEPT GUIDES MANAGERS’ DECISIONS

A *philosophy* may be thought of as a system of values or principles by which you live. Your values or principles are important because they dictate what you do each day. This is why philosophies are so important; your philosophy affects your day-to-day decisions. For example, you may have a philosophy similar to this: “I believe that higher education is important because it will provide the knowledge and understanding I will need in the world to enable me to enjoy the standard of living I desire.” Assuming this does reflect your philosophy regarding higher education, consider what you do from day to day. You are going to class, listening to your professors, taking notes, reading this book, and preparing for tests. If you did not share the philosophy we just described, you would likely be doing something entirely different.

The same connection between philosophy and action holds true for business managers. One of the most important philosophies managers have is that which determines how they view their company’s role in terms of what it provides the market. Some managers have a philosophy that “we make and sell product X.” A quick review of marketing history will tell us this philosophy is known as a *product orientation*. Another philosophy, known as *sales orientation*, is illustrated by the following statement: “To be successful we must set high sales quotas and sell, sell, sell!”<sup>13</sup> Managers who guide their companies by either of these philosophies may guide them right out of business. A much more effective philosophy—the marketing concept—is defined here by prominent marketing professor, Philip Kotler:

The **marketing concept** is a business philosophy that holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target markets.<sup>14</sup>



Marketing research firm GfK’s

NewProductWorks studies product failures and provides clients with information to help them avoid repeating the mistakes of others. NewProductWorks has assembled more than 110,000 products in a display. Go to [www.youtube.com](http://www.youtube.com) and search for “NewProductWorks.”

Marketing research is a part of marketing; it provides the necessary information to enable managers to market ideas, goods, and services *properly*.

Philosophies are more important to you than you may think; your philosophies dictate how you behave every day.

The marketing concept is often referred to by phrases such as being “market driven” or having a “customer orientation.”

It has long been recognized that the philosophy known as the *marketing concept* is the “right” philosophy. Organizations are more likely to achieve their goals if they satisfy consumers’ wants and needs.

A marketing strategy consists of selecting a segment of the market as the company’s target market and designing the proper “mix” of product/service, price, promotion, and distribution system to meet the wants and needs of the consumers within the target market.

Many decisions must be made to develop the “right” strategy. To make the right decisions, managers must have objective, accurate, and timely *information*.

To practice marketing, to implement the marketing concept, and to make the decisions necessary to create the right marketing strategy, managers need information. Now you should see how marketing research is part of marketing; marketing research supplies managers with the information to help them make these decisions.

Marketing research is the process of designing, gathering, analyzing, and reporting information that may be used to solve a specific marketing problem.

For many years, business leaders have recognized that this is the “right” philosophy. Although the marketing concept is often used interchangeably with other terms, such as “customer-orientation” or “market-driven,” the key point is that this philosophy puts the consumer first.<sup>15</sup>

What does all this mean? It means that having the right philosophy is an important first step in being successful. However, appreciating the importance of satisfying consumer wants and needs is not enough. Firms must also put together the “right” strategy.

## THE “RIGHT” MARKETING STRATEGY

Strategy is another name for planning. Firms have strategies in many areas other than marketing. Financial strategy, production strategy, technology strategy, for example, may be key components of a firm’s overall strategic plan. Here, we focus on marketing strategy. How do we define marketing strategy?

A **marketing strategy** consists of selecting a segment of the market as the company’s target market and designing the proper “mix” of product/service, price, promotion, and distribution system to meet the wants and needs of the consumers within the target market.

Because we have adopted the marketing concept, we cannot come up with just any strategy. We have to develop the “right” strategy—the strategy that allows our firm to truly meet the wants and needs of the consumers within the market segment we have chosen. Think of the many decisions we now must answer: What is the market, and how do we segment it? What are the wants and needs of each segment, and what is the size of each segment? Who are our competitors, and how are they already meeting the wants and needs of consumers? Which segment(s) should we target? Which model of a proposed product will best suit the target market? What is the best price? Which promotional method will be the most efficient? How should we distribute the product/service? All these decisions must be answered to develop the “right” strategy. To make the right decisions, managers must have objective, accurate, and timely *information*.

It is equally important to understand that today’s strategy may not work tomorrow because, as we noted at the beginning of this chapter, there is unprecedented change going on in the business environment. What new strategies will be needed in tomorrow’s world? As environments change, business decisions must be revised again and again to produce the right strategy for the new environment.

To practice marketing, to implement the marketing concept, and to make the decisions necessary to create the right marketing strategy, managers need information. Now you should see how marketing research is part of marketing; marketing research supplies managers with the information to help them make these decisions.

