



## THE MARKETING RESEARCH INDUSTRY AND RESEARCH ETHICS

### LEARNING OBJECTIVES

1. To appreciate the structure of the marketing research industry.
2. To comprehend the nature of corporate marketing research departments.
3. To learn about the various types of firms and their functions in the marketing research industry.
4. To understand the impact of the Internet on the marketing research industry.
5. To learn who uses marketing research.
6. To understand the growing importance of strategic partnering.
7. To appreciate trends in global marketing research.
8. To examine unethical practices among marketing research suppliers, clients, and marketing research field services.
9. To become familiar with respondents' rights.
10. To discover methods by which the level of professionalism in marketing research can be raised.

Sitting in his company's Caracas, Venezuela, headquarters, A. G. Lafley, chief executive officer of Procter & Gamble Company, shared some advice with a group of laundry executives: "The simple principle in life is to find out what she wants and give it to her. It's worked in my marriage for 35 years and it works in laundry."

The attention to what women want reflects a philosophical shift at P&G that Mr. Lafley is urging: to look outside the company for solutions to problems, instead of insisting P&G knows best. P&G has always aimed its marketing at women. But it used to develop consumer goods in its labs and market them based on the product's best technical feature. Its market research tended to be about the pros and cons of specific products.

These days, employees spend hours with women, watching them do laundry, clean the floor, apply makeup, and diaper their children. They look for nuisances that a new product might solve. Then, they return to the labs determined to address the feature women care about most. "We discovered that women don't care about our technology and they couldn't care less what machine a product is made on," Mr. Lafley told P&G executives in Caracas, during a recent tour of Latin America. "They want to hear that we understand them."

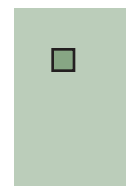
Roughly 80 percent of the people who buy P&G products are women. And that's why on a recent morning, Mr. Lafley climbed up a steep set of concrete stairs in Caracas, into the cramped kitchen of 29-year-old Maria Yolanda Ríos, to listen to her describe how often she washes her hair, what kind of skin cream she uses, and if she wears nail polish.

For an hour, Mr. Lafley sat in the corner of Ms. Ríos's kitchen, where bright yellow paint peeled off the wall, and listened to the young mother. Avon Products Inc., which sells cosmetics through door-to-door salespeople, dominates the beauty market there, and P&G wants a foothold. Ms. Ríos, a housekeeper, told the group through a translator that she and her husband, who drives a school bus, together earn just under \$600 a month.

But when a P&G executive asked Ms. Ríos to bring her beauty and hygiene products into the kitchen, she came back with 31 bottles of cream, lotion, shampoo, and perfume and placed them on the embroidered tablecloth. She has two lotions for her feet, one for her body, one for her hands, and another for her face. She dug out her old Avon catalogues and showed the dog-eared pages where she marked certain products.

"It's her entertainment," Mr. Lafley said, putting his Cartier glasses case on the kitchen table and perusing the room. Every year, in different parts of the world, Mr. Lafley makes 10 to 15 visits like this where he observes women doing everything from washing their clothes to applying makeup. "Her entertainment is looking at the Avon catalogue at night, and we need to remember that," he said.

Lessons drawn from these kinds of encounters inform P&G's product development.<sup>1</sup> ■



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Yes, it is unusual for a CEO of one of the world's largest consumer good manufacturers to go into the field to conduct ethnographic research, a type of marketing research (discussed in Chapter 7). But it underscores just how important marketing research is to the company. P&G is somewhat rare in that it has a very large internal marketing research department. Most manufacturers, retailers, and service businesses, such as McDonald's or American Airlines, have small internal marketing research departments. These companies contract with independent marketing research firms (suppliers) to conduct their studies.

In Chapter 2 we will examine the structure of the marketing research industry and trends in the industry. In the latter part of the chapter we will turn our attention to marketing research ethics.

## Evolving Structure of the Marketing Research Industry

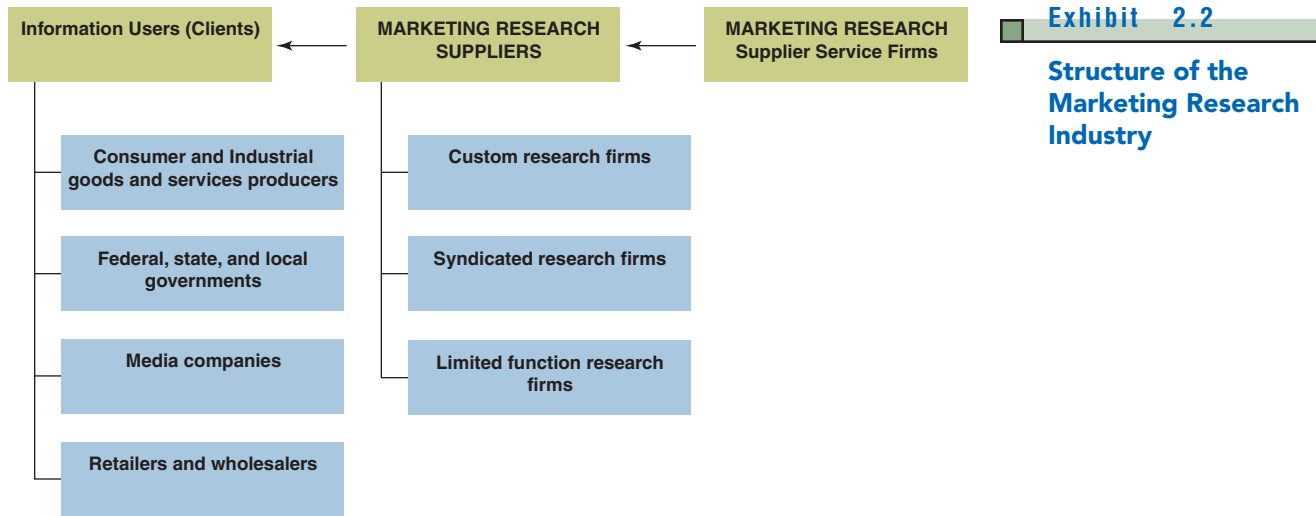
Today, over \$20 billion a year is spent on marketing/advertising/public opinion research services around the world. Spending on marketing research is \$6.9 billion in the United States alone.<sup>2</sup> During the past two decades, the research market has become highly concentrated, with about 54 percent of the market being held by the 50 largest worldwide organizations. The other half of the market is shared by a thousand or more small research firms. The concentration is even more pronounced in the United States, where the 10 largest firms account for 64 percent of total U.S. spending for marketing research.<sup>3</sup>

The various types of organizations encountered in the marketing research industry are summarized in Exhibit 2.1. Exhibit 2.2 summarizes the structure of the marketing research industry.

