

ESSENTIALS OF
*Marketing
Research*

BARRY BABIN WILLIAM ZIKMUND

SIXTH EDITION



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ESSENTIALS OF
Marketing Research



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Australia • Brazil • Japan • Korea • Mexico • Singapore • Spain • United Kingdom • United States

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Dedication

First, to my wonderful family and second, to my colleagues and students who continue to be a source of inspiration.

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PREFACE



Never before has marketing research been more exciting or offered more and better career opportunities. Today's decision makers are under more pressure than ever to act, and to act fast. To take effective actions, they need intelligence, and intelligence begins with information. That's where research steps in. Research provides insight that leads to better decision-making. Researchers have access to more data than ever before to help provide that insight. Tracking consumers is easy today as virtually every move we make leaves some type of data trail. Also, never before has communicating with consumers been easier in a world where so many consumers are connected all the time. Now, finding gems of insight amidst the colossal amounts of intelligence seems a lot like searching for a needle amidst a mountain of hay. Complicating the search further is the fact that markets change more quickly than ever, meaning that in the search for the needle, the hay keeps shifting around. Thus, "search" cannot be removed from "research."

Decision-making in so many industries, both for-profit and not-for-profit, depends on input from research. The research process described in this text helps provide that input. The process enables a company to identify its customers and design products that maximize the value they receive from a purchase. In return, the company receives value as the customers spend their hard-earned money. The result: customers win and businesses win! All are better off.

A lot has changed since the first edition of this text. One thing that has not changed though is that businesses succeed by coming together with customers to create value that addresses real consumer needs. Although addressing needs remains the *raison d'être* for business, the way consumer needs get addressed is ever changing. Value creation today involves all sorts of technologies. Today, value creation involves much more than computers and the Internet. Smartphones mean billions of consumers can access your business at their fingertips, GPS systems point consumers to market offerings, drones help provide information and may even make deliveries, tap and pay systems involving iPay or Google Wallet make transactions faster and easier than ever. For the market researcher, the key advantage is that all of these systems leave behind a trail of information ready to mine for insight. That's where this text comes in: *Essentials of Marketing Research* equips students with the knowledge and skills involved in this basic research process. By mastering this process, students will know how to frame questions to get valuable answers, where to look for those answers, and know how to use tools that help convert raw data into intelligence.

Chapter 3 introduces this process, which includes six stages. Researchers must first work together with decision makers to decide why they are looking for that metaphorical needle in the haystack. The next two stages plot out the way to go about finding the needle. Next are two stages that focus on the actual search for the needle. The process concludes when the market researcher communicates the benefits of finding "pointed" information that can help mend problems or create something really new and special to the decision maker. Success in this process usually merits the researcher a reward that is a bit more valuable than that needle!



New to *Essentials of Marketing Research*

To ensure that students are able to conduct market research with an understanding of all the latest theories and techniques available to them, the sixth edition is substantially revised and updated. The earlier parts place emphasis more on describing research designs and different sources of data and data processes. The latter part focuses more specifically on modern tools that help form a basis for marketing analytics. But, in larger firms and on larger projects, the function of the analyst is specifically focused on data analysis, often using inferential statistical tools.

The revisions in the text also better reflect data collection approaches suitable to the information age. Technological and social developments of the last few decades are revolutionizing information systems, sources of and ways of gathering secondary data, survey processes, sampling, questionnaire design, qualitative analysis including focus group interviews, and communication of results. Practically every chapter includes significant coverage of technology-related topics. Most chapters also include review questions and activities that get students involved with the latest research technologies in a hands-on way. For example, “The Survey This!” feature provides firsthand experience with the advantages and disadvantages of using online questionnaires and then analyzing the data that this approach provides.

Key features of the sixth edition include:

- **Project Outline**—Chapter 16 includes an outline (downloadable in the student resources) suitable for use as a student project. The outline functions as a guide for the steps necessary to conduct a marketing research project like one suitable to serve as a term-long project in a marketing research course. The outline is geared to fit almost any type of comprehensive research project. By selecting only parts of the outline, a smaller project could be designed.
- **Survey This!**—Students respond to an online questionnaire using Qualtrics software. The questionnaire involves students’ opinions, activities, and interests regarding numerous everyday behaviors ranging from involvement with social networking media to study habits. In the early chapters, this feature is useful for critiquing the way questionnaires are constructed and how research hypotheses are addressed in a survey. In later chapters, students can use data from the ongoing survey to get experience with marketing analytics tools. Students also get access to Qualtrics to design their own questionnaires as described below.
- **Increased coverage of big data and analytics.**
- **Tips of the Trade**—Each chapter contains a useful list of important tips that correspond to the particular stage of the research process discussed in the chapter. The tips provide information addressing practical questions such as interview length, question wording, interviewer involvement, sample size requirements, and guides for data reliability and validity, as well as useful tips for testing hypotheses using inferential statistics.
- **Chapter Vignettes**—All chapters open with a story relevant to the material featured in that particular chapter. Some of these vignettes involve famous brands and companies, so the reader may well be familiar with some of the topics. Other vignettes involve “slice of life” stories describing a businessperson’s struggle to make smart decisions and demonstrate how research is intertwined with this struggle.
- **More emphasis on “how to”**—The boxed material, chapter objectives, and end-of-chapter materials seek to emphasize research in action or steps used to perform different approaches illustrated in the text. Boxed materials take the form of Research Snapshots that cover ethical angles of research, provide illustrations of research in practice, and offer relevant tips or detailed “how-to” examples. The chapter learning objectives provide coherence and structure to the chapters, each culminating with objective-directed end-of-chapter materials. In later chapters, the Research Snapshots provide step-by-step guides describing how to perform many of the marketing analytics approaches.
- **Software Friendly**—*Essential* recognizes that different students and instructors interact with multiple software platforms. Here, the illustrations do not focus on a single software platform. Rather, the how-to guides illustrate how to perform different analysis routines in multiple platforms. Most advanced analytical/statistical tools are illustrated in SPSS, SAS, and JMP (a fast growing analytical tool). The more basic tools also include illustrations for EXCEL.

