

Chapter 1

Seeing What Marketing Research Can Do for You

In This Chapter

- ▶ Defining marketing research
 - ▶ Examining marketing information systems in context of marketing research
 - ▶ Reviewing problem-identification research and problem-solving research
 - ▶ Relating the product life cycle to your research needs
 - ▶ Identifying when it's wise to conduct and avoid marketing research
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Marketing research is more than those annoying people who call you during dinner to ask you a series of questions. It's also more than those oddly cheerful people at the mall — with clipboard and pencil in hand — who want to ask you seemingly innumerable questions rather than let you shop.

Marketing research is about knowing, understanding, and evaluating. As human beings, we want to know what's happening in our world and understand why those things are happening. We also want to identify the best choice from the alternatives available to us and then measure the success of that choice. Marketing research is both an intellectual and artistic activity. To solve marketing problems, you must obtain the necessary information and interpret it properly, which requires careful thought as well as creativity and artistry.

In this chapter, we define marketing research, compare it to marketing information systems, discuss when it should be pursued or avoided, detail its components, and explain its value in making informed and appropriate business decisions. This chapter gives you a better understanding of the systematic and objective nature of marketing research and how it can help you make better marketing-related decisions.

What Is Marketing Research?

Although professors and textbook authors have proposed many different definitions of marketing research, an appropriate and simple definition is this: *Marketing research* is the systematic and objective process of generating information to help you make marketing-related decisions. For a more comprehensive definition, it's hard to go wrong with the latest one proposed by the American Marketing Association (AMA), the largest association of marketing practitioners and academicians in the world.

Although powerful, marketing researchers can't replace managers. Think of it this way: A hammer can't bang its own nail, and a computer can't write its own report. Similarly, a marketing research study can't *make* a decision for you or anyone else. The results of a marketing research study should be one of many inputs into a marketing-related decision. With the information in this book, you'll better recognize the extent to which you should trust different kinds of research and which type of study you should use to make different marketing-related decisions.



Marketing research can be any of the following three things:

- ✓ It can be fast, in the sense that it can be completed quickly.
- ✓ It can be good, in the sense that the results can reflect reality accurately.
- ✓ It can be cheap, in the sense that the researcher can choose a less costly design among comparable research designs.

Unfortunately, each research project can be only two of these three things. If a research project is good and fast, then it won't be cheap. If it's good and cheap, then it's impossible to conduct it quickly. Finally, if it's fast and cheap, then it's unlikely to produce accurate findings.

The American Marketing Association (AMA) definition of marketing research

Every few years (or so it seems) the American Marketing Association (AMA) revises the definitions of key marketing terms. Recently, the AMA adopted the following definition of marketing research:

Marketing research is the function which links the consumer, customer, and the public to the marketer through

information — information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues; designs the

method for collecting information; manages and implements the data collection process; analyzes the results; and communicates the findings and their implications.

The AMA definition highlights the continuous process of marketing research. Marketers must constantly seek the opinion and insight of their stakeholders. Without sound market

data and analysis, it's almost impossible to design effective products and marketing strategies that appeal to the needs and wants of targeted consumers. Sound marketing analysis is a byproduct of appropriate and timely data collection. Thus, trustworthy measurement bridges marketing research and effective business decisions.

Comparing Marketing Research to Marketing Information Systems

Differentiating marketing research from marketing information systems is essential because the data provided by each varies and the manner and context in which those data are used also vary.

