



The Role of Marketing Research in Management Decision Making

CHAPTER 1

LEARNING OBJECTIVES

- 1. Review the marketing concept and the marketing mix.
- 2. Comprehend the marketing environment within which managers must make decisions.

Welcome to the fascinating world of marketing research! How does marketing research help managers reach their goals? How did the field of marketing research evolve? What big changes are occurring? We will explore this topic in Chapter 1.

Nature of Marketing

→ marketing

The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

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.¹ Good customer relationships often result in exchanges; that is, a good or service is exchanged for money. The potential for exchange exists when there are at least two parties and each has something of potential value to the other. When the two parties can communicate and deliver the desired goods or services, exchange can take place.

How do marketing managers attempt to stimulate exchange? They follow the “right” principle. They attempt to get the right goods or services to the right people at the right place at the right time at the right price, using the right promotion techniques. The “right” principle describes how marketing managers control the many factors that ultimately determine marketing success. To make the “right” decisions, management must have timely decision-making information. Marketing research is a primary channel for providing that information.

The Marketing Concept

→ marketing concept

A business philosophy based on consumer orientation, goal orientation, and systems orientation.

To efficiently accomplish their goals, firms today have adopted the **marketing concept**, which requires (1) a consumer orientation, (2) a goal orientation, and (3) a systems orientation. A **consumer orientation** means that firms strive to identify the people (or firms) most likely to buy their product (the target market) and to produce a good or offer a service that will meet the needs of target customers most effectively in the face of competition. The second tenet of the marketing concept is **goal orientation**; that is, a firm must be consumer oriented only to the extent that it also accomplishes corporate goals. The goals of profit-making firms usually center on financial criteria, such as a 15 percent return on investment.

→ consumer orientation

The identification of and focus on the people or firms most likely to buy a product and the production of a good or service that will meet their needs most effectively.

The third component of the marketing concept is a **systems orientation**. A system is an organized whole—or a group of diverse units that form an integrated whole—functioning or operating in unison. It is one thing for a firm to say it is consumer oriented and another actually to *be* consumer oriented. First, systems must be established to find out what consumers want and to identify market opportunities. As you will see later, identifying target market needs and finding market opportunities are the tasks of marketing research. Next, this information must be fed back to the firm. Without feedback from the marketplace, a firm is not truly consumer oriented.

→ goal orientation

A focus on the accomplishment of corporate goals; a limit set on consumer orientation.

Opportunistic Nature of Marketing Research

→ systems orientation

The creation of systems to monitor the external environment and deliver the desired marketing mix to the target market.

Marketing research is an excellent tool for discovering opportunities in the marketplace. Midmarket hotel chains, such as Holiday Inn, (especially those with less than 150 rooms), often don’t generate enough traffic to support a full-service restaurant. Holiday Inn surveyed 10,000 guests and found that its guests were mostly business people, sales people, and government employees. These people revealed that they had no desire to simply sit in their room. They wanted to be around other people.

Holiday Inn management decided that the bar should play a bigger role at the hotels. The social hub would tailor Holiday Inn’s lunch and dinner menus to bar fare that can be shared, such as gourmet meatballs, sesame chicken wings, hamburgers, and a few significant entrees, such as steaks and salmon club sandwiches.

Those changes allow for more food to be served by the bar staff, which, in turn, allows Holiday Inn’s franchisees to limit their labor costs by reducing restaurant staff, especially at slow times of the day.²

External Marketing Environment

Over time, the **marketing mix** must be altered because of changes in the environment in which consumers and businesses exist, work, compete, and make purchasing decisions. Some new consumers and businesses will become part of the target market, while others will drop out of the market; those who remain may have different tastes, needs, incomes, lifestyles, and purchase habits than the original target consumers.

Although managers can control the marketing mix, they cannot control elements in the external environment that continually mold and reshape the target market. Unless management understands the external environment, the firm cannot intelligently plan its future, and organizations are often unaware of the forces that influence their future.

Marketing research is a key means for understanding the environment. Knowledge of the environment helps a firm not only alter its current marketing mix but also take advantage of new opportunities. John Deal, a St. Louis resident, commissioned a marketing research study to determine the potential demand for a small (two- to three-store) chain in the local area that would feature bath and kitchen appliances and accessories. The survey results were positive and John decided to move forward. One issue that concerned John was what role the Internet should play in his stores. Fortunately, he was able to acquire a study titled “Seamless Retail” by Accenture. A few highlights were:

Forty-nine percent of consumers believe the best thing retailers can do to improve the shopping experience is to better integrate in-store, online and mobile shopping channels. Eighty-nine percent of consumers said it is important for retailers to let them shop for products in the way that is most convenient for them, no matter which sales channel they choose.

