MARKETING RESEARCH

NINTH EDITION

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COMPUTING

ALVIN C. BURNS
ANN VEECK

A BRIEF GUIDE TO GETTING THE MOST FROM THIS BOOK

1. Features to make reading more interesting

FEATURE	DESCRIPTION	BENEFIT
Opening vignettes	Each chapter begins with a short description of a marketing research company's features or an organization's services such how firms deal with survey data quality.	Highlights contemporary practices by showing you how they are used in marketing research
Global Applications	Examples of global marketing research in action	Fosters awareness that over one-half of marketing research is performed in international markets
Ethical Considerations	Situations that show how ethical marketing researchers behave using the actual code of marketing research standards adopted by the Insights Association	Reveals that marketing researchers are aware of ethical dilemmas and seek to act honorably
Practical Applications	"Nuts and bolts" examples of how marketing research is performed and features new techniques such as neuromarketing	Gives a "learning by seeing" perspective on real-world marketing research practice
Digital Marketing Research Applications	Information is provided on how technology is impacting marketing research both as a source of information and the creation of new products designed to cultivate the information	Illustrates new innovations create opportunities for marketing research firms to add new services designed to provide information created by the new information sources

2. Features to help you study for exams

FEATURE	DESCRIPTION	BENEFIT
Chapter objectives	Bulleted items listing the major topics and issues addressed in the chapter	Alerts you to the major topics that you should recall after reading the chapter
Marginal notes	One-sentence summaries of key concepts	Reminds you of the central point of the material in that section
Chapter summaries	Summaries of the key points in the chapter	Reminds you of the chapter highlights
Key terms	Important terms defined within the chapter and listed at the end of the chapter.	Helps you assess your knowledge of the chapter material and review key topics
Review questions	Assessment questions to challenge your understanding of the theories and topics covered within the chapter	Assists you in learning whether you know what you need to know about the major topics presented in the chapter
Other student resources	Student resources - including chapter outlines, case study hints, online tests, and PowerPoint slides - are available through your instructor	Offers online pre- and post-tests, PowerPoint files, case study hints, and SPSS tutorials and datasets

3. Elements that help you apply the knowledge you've gained

FEATURE	DESCRIPTION	BENEFIT
End-of-chapter cases	Case studies that ask you to apply the material you've learned in the chapter	Helps you learn how to use the material that sometimes must be customized for a particular marketing research case
Synthesize Your Learning	Exercises that ask you to apply and integrate material from across three to four chapters	• Overcomes the "silo effect" of studying chapters in isolation • Enhances learning by showing you how topics and concepts are related across chapters
Integrated Case	A case study running throughout the book which you study through end-of-chapter exercises	• Simulates a real-world marketing research project running across most of the steps in the marketing research process • Shows you the execution of an entire marketing research project
Integration of IBM SPSS Statistics Version 25	The most widely adopted statistical analysis program in the world, with annotated screenshots and output, plus step-by-step "how to do it" instructions	Teaches you the statistical analysis program that is the standard of the marketing research industry.
Online SPSS datasets	SPSS data sets for cases in the textbook, including the integrated case are available through your instructor	• Offers easy access to SPSS datasets that you can use without worrying about set-up or clean-up • Provides good models for SPSS datasets
SPSS student assistant	Stand-alone modules with narrated videos that show you how to use many SPSS features are available through your instructor	Handy reference for many SPSS functions and features, including statistical analyses

MARKETING RESEARCH

NINTH EDITION

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We wish to thank our spouses, Jeanne and Greg. Our spouses
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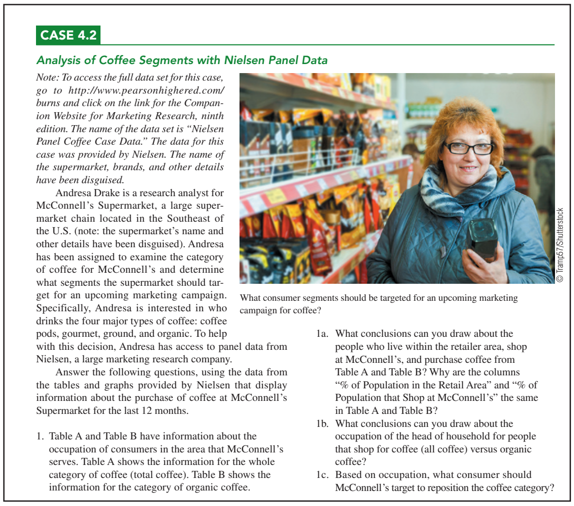
Preface

New To This Edition

While *Marketing Research*, 9th edition, has a great many "tried and true" features and elements refined over the previous eight editions, we are vigilant to the major trends transforming the marketing research industry. These changes include the widespread adoption of infographics, the use of dashboards and data visualization techniques, the emergence of robust qualitative research techniques, a pronounced shift toward mobile marketing research, an increased reliance on standardized ("packaged") research, the use of social media data, the impact of big data, the automation of many research procedures, and an emphasis on story-telling when communicating insights.

