

Introduction to Marketing Research

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Learning Outcomes

After reading this chapter, you will be able to:

- Understand what marketing research is.
- Appreciate the role marketing research plays in the marketing process.
- Know the major players in the market research industry in the UK.
- Choose who should conduct the marketing research.
- Understand and recognize the importance of ethics and the code of conduct for undertaking marketing research.

Introduction

This chapter begins with a definition of what marketing research is and then looks at the three research designs commonly used in the marketing research process. A brief description of the marketing research industry follows, giving the top marketing research agencies in the UK and the percentage turnover by the market research method. It then discusses who should do the marketing research and the importance of the code of conduct as recommended by the Market Research Society.

What is Marketing Research?

The primary purpose of marketing research is to gather information which will allow your company or organization to make better, more informed decisions. Marketing research is closely linked to the marketing concept as it implies a customer focus, that the customer is central to the activities of the company, and the opinions of the customer are a highly valued and useful aid in decision making.

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Researching customer needs through marketing research enables the company to fulfil the requirements of the marketing concept.

The terms marketing research and market research are interchangeable in their scope and coverage of information. This is explicitly brought out by the definitions of the American Marketing Association (AMA) and the UK's Market Research Society (MRS).

According to the American Marketing Association, marketing research is defined as:

the function which links consumer, customer, and public to the market through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues; designs the method for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implications. (*Marketing News*, 1985)

The Market Research Society (in the UK) defines market research as:

the collection and analysis of data from a sample of individuals or organisations relating to their characteristics, behaviour, attitudes, opinions or possessions. It includes all forms of marketing and social research such as consumer and industrial surveys, psychological investigations, observational and panel studies. (MRS, 1994)

However, marketing research and market research are not interchangeable terms. Market research is sometimes described as consumer/business research whereas marketing research looks into marketing strategy problems and as such is considered to subsume market research. This text covers market research particularly and touches upon aspects of marketing research.

Marketing research covers all aspects of the marketing of goods and services. There are various ways of classifying these aspects into categories according to the activity involved such as product research, price research, pricing research, sales research, customer research, and promotion research (Chisnall, 1992). Product research deals with the design, development, and testing of new products, the viability of existing products and estimating the demand in relation to consumers' future preferences in relation to style, product performance, and competition. Sales research involves a detailed examination of a company's selling activities. This is usually carried out using sales outlets or marketing zones and is analysed over a specified time period to enable direct comparisons over time and also with published data. Customer research usually deals with buyer behaviour—researching the social, economic and psychological influences affecting purchase decisions taken under different situations at the consumer, trade or industrial level. Such research covers the consumers' attitudes and opinions, and impact of different marketing practices that a company may adopt in the market. Pricing research deals with decisions all businesses have to

make about the cost to the buyer of their goods and services. It is one of the critical factors affecting business success. It requires a creative and analytical approach to judge the sensitivity of price changes, effectiveness of relative positioning, and to estimate demand in a competitive market. Finally, promotional research is concerned with testing and evaluating the effectiveness of the various methods used in developing and promoting a company's product or services. Marketing research provides decision makers with information that allows the reduction of uncertainty surrounding business decisions.

Designing Marketing Research

There are three major categories of research designs: exploratory, descriptive and causal. Each relate to the role they play in the marketing research process. They specify the procedure for collecting and analysing the data necessary to help to identify a problem, such that it maximizes the difference between the cost of obtaining the information and the expected value of information associated with each level of accuracy.

Exploratory designs involve discovering the general nature of a problem and variables that relate to it. It enables the formulation of relevant hypotheses. These designs generally tend to be of a qualitative nature and use primary techniques such as focus groups, in-depth interviews and observational studies. It also uses secondary data, non-probability (subjective) samples, case analysis and subjective evaluation of the resultant data. Descriptive designs, on the other hand, focus on the accurate description of the variables under consideration and are quantitative in nature. They commonly use questionnaires and surveys and are employed for consumer profile and product usage studies, price and attitude surveys, sales analyses, and media research.