- **Substantial Coverage on International Business Issues**—The examples and illustrations make much greater use of international business. Readers of this book may end up working or dealing with issues anywhere in the world, so the increased international examples will increase awareness of research issues beyond North America and open up domestic students to global market dynamics. This is a particularly important emphasis because cultural and language barriers often present challenges for the researcher.
- **Substantial Attention to Qualitative Research**—Big data also creates a big demand for qualitative research tools. In response, several chapters provide insight into how to gather and use data not expressed in the form of quantities. Chapter 5 focuses exclusively on qualitative research. Phenomenology, grounded theory, ethnography, and case study approaches are all covered. Qualitative research is dramatically being changed by the Internet as consumers leave more and more artifactual data behind on social networking websites, company chat rooms, blogs, social networks, micro-blogs (such as tweets left on Twitter), and more. Just think about the potential gold mine of data available in all of the online consumer feedback, ratings, and recommendations.

Organization of the Book

The sixth edition of *Essentials of Marketing Research* follows the logic of the marketing research process. The book is organized into parts, and each part presents the basic research concepts for one of the stages in the research process; each part also discusses how these concepts relate to decisions about conducting specific projects.

Part 1: Introduction, emphasizes the interplay between research and business and how the importance and scope of research varies with the type of business orientation that characterizes a company. Included in this discussion is an overview of computerized data management and information systems, an overview of the entire marketing research process, and an explanation of how all of this is changing due to the Internet.

Without high ethical standards, no business is good. Thus, the introductory materials also include an emphasis on business ethics and the special ethical problems associated with marketing research.

Part 2: Designing Research Studies, covers the essentials involved in starting to study business problems. This part emphasizes decision-making, problem definition, and the process of how researchers translate business problems into research questions and perhaps even research hypotheses. The part includes coverage of research proposals in some detail, and the reader is encouraged to see these as the written agreement that helps put the decision maker and the researcher on the same page.

Chapter 5 emphasizes qualitative research applications. One role played by qualitative research is helping to separate business problem symptoms from true issues that researchers can attack with marketing research. However, qualitative research extends far beyond problem definition; it allows greater potential for discovery as well as deeper and potentially more meaningful explanations in marketing research.

Other chapters in this part include other ways of obtaining data. This includes a detailed discussion of secondary data and emphasizes its increasing importance in an increasingly data-rich world. Other chapters include descriptions of survey designs (how to conduct, administer, and design survey instruments) observational studies (data on actual consumer behaviors) and causal designs involving marketing experiments.

Part 3: Measurement, gives readers working knowledge of building blocks absolutely critical to effective marketing research. This part describes the basics of measurement theory. Key topics include descriptions of the different levels of scale measurement and how this affects the interpretation of results. Basic ways to measure human attitudes and practical matters dealing with questionnaire design are also discussed. An increased emphasis is placed on the use of new technologies for conducting interviews. For instance, how does asking a question in an electronic format change options for respondents and the researcher? Students can again get firsthand experience with state-of-the-art questionnaire design and surveying tools with the Qualtrics assignments.

Part 4: Sampling and Sample Statistics, explains the difference between a population and a sample. Two chapters cover important issues that provide a basis for statistical inference. One important topic describes reasons why sampling is needed and why samples can be used to confidently allow predictions about larger numbers of people (i.e., populations). Another chapter provides useful guides for determining how large a sample is needed to make inferences with desired levels of confidence. Basic issues related to sampling distributions also are covered.

Part 5: Basic Data Analytics (and Reporting), covers basic processes necessary in translating raw data into market intelligence. The part presents some of the most commonly used methods for analyzing data. For instance, basic descriptive statistics related to central tendency and dispersion are discussed in detail as a basis for understanding approaches that follow. The chapters also cover inferential statistics including often-used univariate and bivariate approaches such as the chi-square test, *t*-tests, and simple regression. Elementary ANOVA applications are discussed in the context of analyzing experiments. Last, but certainly not least, the part concludes with a chapter on presenting research results. The chapter includes the outline useful in creating a student (individual or group) marketing research project. Also, basic guidelines for constructing research reports and presentations that are delivered orally or presented online are discussed.

Part 6: Comprehensive Cases with Computerized Databases makes up the last section of the book. These cases provide materials that challenge students to apply and integrate the concepts they have learned throughout the text. Instructors will find that these cases provide some flexibility either to expand or simplify the assignment to suit the demands of varying course assignments.

The cases provide more variety and include some that involve analysis of internal marketing problems as well as an opportunity to use qualitative research. When quantitative data are included, they can be easily analyzed with basic statistical tools like SPSS or JMP. Excel files are also included with the same data. These files can be read directly by statistical programs like SAS, SPSS, JMP, or other programs. The sixth edition includes a new comprehensive case suitable for application of multivariate data analysis tools.

Superior Pedagogy

More than other marketing research textbooks, the sixth edition of *Essentials of Marketing Research* addresses students' need to comprehend all aspects of the marketing research process. The following features facilitate learning throughout the book:

- **Learning Objectives.** Each chapter begins with a concise list of learning objectives that emphasize the major areas of competency the student should achieve before proceeding to the next chapter. The key is to avoid labeling everything a major learning objective and to provide the instructors with flexibility for emphasizing additional material from each chapter as they see fit.
- **Major Headings Keyed to Learning Objectives.** All first-level headings, with the exception of those labeled "Introduction," are keyed to learning objectives. This should be an aid in developing assessment rubrics and makes the book more user friendly in terms of identifying key material. Example assessment rubrics are available in the instructional resources.
- **Research Snapshots.** All of the box materials share a common title, Research Snapshots. Each chapter contains three Research Snapshots. The boxes explore marketing research processes in a variety of modern businesses situations, ranging from international considerations to research ethics. In later chapters in particular, boxes illustrate research techniques and step-by-step instructions for producing statistical results across multiple platforms.
- **Writing Style.** An accessible, interesting writing style continues as a hallmark of this book. With a careful balance between theory and practice and a sprinkling of interesting examples and anecdotes, the writing style clarifies and simplifies the market research process. In addition, the text offers a comprehensive treatment of important and current topics.