In preparation for the writing of the 9th edition, we conducted a survey of our 8th edition adopters and determined the desirability of change (more, same, less, delete) for every aspect of that edition. As a result, we have retained many of the strengths of our textbook, and we have modernized the 9th edition with improvements such as the following:

- Expanded packaged data coverage, with two new case studies involving the analysis of Nielsen data: one with consumer panel data (Chapter 4) and one with point-of-sales (scanner) data (Chapter 5)
- A greater emphasis on the impact of Big Data, including sources, uses, analytics, and the enormous responsibilities that come with gathering, storing, and using data (Chapter 5)
- Increased coverage of qualitative research techniques, including marketing research online communities (MROCs) and mobile applications (Chapter 6)
- A new section on analyzing qualitative data with applications for social media data (Chapter 6)
- Revised sample methods chapter to include companies that are selling access to their consumer panels (Chapter 9)
- Attention to methods that enhance the communication of research insights, including infographics, videos, and immersive techniques (Chapter 16)
- Increased discussion of communicating insights throughout companies, with methods such as dashboards, data visualization techniques, and the use of key performance indicators (KPIs) (Chapter 16)
- All new chapter opening vignettes with contemporary marketing research company descriptions
- Revised and updated integrated case with dataset that allows the application of new skills as they are introduced throughout the text



CASE 4.2

Analysis of Coffee Segments with Nielsen Panel Data

Note: To access the full data set for this case, go to http://www.pearsonhighered.com/burns and click on the link for the Companion Website for Marketing Research, ninth edition. The name of the data set is "Nielsen Panel Coffee Case Data." The data for this case was provided by Nielsen. The name of the supermarket, brands, and other details have been disguised.

Andresa Drake is a research analyst for McConnell's Supermarket, a large supermarket chain located in the Southeast of the U.S. (note: the supermarket's name and other details have been disguised). Andresa has been assigned to examine the category of coffee for McConnell's and determine what segments the supermarket should target for an upcoming marketing campaign. Specifically, Andresa is interested in who drinks the four major types of coffee: coffee pods, gourmet, ground, and organic. To help with this decision, Andresa has access to panel data from Nielsen, a large marketing research company.

Answer the following questions, using the data from the tables and graphs provided by Nielsen that display information about the purchase of coffee at McConnell's Supermarket for the last 12 months.

© Tramp57/Shutterstock

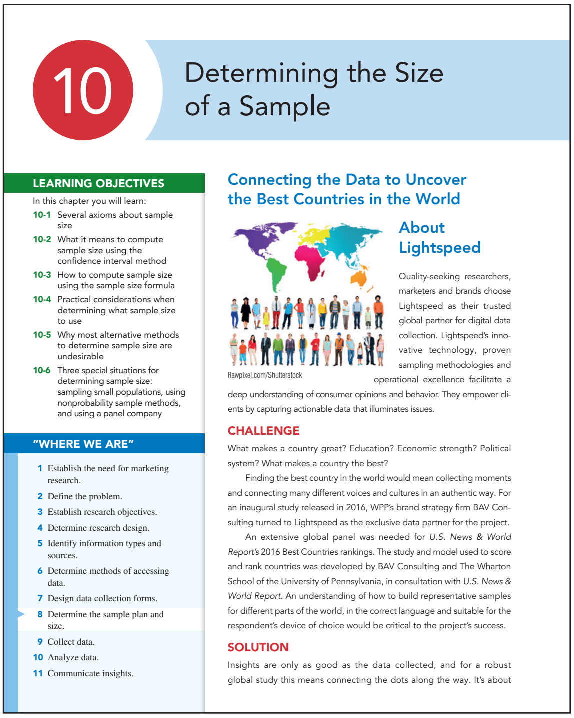
What consumer segments should be targeted for an upcoming marketing campaign for coffee?

1. Table A and Table B have information about the occupation of consumers in the area that McConnell's serves. Table A shows the information for the whole category of coffee (total coffee). Table B shows the information for the category of organic coffee.

1a. What conclusions can you draw about the people who live within the retailer area, shop at McConnell's, and purchase coffee from Table A and Table B? Why are the columns "% of Population in the Retail Area" and "% of Population that Shop at McConnell's" the same in Table A and Table B?