Causal designs try to establish the nature of relationship (or association) between two or more variables under investigation, for example study of price elasticity of demand and measuring advertising effectiveness in terms of sales or attitude changes. There is a need for caution in using such designs, as the direction of the causal link is quite important. For example, in the case of advertising effectiveness it is assumed that advertising causes sales to increase rather than vice versa. Further, the links, though strong, may be spurious (not logical/meaningful) in nature, for example sales being linked to the marital status of the salesforce. However, one can always find some explanation or a logical link between two measurements. Causal designs allow use of control variables or groups to facilitate meaningful comparisons between the outcomes. Watney–Mann Ltd, a brewer, in a study to measure advertising effectiveness of its 'best bitter' which was advertised used the 'mild beer' as a control (a similar product but not advertised). Mild beer (the control—used as one of the independent variables in the regression analysis) was allowed to generally account for the market conditions. It thus eliminated other factors affecting the sales and enabled measurement of the true effect of advertising. Experimentation is widely used in these designs.

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The UK Marketing Research Industry

The marketing research industry in the UK is one of the most advanced in the world. It went through a lean period in the early 1990s with continual increases in annual turnover in the later years. In many cases companies turn to the marketing research budget when they are forced to make cost savings. This is not unusual, as marketing expenditure, which does not always show a clear and measurable return, is often the first to be cut when growth begins to slow.

Table 1.1 outlines the top marketing research agencies in the UK according to the Annual Report of the British Market Research Association (BMRA, 2000).

The BMRA, the trade body that represents UK market research companies, was formed in 1998 with the merger of the Association of Market Survey Organizations (AMSO) and the Association of British Market Research Companies (ABMRC). The BMRA experienced a substantial increase in membership during the 1990s, and in 1999, the market research sector was worth at least £1 billion (BMRA, 2000). The membership now includes approximately 80% of the total marketing research industry in the UK. Between them, these companies carried out approximately 9.5 million marketing research interviews in 1999. According to the AMSO, the majority of marketing research interviews in the UK are personal interviews (47.4%) and telephone interviews (40.3%). Although Web/Internet interviews accounted for only 1%, these are increasing at a very fast rate (BMRA, 2000).

The Market Research Society is the professional society for organizational and individual membership in the UK. The society was established in 1947 and is the largest body of its kind in the world today. There are a number of other professional associations and societies in the world of marketing research in the UK. The Industrial

Table 1.1 Top marketing research companies and their world ranking

Market research organization	UK turnover (£ million)	World ranking
1. Taylor Nelson Sofres plc	102	3
2. NOP Research Group Ltd	70	4
3. Research International Ltd	60	1
4. Millward Brown International plc	58	2
5. NFO UK (Infratest Burke Group + MBL Group plc + City Research Group plc)	39	6
6. BMRB International	36	8
7. Ipsos-RSL Ltd	34	12
8. Information Resources	25	n/a
9. Maritz-TRBI Ltd	24	5
10. MORI (Market & Opinion Research International)	21	19

n/a = not available.
Source: BMRA Turnover Summary Year 1999 (BMRA, 2000). Reproduced by permission of the BMRA.

Table 1.2 Total turnover by type of research in the UK

Percentage turnover by market research method	
Type of research	%
Face-to-face interviews	32.9
Telephone interviews	19.5
Discussion groups	8.8
Consumer panels	8.3
Postal/self-completion	8.0
Hall/central location tests	7.7
Retail audits	4.5
In-depth interviews	3.6
Street interviews	2.0
Observation	0.3
Web/Internet interview	0.2
Other methods	4.2
Total	100.0

Source: BMRA (2000). Reproduced by permission of the BMRA.

Market Research Association (IMRA), founded in 1982, and the Association of Qualitative Research Practitioners (AQRP), with an individual membership of over 500, are examples.

The marketing research industry uses different methods—observation, group discussions, personal interviews and surveys—for primary data collection. Table 1.2 shows the percentage of the total turnover generated during 1999 by BMRA members by type of method.

Who Conducts the Marketing Research?