The report says that consistency weighs heavily on the consumer experience: 73 percent of consumers expect a retailer’s online pricing to be the same as its in-store pricing, and 61 percent expect a retailer’s online promotions to be the same as its in-store promotions.

Asked what kind of information would be useful to have from their favorite retailers before going to a physical store, 82 percent of consumers selected having access to current product availability as their top choice.

Forty-nine percent of those surveyed are influenced by in-store offers (promotional displays, salespeople), 56 percent are influenced by e-mail coupons and offers, and an equal amount say they are influenced by coupons mailed to their home. Sixty-nine percent and 62 percent, respectively, said that online pop-up ads and mobile banner ads would never influence their purchasing.³

After having read the report, John was then in a position to craft an effective integrated retailing strategy involving the Web and a traditional store.

➔ **marketing mix**
The unique blend of product/service, pricing, promotion, and distribution strategies designed to meet the needs of a specific target market.

Marketing Research and Decision Making

Marketing research plays two key roles in the marketing system. First, as part of the marketing intelligence feedback process, marketing research provides decision makers with data on the effectiveness of the current marketing mix and offers insights into necessary changes. Second, marketing research is the primary tool for exploring new opportunities in the marketplace. Segmentation research and new product research help identify the most lucrative opportunities for a firm.

Marketing Research Defined

Now that you have an understanding of how marketing research fits into the overall marketing system, we can proceed with a formal definition of the term, as stated by the American Marketing Association:

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 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.*⁴

→ **marketing research**
The planning, collection, and analysis of data relevant to marketing decision making and the communication of the results of this analysis to management.

→ **descriptive function**
The gathering and presentation of statements of fact.

→ **diagnostic function**
The explanation of data or actions.

→ **predictive function**
Specification of how to use descriptive and diagnostic research to predict the results of a planned marketing decision.

We prefer another definition: **Marketing research** is the planning, collection, and analysis of data relevant to marketing decision making and the communication of the results of this analysis to management.

Importance of Marketing Research to Management

Marketing research can be viewed as playing three functional roles: descriptive, diagnostic, and predictive. Its **descriptive function** includes gathering and presenting statements of fact. What is the historic sales trend in the industry? What are consumers' attitudes and beliefs toward a product? Opening a pack of bacon is a messy job. Bacon lovers have to reach into the package, and if they only pull out a few slices, there's no easy way to store the remainder. Oscar Mayer marketing researchers hear plenty from consumers about what they disliked about its former bacon packaging. So marketers figured the best solution would be a packaging innovation that eliminated the chore of placing the opened pack in a resealable plastic bag or wrapping it in plastic or foil. This unwanted task was done so that the last piece of bacon would be as fresh as the first.

Oscar Mayer Center Cut Bacon was introduced in a new "Stay-Fresh Reclosable Tray." The flip-top lid allows easy access to the bacon inside. The top snaps closed, making it readily resealable. The flat tray makes for simplified storage in the refrigerator.

The second role of research is the **diagnostic function**, wherein data and/or actions are explained. For example, what was the impact on sales when the Oscar Mayer package design was changed? How can product/service offerings be altered to better serve customers and potential customers? Since kids eat over 5 billion ounces of ketchup each year, Heinz decided that the heavy users (kids) should have a lot to say (via marketing research) about how to make ketchup fun. Heinz listened and watched children using ketchup, which resulted in a new bottle design and name selection. The true ketchup connoisseurs helped create Heinz EZ Squeeze ketchup!