## What Is Marketing Research?

Now that we have established that managers need information to carry out the marketing process, we need to define marketing research.

**Marketing research** is the process of designing, gathering, analyzing, and reporting information that may be used to solve a specific marketing problem.

Thus, marketing research is defined as a *process* that reports information that can be used to solve a marketing problem, such as determining price or identifying the most effective advertising media. The focus then is on a process that results in information that will be used to make decisions. Notice also that our definition refers to information that may be used to solve a *specific* marketing problem. We will underscore the importance of specificity later in this chapter. Ours is not the only definition of marketing research. The American Marketing Association (AMA) formed a committee several years ago to establish a definition of marketing research:

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 the understanding of marketing as a process.<sup>16</sup>

Each of these definitions is correct. Our definition is shorter and illustrates the *process* of marketing research. The AMA's definition is longer because it elaborates on the function as well as the *uses* of marketing research. In following sections, we will talk more about the function and uses of marketing research.

### IS IT MARKETING RESEARCH OR MARKET RESEARCH?

Some people differentiate between *marketing* research and *market* research. Marketing research is defined the way we or the AMA have defined it in previous paragraphs. In fact, the Marketing Research Association (MRA) defines this term similarly as a process used by businesses to collect, analyze, and interpret information used to make sound business decisions and successfully manage the business. In comparison, some define *market* research as a subset of *marketing* research, using this term to refer to applying marketing research to a specific market area. The MRA defines **market research** as a process used to define the size, location, and/or makeup of the market for a product or service.<sup>17</sup> Having made this distinction, we recognize that the two names are used interchangeably by many practitioners, publications, organizations serving the industry, and academics.

Some differentiate between *marketing* research and *market* research. Marketing research is the broader of the two terms, whereas *market research* refers to applying marketing research to a specific market. However, in practice, the two names are often used interchangeably.

### THE FUNCTION OF MARKETING RESEARCH

The AMA definition states that the **function of marketing research** is to link the consumer to the marketer by providing information that can be used in making marketing decisions. Note that the AMA definition distinguishes between *consumers* and *customers*. The committee intended this differentiation between retail (or b2c) consumers and business (or b2b) customers. Some believe that having the link to the consumer by marketing research is more important today than ever. Having that link with the consumer is crucial if firms are to provide them with the value they expect in the marketplace. Thanks to globalization, online shopping, and social media, consumers today have more choices, more information, and more power to speak to others in the market than ever before.

The function of marketing research is to link the consumer to the marketer by providing information that can be used in making marketing decisions.

## What Are the Uses of Marketing Research?

### IDENTIFYING MARKET OPPORTUNITIES AND PROBLEMS

The AMA definition also spells out the different uses of marketing research. The first of these uses is the *identification of market opportunities and problems*. It is not easy to determine what opportunities are in the market. We can think of new product or service ideas, but which are feasible? Which ideas can be accomplished, and which will mostly likely generate a good ROI? Often, after someone has found an opportunity by creating a highly successful product or service, managers ask: "Why didn't we see that opportunity?" Some marketing research studies are designed to find out what consumers' problems are and to assess the suitability of different proposed methods of resolving those problems. Consumers wanted complete portability in their music, so Apple developed the iPod. High gasoline prices and concerns about fossil emissions bothered consumers, so Toyota developed the Prius. Consumers wanted increasingly large TV screens to hang on their walls, so Samsung developed an ultra-thin, LED, large-screen TV.

You would think that managers would always know what their problems are. Why would problem identification be a use of marketing research? Problems are not always easy to identify. Managers are more likely to always know the symptoms (sales are down, market share is falling) but determining the cause/s of the symptoms sometimes requires research. The identification of opportunities and problems is discussed in Chapter 3.

Marketing research may be used to generate, refine, and evaluate a potential marketing action.

### GENERATE, REFINE, AND EVALUATE POTENTIAL MARKETING ACTIONS

Marketing research can also be used to generate, refine, and evaluate a potential marketing action. Here “actions” may be thought of as strategies, campaigns, programs, or tactics. Barnes & Noble managers felt they had to take some action when their major competitor, Amazon, developed the Kindle and started selling books online. Two years after the Kindle was introduced, the Nook hit the market. “Actions” of Barnes & Noble were: *generating* the basic strategy to compete head-on with their own e-book reader; *refining* the Nook by identifying what features, operating system, apps, and design details it should have; and *evaluating* plans to introduce and market the Nook. Research can be used to help management make better decisions for any and all these actions.