Marketing information systems have four components:

- ✓ **Internal data:** This type of data is generated from accounting records and data on sales, costs, and inventories. Because this type of data is organized according to accounting needs rather than according to marketing needs, it may be necessary to convert that data into a form that's more readily suited to marketing purposes.
- ✓ **Marketing intelligence:** This intelligence comprises observations and data from existing publications or companies, such as syndicated data services that are dedicated to providing such data. (We talk more about these sources in Chapter 13.) By observations we mean managers' or business owners' observations of and interactions with sales force members, distributors, suppliers, or other managers or co-owners.
- ✓ **An analytical system:** This system is developed by marketing scientists who create empirical models meant to help managers make better decisions. Because such a system relies on sophisticated statistical methods and computer algorithms, the managers who use one often don't understand its inner workings. Fortunately, not understanding what's under the hood is no more a problem for managers than it is for automobile drivers. Of course, most drivers must take their car to a mechanic when

it breaks because they don't know how to fix it; similarly, most managers must ask a marketing scientist to fix an analytical system that no longer produces useful information.

- ✓ **Marketing research:** This is a component of the information system that's triggered by observations or trends revealed by the ongoing data-collection process. For example, the first three components of a marketing information system may reveal a sales decline in one geographical region, but it's unlikely they include the information needed to create marketing strategies and tactics to reverse that decline. However, a marketing study of consumers, retailers, and wholesalers may suggest the cause of the decline, which in turn may suggest ways to reverse it.

Marketing research — which we discuss throughout this chapter and book — and marketing information systems differ in two main ways:

- ✓ **Why they're used:** Marketing research is conducted to answer an immediate, one-time question like “In the last year, why have our restaurant's customers reduced their purchases of appetizers by 25 percent?” It's inspired by a problem or an opportunity that managers or current or potential business owners suddenly or gradually recognize.

In contrast, marketing information systems generate marketing information on a routine basis, which can be weekly, monthly, or quarterly. Marketing information systems generate ongoing reports in a standardized format that managers and business owners can use for benchmarking or tracking trends. For example, these reports can alert a restaurant operator that dessert sales have been higher the first weekend of each month for the past six months.

- ✓ **How much data is collected:** Marketing research uses only those data sources that are relevant to the research problem. If marketing research is needed to better understand attitudes among various consumer groups, a survey-based study is appropriate. Of course, sane study participants with real lives will answer only a limited number of questions, preferably on a single occasion.

In contrast, an information system gathers great quantities of data, and if the system is working properly, it allows its operators to sift and organize that data in ways that allow managers to recognize patterns and trends.

Even though a marketing research study deals with much less data than a marketing information system, these data sources complement one another. In fact, an information system may alert a manager to a problem and indicate that marketing research is required to better understand that problem.



An example: Seeing marketing information systems in use

Among other service providers, restaurant operators may benefit from a marketing information system. Suppose a restaurant's sales have been declining during the last two months and the operator wants to know why. Before conducting a customer survey, the operator can evaluate internal data, which in this case can include the following:

- ✓ A menu-item analysis to identify items that are and aren't selling well.
- ✓ A promotions analysis to assess coupon redemptions and happy-hour purchases.

To further explain declining sales, the operator can then use marketing intelligence gained

from *primary* (distributors and frequent patrons) and *secondary* (industry magazines) sources. Although eyeballing raw data can help you detect trends, a structured system for analyzing the data can reveal otherwise hidden patterns. An analytical system can provide a comprehensive assessment of the data and suggest actions to reverse slumping sales. Finally, with a better understanding of the research problem, the operator can engage in meaningful marketing research, through which patrons' opinions, suppliers' ideas, and employees' insights can be sought and obtained.

Using Research for Problem Identification and Problem Solving

Marketing research is divided into two basic domains:

- ✓ Problem-identification research
- ✓ Problem-solving research

Identifying the correct problem is a prerequisite for solving that problem. Without proper identification, you're likely solving the wrong problem. In the following sections, we explain the differences between the two basic marketing research domains and provide examples of each.

Looking at problem-identification research

Problem-identification research (see the chapters in Part II) attempts to assess market potential, market share, company/product image, market characteristics, current/future sales, and business trends. Such research helps marketers understand their marketing problem and identify marketing opportunities.

You can use problem-identification research to determine the types of information covered in the following sections.