The final role of research is the **predictive function**. How can the firm best take advantage of opportunities as they arise in the ever-changing marketplace? Bonobos is the largest apparel brand ever built on the Web in the United States. They attribute customer dialogue (marketing research) for helping them create a signature line of better-fitting men's pants. Their research brings the customer into the design process to create successful product offerings. Marketing research has identified different target markets for Bonobos such as the "Sporty Guy," "Guy Next Door," and "Men Who Wear Red Pants."⁵

The Unrelenting Drive for Quality and Customer Satisfaction Quality and customer satisfaction are the key competitive weapons in today's marketplace. U.S. automobile manufacturers have been among the most battered in recent years but now are running side by side with the imports. The watchwords are quality and customer service. As one auto executive puts it:

*If you go back to even a very short time ago, our whole idea of a customer was that we would wholesale a car to a dealer, the dealer would then sell the car to the customers, and we hoped we never heard from the customer—because if we did, it meant something was wrong. Today, we want to establish a dialogue with the customer throughout the entire ownership experience. We want to talk to our customers every step of the way. We want to be a consumer-products and services company that just happens to be in the automotive business.*⁶

Where does marketing research come into play? The J.D. Power Awards rank cars based on the level of customer satisfaction. This, in turn, drives sales of specific companies and models. Lexus has always done well in a number of quality and customer satisfaction studies. This has helped increase sales of the IS, LS, and RX models. At some Lexus dealers, you can get a manicure and a massage while having your oil changed. Automobile manufacturers use marketing research

to aid designers, determine what new features to add to specific models, and learn how their cars stack up with those of the competition.

Quality that means little to customers usually doesn't produce a payoff in improved sales, profits, or market share; it represents wasted effort and expense. Today, the new mantra is **return on quality**, which means that (1) the quality being delivered is the quality desired by the target market and (2) the added quality must have a positive impact on profitability. For example, banking giant Bank of America measures every improvement in service quality, from adding more tellers to offering new products, in terms of added profitability. REI, the Seattle-based outdoors sporting goods chain, has earned a nickname, "Return Everything Inc." Hundreds of returned items are stacked in bins, hanging on racks and lining shelves. Tags detail the customer complaints: "Suddenly not waterproof" on a frayed, blue, men's rain jacket from a previous decade; "Don't fit well" on a pair of thick, black, women's clogs so well worn that their original design has faded.

At another REI store, a customer recently returned a pair of women's sandals, designed for hiking and wading in rivers. The problem? According to the tag, "not sexy enough." Several years ago, a customer in Washington State successfully returned an REI snowsuit he bought to climb Mount Rainier in 1970.⁷

In 2013, though, the chain announced it would henceforth take back items only within a year of purchase. In this case, over-the-top service quality was having a negative impact on the return on quality.

Paramount Importance of Keeping Existing Customers An inextricable link exists between customer satisfaction and customer loyalty. Long-term relationships don't just happen; they are grounded in the delivery of service and value, as the REI example shows. Customer retention pays big dividends for firms. Powered by repeat sales and referrals, revenues and market share grow. Costs fall because firms spend less funds and energy attempting to replace defectors. Steady customers are easy to serve because they understand the modus operandi and make fewer demands on employees' time. A firm's ability to retain customers also drives job satisfaction and pride, which leads to higher employee retention. In turn, long-term employees acquire additional knowledge that increases productivity.

A Bain & Company study estimates that a 5 percent decrease in the customer defection rate can boost profits by 25–95 percent.⁸ Another study found that the customer retention rate has a major impact on the value of the firm.⁹

The ability to retain customers is based on an intimate understanding of their needs. This knowledge comes primarily from marketing research. For example, British Airways recast its first-class transatlantic service based on detailed marketing research. Most airlines stress top-of-the-line service in their transatlantic first-class cabins. However, British Air research found that most first-class passengers simply want to sleep. British Air now gives premium flyers the option of dinner on the ground, before takeoff, in the first-class lounge. Then, once on board, they can slip into British Air pajamas, put their heads on real pillows, slip under blankets, and enjoy an interruption-free flight. On arrival at their destination, first-class passengers can have breakfast, use comfortable dressing rooms and showers, and even have their clothes pressed before they set off. These changes in British Air's first-class service were driven strictly by marketing research.

Understanding the Ever-Changing Marketplace

Marketing research also helps managers to understand trends in the marketplace and to take advantage of opportunities. Marketing research has been practiced for as long as marketing has existed. The early Phoenicians carried out market demand studies as they traded in the various ports on the Mediterranean Sea. Marco Polo's diary indicates he was performing a marketing research function as he traveled to China. There is evidence that the Spanish systematically conducted marketing surveys as they explored the New World, and examples exist of marketing research conducted during the Renaissance.

➔ **return on quality**
Management objective based on the principles that (1) the quality being delivered is at a level desired by the target market and (2) the level of quality must have a positive impact on profitability.