Who should do the marketing research depends on size of the organization and the type of products it handles. Most of the large companies have some kind of marketing department and employ outside market research agencies to conduct research and support on their behalf. Small companies generally either are not involved or resort to *ad hoc* research. Companies with their own departments may consist of perhaps either (1) a small section of, say, two or three executive staff, plus administrative support or (2) a large department which can function as an in-house research department. The large department may have its own fieldforce, telephone and computer facilities and employ its own specialist staff, market researchers, psychologists and statisticians. The function of the executives of such a department would be to evaluate and circulate relevant information (for example, financial and trade press). In addition, they would act as the management’s liaison with the sub-contracted research agency. Depending upon their

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ability and experience they may carry out some functions themselves, (for example, writing the questionnaire and/or the report), while leaving the sampling, fieldwork, coding and data analysis to the agency. They would have responsibility for selecting the agency and controlling the quality of their work, including keeping time schedules. They have to agree the research methodology and budget between the relevant persons in the marketing and market research departments. As such, the work of a large 'in-house' research department is similar to that employed in an external agency.

Which Agency to Select?

Two main advantages of using an agency are that it is relatively cheap compared with carrying out the research in-house and the data is collected independently. The fixed cost of recruiting, training and maintaining a large panel of interviewers and specialist staff is prohibitive unless the organization has a constant stream of research projects. The agency spreads these costs over many clients/projects throughout the year. There is fierce competition between agencies, which helps to keep their charges down to the variable costs of each survey plus a contribution towards fixed costs and profits. The agency will often specialize in a particular technique and become very efficient at performing it. They are also not involved in the emotional or political sense and can be more objective than the client's own staff in the research design and reporting. It is often preferable that the client remains anonymous to retain the objectivity of the study and increase the response rate to the investigation.

The main disadvantages of using an agency are that it cannot achieve the depth of knowledge of the client's problems nor of the product or market, unless it continuously researches the same area. With less day-to-day control there is an increased possibility of poor-quality research being carried out as well as rival organizations learning of the client's plans and research findings. The latter disadvantage is perhaps more apparent than real, since a client's staff may leave and join a rival. In many syndicated surveys (for example, retail audits and omnibus surveys) several rival organizations buy the same data from the agency, so that a cost-effective survey can be carried out. For this data to be useful, it needs to be viewed long term as the surveys indicate both short-term tactical performance and long-term trends.

In order to commission market research, the client can obtain a list of agencies (see *The Market Research Society Yearbook* in the UK) and might receive recommendations from other research buyers, i.e., trade associations, advertising agencies, colleagues, friends, and academic institutions. These are sought to draw up a short-list. Agencies that are then short-listed are asked make a 'presentation' of their services. Usually visits are made to their premises to check the quality of their staff and facilities, perhaps some interviewers are accompanied for several days to assess their quality and training, and previous reports may be read and permission sought to interview, or obtain references from, some of their other clients.

Each agency would be evaluated on its ability to carry out work of acceptable quality at an acceptable price within the stipulated time period. This could depend upon the following evaluations: (1) their staff-specialist technical ability, creativity, experience, length of service-stability, education and training, numbers employed and participation in MRS activities, conferences and published papers; and (2) their facilities, e.g., data processing, in-house editing and coding, group discussion rooms and printing and quality control procedures.

Short-listed agencies are then given a preliminary outline of the client's needs and are asked to put forward proposals on research methodology, timing and costs. One or more is then selected and a brief is agreed between the agency and the client. In the UK, there are agencies which specialize in certain aspects of marketing research (qualitative research and data analysis) and there are a number of freelance consultants who are employed on an *ad hoc* basis (see the *Market Research Society Yearbook*, 2001).

Marketing Research and Ethics

The marketing research industry gathers information about individuals as consumers and this is usually stored on computers. The processing power of these data banks of consumer information is consistently increasing. However, this description is exaggerated, as collection of such information is subject to the Data Protection Act 1998. Many supermarkets now employ customer-loyalty schemes in which, in exchange for their continued custom, supermarkets will provide their customers with loyalty points, which may be cashed. The more money the customer spends, the more points he or she receives. However, the true value of these schemes lies in their massive consumption information-gathering capability. Each time a customer reaches the checkout their purchases are recorded at the till with the aid of a barcode reader and the grocery list is matched with the customer's details when the loyalty card details are entered. The supermarket now has a record of all the customer's weekly groceries conveniently matched with their personal details from their loyalty card. It is a short step from gathering this information to analysing an individual household's consumption patterns over a short period of time and predicting when that household will again require certain basic household products.