## EXHIBIT 2.1

## General Categories of Organizations Involved in Marketing Research

Organization	Activities, Functions, and Services
Consumer and industrial goods and services producers	Firms such as Kraft General Foods, Procter & Gamble, Ford Motor, and Caterpillar
Media Companies	Advertising agencies such as J. Walter Thompson, Young & Rubicam, and Foote, Cone, & Belding. Public relations companies such as Hill and Knowlton. Sales promotion firms such as Acosta
Syndicated service firms	Marketing research data gathering and reporting firms such as ACNielsen, Arbitron, and Information Resources Incorporated, which collect data of general interest to many firms but for no one firm in particular (i.e., anyone can buy the data they collect); prominent in the media audience field and retail sales data
Custom research firms	Marketing research consulting firms such as Market Facts, DSS Research, and Burke, Inc., which do customized marketing research projects that address specific problems for individual clients
Field service firms	Firms that collect data only, on a subcontract basis, for corporate marketing research departments, ad agency research departments, custom research firms, or syndicated research firms
Specialized service firms	Firms that provide specialized support services to the marketing research industry, such as SDR in Atlanta, which provides sophisticated quantitative analysis or SSI which provides samples for marketing research suppliers
Others	Government agencies, university research bureaus, individual university professors, and database providers



## Primary Information Users (Client Organizations) Consumer and Industrial goods and services producers

Producers of goods and services, such as Procter and Gamble and American Airlines are the ultimate users of the research data. Their primary business is the sale of products and services. They use marketing research data on an ongoing basis in a variety of ways to support the marketing decision-making process such as:

1. To determine how various target groups will react to alternative marketing mixes.
2. To evaluate the ongoing success of operational marketing strategies.
3. To assess changes in the external, or uncontrollable, environment and the implications of those changes for their product or service strategy.
4. To identify new target markets.
5. To measure the quality of customer service and level of satisfaction.

We will discuss users of marketing research in greater detail later in the chapter.

## Federal, State, and Local Governments

The various branches of government are large buyers of marketing research information. This includes everything from where a new city park should be located to American's attitudes toward nutritional labeling. Although no estimates are available for marketing research expenditures at the state and local levels, federal marketing research expenditures are estimated at \$4.5 billion annually.<sup>4</sup> Except for Westat, America's third largest market research firm, little of this money goes to traditional marketing researchers. Instead, the bulk of the work is either done in-house or conducted through academic non-profits, such as the National Opinion Research Center (University of Chicago), Institute for Social Research (University of Michigan), or Research Triangle Institute—as well as think-tank for-profits such as Rand Corporation and Mathematica Policy Research.

## Media Companies

Media companies include advertising agencies, sales promotion companies, public relations agencies, and direct marketing firms. All are concerned with getting the right message to the right target market. Marketing research information is often required to accomplish this goal. Media companies may obtain the data from custom or syndicated research firms and in some cases may conduct the research themselves.

## Retailers and Wholesalers

In the highly competitive retail market, understanding the customer is paramount. John Fleming, Wal-Mart's new chief marketing officer, notes, "We clearly have an opening price-point customer that has been our foundation for years. A better understanding of our customer will allow us to focus on some businesses beyond that foundation. Everyone who comes into Wal-Mart shops the consumable area, but not everyone buys their apparel [here]. I think there are ways for us to fill in the gaps by understanding our customer."<sup>5</sup>

Of course, marketing research is the tool for gaining knowledge about the customer.

## Marketing Research Suppliers

Custom, syndicated, and limited function marketing research firms represent the front line of the research industry. They sell research services, design research studies, analyze the results, and make recommendations to their clients. They will be discussed in detail below.

## Marketing Research Supplier Service Firms

As the heading above implies, these are companies that service the research industry. Services range from software providers, such as Sawtooth Software, to providers of samples, such as SSI. There are several large online panel (groups of persons willing to answer marketing surveys) providers to the marketing research industry. Harris Interactive claims to have the largest panel in the world with members from over 200 countries. Service firms will be described in more detail below.

# Consumer and Industrial Corporate Marketing Research Departments

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Because corporations are the final consumers and the initiators of most marketing research, they are the logical starting point in developing an understanding of how the industry operates. Most large corporations (and virtually all consumer package goods manufacturers of any size) have marketing research departments. Currently, some are melding marketing research and strategic planning, whereas others are combining marketing research and customer satisfaction departments.

The average size of marketing research departments is quite small. One recent study found that only 15 percent of service companies such as Federal Express and American Airlines had marketing research departments with more than 10 employees. Only 23 percent of manufacturers' research departments had more than 10 employees. The size of marketing research departments has been experiencing a downward trend because of mergers and reengineering. The implication of smaller internal research staffs and growing

budgets is clear: companies are conducting less research internally and are outsourcing more to research suppliers. Often, persons in small corporate marketing research departments act as intermediaries between internal research users and outside suppliers.

Because we cannot cover all types of marketing research departments in this text, we will focus our attention on those found in larger, more sophisticated companies, where marketing research is a staff department and the director of the department generally reports to the top marketing executive. Most of the work of the department is with product or brand managers, new product development managers, and other front-line managers. With the possible exception of various recurring studies that may be programmed into a firm's marketing information system, the marketing research department typically does not initiate studies. In fact, the research manager may control little or no actual budget. Instead, line managers have funds in their budgets earmarked for research.

When brand managers perceive that they have a problem that requires research, they go to the marketing research department for help. Working with the marketing research manager or a senior analyst, they go through a series of steps that may lead to the design and execution of a marketing research project.

## FROM THE FRONT LINE



### Why I Chose a Career in Marketing Research and the Biggest Surprise I Have Faced in Doing Research

*Emily Beck, Project Manager, DSS Research*



When I first had to select an undergraduate major, I decided to pursue a career in marketing. While many of my business school classmates focused on financial ratios or debits and credits, I was more intrigued by how consumers think and how a business can maximize the sale of its products or services. In my introductory marketing courses, I learned the basics of product, pricing, promotion, and distribution, and I realized that marketing decisions are often made on intuition and not on an analytical foundation. While intuitive and creative approaches are indispensable, I wanted to learn how to decrease the risk companies face in making pivotal decisions.

The field of marketing research allows me to apply the right balance of intuition and analytics. The principles used in marketing research

combine traditional marketing skills with insights from statistical analysis, psychology, and advertising to allow a more informed and objective approach to solving business problems. I enjoy knowing that business decision makers rely on the valuable insight that my research can provide.

My role as a project manager for a full-service research supplier has given me the opportunity to learn about the entire research process—questionnaire design and sampling, data collection and analysis, reporting actionable results—and all the factors that help shape the business strategies of major corporations. My role in the research process gives me the chance to work on multiple projects simultaneously, and I'm constantly presented with exciting new challenges.