Asking the right questions in marketing research can be as important as getting good answers. UPS found that customers wanted more interaction with their UPS driver. Go to <http://www.ups.com> to find out how UPS uses marketing research to better serve its customers.



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Social Media and User-Generated Content

In the past few years, the world of promotion has been turned upside down. Previously, marketers created a message and then one, or a series, of traditional media, TV, print, radio, and billboards, to deliver that message to a target market. Now, more people than ever participate in blogs, forums, online communities, product/service reviews—think Trip Advisor—and social media sites that created user-generated content (UGC). The opinions expressed in the venues are unsolicited, typically honest, candid, and passionate and can be extremely thoughtful. Social media such as Twitter, Facebook, and LinkedIn generate millions of comments a day about products and services. About 20 percent of all Tweets are about brands.¹⁰

In 2003, digital media accounted for less than 10 percent of advertising spending, relative to TV and print. In 2008, its share was in the low teens. By 2013, it exceeded 20 percent, according to ZenithOptimedia and TNS Media Intelligence.¹¹

Marketing researchers are tapping into these huge streams of data to determine what people think about their products and services, as well as those of the competition. Researchers are building profiles of persons online and using this data to target their promotional efforts. Other researchers tap online communities to build new products and services.

Smartphones are causing major changes in the way media are used and buying decisions are made. Add in tablets, traditional computers, and TV, and one finds that the consumer may be looking at four different screens at the same time! Researchers must now measure consumers' consumption of content and their exposure to advertising across all four screens. ESPN, the sports network, is now gathering data across five platforms: radio, television, computers, smartphones, and tablets.¹²

Proactive Role of Marketing Research

Understanding the nature of the marketing system is a necessity for a successful marketing orientation. By having a thorough knowledge of factors that have an impact on the target market and the marketing mix, management can be proactive rather than reactive. Proactive management alters the marketing mix to fit newly emerging patterns in economic, social, technological, and competitive environments, whereas reactive management waits for change to have a major impact on the firm before deciding to take action. It is the difference between viewing the turbulent marketing environment as a threat (a reactive stance) and seeing it as an opportunity (a proactive



Rex F. May

"I don't *know* what I'm doing—this is pure research!"

stance). Apple, for example, has been very proactive about bringing cutting-edge technology products to the marketplace. This, in turn, has generated huge profits for the company.

A proactive manager not only examines emerging markets but also seeks, through strategic planning, to develop a long-run **marketing strategy** for the firm. A marketing strategy guides the long-term use of the firm's resources based on the firm's existing and projected internal capabilities and on projected changes in the external environment. A good strategic plan is based on good marketing research. It helps the firm meet long-term profit and market share goals.

Applied Research versus Basic Research

Virtually all marketing research is conducted to better understand the market, to find out why a strategy failed, or to reduce uncertainty in management decision making. All research conducted for these purposes is called **applied research**. For example, should the price of DiGiorno frozen pizza be raised 40 cents? What name should Toyota select for a new sedan? Which commercial has a higher level of recall: A or B? By contrast, **basic, or pure, research** attempts to expand the frontiers of knowledge; it is not aimed at a specific pragmatic problem. Basic research is conducted to validate an existing theory or learn more about a concept or phenomenon. For example, basic marketing research might test a hypothesis about high-involvement decision making or consumer information processing. In the long run, basic research helps us understand more about the world in which we live. Managers usually cannot implement the findings of basic research in the short run. Most basic marketing research is now conducted in universities; the findings are reported in such publications as *The Journal of Marketing Research* and *The Journal of Marketing*. In contrast, most research undertaken by businesses is applied research because it must be cost-effective and of demonstrable value to the decision maker.

Although basic research is still important at some firms, particularly high tech, the notion of time-to-market has changed. That is, the basic research can be fairly long term but must have a focus on ultimately solving real-world problems. Companies conducting basic research include Genentech, Cisco Systems, and Google. Google, for example, has done basic research that has led to applied research that resulted in the creation of a self-driving car.

Nature of Applied Research

Marketing research studies can be classified into three broad categories: programmatic, selective, and evaluative. **Programmatic research** is conducted to develop marketing options through market segmentation, market opportunity analyses, or consumer attitude and product usage studies. **Selective research** is used to test decision alternatives. Some examples are testing concepts for new products, advertising copy testing, and test marketing. **Evaluative research** is done to assess program performance; it includes tracking advertising recall, doing organizational image studies, and examining customer attitudes on a firm's quality of service.