- **Statistical Approach.** Given the increased emphasis in industry on marketing analytics, the sixth edition provides balanced coverage of data analytics. That said, the emphasis remains one that takes a simple approach to give full coverage to basic tools like those used to test hypotheses involving differences between means or relationships among variables. Cross-tabulation, *t*-tests, ANOVA, and regression are covered in sufficient depth to allow a student to master these techniques. The text includes screen shots to get students started running statistics using EXCEL, SAS, JMP, or SPSS, (check for software availability with this text) with easy-to-follow, click-through sequences.
- **Key Terms.** Learning the vocabulary of marketing research is essential to understanding the topic, and *Essentials of Marketing Research* facilitates this with key terms. First, key concepts are boldfaced and completely defined when they first appear in the textbook. Second, all key terms and concepts are listed at the end of each chapter, and many terms are highlighted in a marginal glossary. Third, a glossary summarizing all key terms and definitions appears at the end of the book for handy reference. A glossary of frequently used symbols is also included.
- **Research Activities.** The end-of-chapter materials include a few real-world research activities intended to provide actual research experience for the student. Most provide an opportunity for the student to gain experience with multiple content areas. Some involve ethical aspects of research, and some involve Internet usage.
- **Cases.** Cases taken from real-life situations illustrate marketing research concepts and build knowledge and research skills. These cases offer students the opportunity to participate actively in the decision-making process, one of the most effective forms of learning. Video cases are also available via the instructor section of the book's website (www.cengagebrain.com).

Resources for Students

To promote learning and competency, it is also important to provide students with well-crafted resources. In addition to covering the latest information technology, the sixth edition includes the following student resources:

- To access additional course materials and companion resources, please visit www.cengagebrain.com. At the Cengage Brain home page, search for ISBN 9781305263475 using the search box at the top of the page. This will take you to the product page where free companion resources can be found.
- The Dedicated Website www.cengage.com/marketing/zikmund, developed especially for the new edition, includes chapter quizzes that allows you to test and retest your knowledge of chapter concepts. Each chapter has a quiz to encourage retesting. In addition, the website features downloadable flashcards of key terms, the very best online marketing research resources available, and much more.

Survey and analytical skills are essential to effective marketing research. Survey skills include an ability to translate research questions into survey items that respondents, usually consumers, answer. These answers produce data and analytics turns that data into market intelligence! *Essentials* provides students with real experience in both state of the art survey and analytical technologies. Students gain access to commercial quality survey creation and data analysis software with student versions of two market-leading products: The Qualtrics Research Suite for building surveys and *JMP* point and click statistical software from the SAS Institute. One access card (see the front of the book) provides a code and instructions for downloading *JMP* statistical software while another access card provides access to the Qualtrics Research Suite, the premier survey software tool in the industry, is bound inside the back cover of the book. Note that e-book versions of this title will not have access to these products. As well, some instructors might want to expose and assign the SPSS Statistical Software as part of their course. An optional packaging option providing students with access to SPSS is available with *Essentials of Marketing Research*. Contact your Cengage

Learning consultant for procedures for adding SPSS to your bookstore order. Following are descriptions of all of these products:

- *JMP* is a statistics software package for Windows and Mac computers from SAS, the market leader in analytics software and services. Unlike the traditional SAS interface, *JMP* provides point-and-click accessibility and integrates easily with Excel spreadsheets. *JMP* student edition is a streamlined, easy-to-use version that provides extensive marketing analytics capabilities and easily produces graphical output. The textbook provides many *JMP* illustrations. Once data is imported, students will find that most procedures require just two or three mouse clicks. *JMP* provides an interface to explore data visually and interactively, which enhances students' engagement with the data and enables them to tackle difficult statistical problems with ease. *JMP* can import data from a variety of formats, including Excel and other statistical packages, and you can easily import or copy and paste graphs and output into documents and presentations. *JMP* functions in the same way on both Windows and Mac platforms and instructions contained with this book apply to both platforms.
- The Qualtrics Research Suite was built for marketing researchers by marketing researchers. Enclosed with each new copy of *Essentials of Marketing Research* is an access code that gives you access to a tool that makes survey creation easy enough for a beginner while at the same time sophisticated enough for the most demanding academic or corporate researcher. Qualtrics allows you to create and deploy surveys, and provides data for analysis. A survey included in the book in the Survey This! box on page 4 invites users to respond to a sample survey. Then the sample survey data collected from students who have used *Essentials of Marketing Research* around the globe are made available for learning exercises throughout learning experience. Exercises and questions stemming from the survey engage students in critically evaluating survey items and questionnaire construction in the early chapters and in the later chapters, actual data provide a resource for hands-on analytics revealing insights into actual students' attitudes and behaviors. Qualtrics access requires the code provided in the access card available with each new copy of the book.
- SPSS Statistics StudentVersion provides real-world software for students to do data analysis with one of the world's leading statistical software packages. This student-friendly version is virtually identical to the professional version in function and appearance. Marketing faculty around the world have relied on SPSS for decades. SPSS StudentVersion promotes better decision-making and productivity through faster performance, accurate results, increased productivity and effectiveness using a range of specialized techniques. SPSS StudentVersion integrates with other technologies and tools, making it easy to access common data types, external programming languages, and file types. Access is available only when bundled with text. IBM SPSS Statistics Student Version for Windows (ISBN-10: 1285838033 | ISBN-13: 9781285838038)

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Louisiana Tech University
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In Remembrance

William G. Zikmund (1943–2002)

A native of the Chicago area, William G. Zikmund was a professor of marketing at Oklahoma State University and died shortly after completing the second edition. He received a Ph.D. in business administration with a concentration in marketing from the University of Colorado.