Market potential

If you're planning to launch a new product or introduce a new-and-improved version of a current product, you need to know your market potential. Without a reliable forecast of total sales for this type of product, it's impossible to know how consumers will respond to price changes, from which stores they're likely to buy the product, or to which types of advertising they'll respond favorably.

For example, inspired by years of watching late-night infomercials, suppose that you've invented a new consumer product that you've named The Study Mate. The product is meant to help students multi-task more efficiently based on unique sounds made by the device. Before you invest \$2 million on Study Mate inventory and your own infomercials, you want to ensure — as much as possible — that enough people will order it at your \$29.99 selling price. After all, you're placing your children's college fund at risk! Although The Study Mate has no direct competitors, consumers can listen to their iPods or to Internet radio to achieve a similar effect. To forecast likely first-year sales, you need to determine whether students will purchase this product as a replacement for other sound-producing devices. Focus groups and survey data can help with this determination.

Market share

The market share you care about is the percent of total product sales — either in units or in dollars — captured by your product versus your competitors' products. In essence, all market share calculations follow this simple ratio: $\text{us} \div (\text{us} + \text{competitors})$.

Here's an example: If you're a restaurant operator who's interested in forecasting your future share of dining-out dollars for similar restaurants, the calculation is straightforward. These are steps you'd follow to gain the information you need:

1. Consult published trade figures for trends in total dining-out dollars spent in your community.
2. Calculate the percent of dining-out dollars now spent in restaurants like yours.
3. Survey your customers about their predicted near-term dining-out expenditures (or expected changes in their recent dining-out expenditures).

Based on their current expenditures, forecasted changes, and community trends, you can forecast your future share of dining-out dollars.



Although market share alone is a poor predictor of company success (because the calculation omits costs), it provides a sense of competitive viability and strategy feasibility. For example, if earning a profit requires capturing 80 percent of a well-established market, you're best off selling apples on a street corner!

Brand image

It's important to determine your customers' perceptions of your brand, retail availability, customer service, and the like. If you're a retailer, such information can help you decide your store's décor, merchandise displays and assortments, and credit policy.

For example, suppose that your retail store has been successful for so long that it has become a community landmark. Nonetheless, new competitors have entered your market and are slowly eroding your sales. Your store's and your new competitors' mix of products and the prices are comparable, but your old customers are still shifting their purchases to these new stores. Perhaps your customers see your store as dated and out-of-touch with current shopper preferences. To improve your store's image with current and potential new customers (which you believe will lead to an increase in loyal clientele), you decide to publicize your donations of time and money to local worthy causes. However, you're unsure how your customers will respond to the causes you've chosen to support. To reduce your uncertainty, you can conduct a survey to assess their attitudes about which causes you should support.

Brand image can be influenced in many ways. Through surveys (see Chapters 8 through 10) and focus groups (see Chapter 14), for example, you can determine which advertising strategies are likely to favorably influence consumers' perceptions of your brand.

Market characteristics

Each market — whether defined geographically, socioeconomically, behaviorally, or in other ways — has key characteristics that you must consider when developing your marketing strategies. Most efforts to develop a general strategy that's meant to appeal to all consumers are doomed; for example, Hispanics in San Antonio are likely to have far different preferences and purchase tendencies than Hispanics in Los Angeles. The better you understand the characteristics of your targeted customers, the more likely you are to develop successful marketing strategies.



Sometimes, businesses fail because their owners don't fully understand their target markets. Understanding nationwide cultural trends is insufficient; to meet and exceed customer needs — and thus remain competitive in the marketplace — you must target consumers who identify with different subcultures. To this end, you can use survey and census data to better understand the subcultures you're targeting.

Consider this example: Say you've noticed a dip in sales during the last quarter. You believe that fewer consumers think of your brand as "their brand." Perhaps your ads no longer recognize the unique characteristics of your targeted customers, especially their ethnicity. If true, you may consider including ethnic cues in your ads (such as flag colors and ethnic verbiage). However, you're unsure which cues would be most effective. To reduce your uncertainty, you can conduct an experiment in which consumers evaluate ads with different ethnic cues. You can then run the best-liked and best-recalled ads in a new ad campaign.