One of the most surprising things I've learned is that findings which are not actionable and clearly communicated mostly will be ignored by your clients. Clients pay for research that drives results, not for complex methodologies or flashy PowerPoint reports. You succeed when your findings are clearly communicated in terms of what they *mean* for a client's business. Only by using your skills to tell a story and answering your clients' research questions will you prove your value, drive specific action, and build client relationships.

## Research Suppliers

Although the marketing research industry is characterized by hundreds of small firms, there are some giants in the industry. Exhibit 2.3 shows total revenues for the 40 largest marketing research firms. The 2 largest firms in the industry—VNU and IMS Health Inc.—are largely syndicated service firms. The remaining 38 firms are either primarily custom research firms or combination firms offering some syndicated service along with custom research services.

VNU Inc. (VNU), based in New York, and Haarlem, Netherlands, is a public company founded in 1964. VNU is a major international media and information company providing business intelligence in five main business groups: VNU Marketing Information, VNU Media Measurement & Information, VNU Business Media Inc., VNU Business Media Europe, and VNU World Directories. The largest U.S. company owned by VNU is ACNielsen. ACNielsen, in turn, is broken down into several companies. ACN (the main firm) offers the following services:

- *Retail Measurement:* These syndicated services provide information on competitive sales volumes, market shares, distribution, pricing, merchandising, and promotional activities to manufacturers and retailers of fast-moving consumer goods. Sales information, captured by check-out scanners or through in-store audits, is gathered from stores in more than 80 countries.
- *Consumer Panel:* ACN's consumer panel services are provided in 24 countries and capture consumer purchase information from more than 200,000 households across every outlet. The ACN panel in the United States, *Homescan*, consists of about 91,500 households that use in-home hand-held scanners to record bar-coded items.
- *Customized Research:* Available in more than 60 markets, customized research services provide information about consumer attitudes and purchase behavior. Studies include customer satisfaction measurement, brand awareness, and advertising effectiveness. Information is gathered through surveys, personal interviews, focus groups and online methodologies.
- *Modeling and Analytics:* These services use modeling and analytical techniques to transform information from multiple sources to optimize pricing, promotion, product mix, media spending, and other marketing activities.

### VNU Media Measurement and Information (MMI)

- *Media Measurement Division:* This division includes Nielsen Media Research (NMR) ([www.nielsenmedia.com](http://www.nielsenmedia.com)), based in New York. NMR's core business is providing television audience measurement information. In the United States, the Nielsen TV ratings are the currency for more than \$60 billion of transactions each year between buyers and sellers of television time.
- *Internet Measurement Division:* This division includes NetRatings Inc. (NR). NR, which markets its services under the Nielsen//NetRatings brand (N//NR), provides Internet audience and advertising measurement and analysis, and offers syndicated Internet and digital media research reports and custom-tailored data.
- *Entertainment Information Division (NE):* NE serves the entertainment industry, including the film, book, home entertainment, music, and interactive segments in 16 markets worldwide with a broad range of consulting services, information, and analytical tools. Its services include testing entertainment and promotional content; measuring sales results; tracking consumer entertainment trends in terms of overall spending, time spent, and by segment; and providing custom research information.

**EXHIBIT 2.3 The Forty Largest Marketing Research Firms\***

U.S. rank	Organization	Headquarters	Web Site	U.S. Research revenue (\$, in millions)
1	VNU Inc.	New York	<a href="http://www.vnu.com">www.vnu.com</a>	\$1,794.4
2	IMS Health Inc.	Fairfield, Conn.	<a href="http://www.imshealth.com">www.imshealth.com</a>	571.0
3	Westat Inc.	Rockville, Md.	<a href="http://www.westat.com">www.westat.com</a>	397.8
4	TNS U.S.	New York	<a href="http://www.tns-global.com">www.tns-global.com</a>	396.0
5	Information Resources Inc.	Chicago	<a href="http://www.infores.com">www.infores.com</a>	379.6
6	The Kantar Group	Fairfield, Conn.	<a href="http://www.kantargroup.com">www.kantargroup.com</a>	365.7
7	Arbitron Inc.	New York	<a href="http://www.arbitron.com">www.arbitron.com</a>	284.7
8	NOP World US	New York	<a href="http://www.nopworld.com">www.nopworld.com</a>	213.0
9	Ipsos	New York	<a href="http://www.ipsos-na.com">www.ipsos-na.com</a>	193.9
10	Synovate	Chicago	<a href="http://www.synovate.com">www.synovate.com</a>	193.5
11	Harris Interactive Inc.	Rochester, N.Y.	<a href="http://www.harrisinteractive.com">www.harrisinteractive.com</a>	154.8
12	J.D. Power and Associates	Westlake Village, Calif.	<a href="http://www.jdpower.com">www.jdpower.com</a>	133.5
13	Maritz Research	Fenton, Mo.	<a href="http://www.maritzresearch.com">www.maritzresearch.com</a>	136.6
14	The NPD Group Inc.	Port Washington, N.Y.	<a href="http://www.npd.com">www.npd.com</a>	110.5
15	GfK Group USA	Nuremberg, Germany	<a href="http://www.gfk.com">www.gfk.com</a>	93.0
16	Opinion Research Corp.	Princeton, N.J.	<a href="http://www.opinionresearch.com">www.opinionresearch.com</a>	91.5
17	Lieberman Research Worldwide	Los Angeles	<a href="http://www.lrwonline.com">www.lrwonline.com</a>	67.2
18	Abt Associates Inc.	Cambridge, Mass.	<a href="http://www.abtassociates.com">www.abtassociates.com</a>	41.5
19	Market Strategies Inc.	Livonia, Mich.	<a href="http://www.marketstrategies.com">www.marketstrategies.com</a>	37.9
20	Burke Inc.	Cincinnati	<a href="http://www.burke.com">www.burke.com</a>	37.1
21	comScore Networks Inc.	Reston, Va	<a href="http://www.comscore.com">www.comscore.com</a>	34.9
22	MORPACE International Inc.	Farmington Hills, Mich.	<a href="http://www.morpace.com">www.morpace.com</a>	31.1
23	Knowledge Networks Inc.	Menlo Park, Calif.	<a href="http://www.knowledgenetworks.com">www.knowledgenetworks.com</a>	29.8
24	OTX Research	Los Angeles	<a href="http://www.otxresearch.com">www.otxresearch.com</a>	29.8
25	ICR/Int'l Communications Research	Media, Pa.	<a href="http://www.icrsurvey.com">www.icrsurvey.com</a>	29.0
26	Directions Research	Cincinnati	<a href="http://www.directionsrsch.com">www.directionsrsch.com</a>	27.3
27	National Research Corp.	Lincoln, Neb.	<a href="http://www.nationalresearch.com">www.nationalresearch.com</a>	26.7
28	Marketing Research Services Inc.	Cincinnati	<a href="http://www.mrsi.com">www.mrsi.com</a>	25.4
29	Lieberman Research Group	Great Neck, N.Y.	<a href="http://www.liebermanresearch.com">www.liebermanresearch.com</a>	25.1
30	Peryam & Kroll Research Corp.	Chicago	<a href="http://www.pk-research.com">www.pk-research.com</a>	22.5
31	National Analysts Inc.	Philadelphia	<a href="http://www.nationalanalysts.com">www.nationalanalysts.com</a>	22.3
32	Public Opinion Strategies LLC	Alexandria, Va.	<a href="http://www.pos.org">www.pos.org</a>	21.2
33	Walker Information Inc.	Indianapolis	<a href="http://www.walkerinfo.com">www.walkerinfo.com</a>	20.4
34	The PreTesting Co. Inc.	Tenaflly, N.J.	<a href="http://www.pretesting.com">www.pretesting.com</a>	19.8
35	C&R Research Services Inc.	Chicago	<a href="http://www.crresearch.com">www.crresearch.com</a>	19.7
36	Flake-Wilkerson Market Insight LLC	Little Rock, Ark.	<a href="http://www.mktinsights.com">www.mktinsights.com</a>	18.8
37	Data Development Worldwide	New York	<a href="http://www.datadw.com">www.datadw.com</a>	18.3
38	Cheskin	Redwood Shores, Calif.	<a href="http://www.cheskin.com">www.cheskin.com</a>	16.5
39	RDA Group Inc.	Bloomfield Hills, Mich.	<a href="http://www.rdagroup.com">www.rdagroup.com</a>	15.4
40	Schulman, Ronca & Bucavalas Inc.	New York	<a href="http://www.srbi.com">www.srbi.com</a>	17.2