1b. What conclusions can you draw about the occupation of the head of household for people that shop for coffee (all coffee) versus organic coffee?

1c. Based on occupation, what consumer should McConnell's target to reposition the coffee category?



10 Determining the Size of a Sample

LEARNING OBJECTIVES

In this chapter you will learn:

10-1 Several axioms about sample size
10-2 What it means to compute sample size using the confidence interval method
10-3 How to compute sample size using the sample size formula
10-4 Practical considerations when determining what sample size to use
10-5 Why most alternative methods to determine sample size are undesirable
10-6 Three special situations for determining sample size: sampling small populations, using nonprobability sample methods, and using a panel company

"WHERE WE ARE"

1 Establish the need for marketing research.
2 Define the problem.
3 Establish research objectives.
4 Determine research design.
5 Identify information types and sources.
6 Determine methods of accessing data.
7 Design data collection forms.
8 Determine the sample plan and size.
9 Collect data.
10 Analyze data.
11 Communicate insights.

Connecting the Data to Uncover the Best Countries in the World

About Lightspeed

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Quality-seeking researchers, marketers and brands choose Lightspeed as their trusted global partner for digital data collection. Lightspeed's innovative technology, proven sampling methodologies and operational excellence facilitate a deep understanding of consumer opinions and behavior. They empower clients by capturing actionable data that illuminates issues.

CHALLENGE

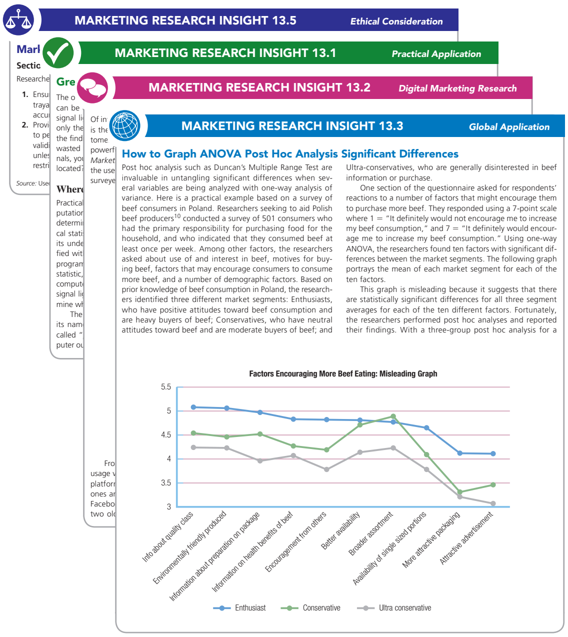
What makes a country great? Education? Economic strength? Political system? What makes a country the best?

Finding the best country in the world would mean collecting moments and connecting many different voices and cultures in an authentic way. For an inaugural study released in 2016, WPP's brand strategy firm BAV Consulting turned to Lightspeed as the exclusive data partner for the project.

An extensive global panel was needed for *U.S. News & World Report's* 2016 Best Countries rankings. The study and model used to score and rank countries was developed by BAV Consulting and The Wharton School of the University of Pennsylvania, in consultation with *U.S. News & World Report*. An understanding of how to build representative samples for different parts of the world, in the correct language and suitable for the respondent's device of choice would be critical to the project's success.

SOLUTION

Insights are only as good as the data collected, and for a robust global study this means connecting the dots along the way. It's about


MARKETING RESEARCH INSIGHT 13.5 Ethical Consideration
MARKETING RESEARCH INSIGHT 13.1 Practical Application
MARKETING RESEARCH INSIGHT 13.2 Digital Marketing Research
Factors Encouraging More Beef Eating: Misleading Graph
5.5
5
4.5
4
3.5
3
Info about quality class
Environmentally friendly produced
Information about preparation on package
Information on health benefits of beef
Encouragement from others
Better availability
Broader assortment
Availability of single sized portions
More attractive packaging
Attractive advertisement
Enthusiast
Conservative
Ultra conservative

MARKETING RESEARCH INSIGHT 13.3 *Global Application*

How to Graph ANOVA Post Hoc Analysis Significant Differences

Post hoc analysis such as Duncan's Multiple Range Test are invaluable in untangling significant differences when several variables are being analyzed with one-way analysis of variance. Here is a practical example based on a survey of beef consumers in Poland. Researchers seeking to aid Polish beef producers[10] conducted a survey of 501 consumers who had the primary responsibility for purchasing food for the household, and who indicated that they consumed beef at least once per week. Among other factors, the researchers asked about use of and interest in beef, motives for buying beef, factors that may encourage consumers to consume more beef, and a number of demographic factors. Based on prior knowledge of beef consumption in Poland, the researchers identified three different market segments: Enthusiasts, who have positive attitudes toward beef consumption and are heavy buyers of beef; Conservatives, who have neutral attitudes toward beef and are moderate buyers of beef; and Ultra-conservatives, who are generally disinterested in beef information or purchase.