Sales

As every Internet marketer knows, it's insufficient to simply attract customers; you also must make the sale. Without accurate sales forecasts, it's impossible to set appropriate production levels. The better you understand which factors influence sales, the more accurate your predictions of future sales.

Suppose, for example, you've been selling a successful regional beer for almost 15 years. Now you want to start selling your beer nationally. However, you're uncertain whether your beer can compete with national brands. To assess your beer's national viability, you can do the following:

- ✓ Conduct blind taste tests to assess whether consumers find your beer as tasty as those national brands
- ✓ Survey beer drinkers to assess their beer preferences and purchases
- ✓ Conduct a virtual (online) focus group (see Chapter 14) with beer vendors nationwide to locate regions with growing sales and weak (in terms of sales, not alcohol content) beer brands

Business trends

To enhance their long-run success, companies must monitor their business environments constantly. Social trends, like increased social networking and efforts to simplify everyday life, can affect advertising efficacy and overall consumption levels. Regulatory changes can alter the cost of doing business. Beating your competitors to the punch by recognizing such trends helps you gain an immediate — and possibly sustainable — competitive advantage.

For example, suppose you've noticed that more and more companies are developing group postings on social media Web sites. You know that your target market — younger adults — is inclined to visit such Web sites often and take the information found there more seriously than your expensive ads. Through focus groups and direct interviews, you can determine the best ways to use these social media sites to your advantage and ride latest communication wave.

Becoming familiar with problem-solving research

After you identify your problem, you then need to research how to solve it (see the chapters in Part III). That subsequent *problem-solving research* focuses on issues such as *marketing mix* (marketing decisions related to the product and its price, promotion, and distribution) and *segmentation* (division of customers into meaningful subgroups). The following sections present the areas in which problem-solving research can help you.

Segmentation

Market segments are groups of customers with similar backgrounds or product preferences. Problem-solving research may determine the best characteristics for grouping customers, forecasting potential sales to different customer groups, and understanding the lifestyles of heavily targeted customers (to design ads meant to attract them).

Consider this example: As a store owner, you're trying to update the theme and ad campaign for your store. Because peer and cultural influences affect consumer purchases, you can collect data about these influences to help identify the most promising store theme and ad campaign for attracting new customers. Qualitative and quantitative data can help you better understand who or what influences your consumers.

Product research

Problem-solving product research includes testing concepts for possible new products, looking for ways to modify existing products (for example, by changing the packaging or repositioning the brand so it competes more effectively with newer products), and test marketing. (We discuss test marketing further in Chapter 16.)

Suppose, for example, you're on the verge of choosing a location for a new retail store. Do you select the location that has more or less square footage? You know that effective space utilization is a critical aspect of retail success. To understand how big is too big, you can observe people as they wander through comparable brick-and-mortar stores. You may discover, as is true of many modern electronic devices, that smaller is better (although we prefer large-screen televisions to handheld video players). After all, not everyone shops for everything at big-box stores.

Pricing research

Setting the ideal price — typically the one that maximizes long-run profits — is critical for new and existing products. Problem-solving research can answer these types of pricing questions for new products:

- ✓ Should you set a high initial price that extracts maximum dollars from price-insensitive customers but reduces total units sold? Or should you set a low initial price that attracts the largest possible number of customers and secures long-run sales?
- ✓ Will customers who are seduced by a new brand return if you lower the price of your established brand?
- ✓ Can you increase the overall profit of your product line if you increase the price of your top-of-the-line model?
- ✓ How sensitive are your most frequent customers to small increases or decreases in the price of your product?