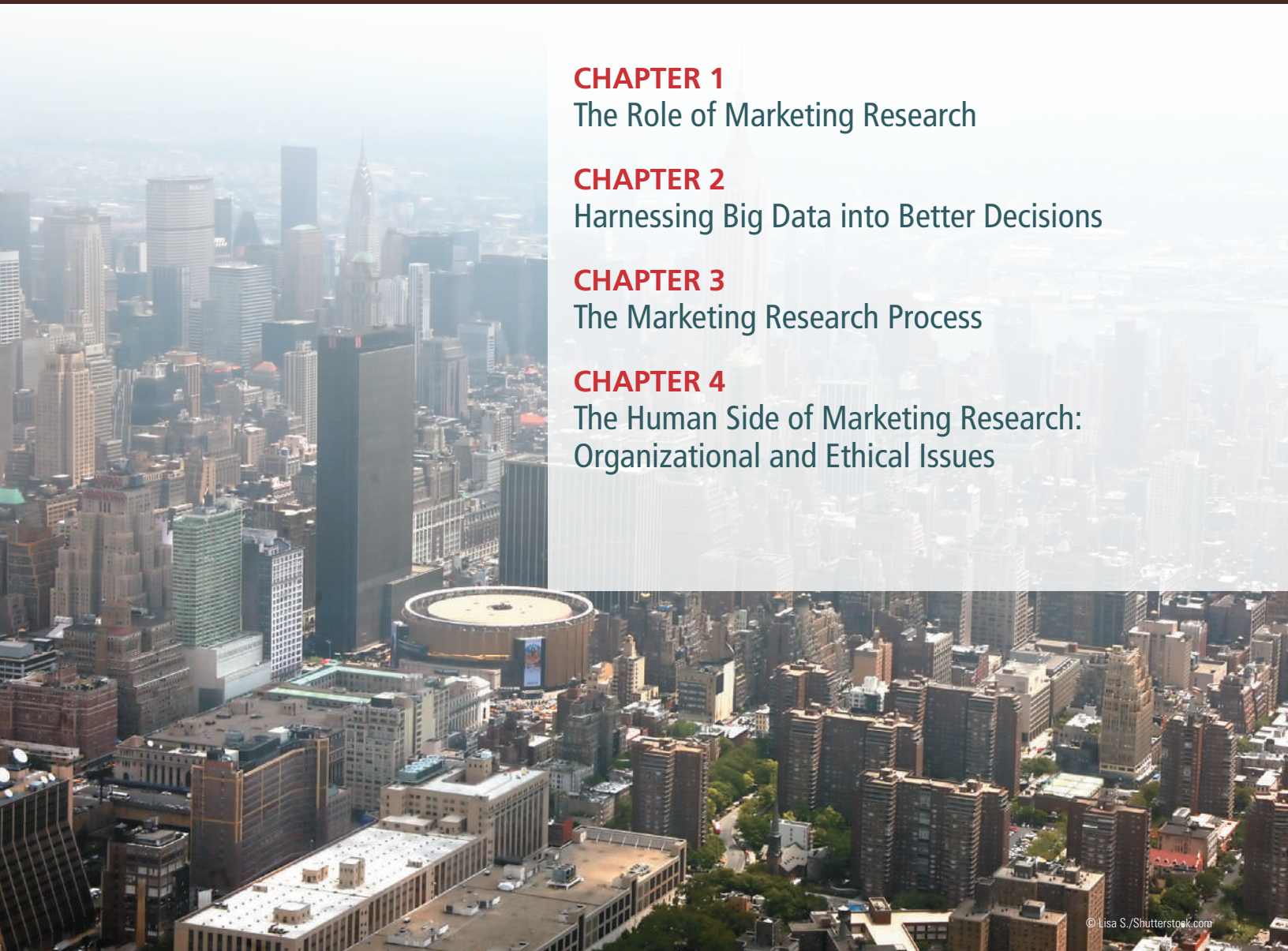
Before beginning his academic career, Professor Zikmund worked in marketing research for Conway/Millikin Company (a marketing research supplier) and Remington Arms Company (an extensive user of marketing research). Professor Zikmund also served as a marketing research consultant to several business and nonprofit organizations. During his academic career, Professor Zikmund published dozens of articles and papers in a diverse group of scholarly journals, ranging from the *Journal of Marketing* to the *Accounting Review* to the *Journal of Applied Psychology*. In addition to *Essentials of Marketing Research*, Professor Zikmund authored *Essentials of Marketing Research*, *Business Research Methods*, *Marketing*, *Effective Marketing*, and a work of fiction, *A Corporate Bestiary*.

Professor Zikmund was a member of several professional organizations, including the American Marketing Association, the Academy of Marketing Science, the Association for Consumer Research, the Society for Marketing Advances, the Marketing Educators' Association, and the Association of Collegiate Marketing Educators. He served on the editorial review boards of the *Journal of Marketing Education*, *Marketing Education Review*, *Journal of the Academy of Marketing Science*, and *Journal of Business Research*.



●●●●●●●● **PART ONE**

Introduction



CHAPTER 1

The Role of Marketing Research

CHAPTER 2

Harnessing Big Data into Better Decisions

CHAPTER 3

The Marketing Research Process

CHAPTER 4

The Human Side of Marketing Research:
Organizational and Ethical Issues

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CHAPTER

1



The Role of Marketing Research

LEARNING OUTCOMES

After studying this chapter, you should be able to:

1. Know what marketing research is and what it does for business
2. Understand the difference between basic and applied marketing research
3. Understand how the role of marketing research changes with the orientation of the firm
4. Be able to integrate marketing research results into the strategic planning process
5. Know when marketing research should and should not be conducted
6. Appreciate the way that technology and internationalization are changing marketing research



Dimitri Otis/Getty Images

Chapter Vignette:

Samapple!