Source: Jack Honomichl, "Top 50 U.S. Research Organizations," *Marketing News* (June 15, 2005), p. H4.

\* Some large privately owned firms, such as DSS Research and Decision Analysts, would be included in this list but they do not disclose financial data.

□ *Media Solutions Division:* This division includes PERQ/HCI and Scarborough Research, as well as Standard Rate & Data Services (SRDS) and Interactive Market Systems (IMS). PERQ/HCI provides healthcare audience measurement and ad expenditure services to advertising agencies, publishers, and advertisers in the United States. Scarborough Research (SR), a joint venture between VNU and Arbitron, identifies local, regional, and national shopping patterns, and media usage for the American consumer. SRDS offers the world's largest database on media rates and information on media companies. IMS serves the media industry with products such as audience profiling, reach and frequency analysis, and campaign analysis.<sup>6</sup>

IMS Health Incorporated, the number two research firm, has about 8,000 employees providing services in over 100 countries. IMS's marketing research services include pharmacy and hospital audits plus the measurement of disease and treatment patterns. Westat, America's third largest research company, primarily conducts survey research for agencies of the U.S. government as well as businesses, foundations, and state and local governments. Major project areas include health, epidemiological research, education, and the environment, energy, transportation, and federal social programs.

Its major statistical surveys cover educational progress, medical expenditures and long-term follow-up surveys concerning health, education and employment.<sup>7</sup>

## Custom Research Firms

➤ **custom research firms**  
Companies that carry out customized marketing research to address specific projects for corporate clients.

**Custom research firms**, as noted earlier, are primarily in the business of executing custom, one-of-a-kind marketing research projects for corporate clients. If a corporation has a new product or service idea, a packaging idea, an ad concept, a new pricing strategy, a product reformulation, or a related marketing problem or opportunity, it typically will go to a custom research firm for research help.

There are thousands of custom marketing research firms in the United States. Examples of large custom research firms include Market Facts, Inc., the MARC Group, Opinion Research Corp. International, Elrick and Lavidge Marketing Research, Burke, Inc., DSS Research, and Decision Analyst. However, the overwhelming majority of custom marketing research firms are small, with billings of less than \$1 million and fewer than 10 employees. They may limit their client base to their local area and may or may not specialize by type of industry or type of research.

## Syndicated Service Firms

➤ **syndicated service research firms**  
Companies that collect, package, and sell market research data to many firms.

In sharp contrast to custom research firms, **syndicated service research firms** collect and sell marketing research data to many firms. Anyone willing to pay the price can buy the data these firms collect, package, and sell. Syndicated service firms are relatively few and, compared to custom research firms, relatively large. They deal primarily with media audience and product movement data and are based on serving information needs common to many companies. For example, companies that advertise on network television want to select shows that reach their target customers most efficiently. They need information on the size and demographic composition of the audiences for various TV programs. It would be extremely inefficient for each company to collect these data itself.

Firms like NMR sell standardized TV ratings to a group of clients known as a syndicate—thus, the term *syndicated data*. Some syndicated firms, like Roper Starch Worldwide, sell lifestyle data that is both syndicated and customized. The standardized process is the same to gather the data, but some members of the syndicate may want special information just for their company. This, in fact, is quite common. An additional charge is levied for each custom question added to the syndicated survey.

# GLOBAL RESEARCH



## Chinese Marketing Research Comes of Age

Marketing research firms can be found in all major Chinese cities; however, Guangzhou is the cradle of the marketing research industry there, for several reasons. First, Guangzhou is near Hong Kong, the commercial center of southern China for the last 25 years. The Hong Kong market system provided a template for Guangzhou to emulate. Second, Guangzhou was one of the first cities in China to open commercial operations with the West. As early as 1985, Guangzhou Soft Science Co., under the aegis of the government, set up its own marketing department. From this department, the Guangzhou Market Research Co. (GMR) emerged in 1988, becoming the first professional marketing research company in China.

The early Chinese marketing research industry would not have survived without support from Procter & Gamble. P&G provided GMR with a full range of support, including software, hardware, and professional training in sampling and research methodology. Starting in the early 1990s, P&G invited the Chinese researchers of GMR (including one of the authors) to its internal professional

training courses. In the following years, many P&G-trained marketing research professionals started their own marketing research companies.

Initially, P&G was also the main client of these early Chinese marketing research firms. In the early 1990s, more than 90 percent of GMR's revenue came from P&G.

Today the domestic marketing research industry in China comprises about 400 firms. These firms come in many flavors of ownership; however, private-owner and stock companies dominate. But government and university ownership still is at a significant level. Most of the firms are small: Almost half of Chinese marketing research firms have revenues between \$10,000 and \$50,000 annually.

The current customer base heavily emphasizes the advertising and broadcasting areas, which is one of the main outcomes of the changes from planned economy to market economy. Learning how and what to advertise and broadcast or print is extremely important in making this transition. Fierce market competition also taught developing enterprises the importance of marketing research to determine customer needs and wants. The next largest customer group is consumer products.<sup>8</sup>

Approximately 44 percent of all research monies are spent on syndicated research; the remainder is spent for custom research. Custom quantitative studies account for 39 percent of all research dollars and custom qualitative research, 17 percent.<sup>9</sup> Exhibit 2.4 shows a list of syndicated service firms and the specific type of marketing research they offer.