As an example, say your chain store operation is entering a new geographic market and you're trying to decide whether an everyday-low price or a frequent price-promotion strategy will work best. To discover which strategy will attract the most customers in this new market, you can survey potential customers.

Promotional research

Promotional problem-solving research can answer these types of questions:

- ✓ Are we spending the right amount on advertising?
- ✓ Does our advertising compliment our couponing and other temporary price-reduction efforts?
- ✓ Are our ads effective in attracting new customers and retaining current customers?
- ✓ Should we start placing ads online or should we continue to spend most of our promotional dollars on radio and newspaper ads?

Say, for example, you own a store that sells prerecorded movies and music. Unfortunately, an economic downturn has hurt your sales, so you have excess inventory that you need to unload. You know that consumers generally spend more on bundles of goods; for example, they'd prefer to buy a bundle of five CDs by a popular artist rather than three individual CDs. However, you don't know whether bundling will work with your customers, because many have had to tighten their financial belts. By experimenting with different bundles and prices, you can develop a price promotion strategy that helps you reduce this unwanted inventory.

Distribution research

Your customers can't buy what retailers don't carry, so identifying the best way to get your product into your customers' hands is critical. Distribution research can determine the best path — through wholesalers and retailers — from your production facilities to your customers' shopping bags. It also can answer questions about the ideal mix of retailers to carry your product, the recommended retail price (because customers won't buy excessively marked-up goods), and the location of inventory centers.

For example, suppose you want to compete on low price, but your supply chain is long; that is, your product makes several stops before it reaches retailing outlets. As a result, you must set a high-selling price to cover the cost of these middlemen. To combat this problem, you're thinking about selling directly to your customers over the Internet and through home shopping networks. To ensure that your customers will buy directly, you can survey them about their online and shopping network preferences and behaviors.

The Most Appropriate Research at Each Stage of the Product Life Cycle

The *product life cycle* (PLC) models sales (vertical axis) over time (horizontal axis) and offers a visual depiction of a product's or product category's life (see Figure 1-1). The PLC can be used as a forecasting tool and provides insight into marketing strategies and tactics. It assumes that products move through the following five stages:

1. The precommercialization stage.

This stage occurs before a product is launched. During this stage, many types of qualitative studies (see Chapters 14 and 15) and test markets (see Chapter 16) may be more suitable than quantitative studies. For example, focus groups, concept tests, ad copy tests, and simulated test markets can offer unique insight into preferred product functionality, potential customers' willingness to buy, and nonfunctional value (such as the appeal of a well-known brand name).

2. The introduction stage.

Because concerns at the introduction stage relate to launching a product, research can help you make decisions about time of commercialization, range of distribution outlets, advertising and promotion strategies, pricing, competition, and buyer behavior.

3. The growth stage.

Although the growth stage is a prime time for businesses, products that reach this stage face a new set of issues, such as new (and possibly

improved) competitors, higher costs from expanded production, more diverse consumers as markets broaden and new markets are entered, and the difficulty of maintaining a consistent message across various marketing media.

4. The maturity stage.

Concerns at the maturity stage entail maintaining or growing market share for a product. At this stage, you're unlikely to grow industry sales, so increasing your sales means capturing competitors' sales. As a result, lifestyle and segmentation research — to identify key consumer groups and to assess their attitudes and behaviors — can help you reposition your product so it becomes more attractive to a different or larger share of the market.

5. The decline stage.

In the decline stage, you're basically trying to milk the product. Typically, buyers in a product's decline stage are very sensitive to price. To squeeze every last dollar of profit out of an old product, you should determine peoples' sensitivities to its price (the change in demand related to changes in price) and what you can do to reduce its cost.