Programmatic research arises from management's need to obtain a market overview periodically. For example, product management may be concerned that the existing market information base is inadequate or outdated for present decision making, or marketing plans may call for the introduction of new products, ad campaigns, or packaging. Whatever the specific situation, current information is needed to develop viable marketing options. Typical programmatic research questions include the following:

- Has its target market changed? How?
- Does the market exhibit any new segmentation opportunities?
- Do some segments appear to be more likely candidates than others for the firm's marketing efforts?
- What new product or service opportunities lie in the various segments?

Equidistant between Los Angeles and San Francisco in the Eastern Sierra Nevada Mountains, Mammoth Mountain has been serving the skiers and snowboarders of central California for more than 50 years. With the summit reaching above 11,000 feet and average annual snowfall hitting 400 inches, thousands of customers flock to the slopes and the lodges annually.

➔ **marketing strategy**
A plan to guide the long-term use of a firm's resources based on its existing and projected internal capabilities and on projected changes in the external environment.

➔ **applied research**
Research aimed at solving a specific, pragmatic problem—better understanding of the marketplace, determination of why a strategy or tactic failed, or reduction of uncertainty in management decision making.

➔ **basic, or pure, research**
Research aimed at expanding the frontiers of knowledge rather than solving a specific, pragmatic problem.

➔ **programmatic research**
Research conducted to develop marketing options through market segmentation, market opportunity analyses, or consumer attitude and product usage studies.

➔ **selective research**
Research used to test decision alternatives.

➔ **evaluative research**
Research done to assess program performance.

Yet, the resort's longstanding direct-mail program just wasn't driving the traffic. While the resort wasn't losing visitors (most resort traffic industrywide comes from existing skiers and snowboarders rather than those new to the sports), executives hoped to gain some ground in an overall stable market by injecting some life into what had become an out-of-date marketing campaign—and to increase the frequency of visits by the 900,000 customers in its database.

Resort executives used programmatic research collected from an annual survey, the National Skier and Snowboarder Opinion Survey conducted on behalf of resorts across the country, and found that 94 percent of Mammoth's users in particular acknowledge using the Internet to find information about everything from weather advisories to checking room rates at one of Mammoth's lodges.

This information led to the creation of an e-mail marketing system that reaches 18,000 subscribers. The format is chatty and informing. For example, "The weather has been beautiful here lately, and with a 12- to 14-foot base you can't go wrong anywhere on the mountain. At 1:15 p.m. the temperature is 34 degrees at Main Lodge with clear skies and moderate to gusty winds. It's extremely windy and cold on top at 17 degrees, so be sure to bundle up." Skier visit numbers have been increasing 5 percent or more annually as a result of the programmatic research!¹³

Selective research typically is conducted after several viable options have been identified by programmatic research. If no one alternative is clearly superior, product management usually will wish to test several alternatives. However, selective research may be required at any stage of the marketing process, such as when advertising copy is being developed, various product formulations are being evaluated, or an entire marketing program is being assessed, as in test marketing.

The need for evaluative research arises when the effectiveness and efficiency of marketing programs must be evaluated. Evaluative research may be integrated into programmatic research when program changes or entirely new options are demanded because of current performance, such as at Mammoth Mountain.

Decision to Conduct Marketing Research

A manager who is faced with several alternative solutions to a particular problem should not instinctively call for applied marketing research. In fact, the first decision to be made is whether to conduct marketing research at all. In a number of situations, it is best not to conduct research.

- *Resources are lacking.* There are two situations in which a lack of resources should preclude marketing research. First, an organization may lack the funds to do the research properly. If a project calls for a sample of 800 respondents but the budget allows for only 50 interviews, the quality of the information would be highly suspect. Second, funds may be available to do the research properly but insufficient to implement any decisions resulting from the research. Small organizations in particular sometimes lack the resources to create an effective marketing mix. In one case, for example, the director of a performing arts guild was in complete agreement with the recommendations that resulted from a marketing research project. However, 2 years after the project was completed, nothing had been done because the money was not available.
- *Research results would not be useful.* Some types of marketing research studies measure lifestyle and personality factors of steady and potential customers. Assume that a study finds that introverted men with a poor self-concept, yet a high need for achievement, are most likely to patronize a discount brokerage service. The management of Charles Schwab's discount brokerage service might be hard-pressed to use this information.
- *The opportunity has passed.* Marketing research should not be undertaken if the opportunity for successful entry into a market has already passed. If the product is in the late maturity or decline stage of the product life cycle (such as cassette recorders or black-and-white television sets), it would be foolish to do research on new product entry. The same may be true for markets rapidly approaching saturation, such as super premium ice cream (Häagen-Dazs, Ben and Jerry's). For products already in the market, however, research is needed to modify the products as consumer tastes, competition, and other factors change.
- *The decision already has been made.* In the real world of management decision making and company politics, marketing research has sometimes been used improperly. Several years