## Limited Function Research Firms

Some firms specialize in one or a few activities. They may, for example, serve only one industry. Westat, for example, serves various government agencies, whereas IMS Health and DSS Research focus on healthcare. Other firms use a single research technique or a special type of research technique. Mystery Shopper organizations, such as Shop 'n Check and Speedmark, engage only in mystery shopping (discussed in Chapter 8). The Pretesting Company uses devices such as the People Reader to measure how much time is spent reading an ad in a magazine or newspaper.

Many new marketing research firms conduct research only via the Internet. A pioneer in this area is Greenfield Online, <http://www.greenfieldonline.com>, which conducts

**EXHIBIT 2.4** Syndicated Service Research Firms

Firm	Syndicated Services
AC Nielsen Corp. Schaumburg, Illinois	Television ratings Scanner-based data Wholesale/retail audits Internet research
FIND/SVP New York, New York	Large variety of industry/product studies
Maritz Marketing Research Inc. Fenton, Missouri	Customer satisfaction studies
GfK NOP New York, New York	Public opinion surveys Lifestyle data Media/advertising effectiveness data
Information Resources Incorporated Chicago, Illinois	Scanner-based data

**research panel**

A group of individuals who agree to participate in a series of research studies over time.

both quantitative research and qualitative research (research not subject to quantitative analysis). Greenfield claims to have the world's largest Internet-based marketing research panel. A **research panel** consists of a group of individuals who agree to participate in a series of research studies over time. Often, participants receive cash or gifts.

Another Internet-bred marketing research firm is Keynote. Keynote evaluates customers' online satisfaction with a Web site and measures online behavior. It works in the automotive, pharmaceutical, telecom, and other industries.

Some cyberresearch firms focus on tracking the popularity of Web sites. ComScore, the pioneer in this area, now is being challenged by a newcomer—Relevant Knowledge. Nielsen Media Research, which has been rating television programs for decades, also has joined the battle as discussed above.

## Marketing Research Supplier Service Firms

A number of firms service marketing research suppliers. When research departments of corporations, such as Kraft General Foods, are conducting their own research, these service firms also cater to them. The two largest categories of service firms are field service organizations and sampling firms.

**field service firms**

Companies that only collect survey data for corporate clients or research firms.

A true **field service firm** does nothing but collect survey data—no research design, no analysis. Field service firms are data collection specialists, collecting data on a subcontract basis for corporate marketing research departments, custom research firms, ad agency research departments, and others.

The following description of the sequence of activities undertaken by a typical field service company provides a good idea of how these firms operate:

1. *Client contact.* Custom or syndicated research firm or corporate or ad agency research department alerts field service firm, usually by e-mail, that it wants to conduct a particular type of study (telephone interview, mall interview, focus group, taste test, etc.).
2. *Interviewer training.* The day the job is to begin, a briefing or training session is held to acquaint interviewers with the requirements of the particular job or questionnaire.

3. *Interviewing status reports.* Daily progress reports are made via e-mail to the client regarding number of interviews completed and costs incurred. These reports permit the client to determine whether the job is on schedule and within budget and allow the field service to advise the client of any problems.
4. *Quality control.* The interviews are edited; that is, specially designed software is used to verify that they were completed correctly.
5. *Ship to client.* Finally, the completed, edited interviews are shipped (typically electronically) to the client.

Most custom research firms rely on field services because it is not cost-effective for them to handle the work themselves. There are too many geographic areas to cover, and it is hard to know which areas will be needed over time. On the other hand, field service firms in particular areas maintain a steady work flow by having numerous research firms and corporate and ad agency research departments as their clients.

The major field service firm of today has a permanent office. It probably has one or more permanent mall test centers, focus group facilities, a central telephone interviewing facility, as well as other specialized facilities and equipment. A recent trend among field service firms is the establishment of satellite offices in multiple cities.

**Sampling Firms** Sampling firms provide samples (persons to interview) to marketing research suppliers and other research creators. The largest sampling firm is Survey Sampling Inc. (SSI); this firm does nothing but generate samples for mail, telephone, or Internet surveys. SSI's Survey Spot Internet panel has over 6 million members. The firm's SSI-Lite eSample is a panel categorized by lifestyles; the panel contains over 3,500 topical lists and 12 million names. Other firms such as Harris Interactive and Decision Analyst have huge Internet panels that they use for their own research and rent to other research suppliers.

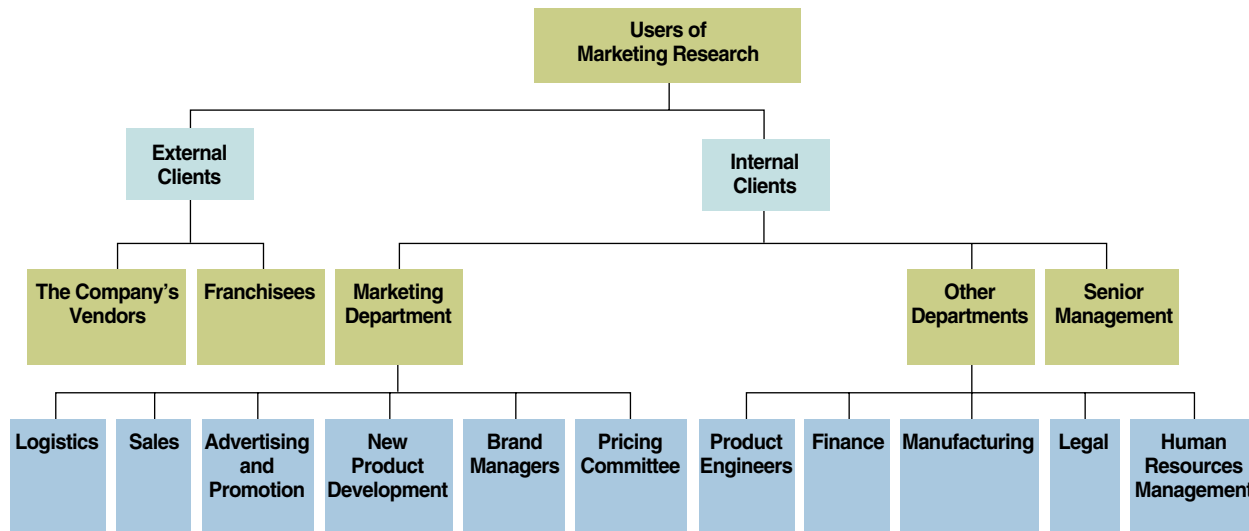
**Software Firms** A number of companies specialize in providing software for statistical analysis and/or Internet interviewing. The most popular statistical package, used by over two-thirds of all research suppliers, is SPSS. This is the same software that we provide you when you purchase a new text. Other companies, like Perseus and Web Surveyor, sell software for online interviewing. The firms also will host surveys on their own servers.