Consumers today love their technological devices. Most of us are seldom far from our smartphones, tablets, notebooks—we are hooked on electronics. Apple represented the king of technology brands for many years. The company took advantage of a hip and smug image to portray competitors like Microsoft as out-of-date and old-fashioned. Apple's late founder, Steve Jobs, once bragged about how Apple did not need consumer research signaling the attitude that they knew what to make without needed input from the market.

In the technology world, even months can make a difference and today, Apple is no longer America's favorite technology brand. In fact, a consumer survey shows Apple is America's fifth favorite "technology" brand trailing Amazon, Samsung, Sony, and even the old fuddy-duddy, Microsoft. Samsung's Galaxy brand is particularly hip and their advertising campaign effectively portrayed it as hip and cool whereas Apple customers stand in line "waiting for the next best thing" that is already here—in their Galaxy smartphone! Samsung uses a great deal of consumer research as input into its designs even going so far as to create a "band-aid" feel in the product design in response to consumer input that the previous models did not feel sturdy

or comfortable. In China, consumers are increasingly keen on brands like Coolpad over Apple.

The fact is, as product markets become increasingly competitive, knowledge of consumers becomes the primary tool in gaining competitive advantage through effective design and positioning. Marketing research offers companies a tool to integrate market data into effective decision-making.¹



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Introduction

When one considers all the complexities involved in getting a product to the market successfully, things like packaging may easily seem like minor details. However, when managers make decisions without adequate information, they can quickly realize that some details are not so minor after all. From high-tech electronics companies to snack food companies, companies require information as input to decision making. Marketing research can provide that information. Without the input that marketing research provides, key business decisions including those shaping product and package design, pricing, distribution, market potential, and promotion design become guesswork.

We open with two examples illustrating how business decisions require intelligence and how research can provide that intelligence. The following illustrations focus specifically on how marketing research encourages innovation in the form of new products or improvements in existing value propositions and the marketing of those offerings. Imagine yourself in the role of a brand manager as you read these examples and think about the information needs you may have in trying to build a successful brand.

Viral marketing is a focus of attention for many firms these days. Is viral marketing a fad or is it something that really pays off for firms? Coca-Cola launched a 70-second video called “Unlock the 007 in You” in conjunction with the 50th anniversary of the James Bond motion picture series. The video depicts a train station scene where a Coke Zero vending machine customer reads a message on the machine to get to a platform across the station in 70 seconds to win tickets to the latest Bond premier. Along the way, the customer has to dodge fruit vendors, delivery men, a pack of small dogs, and lots of other obstacles all while bystanders hum or play the familiar Bond theme. In the end, the consumer arrives just in time and receives orders to “sing” the Bond song to win the tickets. Can you hear it now?

That particular video has been viewed over 11,000,000 times. However, Coke is not concerned with the views. This particular promotional effort intended to motivate viewers to share the link with others. It worked! This was the most shared video YouTube ad of 2012. Unruly Media Inc. provides services to companies aimed at getting videos not only to turn viral but also to get them shared. Unruly acknowledges that a very small percentage of video exposures lead to sharing. In fact, a share rate of 1 percent would be very high. However, when an ad does get shared, Unruly research suggests that consumers who view a shared video end up liking the video 15 percent more than if they discovered the video on their own.¹ That’s important because liking of the video leads to almost twice the purchase likelihood for the advertised product.

The coffee industry, after years of the “daily grind,” has proved quite dynamic over the past few years. After a steady decline, research on consumers’ beverage purchases shows that coffee sales began rebounding around 1995. By 2007, research indicates that although practically all coffee drinkers visit gourmet coffee shops, younger coffee consumers, particularly those under the age of 30, drink most of their coffee the *gourmet* way.² But, how much is too much to pay for coffee? Even at a Starbucks store, you might guess that a consumer would be unhappy to pay about \$60 for a pound of ground coffee. However, research shows that these younger, relatively affluent coffee drinkers are paying this price routinely, and they are doing it to make their coffee at home.

The widespread adoption of single-serve pod-based roasted coffee brewers, one cup at a time, has stimulated sales of coffee pods. The unit cost of coffee in the pod approaches \$60 a pound, six times more than the price of bagged coffee. Research shows that in the upper middle income, 18- to 34-year-old demographic, a consumer uses a single-serve coffee pod for 65 percent of their coffee. In other demographics, that number is about 50 percent or less. Because of the high margin associated with this consumption, many companies are looking at opportunities to sell other products to this lucrative demographic. Green Mountain is considering products including soup pods and other



Unruly researches the impact of viral videos. (source is unrulymedia.com)

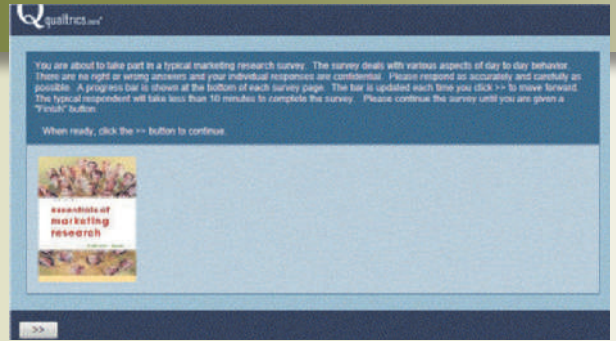


Source: unruly.com

SURVEY THIS!

This book introduces the reader to the world of marketing research. Marketing research represents the eyes and the ears of the competitive business firm. The researcher's job is to determine what information is needed so that data can be analyzed and become intelligence. Consumers play a crucial role in this process. They often are research participants and, with or without their knowledge, they provide the information needed. One way that consumers (and sometimes employees or managers) take part is by participating in surveys. Most readers have probably participated in surveys previously. Here is another chance to do so, only this time, you will first play the role of a research participant. Later, you will fill the role of a research analyst and even a key marketing decision-maker as you try to make sense of data provided by the many users of this textbook.