Marketing research is based on the cooperation of the individuals or organizations that provide the answers or fill in the questionnaires. In order to maintain this cooperation and the flow of information required by researchers, marketing research should be carried out in an objective, unintrusive and honest manner. The aim of marketing research should be to collect data for the purposes of examining consumer behaviour and attitudes. Marketing research should neither attempt to induce sales of a product nor influence consumer attitudes, or intentions of behaviours. When there is no control as to who collects the information and the purpose for which the information is collected, there is danger of overloading the respondent to fill in too many questionnaires.

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The key principles of professional market research—founded on honesty, objectivity, confidentiality and transparency—come from the Code of Conduct drawn up by the Market Research Society in the UK. It is designed to support all those engaged in marketing or social research in maintaining professional standards throughout the industry. Key principles of market research are:

- *Honesty* Respondents must not be misled when asked for their cooperation.
- *Objectivity* The main purpose of the research should be to collect and analyse information. It should not influence the opinions of the participants.
- *Confidentiality* All parties are assured that they will not be identified and the information collected will not be disclosed to anyone else.
- *Transparency* Respondents are informed as to the purpose of the research and the time necessary for collection of the information.

The new Code of Conduct—based on the ESOMAR (European Society for Opinion and Market Research) Code—is binding on all members of the MRS, as is adherence to the principles of the Data Protection Act 1998. The MRS has developed a detailed Code of Conduct, which outlines the main principles of marketing research. The basic aims of this code are that the privacy of the public or respondent be respected, that the information they provide be used only for the research purpose in question, and that the research results be reported honestly and accurately. A copy of the full Code of Conduct is available from the Market Research Society.

General Principles

Research is founded on willing cooperation. It depends upon confidence that it is conducted honestly, objectively and without unwelcome intrusion or harm to respondents. Its purpose is to collect and analyse information, and not directly to create sales nor to influence the opinions of anyone participating in it. In this context telephone interviewing is getting a rather tainted image as it is often confused by the respondents with telephone selling.

The general public and other interested parties will be entitled to complete assurance that no information collected in a research survey, which could be used to identify them, will be disclosed without their agreement. Also, that the information they supply will not be used for purposes other than research and that they will in no way be adversely affected as a result of participation. This has implications for the conduct of the research studies, which need to identify respondents, either for sending reminders to increase the response rate or collecting follow-up information or selecting a sub-sample for further in-depth interviews. Wherever possible, respondents must be informed as to the purpose of the research and the likely length of time necessary for the collection of the information. Further, research findings must always be reported accurately and never used to mislead anyone, in any way. In conducting any marketing research, therefore, researchers have responsibility for themselves, their clients and the respondents from whom the information is being gathered.

Responsibilities to Respondents

Respondents' cooperation is entirely voluntary and their anonymity must be strictly preserved. As mentioned above, they should not be misled when being asked for cooperation. Respondents should be told if observation techniques or recording equipment are used. This sometimes results in respondents refusing to participate in the investigation due to fear of being recognized/identified. If this occurs, they should be allowed to leave the study immediately.

Researchers must take special care when interviewing young children, young people and other potentially vulnerable members of society. The informed consent of the parent or responsible adult must first be obtained for interviews with children—classified as under the age of 16 years. Respondents should be enabled to check, without difficulty, the identity and bona fides of the researcher.

Professional Responsibility of Researchers

When acting in their capacity as researchers, they must not undertake any non-research activities, for example database marketing involving collecting data on individuals which will not be used for sales or promotional activity. Permission from the respondents is usually sought during the investigation when the researcher wishes to use the information collected for further follow-up investigation. Any such non-research activities must always be clearly differentiated from marketing research activities. The Market Research Society's code of conduct requires that members shall ensure that the people (including clients, colleagues and sub-contractors) with whom they work are sufficiently familiar with the Code of Conduct and that the Code is unlikely to be breached through ignorance of its provisions.