ago, a large marketing research study was conducted for a bank with over \$800 million in deposits. The purpose of the research project was to guide top management in mapping a strategic direction for the bank during the next 5 years. After reading the research report, the president said, “I fully agree with your recommendations because that was what I was going to do anyway! I’m going to use your study tomorrow when I present my strategic plan to the board of directors.” The researcher then asked, “What if my recommendations had been counter to your decision?” The bank president laughed and said, “They would have never known that I had conducted a marketing research study!” Not only was the project a waste of money, but it also raised a number of ethical questions in the researcher’s mind.

- *Managers cannot agree on what they need to know to make a decision.* Although it may seem obvious that research should not be undertaken until objectives are specified, it sometimes happens. Preliminary or exploratory studies are commonly done to better understand the nature of the problem, but a large, major research project should not be. It is faulty logic to say, “Well, let’s just go ahead and do the study and then we will better understand the problem and know what steps to take.” The wrong phenomena might be studied, or key elements needed for management decision making may not be included.
- *Decision-making information already exists.* Some companies have been conducting research in certain markets for many years. They understand the characteristics of their target customers and what they like and dislike about existing products. Under these circumstances, further research would be redundant and a waste of money. Procter & Gamble, for example, has extensive knowledge of the coffee market. After it conducted initial taste tests, P&G went into national distribution with Folgers Instant Coffee without further research. The Sara Lee Corporation did the same thing with its frozen croissants, as did Quaker Oats with Chewy Granola Bars. This tactic, however, does not always work. P&G thought it understood the pain reliever market thoroughly, so it bypassed marketing research for Encaprin, an encapsulated aspirin. The product failed because it lacked a distinct competitive advantage over existing products and was withdrawn from the market.
- *The costs of conducting research outweigh the benefits.* Rarely does a manager have such tremendous confidence in her or his judgment that additional information relative to a pending decision would not be accepted if it were available for free. However, the manager might have sufficient confidence to be unwilling to pay very much for it or wait long to receive it. Willingness to acquire additional decision-making information depends on a manager’s perception of its quality, price, and timing. The manager would be willing to pay more for perfect information (i.e. data that leave no doubt as to which alternative to follow) than for information that leaves uncertainty as to what to do. Therefore, research should be undertaken only when the expected value of the information is greater than the cost of obtaining it.



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The super premium ice cream market is reaching saturation. At this point, it might not be wise to enter this market. However, marketing research is necessary to keep products already in the market ahead of the competition.

Two important determinants of potential benefits are profit margins and market size. Generally speaking, new products with large profit margins are going to have greater potential benefit than products with smaller profit margins, assuming that both items have the same sales potential. Also, new product opportunities in large markets are going to offer greater potential benefits than those in smaller markets if competitive intensity is the same in both markets (see Exhibit 1.1).

EXHIBIT 1.1 Deciding Whether to Conduct Marketing Research		
Market Size	Small Profit Margin	Large Profit Margin
Small	Costs likely to be greater than benefits (e.g., eyeglass replacement screw, tire valve extension). DON'T CONDUCT MARKETING RESEARCH.	Benefits possibly greater than cost (e.g., ultra expensive Lamborghini-type sportswear, larger specialized industrial equipment such as computer-aided metal stamping machines). PERHAPS CONDUCT MARKETING RESEARCH. LEARN ALL YOU CAN FROM EXISTING INFORMATION PRIOR TO MAKING DECISION TO CONDUCT RESEARCH.
Large	Benefits likely to be greater than costs (e.g., Stouffers frozen entrees, Crest's teeth whitener strips). PERHAPS CONDUCT MARKETING RESEARCH. LEARN ALL YOU CAN FROM EXISTING INFORMATION PRIOR TO MAKING DECISION TO CONDUCT RESEARCH.	Benefits most likely to be greater than costs (e.g., medical equipment like CAT scanners, 3D printers). CONDUCT MARKETING RESEARCH.