One section of the questionnaire asked for respondents' reactions to a number of factors that might encourage them to purchase more beef. They responded using a 7-point scale where 1 = "It definitely would not encourage me to increase my beef consumption," and 7 = "It definitely would encourage me to increase my beef consumption." Using one-way ANOVA, the researchers found ten factors with significant differences between the market segments. The following graph portrays the mean of each market segment for each of the ten factors.

This graph is misleading because it suggests that there are statistically significant differences for all three segment averages for each of the ten different factors. Fortunately, the researchers performed post hoc analyses and reported their findings. With a three-group post hoc analysis for a

- Over 50% new and/or revised end-of-chapter cases
- Updated content in "Marketing Research Insight" elements throughout the text, including these specific features:
  - ❍ Practical Application
  - ❍ Digital Marketing Research
  - ❍ Global Application
  - ❍ Ethical Consideration
- Revised active learning exercises within all chapters, including practical applications such as using Google Analytics to track user behavior (Chapter 5) and creating an infographic with PowerPoint (Chapter 16).
- Modernized end-of-chapter Review Questions/Applications
- Updated call-outs for YouTube videos within all chapters, marked with a marginal YouTube icon
- Revised "Synthesize Your Learning" challenges which integrate material across 3 or 4 chapters
- A new Job Skills Learned section at the end of each chapter that spells out how the information learned in each chapter can be applied in the workplace

Solving Teaching and Learning Challenges

The 9th edition carries on the successful formula embodied in the level, voice, and writing style of previous editions of *Marketing Research.* Specifically, this is an undergraduate textbook that utilizes conceptual rather than theoretical or statistical concepts in teaching marketing research. It is written with an emphasis on the practical application of marketing research methods with the goal that students will be able to perform and interpret them. Because IBM SPSS is the industry mainstay, this textbook makes liberal use of annotated screen captures of clickstreams for SPSS analyses as well as annotated images of SPSS output for each analysis. Additionally, there is an integrated case, Auto Concepts, and an SPSS dataset referred to throughout the textbook.

The key features of this textbook are:

- Integration of IBM SPSS, the industry standard, so students will have relevant job skills
- Annotated screen shots of SPSS commands and output so students can perform and interpret analyses with a minimum of computer training. Additionally, the SPSS Student Assistant is a set of videos on how to use SPSS
- Integrated case—Auto Concepts—and dataset enabling students to observe and participate in a complete marketing research project
- Multiple examples of practical marketing research techniques including digital/mobile, global, ethical, and case study applications
- Coverage of emerging trends and technologies shaping contemporary marketing research practice, including panel companies, data visualization, infographics, dashboards, qualitative and mobile developments, and the notion of "insights"

JOB SKILLS LEARNED IN CHAPTER 1

By learning the material in Chapter 1, you have developed:

Critical Thinking Skills

- Determine when it is important to use marketing research
- Decide what type of marketing research is needed

Knowledge Applications & Analysis Skills

- Articulate the relationship of marketing research to marketing
- Explain how the components of a marketing information system can be integrated for better decisions

Developing Employability Skills

The authors are very cognizant that today's students are keenly focused on job skills. Casting education as the acquisition of job skills enables instructors to stimulate, motivate, excite, and impel students to focus on and master subject matter which they believe is valuable to accomplishment of their career goals. With the 9th edition of *Marketing Research*, we have added a new element, "Job Skills Learned," at the end of each chapter which identifies specific skills acquired in that chapter. These skills are listed under the headings of: communication, critical thinking, knowledge application and analysis, information technology and computing skills, data literacy, and ethics.