**Other Service Companies** Other service companies provide a variety of services to research firms. For example, SDR Consulting, located in Atlanta, offers sophisticated data analysis to marketing research suppliers. MarketingResearchCareers.com specializes, as the name implies, in careers in the marketing research field. Quirk's publishes a magazine, *Quirk's Marketing Research Review*, and directories such as directories of field service firms, international research companies, focus group facilities, and others. Quirk's also hosts an online forum for marketing researchers.

## Using Marketing Research— A Corporate Perspective

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Now that you are familiar with the marketing research industry, let's look in more detail at research users. There is a very good possibility that any future encounters that you, as a businessperson, will have with marketing research will be as a research user. Exhibit 2.5 shows some of the various types of marketing research clients. Despite the importance of

**Exhibit 2.5****Using Marketing Research—  
A Corporate Perspective**

nonmarketing, *internal* clients to the success of an organization, some firms' research departments have paid little attention to their specific marketing information needs. As you might expect, these poorly served clients have demonstrated little interest in marketing research information. It has been our experience that the most successful marketing research departments and firms are those committed to the complete satisfaction of all of their clients. Let's take a closer look at the types of information these various clients need and use.

## External Clients

Because marketing research can be a valuable source of information about new or improved competitive advantages and because such information is often very expensive to gather, data gathered by a firm's research department is rarely circulated outside of the firm. Many firms don't provide any information to outsiders, such as suppliers. However, those that do usually find that it is to their mutual benefit.

**strategic partnership**

An alliance formed by two or more firms with unique skills and resources to offer a new service for clients, provide strategic support for each firm, or in some other manner create mutual benefits.

**Vendors** Manufacturers are moving into **strategic partnerships** with their vendors in order to implement just-in-time manufacturing. These alliances are based on fully integrated manufacturer-supplier logistics systems that get the component to the assembly line just when it is needed. The result is little or no raw materials inventory and significantly reduced carrying costs. The backbone of this system is shared information. Large retailers, such as Wal-Mart, have such relationships with their major vendors.

Within the framework of strategic partnering, marketing research information is fed back to a manufacturer's suppliers when consumers voice opinions about a component on the manufacturer's customer satisfaction surveys. For example, if Pioneer was supplying radios for Honda automobiles and customers were complaining about how difficult a certain model was to program, this research information would be shared with Pioneer. In one case, a major retail chain commissioned a study on changes in customer preferences for Christmas-related items such as gift wrap, cards, artificial trees, and ornaments, to help its suppliers of production materials understand the importance of making specific product changes and to provide guidance in making those changes.

**Franchisees** Most major franchisors of consumer goods and services provide marketing research data to their franchisees. Perhaps the most common way of gathering

data is from *mystery shoppers*. A mystery shopper, posing as a customer, observes how long it takes to be waited on and/or make a purchase, the courtesy of the clerks, the cleanliness of the operation, and whether his or her purchase or order was properly prepared. Mystery shopping is discussed in detail in Chapter 7.

Franchisors also share marketing research information with their franchisees to support certain recommendations or actions. When McDonald's suggests to a franchisee that a restaurant be remodeled in a particular style, it will show research data indicating that the building is perceived as out-of-date or old-fashioned. Other data might reveal which theme or style current customers prefer. When Burger King launches a major new promotional campaign, it may share with franchisees research data showing that the selected campaign theme was preferred by customers and noncustomers over alternative themes.



A major retail chain commissioned a study on changes in customer preferences for Christmas-related items in order to help suppliers understand the need for product change and what product changes to make.

## Internal Clients

**Marketing Managers** Virtually every manager within an organization will, at some point, be a user of marketing research information. However, marketing managers use research data more than any other group. Recall that the marketing mix consists of decisions regarding products or services, promotion, distribution, and pricing. Marketing research helps decision makers in each of these areas make better decisions. Product managers, for example, begin by using research to define their target market. In some cases, managers use research to determine the heavy users of their product within the target market. Marketing research revealed that heavy users of Miracle Whip consume 550 servings, or 17 pounds, of the product a year. These data were used to target a \$30 million promotional campaign to core users, telling them not to “skip the zip.” As a result, Miracle Whip’s market share went up 2.1 percent, to \$305 million annual sales.<sup>10</sup> The ad campaign also was thoroughly tested for effectiveness by marketing research before it was launched.

New product development managers are among the heaviest users of marketing research. From qualitative research techniques that generate product ideas to concept testing, product prototype testing, and then test marketing, marketing research is the key to creating a new product. For example, Post’s research on cereals had always shown that bananas are America’s favorite cereal fruit. Therefore, why not a banana-flavored cereal? Post’s new product manager concocted cereals with dried banana pieces, but they failed marketing research taste tests. Further research, conducted to explain why this happened, uncovered the fact that consumers saw no reason to buy a cereal with preserved bananas, as the fresh fruit is quite cheap year-round. If consumers wanted a banana-flavored cereal, they’d peel a banana and make one on the spot. One day, the new product manager had an inspiration: Consumers had said that they liked banana nut bread; it conjured up thoughts of something delicious that grandma used to make. The manager had Post’s labs create a new cereal for test marketing in consumers’ homes, where it received very high consumer test scores. Thus, Banana Nut Crunch, one of Post’s hottest cereals, was born. It is solely a product of marketing research, created from the initial concept of a new product manager.

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Marketing research also plays an important role in the distribution function. It is used to choose locations for new stores and to test consumer reactions to internal store design fixtures and features. Banana Republic, for example, has relied on marketing research to create the right atmosphere in its stores.

Within larger organizations, pricing decisions are usually made by committees composed of representatives from marketing, finance, production, and perhaps other departments. A recent marketing research study conducted by Ford Motor Company took a look at some of the new ideas generated by its engineers in order to determine first whether target customers were interested in a particular feature and then, if the concept had appeal, whether consumers would pay the suggested retail price. The research was conducted in both the United States and the United Kingdom. Twenty-eight new technology features were evaluated using computer-aided multimedia personal interviewing on desktop computers (see Exhibit 2.6). Video descriptions were integrated with a computerized

**EXHIBIT 2.6 Ford's Marketing Research on Sample New Technology Features**

**Fingerprint Passive Entry**  
(US \$980, reg. power locks—\$350  
UK £504, central locks—£280)

Fingerprint Passive Entry allows the driver to gain access to vehicles equipped with power locks, without the use of a key. The driver's own fingerprint is used as a unique identification to lock and unlock the vehicle. The vehicle recognizes the driver's fingerprint through the use of a touch pad. To lock the driver's door or all the vehicle's doors, simply touch the pad for half a second. (UK VERSION) Fingerprint Passive Entry is also available for easy trunk or liftgate access. The vehicle can still be locked or unlocked with a key.