Responsibilities to Client

Researchers must not disclose the identity of the client or any confidential information about the latter's business, to any third party, without the client's permission. They must provide the client with all appropriate technical details of any research project carried out for that client. Researchers must ensure that clients are aware of the Code of Conduct and of the need to comply with its requirements.

Thus, researchers are bound to protect the identity of informants. This information must not be revealed without their consent to any person not directly involved in the marketing research project in question. The outcome or results of the research should not be used for any purpose other than those of the research project. No respondent or participant should be embarrassed or adversely affected by participating in the research. Marketing researchers should always carry and show some form of identity card including details of the agency running the research project. The privacy of participants or potential participants must be respected and upheld at all times. The participant must reserve the right to withdraw from the study at any time as they wish. Children under the age of 16 should not be interviewed without the consent of a parent or guardian.

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Selling, fundraising or other similar activities should not be presented as marketing research. All marketing research should be honest and objective. The findings of this research should not be used to mislead in any way. Most agencies present data in a relatively unbiased form leaving strategic interpretation to the client or a consulting third party.

The identity of the client for whom the research agency is carrying out the research should remain confidential. The results of such studies should also be confidential unless agreed by the client and agency. The agency should provide detailed accounts of the methods employed to carry out the research project.

Conclusion

Marketing research covers all aspects of the marketing of goods and services. Three categories of research designs—exploratory, descriptive and causal—play an important role in understanding and aiding decisions undertaken during the marketing process. The Market Research Society is the main professional body for members in the UK. The British Market Research Association represents many UK market research companies. The market research industry in UK was worth at least £1 billion in 1999. The top five market research agencies in the UK were: Taylor Nelson Sofres plc, NOP Research Group Ltd, Research International Ltd, Millward Brown International plc and NFO UK. Two interviewing methods (face-to-face and telephone), account for more than half of the total UK turnover. The Market Research Society has developed a Code of Conduct, which is to be adhered to by members. This ensures that members follow the key principles of honesty, objectivity, confidentiality and transparency. Thus, it protects and specifies the responsibility the researchers have towards the respondents (the public) and their clients.

References

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Work Assignments

1. Your company is a leader holding 40% of the market in clothes for young people between the ages of 18 and 30 years and has been trading for the past ten years. The market share of your company has been declining for the last year. The company is facing increased competition in the market and is proposing to introduce a 'new line of clothes'. It needs information on its competition and

acceptability of the 'new line of clothes' it is developing. Suggest a suitable research design for:

- (i) Collecting information about competition.
 - (ii) Deciding the need for the 'new line of clothes' and its acceptability.
2. Plastique Ltd is a medium-sized company in the plastic mouldings business. They compete for a well-defined market segment, within which they have a 20% market share, making them number two in the market after Alpha Plastics plc, which is believed to have a share of 45%. Plastique Ltd relies heavily on this segment, from which they derive 75% of their revenue and around 90% of their profits. Recent attempts to identify profitable opportunities for product or market development have been unsuccessful, leading the managing director to conclude that the company will have to rely on this market for survival and growth for the foreseeable future. In view of this, the MD was very concerned to hear a rumour that Alpha Plastics plc might have developed a new plastic moulding process, which would enable it to improve quality while reducing prices by as much as 15%. She is determined to find out as much as possible about the Alpha Plastics plc development, as quickly as possible, in order to develop a counter-strategy. In her view, the survival of Plastique Ltd probably depends on her ability to obtain and exploit meaningful information quickly. Her job, and those of the 50 other people working for the company, could be at stake.

She is considering a number of possibilities to obtain the market intelligence that she requires:

- (i) Carry out a detailed search of the plastic mouldings trade press to see whether any information has leaked out of Alpha Plastics plc.
- (ii) Persuade her production supervisor to apply for the job of production manager at Alpha Plastics (currently vacant) and to use the interview and plant visit as an intelligence-gathering opportunity.
- (iii) Speak informally to known customers of Alpha Plastics, and ask them what they know about the new production technique.

Make a judgement on the ethics of the above possibilities and recommend a research design appropriate for this situation.