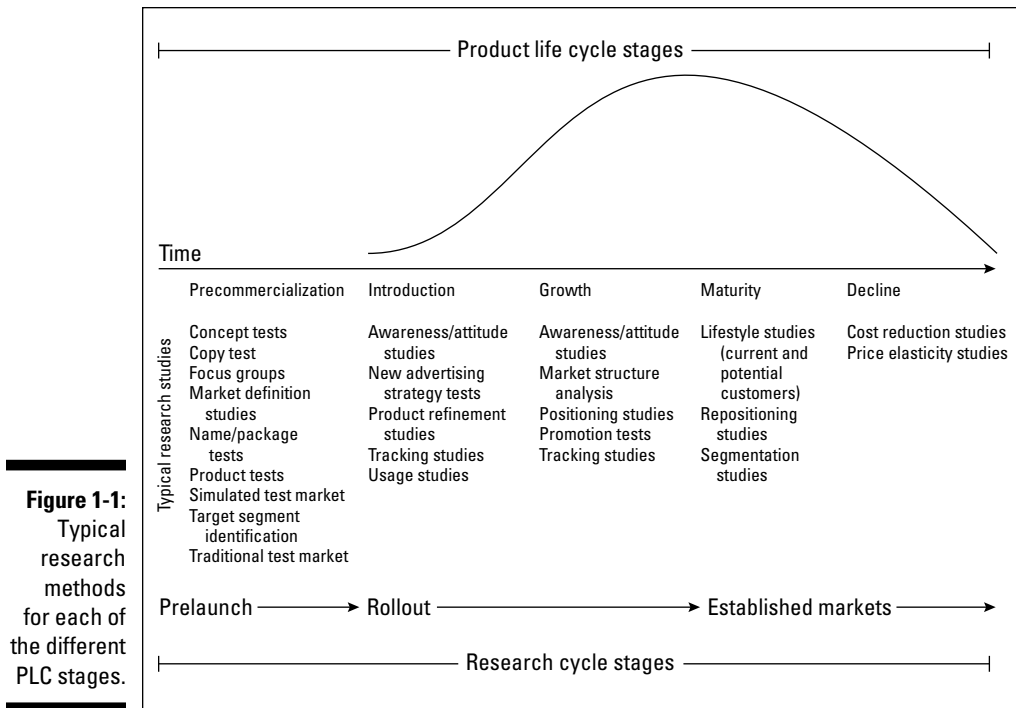
Although it's a great tool, the PLC is an idealized model, so the sales trajectories of some products don't conform. For example, many high-tech consumer products may not reach the maturity stage before manufacturers introduce a newer version, thereby beginning a new PLC. Frequently purchased consumer products, like soft drinks, may remain in the maturity stage for many years. In addition, some products that reach the decline stage, like vinyl records, may reverse sales declines due to changing consumer preferences.

Just as certain strategies prove more effective at various PLC stages, different types of research are more typical at different PLC stages (see Figure 1-1). The planning and research methods necessary for product development and launch differ somewhat from those necessary for ongoing products.

Rather than gather data and react, which often occurs with mature products, research to support product introduction is proactive in assessing the opinions and preferences of consumers and business operators. For example, focus groups and in-depth personal interviews, which provide extensive psychological and behavioral insights, would be more effective than traditional mass surveys for precommercialized products. (We discuss these research methods more in Chapter 14.) Test marketing, which can help to fine-tune the product and the strategy for selling it (see Chapter 15), also is critical to product development and pre-product-launch decisions.



Although no research program can guarantee successful product commercialization, sound and appropriate research maximizes the likelihood of success.



Making the Big Decision to Do (Or Not to Do) Marketing Research

We cover the various marketing research types and approaches in detail in Parts I and II of this book. For now, consider the value of knowing the answers to these research questions:

- ✓ In an already fierce competitive environment, is it sensible for a well-established, low-price apparel retailer to reposition itself as a high-end boutique?
- ✓ Can a local restaurateur capture and maintain market share in a business environment crowded with corporate franchises?
- ✓ When relevant, should ad agencies persuade their clients to use an overt or a discreet warning label to create a socially responsible reputation among consumers?