We can think of “actions” as strategies, and strategies involve selection of a target market and designing a marketing mix to satisfy the wants and needs of that target market. Marketing research is conducted in a variety of areas, including determining target markets and conducting product research, pricing research, promotion research, and distribution research. Let’s consider some examples:

**Selecting Target Markets** A great deal of marketing research is conducted to determine the size of various market segments. Not only are managers interested in knowing the size of the market segment that wants an all-electric vehicle but they want to know if that segment is growing or shrinking and how well competitors are fulfilling the wants and needs of that segment. If research shows that a significantly large segment of the market has identifiable needs, the segment is growing; if its needs are either not being met or being met poorly by competition, this segment becomes an ideal candidate for a target market. Now the company must determine how well its core competencies will allow it to satisfy that segment’s demand. Nissan very likely looked at the automobile market segments in terms of the number of miles driven in a day (we will consider this factor in the Chapter 5 on secondary data). The company must have found a sizable segment of auto drivers who drive under 90 miles a day, which is the range of its all-electric car, the Leaf.

**Product Research** Successful companies are constantly looking for new products and services. They know the lesson of the product life cycle: Products will eventually die. As a result, they must have a process in place to identify and test new products. Testing may begin with idea generation and continues with concept tests that allow firms to quickly and inexpensively get consumers’ reactions to the concept of a proposed new product. Research studies are conducted on the proposed brand names and package designs of products before commercialization. Maritz Research conducts a *New Vehicle Customer Study*. The company has collected data over several years, and in recent years it has studied hybrids. Its market analysts know why drivers purchase hybrids, what makes them satisfied, what their expectations are for gas mileage and preferences for alternative fuels.<sup>18</sup>

**Pricing Research** When a revolutionary new product is created, marketers use research to determine the “value” consumers perceive in the new product. When cable TV was introduced, research was conducted to give the early cable providers some clue as to what people would be willing to pay for clear reception and a few additional channels. When cellular phones were introduced, much research was conducted to see what people would be willing to pay for (what was then) a revolutionary “portable” telephone. Marketing research is also conducted to determine how consumers will react to different types of pricing tactics such as “buy one, get one free” versus a “one-half-off” price offer. Using qualitative research in the form of asking potential buyers a series of open-ended questions—a qualitative research technique called “purchase story research”—a researcher found that the way a firm categorized its products negatively affected how b2b buyers had to use their purchase accounts. Once the items were recategorized, sales went up.<sup>19</sup>

**Promotion Research** As firms spend dollars on promotion, they want to know how effective those expenditures are for the advertising, sales force, publicity/PR, and promotional offers. Firms also conduct research on the effectiveness of different media. Is online advertising more

cost-effective than traditional media such as TV, radio, newspaper, and magazine advertising? How can we effectively use social media to “hear” what consumers are saying about our brands and our competitors? As an example of promotion research, the research firm, Marcus Thomas, LLC, conducted research for Akron’s Children’s Hospital to determine the most effective communication messages to use in a new ad campaign being developed by the hospital.<sup>20</sup>

**Distribution Research** What are the best channels to get our product to consumers? Where are the best dealers for our product, and how can we evaluate the service they provide? How satisfied are our dealers? Are our dealers motivated? Should we use multichannel distribution? How many distributors should we have? These are but a few of the crucial questions managers may answer through marketing research.

## MONITOR MARKETING PERFORMANCE

Control is a basic function of management. To assess performance on some variables, marketing research is often used. Sales by SKU (stock-keeping unit) and by type of distribution, for example, is often gathered through tracking data collected at point-of-sale terminals as consumer packaged goods are scanned in grocery stores, mass-merchandisers, and convenience stores. Such data allow managers to monitor their brands’ sales as well as sales of competitors—and thus to monitor their market shares as well. Firms use marketing research to monitor other variables such as their employees’ and customers’ satisfaction levels. For example, the research firm MSR Group conducted a rolling tracking study measuring drivers of satisfaction of bank customers. The nationwide study allows banks to identify factors that determine advocates and loyal, at-risk, and critical customer relationships.<sup>21</sup> Research firms such as Nielsen and Symphony IRI Group monitor the performance of products in supermarkets and other retail outlets. They track how many units of these products are being sold, through which chains, at what retail price, and so on. You will learn more about tracking studies in Chapter 5. Tracking social media, which has grown quickly the world over, is another means of monitoring market performance. Research firms have developed services that monitor what people are saying about companies, brands, and competitors.

Client firms are interested in “hearing” what consumers on social media such as Facebook and Twitter are saying about their company, brands, and competitors.



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