Your first interaction with the "Survey This!" feature is simply to play the role of respondent and respond



to the entire survey as honestly and completely as possible. Go to the URL provided in the preface and by your instructor, and simply participate. Your answers will be anonymously stored in the database along with all the other students using this book around the country and, in some cases, the world. Once you've completed the survey, you can visit the course website and get a copy of the questions contained in the questionnaire and data from a sample of previous users.

beverages including Coke pods! Coke liked this idea so much, they bought a 10 percent share in Green Mountain coffee, a leader in coffee pods.³

These examples illustrate the need for information in making informed business decisions. Unruly uses research to advise advertisers on ways to make videos go viral, get shared and eventually drive sales. The fact that coffee pods provide such convenience to a specific but substantial demographic demonstrates that the market is very willing to pay high prices for convenient alternatives. As a result, companies are trying to find other ways to leverage the pod concept into profits. One can easily see how research can be used to examine new concepts and product changes in progressively more complex stages, setting the stage for more successful product introductions. New product research represents only the tip of the iceberg when it comes to the types of marketing research conducted and used every day. This chapter introduces basic concepts of marketing research and describes how research can play a crucial role in successful marketing and business success in general.

What Is Marketing Research?

Part of business involves studying the different things that come together to create a business environment. Marketing research would not exist if business didn't exist. Thus, understanding marketing research requires at least a cursory understanding of business.

Business and Marketing Research

In its essence, business is very simple. Successful companies offer things to consumers that they are willing to buy. That means that consumers view the propositions offered by companies as providing varying degrees of value. In other words, products are ultimately a bundle of value-producing benefits. Many factors affect consumer perceptions of value and successful companies are those

that keenly understand the value equation. With this in mind, several key questions help provide understanding:

1. *What do we sell?* This includes not only the benefits that are easily seen, but also the more emotional benefits such as the comfort and relaxation of enjoying a cup of gourmet coffee in a pleasant atmosphere or the esteem that comes from having the latest electronic gadget. Companies offer value propositions that provide the potential for value beyond merely tangible product features.
2. *How do consumers view our company?* Companies likewise often define themselves too narrowly based only on the physical *product* they sell. They should think about just whom their customers would choose if they chose another alternative. For instance, how is Starbucks viewed relative to its competitors? Who are the competitors? Does Starbucks compete more directly with Maxwell House, Keurig, McDonald's, or something completely unassociated with coffee like a local lounge? If Starbucks provides value through relaxation and social interaction, a lounge may sometimes be an alternative. Ultimately, companies ask themselves "Are we viewed more or less favorably relative to alternatives?"
3. *What does our company/product mean?* What knowledge do people have of the company and its products? Do they know how to use them? Do they know all the different needs the company can address? What does our packaging and promotion communicate to consumers? Does our total value proposition signal the quality that we offer?
4. *What do consumers desire?* How can the company make the lives of its customers better, and how can it do this in a way that is not easily duplicated by another firm? Part of this lies in uncovering the things that customers truly desire, but which they can often not put into words.

Answering these questions requires information. Marketing research's function is to supply information that helps provide these answers, thereby leading to more informed and more successful decision-making. Managers who use this information reduce the risk associated with decision-making.

All business problems require information for effective decision-making. Can researchers deliver the right information in a useful form and on time? Research seeks to deliver accurate and precise information that can make marketing strategy and management more effective.⁴ Marketing research attempts to supply accurate information that reduces the uncertainty in decision-making. Very often, managers make decisions with little information for various reasons, including insufficient time to conduct research or management's belief that they already know enough. Relying on seat-of-the-pants decision-making—decision making without research—is like betting on a long shot at the racetrack because the horse's name is appealing. Occasionally the long shot pays off. More often, long-run uninformed decision-making is unwise. Marketing research helps decision-makers shift from intuitive guesswork to a more systematic, objective, and effective approach.

Marketing Research Defined

Marketing research is the application of the scientific method in searching for the truth about market and marketing phenomena. Research applications include defining marketing opportunities and problems, generating and evaluating marketing ideas, monitoring performance, and generally understanding the marketing process and the way consumers extract value from consumption. Marketing research includes idea generation and theory development, problem definition, information gathering, analyzing data, and communicating the findings including potential implications. Although marketing researchers ask a lot of questions, research clearly involves a lot more than just surveys and questionnaires.

This definition suggests that the marketing research process is neither accidental nor haphazard. Literally, research (*re-search*) means "to search again." The term connotes patient study and scientific investigation wherein the researcher takes another, more careful look to try and successively know more. Ultimately, all findings tie back to some theory.

The definition also emphasizes, through reference to the scientific method, that any information generated should be accurate and objective. The researcher should be personally detached and free of bias attempting to find truth. Research isn't performed to support preconceived ideas but to test them. If bias enters into the research process, the value of the research is considerably reduced. We will discuss this further in a subsequent chapter.

Marketing research

The application of the scientific method in searching for the truth about marketing phenomena. These activities include defining marketing opportunities and problems, generating and evaluating marketing ideas, monitoring performance, and understanding the marketing process.



Care for Some Horns and Halos?

Horns and Halos are not a new breakfast cereal! Both for profit and not-for-profit institutions benefit from research describing how consumers make decisions related to nutrition. The federal government issues rules and regulations describing what types of information must be provided to consumers. Today, American consumers will find nutrition labels on practically all packaged food, on fast-food restaurant menus and even on fresh foods. The government specifically requires nutrition labels on fresh chicken and beef. Although the intention is to create more informed decisions, research suggests the result is not always so clear.

Researchers have adopted strange sounding terms to describe how consumers sometimes make misguided decisions. A halo effect refers to a consumer, sometimes mistakenly, believing that certain food categories are healthy. For instance, anything called a salad might have a halo. A horn on the other hand refers to the fact that some categories are always perceived to be unhealthy, like steak. Experimental research shows that the use of nutrition labels alone have little effect on consumer judgments of food healthiness. However, the use of nutrition labels may interact with halos and horns in a way that may create more accurate perceptions of inaccurate horns. In



Photo: iStockphoto.com

other words, some steaks are relatively healthy (like a sirloin) and the labels may help identify that fact. Other research shows the difficulty in deciding what causes healthy or unhealthy diets. Although some research attributes the availability of fast food with increased obesity for instance, other research likewise attributes the federal school lunch program with obesity. Marketing research sometimes presents surprising results.