Instructor Teaching Resources

Supplements Available to Instructors at www.pearsonhighered.com	Features of the Supplement
Instructor's Manual Authored by Susan Schanne from Eastern Michigan University	• Chapter-by-chapter summaries • Examples and activities not in the main book • Teaching tips • Solutions to all questions and problems in the book
Datasets	• Two comprehensive Nielsen datasets in Excel, one involving point-of-sales coffee data and one involving panel coffee data • SPSS dataset for the integrated case, Auto Concepts, and separate SPSS dataset for L'Experience Restaurant case study
SPSS Student Assistant	• Menu-driven set of videos that show students how to use basic SPSS features and the several statistical analyses that are covered in the textbook.
Test Bank	Multiple-choice, true/false, short-answer, and graphing questions with these annotations: • Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis) • Type (Multiple-choice, true/false, short-answer, essay) • Topic (The term or concept the question supports) • Learning outcome • AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)
Computerized TestGen	TestGen allows instructors to: • Customize, save, and generate classroom tests • Edit, add, or delete questions from the Test Item Files • Analyze test results • Organize a database of tests and student results.
PowerPoint Authored by Don Sciglimpaglia from San Diego State University	Slides include all the graphs, tables, and equations in the textbook. PowerPoints meet accessibility standards for students with disabilities. Features include, but are not limited to: • Keyboard and Screen Reader access • Alternative text for images • High color contrast between background and foreground colors

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Many people were involved in putting this ninth edition together. We are particularly thankful for the efforts of our research assistant Jack Szott, who contributed to this revision in multiple vital ways. We are fortunate to have Pearson as our publisher. Over the years, we have been impressed with the professionalism and dedication of the people at Pearson, and the people we worked with on this edition were no exception. We wish to thank our Executive Portfolio Manager, Lynn Huddon, for her support and leadership. The ninth edition also was shepherded expertly by our Content Producer, Michelle Zeng, assisted by SPi-Global personnel; Editorial Project Manager, Joshua Castro; Rights and Permissions Manager, Maya Lane; and Senior Project Manager, Billu Suresh. This has been another successful collaboration with the assembled Pearson team.

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MARKETING RESEARCH

NINTH EDITION

1

Introduction to Marketing Research

LEARNING OBJECTIVES

In this chapter you will learn:

- **1-1** The relationship of marketing research to marketing, the marketing concept, and marketing strategy
- **1-2** How to define marketing research
- **1-3** The function and uses of marketing research
- **1-4** How to describe a marketing information system (MIS) and understand why marketing research occupies a place in an MIS
- **1-5** The job skills that are useful in marketing research

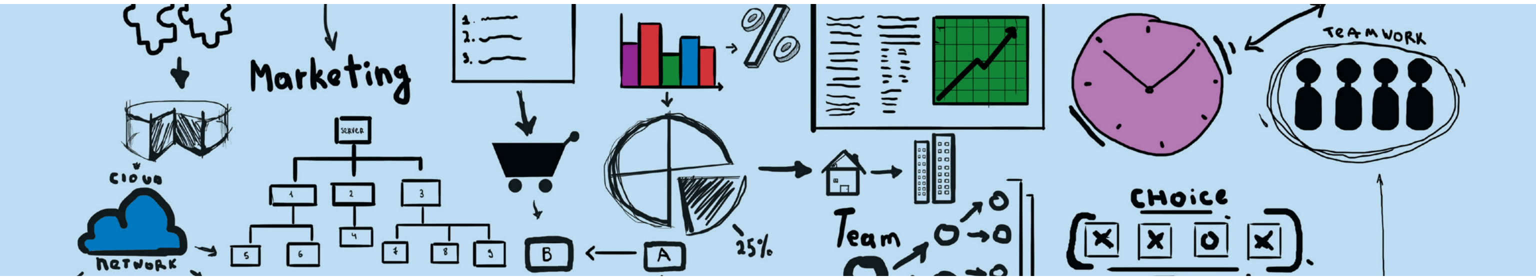
GreenBook: Driving an Insights Revolution

Lenny Murphy, Executive Editor and Producer, GreenBook

Like every industry on Planet Earth, marketing research (or corporate "insights" as it is increasingly called) has been profoundly changed by the rapid-fire evolution of the internet and technology. The archetypal clipboard-wielding survey-taker and dinner-interrupting telephone survey interviewer are increasingly things of the past. Online methods dominate the research landscape, and new technologies are taking advantage of automation and artificial intelligence.

GreenBook takes a leadership role in driving the discovery and adoption of new, evolutionary methods among market researchers in both a consulting ("supplier") and a corporate ("client") role. Our organization began in 1962 as a printed membership directory of the American Marketing Association's New York chapter. As most members at the time were involved with marketing research, the membership directory quickly transformed into the *GreenBook* Directory of marketing research companies and facilities. Fast forward over 50 years and we've grown into a B2B, industry-focused media company dedicated to providing insights professionals around the world with the tools and learning they need to succeed.