Marketing research can help you answer such questions. Understanding the difference between a situation that merits research and one that doesn't is critical to making an appropriate decision about conducting a study.

Here are some of the things that marketing research does for you and your business:

- ✔ **It provides important behavioral information.** More specifically, it provides the information that you use to reach your consumers, customers (remember that the person who buys a product may or may not be the person who uses that product), and the general public. It can reveal the attitudes and behaviors of those people.
- ✔ **It generates, refines, and evaluates your marketing activities.** It can provide marketing-related insights about the things you should be doing as well as about ways to modify and improve the things you're already doing. As a result, marketing research should improve your business operations.
- ✔ **It helps you benchmark and monitor your company's performance.** Although marketing information systems also can help in this regard, marketing research can determine your company's performance in terms of consumer attitudes toward product and service quality, sales volume, and the like. (Refer to the earlier section "Comparing Marketing Research to Marketing Information Systems" for more information.)
- ✔ **It helps you understand marketing as a process,** even if you only gain basic insights into how your market functions. Ultimately, those insights may be turned into better decisions.



Unfortunately, misguided conventional wisdom is rampant in marketing. For instance, some folks believe marketing research can solve all their business problems. Don't fall victim to this type of thinking. One value of marketing research is its ability to examine erroneously held ideas about customers, competitors, and the environment — in essence, all areas related to effective marketing.

In the following sections, we provide some helpful information to assist you in determining when and when not to conduct marketing research.

When you should do marketing research

You should plan to conduct marketing research if it can help you make a better decision; that is, a decision based on external evidence and careful analysis rather than a spouse's or friend's intuition. Specifically, the goal of marketing research is to help managers and business owners select the best among alternative viable courses of action.

You'll likely want to conduct marketing research in the following circumstances:

✓ **When you want to better understand your customers:** If you more thoroughly understand your customers, you're more likely to create products and services that they prefer and will purchase. That ability should boost your sales and profits. For instance, it may help to know if ethnic background influences purchase intentions, how gender relates to Web browsing behavior, and what products your customers would rather shop for online.

✓ **When you need to discover what went wrong in your business:** You may conduct the best research, have the best people working on a marketing problem, seemingly develop the best marketing strategy, and then still fail miserably. It's often worthwhile to determine what caused the failure that you initially thought would be a success.

For example, a restaurant owner may believe, based on worldwide culinary trends and casual conversations with customers, that fried frog legs would make a nice addition to his menu. However, after changing the menu, his customers may instead protest to *save Kermit and his friends*. Marketing research can indicate what went wrong in this case.

✓ **When the additional information meaningfully reduces uncertainty associated with selecting the best course of action:** It's one thing to have a hunch that a certain business decision will lead to higher sales; it's another to base that decision on research results. When using your gut to make a decision, subjectivity and uncertainty about the outcome are higher than the systematic and objective approach that marketing research affords.

✓ **When its value exceeds the estimated costs:** Wild guesses about value versus cost often are faulty, so examine our DVD examples and Excel template, which show a Bayesian approach to assessing research value. This quantitative method provides you a more objective way to calculate whether research value exceeds research costs.



You must anticipate when your marketing ship is starting to drift off course and you need appropriate research to right its course. If bankruptcy is inevitable, marketing research will be of little help. It's too late then!

We're not proposing marketing research as a cure for all marketing problems; instead, we're proposing that it's only appropriate in some situations. You may find this odd and wonder why we aren't stronger advocates. Is marketing research so faulty that we can't advocate its use at all times? No! Marketing research can be valuable if it's conducted correctly and when it's appropriate; when those conditions don't prevail, you're best off avoiding marketing research.



You should never assume that marketing research will be perfect. It can't be. In fact, for any given decision, you may be better off flipping a coin or consulting a palm reader. After all, it's possible that a given study will be very far from perfect. (Consider, for example, Coca-Cola's *New Coke* fiasco and all the seemingly sound research that Coca-Cola conducted before introducing the new version of its original soft drink.) However, over the course of many decisions, if you help marketing researchers understand the basic business environment and give them ample time and resources to conduct appropriate studies — or you conduct your own marketing research — then, on average, you'll make better decisions.