Sources: Burton, S., L. A. Cook, E. Howlett and C. L. Newman (2014), "Broken Halos and Shattered Horns: Overcoming the Biasing Effects of Prior Expectations through Objective Information Disclosure," *Journal of the Academy of Marketing Science*, in press. C. L. Newman, E. Howlett and S. Burton (2014), "Implications of Fast Food Restaurant Concentration for Preschool-Aged Childhood Obesity," *Journal of Business Research*, in press.

Clearly, marketing research is relevant to all aspects of the marketing mix. Research can facilitate managerial decision making about each of the four Ps: product, pricing, promotion, and place (distribution). By providing valuable input for marketing mix decisions, marketing research decreases the risk of making bad decisions in each area.

Finally, this definition of marketing research is limited by one's definition of *marketing*. Although one could hardly argue that research aimed at designing better products for a for-profit corporation like Coca-Cola is clearly marketing research, marketing research also includes efforts that assist nonprofit organizations such as the American Heart Association, the university alumni association, or a parochial elementary school. Every organization exists to satisfy social needs, and each requires marketing skills to produce and distribute their products and services. Governments also can use research in much the same way as managers at Samsung or Coke. For instance, the Food and Drug Administration (FDA) is an important user of marketing research, employing it to address the way people view and use various food and drugs. One such research study funded by the FDA addressed the question of how point of sale materials might influence consumers' perceptions, or better misperceptions, of the healthiness of fresh food offerings.⁵ The Research Snapshot describes a typical nutrition-related marketing research project. This book explores marketing research as it applies to all organizations and institutions engaging in marketing activities.

Applied and Basic Marketing Research

One useful way to describe research is based on the specificity of its purpose. Is the research intended to address a very specific problem or is it meant to describe some overall marketing phenomenon?

Applied Marketing Research

Applied marketing research is conducted to address a specific marketing decision for a specific firm or organization. If Green Mountain Coffee is trying to decide what other beverages could be profitably sold through its pod systems, applied marketing research can help provide answers. Similarly, the research that identifies the best segments to approach with its new products is applied research. Applied research is relatively specific and claims to help a particular organization make better decisions regarding that issue.

Applied marketing research

Research conducted to address a specific marketing decision for a specific firm or organization.

Basic Marketing Research

Basic marketing research doesn't address the needs of a specific organization and doesn't typically address a specific business decision. Instead, basic research expands marketing knowledge in general and not at solving a particular business's problem. Basic research can test the validity of a general marketing theory (one that applies to all of marketing) or to learn more about some market phenomenon like social networking. A great deal of basic marketing research addresses the ways in which retail atmosphere influences consumers' emotions and behavior.⁶ From such research, we can learn how much the physical place creates value for consumers above and beyond any items purchased. This basic research does not examine the problem from any single retail or service provider's perspective. However, Starbucks' management may become aware of such research and apply the results in deciding how to design its stores. Thus, these two types of research are not completely independent.

Basic marketing research

Research conducted without a specific decision in mind that usually does not address the needs of a specific organization. It attempts to expand the limits of marketing knowledge in general and is not aimed at solving a particular pragmatic problem.

Researchers sometimes use different terms to represent the same distinction. Some reserve the term *marketing research* to refer to basic research. Then, the term *market research* is used to capture applied research addressing the needs of a firm within a particular market. Although the distinction is very useful in describing research, very few aspects of research apply only to basic or only to applied research. Here, we will use the term *marketing research* more generally to refer to either type of research.

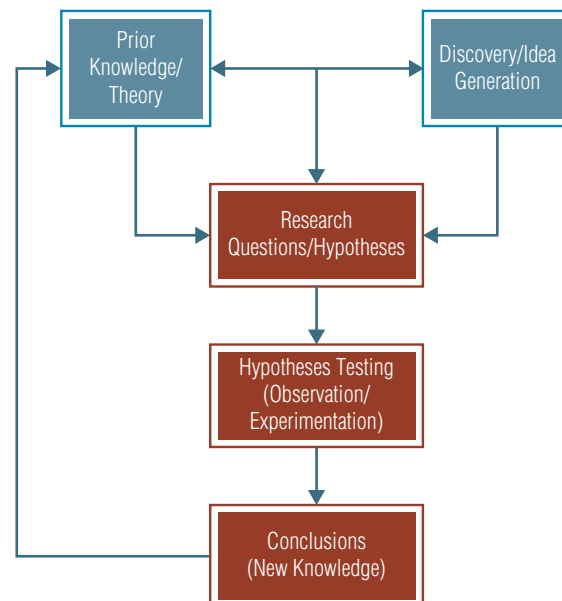
The Scientific Method

All marketing research, whether basic or applied, involves the scientific method. The **scientific method** is the way researchers go about using knowledge and evidence to reach objective conclusions about the real world. The scientific method is the same in social sciences such as marketing as in physical sciences such as physics. Marketing researchers apply the scientific method as their way to understand marketing phenomena.

Scientific method

The way researchers go about using knowledge and evidence to reach objective conclusions about the real world.

Exhibit 1.1 briefly illustrates the scientific method. Researchers usually begin with some understanding of theory in the problem area. Consumer researchers usually are familiar with



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EXHIBIT 1.1
The Scientific Method

To the Point

“If you have knowledge, let others light their candle with it.”

—WINSTON CHURCHILL

Product oriented

Describes a firm that prioritizes decision making in a way that emphasizes technical superiority in the product.

Production oriented

Describes a firm that prioritizes efficiency and effectiveness of the production processes in making decisions.