PRACTICING MARKETING RESEARCH

A Few Forces That May Change the World of Marketing Research

Joseph Rydholm is the editor of *Quirk's Marketing Research Review*, the industry's most popular and influential trade magazine. Here, Joe quotes Quartz, an online news source that focuses on the forces and factors they see shaping the global economy. (The Quartz commentary is shown in italics.) Joe then muses on what he thinks these forces may have on the marketing research world.

The Mobile Web

Between ever-cheaper smartphones and "dumb-phones," which cost as little as \$10, plus the dawn of banking, messaging, and social networking services that can run on any device, the possibility that everyone on Earth could be connected is more real than ever. . . . How will new form factors, like

watches and face-based computers, change our experience of the Web?

Possible Impacts on Marketing Research: It's obviously a ways down the road, but what could Google Glass or things like the Pebble watch mean for marketing research? Is "wearable computing" just an extension of the Internet or a whole new form of interaction for respondents and researchers or consumers and companies?

Digital Money

. . . the Web, mobile phones, and new sales terminals are making possible payment mechanisms that improve on credit card transactions or do away with them all together. That's a lucrative business, which is why the payments sector has seen some of the highest pre-IPO valuations of any in Silicon Valley. Meanwhile, the rise of bitcoin and its imitators means that a stateless virtual currency could become a serious intermediary between other currencies or payment methods in its own right. And in

emerging markets, payments via mobile phone are already turning telecoms companies into banks.

Possible Impacts on Marketing Research:

Could the accruing of several micropayments over time hold more appeal for survey respondents than entries in sweepstakes that “no one ever wins”? And do those payments (micro or otherwise) have to be in monetary form? Will, as Quartz terms it, a “stateless virtual currency” take over as a preferred form of payment for participation in research?

China’s Transition

To keep growing, China must now get its 1.35 billion people to consume more, while simultaneously righting global trade imbalances, ramping up its service sector, and managing the debt it has racked up. Under its latest set of leaders, how will China cope with these challenges to its economy—and how will its successes and failures affect the global economy, too?

Possible Impacts on Marketing Research:

Hmm . . . 1.35 billion people, you say? That’s a lot of potential research respondents. How do we get them familiar with and positively predisposed to the marketing research process? And beyond that, how do we begin understanding the psychology behind the act of consumption in a country that only a handful of decades ago actively discouraged it?

How We Buy

As the global middle class keeps swelling, consumer spending on everything from corn to cars to air conditioners is hitting new highs and moving online and doing so especially fast in emerging economies. . . . What sorts of companies and products are meeting these changing demands? How is spending in developed economies shifting? What is the future of physical retail stores? Is the context between e-commerce operations and bricks-and-mortar stores really a zero-sum war? How will spending shape global trade and economics, and how do shifting political tides affect spending?

Possible Impacts on Marketing Research:

This one makes your head spin. I think the Quartz list of questions is sufficiently mind-boggling on its own without requiring more input from me!¹⁴

Questions

1. How do you think these forces will affect business and marketing research?
2. Which topic will have the greatest impact on business? Why?

SUMMARY

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stockholders. Marketing managers attempt to get the right goods or services to the right people at the right place at the right time at the right price, using the right promotion technique. This may be accomplished by following the marketing concept, which is based on consumer orientation, goal orientation, and systems orientation.

The marketing manager must work within an internal environment of the organization and understand the external environment over which he or she has little, if any, control. The primary variables over which the marketing manager has control are distribution, price, promotion, and product/service decisions. The unique combination of these four variables is called the *marketing mix*.

Marketing research plays a key part in providing the information for managers to shape the marketing mix. Marketing research has grown in importance because of management’s focus on customer satisfaction and retention. It also is a key tool in proactive management. Marketing research should be undertaken only when the perceived benefits are greater than the costs.

A marketing research study can be described as programmatic, selective, or evaluative. Programmatic research is done to develop marketing options through market segmentation, market opportunity analysis, or consumer attitude and product usage studies. Selective research is used to test decisional alternatives. Evaluative research is done to assess program performance.