As technology disrupted traditional research, we saw an opportunity to adopt an advocacy position for a noble and indispensable industry, an opportunity to lean into technological change and boldly showcase innovation. We seek to separate signal from noise in an age where information is constantly flowing through every possible channel. We made the decision to be that separation point—to showcase innovation in a way that helped buyers identify exactly what was new, cutting-edge, and helpful to their business goals. Everything we produce is driven by the needs of clients and helping to find the right resources for those clients to fulfill their business objectives.



Because we live at the intersection of clients and suppliers, we have a unique role in the industry that gives us the opportunity to support and drive new thinking from every angle, whether it's highlighting new technology that researchers are creating, helping clients use research to solve problems, navigating the ways in which traditional and emerging marketing research methodologies are intersecting in educational programs, or applying attribution research methods to everyday business marketing strategies. We are constantly taking in information, processing it, and putting it back out into the marketing research and insights sphere.

GreenBook
THE FUTURE OF INSIGHTS

Visit GreenBook at www.greenbook.org.

Every one of GreenBook's products fits into this cycle. The twice-yearly *GreenBook* Research Industry Trends Report (the "GRIT Report") serves as a strategic planning tool for both buyers and researchers to quantify the trends in our industry. Gen2 Advisors helps clients and suppliers navigate the new research landscape. The global IIeX ("Insight Innovation eXchange") events series brings those two key stakeholder groups together in one place to learn and do business. The Savio.pro online marketplace allows buyers to browse researchers and hire for projects based on their individual needs. The *GreenBook* Blog is a daily channel of accessible information for all stakeholders in our industry, and is based on what clients are talking about. We invest in the future of the marketing research industry through the IIeX Competition for startups. With every component of *GreenBook*, we're focused on fulfilling the buyers' need of finding the right suppliers to fit their research goals.

Adaptability is key to innovation. As the world evolves and the industry changes within it, we let clients dictate where we go and what we focus on, so we can always be true to the current demands within the industry.

Source: © New York AMA Communication Services, Inc.

The world of business is changing rapidly. New technologies continue to alter the competitive landscape at a greater pace than ever before. Digital media have expanded at unprecedented rates, and mobile devices and apps provide consumers with information 24 hours a day. More and more people collect and send information on an ongoing basis, creating the Internet of Things (IoT). Through these online innovations, consumers have the power to create consumer-generated feedback in real time. These are exciting times in marketing research!

Marketing research provides managers with new information to help them make decisions.

The era of big data and digital media challenges managers to keep pace, and to understand and respond to a changing world economy. Political revolution has changed much of the world, and continued unrest suggests that more change is coming.[1] Businesses must anticipate what these changes will mean for their markets and capitalize on economic growth where it is occurring. Managers must determine what products to make or what services to offer, which methods of advertising are most effective, 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.

Self Driving
100m

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Many objects used by people collect and send information on an ongoing basis, creating the Internet of Things (IoT).

The need to make good decisions in a rapidly changing world is why marketing research is so valuable! Marketing research is the process of gathering information to make better decisions. This book will help you learn about marketing research so you will better understand how to use it to develop actionable insights as you aim to manage in a world of unprecedented change.

1-1 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 the field of marketing. What is **marketing**? A short definition is, "marketing is meeting needs profitably."[2] 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.[3] LG developed its Signature W-Series "wallpaper" TV to blend seamlessly into buyers' living rooms.

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.

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.[4]

In recent years marketing has evolved to a service-centered view 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) collects feedback from the market, learns from that feedback, and improves the value offered to the public based on it. 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 firms do not view products as separate from services. For example, "Is General Motors really marketing a service, which just happens to include a by-product called a *car*?"[5]

Modern marketing thought holds that firms should *collaborate with* and *learn from* consumers.

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? Managers have always needed information to make better decisions. To practice marketing successfully in today's environment requires access to more and better information. As you will learn, marketing research provides information to improve decisions.

Advances in technology have increased the opportunities for marketers to "listen" to their consumers. Social media provides an important means for marketers to "hear the voice of the consumer" in order to determine how to create, communicate, and deliver value that will result in long-lasting relationships with customers. Digital media has created a culture that encourages consumer collaboration. One important collaboration method is crowdsourcing. **Crowdsourcing** is the practice of obtaining services or ideas by asking for assistance from a large group of people, generally online communities. Crowdsourcing via digital media is just one of many new tools for marketing research. Marketing Research Insight 1.1 explains how the Danish toy company Lego uses crowdsourcing to direct product development in response to consumer ideas.

Crowdsourcing is the practice of obtaining services or ideas by asking for assistance from large groups of people, generally online communities.

Marketing Research on YouTube™

Learn how marketing research assisted in the turnaround of the company Lego. Search "Lego Story: What the Company Learned from Its Mistakes" on **www.youtube.com**.