Marketing concept

A central idea in modern marketing thinking that focuses on how the firm provides value to customers more than on the physical product or production process.

Marketing orientation

The corporate culture existing for firms adopting the marketing concept. It emphasizes customer orientation, long-term profitability over short-term profits, and a cross-functional perspective.

Customer oriented

Describes a firm in which all decisions are made with a conscious awareness of their effect on the consumer.

Stakeholder orientation

Recognizing that multiple parties are affected by firm decisions.

To the Point

“Knowledge has to be increased, challenged and improved constantly, or it vanishes.”

—PETER DRUCKER

consumer behavior theory and by elaborating on this theory and/or combining theoretical knowledge with pure discovery, research questions emerge. Discovery can involve any means of idea generation, including exploratory techniques that we will discover later or even eureka types of experiences like when the apple fell on Newton’s head! The early stages of the research process in particular work better when creative thinking is applied. A host of creative thinking tools exist that managers and researchers can and should apply. The researcher then develops formal research hypotheses that play a key role through the remainder of the process. The next step involves testing hypotheses against empirical evidence (facts from observation or experimentation). Results either support a particular hypothesis or do not support that hypothesis. From the results, new knowledge is acquired that may lead to a new theory or modification of an existing theory.

Use of the scientific method in applied research ensures objectivity in gathering facts and testing creative ideas for alternative marketing strategies. In basic research, scientific research contributes to conclusions that over time contribute to the development of general laws about phenomena like price and value. The scientific method is the philosophy and way of doing *scientific* research, the results of which are the basis for knowledge growth and better decision making. Much of this book deals with scientific methodology.

Marketing Research and Strategic Management Orientation

Organizations over time adopt a certain way of going about their business. These ways represent strategic management orientations and they provide a common theme for decision-making. A firm can be **product oriented**. A product-oriented firm prioritizes decision making in a way that emphasizes technical superiority of their offerings. Thus, input from technicians and experts are very important in making critical decisions. The goal is to make what the firm sees as the best products possible. A firm can be **production oriented**. Production orientation means that the firm prioritizes efficiency and effectiveness of the production processes in making decisions. Here, input from engineers and accountants becomes important as the firm seeks to drive costs down. Production-oriented firms are usually very large firms manufacturing products in very large quantities resulting in good economies of scale. Marketing research may take a backseat with these orientations.

In contrast, marketing research is a primary tool enabling implementation of a marketing orientation.⁷ The **marketing concept** is a central idea in modern marketing thinking that focuses more on how the firm provides value to customers than on the physical product or production process. The orientation has evolved over time as product- and production-oriented firms respond to changes in the competitive and economic environments. When a firm adapts the marketing concept, it develops a **marketing orientation**. A marketing-oriented firm must:

1. Be **customer oriented**—means that all firm decisions are made with a conscious awareness of their effect on the consumer
2. Emphasize long-run profitability rather than short-term profits or sales volume
3. Adopt a cross-functional perspective, meaning that marketing is integrated across other business functions

Going further, a **stakeholder orientation** recognizes that multiple parties are affected by firm decisions. When a company makes a decision to change a product line based on marketing research, that decision affects customers, employees, and their families; the owners of the company (shareholders in a public company); and even society in general. Good decision-making considers how all are affected when making decisions. Exhibit 1.2 provides an overview of business orientations.

Customer Orientation

According to the marketing concept, the consumer should be the primary focus of attention, the pivot point about which the business moves to achieve the balanced best interests of all other

stakeholders in the long run. According to this philosophy, the firm creates offers with consumers' needs in mind. The creation of value for consumers, after all, is the reason that a firm exists. Therefore, unlike the other two orientations, marketing research addressing consumer desires, beliefs, and attitudes becomes essential.

How could a good piece of luggage be designed without consumer research? Those who travel frequently, particularly by air, are very fussy about the bag they carry. When all is considered, research shows that price is hardly the most important criterion for the frequent traveler. These consumers are willing to plunk down hundreds and sometimes even over \$1,000 for the right bag. Well-known



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Marketing research provides input that can make a traveler happy about the bag they tote through an airport

companies like Samsonite and lesser well-known companies, at least to the general public, like Mandarin Duck, use consumer input to design *perfect* bags. What factors do consumers consider more important than price and essential in a good bag? First, rollers. Not just any rollers, smooth and sturdy rollers and increasingly, four instead of two wheels. That enables the bag to stand up and provide an easy place to rest a computer or purse. Second, size. It has to hold at least a few days' attire but has to fit in the overhead bin of an airplane. Third, separate storage for items like shoes and toiletries and preferably, a garment compartment for more dressy attire. Fourth, sturdiness. The bag should stand abuse and last years, not months! Fifth, unique and fun appearance. When you travel a lot, the bag should have personality that says something about the consumer. Thus, a bag that is a special khaki orange color with grey accents not only is fun, but unique enough to stand out in a crowd and much easier to pick out on a carousel should you have to check it. Mandarin Duck is a leader in style but does not take a backseat in function.⁸ Consumer research plays a big role in this research.

Although technology firms are traditionally thought of as prototypically product oriented, that view is changing. In a work at home, smartphone at the ready environment, consumers realize they have a lot of choices. In the past, companies often issued phones and computers from brands like Gateway and Blackberry. Today, employees often want to use their own favorite technologies to help do their jobs. One result is that even IT guys in companies have had to become consumer oriented! They are now charged with helping employees leverage their own technologies into greater productivity.⁹

Product Orientation	Production Orientation	Marketing Orientation	Stakeholder Orientation
Internal focus	Internal focus	External focus	External focus
Emphasize product superiority	Emphasize efficiency and low costs	Emphasize customer tastes and desires	Emphasize a balance in satisfying all parties touched by organization
Product research is critical	Process research is important	Customer research is essential	Consumer research important
Narrow or even niche markets served	Mass markets often required for success	Identifiable market segments matched with unique product	Select segments served balanced with great concern for public persona

EXHIBIT 1.2
Types of Business Orientations

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