KEY TERMS

marketing 2	marketing research 4	applied research 7
marketing concept 2	descriptive function 4	basic, or pure, research 7
consumer orientation 2	diagnostic function 4	programmatic research 7
goal orientation 2	predictive function 4	selective research 7
systems orientation 2	return on quality 5	evaluative research 7
marketing mix 3	marketing strategy 7	

QUESTIONS FOR REVIEW AND CRITICAL THINKING

1. The role of marketing is to create exchanges. What role might marketing research play in facilitating the exchange process?
2. Marketing research traditionally has been associated with manufacturers of consumer goods. Today, an increasing number of organizations, both profit and nonprofit, are using marketing research. Why do you think this trend exists? Give some examples.
3. Explain the relationship between marketing research and the marketing concept.
4. Comment on the following statement by the owner of a restaurant in a downtown area: "I see customers every day whom I know on a first-name basis. I understand their likes and dislikes. If I put something on the menu and it doesn't sell, I know that they didn't like it. I also read the magazine *Modern Restaurants* to keep up with industry trends. This is all the marketing research I need to do."
5. Why is marketing research important to marketing executives? Give several reasons.
6. What differences might you note among marketing research conducted for (a) a retailer, (b) a consumer goods manufacturer, (c) an industrial goods manufacturer, and (d) a charitable organization?
7. Comment on the following: Ralph Moran is planning to invest \$1.5 million in a new restaurant in Saint Louis. When he applied for a construction financing loan, the bank officer asked whether he had conducted any research. Ralph replied, "I checked on research, and a marketing research company wanted \$20,000 to do the work. I decided that with all the other expenses of opening a new business, research was a luxury that I could do without."
8. What is meant by *return on quality*? Why do you think that the concept evolved? Give an example.
9. Describe three situations in which marketing research should not be undertaken. Explain why this is true.
10. Give an example of (a) the descriptive role of marketing research, (b) the diagnostic role of marketing research, and (c) the predictive function of marketing research.
11. Using the Internet and a Web browser, visit a search engine such as Google or Bing and type "marketing research." From the thousands of options you are offered, pick a website that you find interesting and report on its content to the class.
12. Divide the class into groups of four. Each team should visit a large organization (profit or nonprofit) and conduct an interview with a top marketing executive to discover how this firm is using marketing research. Each team then should report its findings in class.

REAL-LIFE RESEARCH • 1.1

Can Anyone Be a Market Researcher?

Recently, Google announced that it was offering Google Consumer Surveys (www.google.com/insights/consumersurvey) to anyone wanting to do marketing research. Google says that the service is for anyone from Fortune 500 companies to “the local bike shop.” It is promoted as a fast, accurate, and low-cost alternative to traditional marketing research. The Google survey website notes, “With Google Consumer Surveys, you choose your target audience, type your question, and watch the results roll in within hours. Get complete results in days; not weeks.” Google notes that users can test product concepts, track brands, measure consumer satisfaction, and more.

Paul McDonald, a creator of Google Consumer Surveys, addresses several concerns from the marketing research industry about the new service. “I think your concerns about the quality of the data from self-service survey platforms are well known in the research community,” McDonald wrote. “As the mantra goes, ‘Garbage in, garbage out’ . . . We try to encourage survey best practices in our help content, program policies and by providing survey templates to guide new researchers. In the end, we are providing a platform which can be used to create professional and statistically accurate surveys.”¹⁵

Questions

1. Go to Google’s Consumer Survey website. After clicking through how it works, and examples, do you feel competent to create an Internet survey? Why or why not?
2. Do you think that the marketing research industry should be concerned about Google Consumer Surveys? Why?
3. Most traditional consumer surveys conclude with a series of demographic questions such as gender, age, location, and so forth. Google Consumer Surveys doesn’t ask these questions. Instead, it infers approximate demographic and location information using the respondent’s IP address and DoubleClick cookie. The respondent’s nearest city can be determined from the respondent’s IP address. Income and urban density can be computed by mapping the location to census tracts and using the census data to infer income and urban density. Gender and age group can be inferred from the types of pages the respondent has previously visited in the Google Display Network using the DoubleClick cookie. Google says that this information is used to ensure that each survey receives a representative sample and to enable survey researchers to see how subpopulations answered questions. Inferring this demographic data enables Consumer Surveys researchers to ask few questions in a survey, which, in turn, increases the number of consumers that respond. Do you think that this methodology is better than simply asking the demographic questions? Do you see any problems with Google’s methodology?