When you shouldn't do marketing research

Sometimes it's best not to conduct marketing research. If you mistakenly conduct or commission research studies when they're unnecessary, you'll eventually conclude that marketing research is of little value, overpriced, and irrelevant — and that would be the most incorrect conclusion you could draw!

When is it ill-advised to conduct marketing research? Here's a partial list of circumstances when you shouldn't spend the money needed to complete a marketing research study:

✔ **You and your staff or other owners can't agree on the information that's needed.** In this case, it's impossible to provide researchers with the guidance they need to conduct a useful study. If researchers don't know what they need to discover, the results of their studies can't help you make a better decision. Hence the importance of well-defined research questions that are acceptable to all relevant parties.

✔ **You don't have the necessary resources to conduct a proper study.** If you own your home and want to add on a room, would you hire a contractor to start the job if you only had enough money to tear a hole in the side of your house and pour a concrete slab? Of course not! Similarly, you shouldn't try to conduct a marketing research study unless you can afford a complete and proper study.

As consultants, we were often asked by clients to conduct studies for one-third of the amount that we originally quoted. We know that studies can't be executed properly with an inadequate budget. As a result, we'd refuse to conduct the studies. We'd suggest alternatives, including other research suppliers, but we wouldn't participate in research that would be untrustworthy due to an insufficient budget. Neither houses nor businesses should be built on sand, especially in earthquake zones!

✔ **Your study will be poorly timed.** Perhaps it's premature to conduct the study; for example, maybe your market hasn't yet matured sufficiently. In that case, the research information will be so dated by the time you need to make a decision that it's no longer trustworthy.

- ✔ **You'll alert your competitors.** Conducting a study can alert competitors about a new product that you may launch or a new configuration for an existing product you may try. As a result, you're giving competitors an opportunity to develop a "me too" product, which will cost you much of the advantage associated with introducing a product without competitors' prior knowledge.
- ✔ **The information you need already exists.** You don't need to reinvent the wheel. If you can find secondary sources (which we discuss more in Chapter 13) or previous studies that pertain and are timely, it's nonsensical to spend the money needed to conduct a new marketing research study.
- ✔ **You want a scapegoat or excuse for poor performance.** Unless you live for office politics, have colleagues or co-owners who want your scalp, or can't face your own mistakes, you should worry about your future successes rather than finding excuses for your previous failures. We're not saying a postmortem meant to help avoid future failure isn't worthwhile; rather, we believe that the blame game isn't worth playing. Save those games for troublesome siblings!



Because research is meant to assist rather than replace managerial decision-making, you can't blame previously conducted research for your faulty decisions. In a pinch, remind disappointed business associates that the value of a decision isn't based on the outcome. You can determine whether to trust the results of a research study, and thus make a more informed decision, but that decision still can produce a marketing failure.

- ✔ **You've already made your decision.** It's nonsensical to pay for marketing research that confirms an already-made decision. After you've made a decision, you've eliminated all uncertainty about that decision (but obviously not the outcome of that decision). Paying for confirmation of an already-made decision is perhaps good for massaging your ego, but it's a true waste of money.
- ✔ **The cost of the study outweighs its benefits.** If the benefits don't exceed the cost, it's senseless to conduct marketing research. After all, why pay more for something than it's worth? The value of research is to decrease uncertainty, to increase the likelihood of a correct decision, and to improve marketing performance. The costs are equally clear: the direct cost of doing research, the cost of any delay in implementing a decision, and the cost of potentially tipping rivals to your actions.



It may not be obvious when the cost outweighs the benefits, so the DVD accompanying this book contains a detailed discussion and an Excel template for formally assessing research cost versus benefits.