MARKETING RESEARCH INSIGHT 1.1

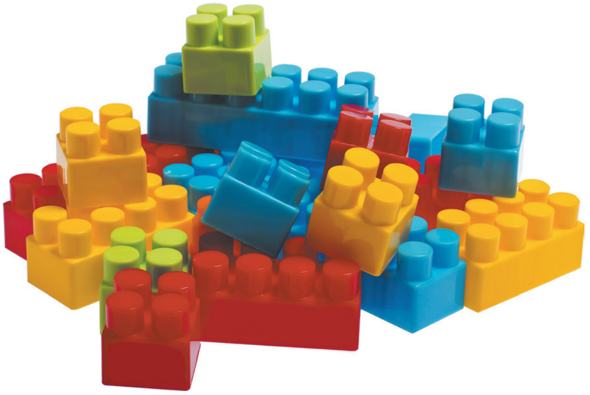
Digital Marketing Reseach

Lego Crowdsources to Develop New Concepts

Lego is known throughout the world for the passion it inspires in consumers of all ages for its sets of building blocks. The company does not have official statistics on the demographics of its users, but it estimates that up to half of its store revenue may come from adult users, or AFoLs (Adult Fans of Lego).

To capitalize on the enthusiasm of its fans, Lego has created a web platform called "Lego Ideas," where consumers can post ideas for new concepts (see https://ideas.lego.com/). On this site, users post photos and descriptions of Lego projects that they have built. If a concept receives support from 10,000 other community members within 365 days, it automatically qualifies for a review by the company's Lego Review Board. The website's clear and detailed rules for submitting a project ensure that only the best ideas are posted. For example, concepts involving torture, smoking, racism, or politics are prohibited.

If a concept makes it all the way through to production, the creator receives 1% of profits, five copies of the Lego set, and credit for being the creator. Consumer-inspired Lego sets that have made it all the way to store shelves include the Mini-Big Bang Theory and the Lego Bird Project. Lego Minecraft is a Lego Ideas submission that has been particularly successful, leading to the production of multiple versions of Minecraft sets.



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Lego uses crowdsourcing to develop new product concepts.

Lego Ideas is part of a broader social media strategy the company pursues that includes Facebook, Instagram, Twitter, LinkedIn, and other platforms. Lego's strategy is clearly working. Based on revenue and profits, Lego became the biggest toymaker in the world in 2014, surpassing Mattel.

Source: Grauel, T. (2014, November 28). Lego builds adult fan base. *USA Today*. Retrieved from www.usatoday.com/story/news/nation/2014/11/28/lego-builds-adult-fan-base/19637025/, accessed August 24, 2015. Hansegard, J. (2015, February 25). Lego's plan to find the next big hit: Crowdsource it. *The Wall Street Journal*. Retrieved from http://blogs.wsj.com/digits/2015/02/25/legos-plan-to-find-the-next-big-hit-crowdsource-it/tab/print/, accessed August 25, 2015. Dann, K., and Jenkin, M. (2015, July 23). Back from the brink: Five successful rebrands and why they worked. *The Guardian*. Retrieved from www.theguardian.com/small-business-network/2015/jul/23/five-successful-rebrands-why-worked, accessed August 25, 2015. Petroff, A. (2014, September 4). Lego becomes world's biggest toymaker. *CNNMoney*. Retrieved from http://money.cnn.com/2014/09/04/news/companies/lego-biggest-toymaker, accessed August 24, 2015.

When firms make the right decisions, they produce products and services that their target markets perceive as having value. That perception 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 hear from entrepreneurs and brand managers who believe they have come up with a revolutionary product. But Schneider and Hall state that these entrepreneurs have almost never done the research to confirm their grand expectations.[6] 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 that people were using their new smartphones to text rather than talk, managers may have realized that talking in private was not a pressing need for consumers.

In many examples of failed products and services, managers could have avoided these losses if they had conducted proper marketing research. Many product extensions—taking a successful brand and attaching it to a different product—have also failed. Examples include McPizza, Colgate food entrees, BIC underwear, Coors spring water, and Harley-Davidson perfume. Negative reactions from consumers were responsible for removing the Ken doll's earring and taking Burger King Satisfries off the market.[7,8] Could these failures have been avoided with better research information?

Marketing Research on YouTube™

See "10 Worst Product Flops" at **www.youtube.com**. Consider how these mistakes might have been prevented through improved marketing research methods.

Marketing Research on YouTube™ See consultants Schneider and Hall at www.youtube.com. Search "Lessons from New Product Launches—Cell Zone to iPad."