**Night Vision System**  
(US \$2100/UK £1400)

The Night Vision System enhances driver visibility at night without causing glare to oncoming drivers. The system uses infrared headlamps to illuminate the road ahead. Sensors form an image of the road on a transparent display which lowers into the driver's view. An enhanced image of the road ahead is displayed on the screen, improving visibility.

**Sun Tracking Visor**  
(US \$42/UK £35)

The Sun Tracking Visor slides along a track from the inside rearview mirror to the edge of both front side doors, providing more accurate coverage. This feature is easy to use and provides a wide range of coverage.

**Front Impact Warning Indicator Light and Tone (US \$420, UK £210)**  
**Indicator Light and Voice (US \$420/UK £210)**  
**Indicator Light and Brake Tap (US \$490/UK £252)**

The Front Impact Warning System alerts drivers when approaching another vehicle or object. Sensors located in the bumper detect obstacles in front of the vehicle. The Front Impact Warning System combines an indicator light and audible tone to alert the driver: a combined indicator light and voice warning, or a combined indicator light and automatic brake tap.

**Infinite Door Check**  
(US \$35/UK £14)

The Infinite Door Check holds the door at any open position selected. When in a cramped parking space or on an inclined surface, the door can be stopped at any position without bumping the vehicle next to you.

**Skin Temperature Sensor**  
(US \$28, reg. ATC—\$245  
UK £14, reg. ATC—£420)

The Skin Temperature Sensor can be added to vehicles equipped with automatic temperature control to automatically cool the temperature inside the vehicle. The Skin Temperature Sensor uses an interior infrared sensor to measure a face's skin temperature. The sensor adjusts the fan and air conditioning to cool the vehicle's interior, until the skin temperature is within a normal range.

*Source:* Courtesy of Ford Motor Company. (Prices are not actual.)

quantitative questionnaire for all feature evaluations. Qualitative research (see Chapter 5) was conducted to clarify customer likes and dislikes of specific features.

Some concepts were perceived as a bit “gimmicky” or just “something else to break.” For example, Fingerprint Passive Entry was not perceived as a benefit over current remote keyless entry systems. On the other hand, features that are inexpensive but offer high utility appeared to be desirable. Examples include the Sun Tracking Visor and the Infinite Door Check. As might be expected, consumers overestimated the manufacturer’s target retail price for some items and underestimated it for others. Correspondingly, consumers were willing to pay the manufacturer’s suggested retail price for some features but not for others.<sup>11</sup>

**Top Management** Recall from the opening vignette how Procter & Gamble’s CEO A. G. Lafley has brought marketing research to the forefront of the company. This, in turn, has meant rising market share, profits, and shareholder value. The president of Harley Davidson decided to create a second line of motorcycles, called Buell, after consulting marketing research data. This new strategic direction opened a whole new market segment (sport/performance) for Harley. Top executives at DuPont, Wal-Mart, Marriott, Carnival Cruise Lines, and Amazon.com look to marketing research for strategic guidance.

**Other Internal Users** From time to time, other individuals besides marketing managers and senior management find a need for marketing research. As discussed earlier, Ford’s engineers sometimes invent new items for which demand must be assessed. Ford’s marketing research, however, feeds engineering management a steady stream of consumer desires and dislikes. Manufacturing also receives continual feedback, from customer satisfaction surveys, about loose-fitting door panels, balky sun-roof openers, and the like.

Finance departments use test market data to forecast revenue streams for 1 to 3 years. Similarly, repositioning research helps financial managers forecast revenue spurts from older products. Originally, Gatorade was promoted as a drink for competitive athletes. Marketing research found that its main users were men, aged 19 to 44, who understood the product, had a good perception of what it did, and knew when to drink it. The product was repositioned toward physical activity enthusiasts as a drink that would quench their thirst and replenish the minerals lost during exercise better than other beverages did. The new positioning dramatically increased sales.

Human resource managers may call on marketing research to survey employees about a variety of topics. Quality customer service requires that employees have a positive image of the company, an attitude that they then convey to customers. Firms such as Southwest Airlines and Nations-Bank monitor employee attitudes through survey research.

Companies are increasingly turning to marketing research to win their cases in court. Recently, Schering-Plough and Pfizer went to court over physicians’ perceptions about various antihistamines and sales messages used by sales reps about the products. You can read about the trial in detail in Real-Life Research 2.1 at the end of this chapter. Marketing research is also used to prove or disprove consumer perceptions regarding similar brand names.

A San Francisco jury ruled against Kendall-Jackson Winery in its case against E. & J. Gallo Winery. Kendall-Jackson claimed that Gallo copied the design of its Vintner’s Reserve

Marketing research helped Gatorade position its product toward those who use it most often—men between the ages of 19 and 44. Go to <http://www.gatorade.com> to see if the company positions its Web site for this demographic.



label, which features a grape leaf with fall colors, by using a similarly styled logo on the Gallo Turning Leaf line of varietal wines. Marketing research won the case for Gallo.

When law firms, top management, or product managers decide to hire a research supplier, they must find the right company to do the job. Jerry Thomas, president and CEO of Decision Analyst, Inc., discussed what to watch out for when hiring a research supplier in the Practicing Marketing Research box below.

## The State of the Marketing Research Industry

The marketing research industry is continuing to grow at a steady rate. For the past 15 years, the industry grew at about 5 percent annually. In 2004 and 2005, it grew at an annual rate of over 7 percent. Growth has attracted multinational corporations to the American marketing research industry. Today, 6 of the top 10 research firms are owned by foreign corporations.

**Users** The size of marketing research departments (users of research) continues to shrink as their budgets grow. This indicates that they are relying more on external research suppliers than ever before. Despite large budgets, users are more price sensitive than ever. One CEO of a supplier company told your authors, “Internet research is already becoming a commodity business.” Price sensitivity and more accountability have meant that “nice to have” and “nice to know” projects have gone away. Each project must now lead to tactical or strategic decisions. In major corporations, purchasing departments are now getting involved in projects over \$100,000. When purchasing managers aren’t research experts, price often becomes the key decision variable. Some users are even resorting to reverse auctions to bid out their research projects! A reverse auction is where the client (user) specifies what research it wants completed and researcher suppliers submit bids. The lowest bid is the winner. This means that research is viewed as a commodity and that there is no strategic partnership between the user and the supplier.