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 me with the knowledge and understanding I will need in order 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 with your time.

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 to the market. Some managers have a philosophy that resembles the following statement: "We make and sell product X." 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!"[9] Managers who guide their companies by either of these philosophies may guide them right out of business. A more effective philosophy—the marketing concept—is defined 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.[11]

> 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.[10]

Other terms that are used interchangeably with the *marketing concept* are *customer orientation* or *market-driven*. The key point is that this philosophy puts the consumer first.[12]

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.

CREATING THE "RIGHT" MARKETING STRATEGY

Strategy is another name for planning. Firms have strategies in many areas other than marketing. Financial strategy, production strategy, and 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 that target market.

> 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 use 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 questions 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 product or service 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 questions must be answered to develop the "right" strategy. To make the right decisions, managers must have objective, accurate, and timely *information*.

It is 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 on an ongoing basis 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; it supplies managers with the information they need to make better decisions.

1-2 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.

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.[13]

Each of these definitions is correct. Our definition is shorter and emphasizes 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 the following text, we will talk more about the function and uses of marketing research.

IS IT MARKET*ING* RESEARCH OR *MARKET* RESEARCH?

Some people differentiate between market*ing* research and *market* research. Market*ing* research is defined as we and the AMA have defined it in previous paragraphs. In comparison, some define *market* research as a subset of market*ing* research, using this term to refer to applying marketing research to a specific market area. The Insights Association defines **market research** as "any organized effort to gather information about markets or customers.[14] Having made this distinction, we recognize that many practitioners, publications, organizations serving the industry, and academics use the two terms interchangeably.

While the terms *marketing research* and *market research* are sometimes used interchangeably, *market research* refers to applying marketing research to a specific market.

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 consumers is crucial if firms are to provide

The function of marketing research is to link the consumer to the marketer.

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Marketers use research to determine the value that consumers perceive in products.

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.

1-3 What Are the Uses of Marketing Research?

The AMA definition also spells out the different uses of marketing research. These are (1) identifying market opportunities and problems; (2) generating, refining, and evaluating potential market actions; and (3) monitoring marketing performance. We explain each of these further in the following sections.

IDENTIFYING MARKET OPPORTUNITIES AND PROBLEMS

The first use of marketing research is for the *identification of market opportunities and problems*. It is not easy to determine what opportunities are in the market. We can dream up many ideas for new products or services, but which ideas are actually viable? Which product concepts can we produce, and which will mostly likely generate a good ROI? Often, after someone else 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 assess the suitability of different proposed methods of resolving those problems. High gasoline prices and concerns about fossil fuel 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. Consumers who did not have cable wanted to be able to buy HBO, so HBO developed HBO Now.

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

GENERATING, REFINING, AND EVALUATING 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. General Mills acquired Annie's Homegrown, an organic food company, in 2014 to meet a growing demand by consumers to have access to organic and natural foods. "Actions" of General Mills included *generating* the basic strategy to meet consumers' growing desire for organic foods, *refining* the Annie's brand by identifying ways to promote Annie's established products and develop new products that were consistent with the brand culture, and *evaluating* plans to market and grow the Annie's brand. Management can use marketing research to make better decisions for any and all of these actions.

We can think of "actions" as strategies, and strategies involve selecting 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.

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 also 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 significant segment of the market has identifiable needs, then that segment is growing. If its needs are either not being met or are being met poorly by competition, this segment is an ideal market on which to focus. 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. The company must have found a sizable segment of people that do not regularly drive long distances and would be content with a vehicle that could only be used for a limited amount of miles before needing to be recharged.

Product Research Successful companies are constantly looking for new products and services. They know the lesson of the product life cycle: Products will eventually become obsolete. 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. For example, in 2016 Wendy's tested the Truffle Bacon Cheeseburger and Truffle Bacon Fries in stores in Massachusetts and Tennessee to learn if consumers were interested in new flavors.[15]

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 clues 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. When items were recategorized, sales went up.[16]

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? As an example of promotion research, Chobani launched a campaign, called "The Break You Make," in 2015 to increase awareness of the Chobani Flip, an afternoon snack yogurt. Research determined that the promotion was very successful, with sales of Chobani Flip up 300% over the previous year. As a result, Chobani extended and expanded the campaign.[17] For another example of promotion research see Marketing Research Insight 1.2.

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. Amazon tested Amazon Go, a cashierless convenience store, in Seattle with its employees, to work out technical difficulties prior to launching to the public.

MONITORING MARKETING PERFORMANCE

Control is a basic function of management. To assess performance on some variables, marketing research is often used. Sales information by SKU (stock-keeping unit) and by type of