**Marketing Research Suppliers** Although some strategic partnering is still going on, the trend seems to have slowed. Suppliers must therefore maintain visibility through promotion and personal interactions with users. As strategic partnering falters, suppliers cannot depend on having a cash cow as in the past. *M/A/R/C*, one of America’s largest custom research firms, had R.J. Reynolds as its cash cow for a number of years. Suppliers are also outsourcing to reduce costs. Some firms have moved their telephone survey call centers to Canada, and others have subcontracted data processing to firms in India.<sup>12</sup>

**Challenges Facing the Marketing Research Industry** A recent survey of 1,500 marketing research executives asked them about challenges facing the industry. When asked to rank the challenges the results were as follows:

Ranked—“Very Challenging”	
Maximizing survey participation and completion rates	38.7%
Reaching a representative sample of respondents	30.2%
Providing surveys in the format most desired for the respondent	10.2%
Designing or authoring the survey	12.0%
Analyzing results	17.6%
Coding or quantifying survey operations	18.6%

## PRACTICING MARKETING RESEARCH



### Look for the Danger Signals When Evaluating Research Suppliers

Jerry Thomas, president and CEO of Decision Analyst, says that clients should watch for these danger signs in evaluating research suppliers:

- **Magic techniques.** Exotic approaches. Revolutionary technology. Let them experiment on your competitors. **Rule One:** If you don't understand it, don't buy it.
- **Guaranteed solutions.** They know they can solve your problem. They are absolutely certain they are right. They are in possession of the Holy Grail. Let them bring salvation and ultimate truth to your competitors. **Rule Two:** Don't do business with prophets or other types of management consultants.
- **Price variance.** If the prices quoted for research are extremely high, you should be wary and careful (even if they are management consultants). Make sure you are getting extra value for the extra price. Equally risky are the companies that quote extremely low prices; be especially careful in using these companies. **Never, never** choose a research company just because its prices are the lowest. Typically, research costs are a small part of a project's budget. Don't save \$2,000 or \$3,000 on a research project and run the risk of making wrong decisions that could cost your company millions of dollars.

So, you've chosen a research partner. How do you get the most from the research company you choose?

- **Build a relationship.** Involve the research company in your business. Generally, the more you work with one company, the better the job that company will do for you.
- **Set forth clear objectives.** Tell the research company what decisions you wish to make. Be sure the research firm understands your objectives.
- **Look in on the research while it is in process.** Listen to some of the telephone interviews. Observe the focus groups or depth interviews.

Once a study is completed and you've reviewed a draft of the report and its recommendations, ask the research company to present the results of the study to all of your key people **in one room at one time**. This is an absolutely essential step for two reasons: First, most of your employees don't read research reports; second, even if they do read them, many people don't understand research reports. A real live presentation with all the key decision makers in one room allows the researcher to explain the results, answer all questions, and clear up any confusion or misunderstandings. A great added benefit of a presentation is that it helps your key executives reach a consensus on what the research results mean and what actions need to be taken.

Research is not the answer to every question, but if used wisely, it just might help your business avoid the next speculative meltdown. The future belongs to the informed, to the rational, to those who make decisions based on objective, research-based realities.<sup>13</sup>

#### Ranked—"Next-Most Challenging"

Maximizing survey participation and completion rates	36.0%
Reaching a representative sample of respondents	33.3%
Providing surveys in the format most desired for the respondent	23.4%
Analyzing results	28.1%
Coding or quantifying survey operations	26.3%

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The survey also explored the pressures being brought to bear on marketing research that affect *how* research is conducted. The need to “reduce costs” was considered the biggest hurdle by 39.3 percent of respondents. After that the largest hurdles were:

Reduce time in achieving results	35.4%
Improve the data collection process	28.1%
Conduct effective research online	22.6%
Take advantage of technology	22.2%
Improve skill sets of internal staff	20.9%
Automate processes	20.7%
Reduce time to create a survey	20.4%
Reduce errors in data collection or coding	20.2%
Improve the process of coding data	8.6%
Hire staff	7.3%
Outsourcing	5.8%
Other	5.5% <sup>14</sup>

A discussion of the state-of-the-art of the marketing research industry would not be complete without mentioning ethics.

## Marketing Research Ethics

### ethics

Moral principles or values, generally governing the conduct of an individual or group.

The two most important factors for research clients in their relationships with research departments/suppliers are client confidentiality and honesty. Each is a question of ethics. **Ethics** are moral principles or values generally governing the conduct of an individual or group. Ethical behavior is not, however, a one-way relationship. Clients, suppliers, as well as field services, must also act in an ethical manner.

Ethical questions range from practical, narrowly defined issues, such as a researcher’s obligation to be honest with its customers, to broader social and philosophical questions, such as a company’s responsibility to preserve the environment and protect employee rights. Many ethical conflicts develop from conflicts between the differing interests of company owners and their workers, customers, and surrounding community. Managers must balance the ideal against the practical—the need to produce a reasonable profit for the company’s shareholders with honesty in business practices, and larger environmental and social issues.

### Ethical Theories

People usually base their individual choice of ethical theory on their life experiences. The following are some of the ethical theories that apply to business and marketing research.<sup>15</sup>

**Deontology** The deontological theory states that people should adhere to their obligations and duties when analyzing an ethical dilemma. This means that a person will follow his or her obligations to another individual or society because upholding one’s duty is what is considered ethically correct. For instance, a deontologist will always keep his promises to a friend and will follow the law. A person who follows this theory will produce very consistent decisions since they will be based on the individual’s set duties. Note that this theory is not necessarily concerned with the welfare of others. Say, for example, a research supplier has decided that it’s his ethical duty (and very practical!) to always be on time to meetings with clients. Today he is running late. How is he supposed to drive? Is the deontologist supposed to speed, breaking his duty to society to uphold the

law, or is the deontologist supposed to arrive at his meeting late, breaking his duty to be on time? This scenario of conflicting obligations does not lead us to a clear ethically correct resolution, nor does it protect the welfare of others from the deontologist's decision.

**Utilitarianism** The utilitarian ethical theory is founded on the ability to predict the consequences of an action. To a utilitarian, the choice that yields the greatest benefit to the most people is the choice that is ethically correct. One benefit of this ethical theory is that the utilitarian can compare similar predicted solutions and use a point system to determine which choice is more beneficial for more people. This point system provides a logical and rational argument for each decision and allows a person to use it on a case-by-case context.

There are two types of utilitarianism: act utilitarianism and rule utilitarianism. *Act utilitarianism* adheres exactly to the definition of utilitarianism as described in the above section. In act utilitarianism, a person performs the acts that benefit the most people, regardless of personal feelings or the societal constraints such as laws. *Rule utilitarianism*, however, takes into account the law and is concerned with fairness. A rule utilitarian seeks to benefit the most people but through the fairest and most just means available. Therefore, added benefits of rule utilitarianism are that it values justice and doing good at the same time.

As is true of all ethical theories, however, both act and rule utilitarianism contain numerous flaws. Inherent in both are the flaws associated with predicting the future. Although people can use their life experiences to attempt to predict outcomes, no human being can be certain that his predictions will be true. This uncertainty can lead to unexpected results, making the utilitarian look unethical as time passes because his choice did not benefit the most people as he predicted.

Another assumption that a utilitarian must make is that he has the ability to compare the various types of consequences against each other on a similar scale. However, comparing material gains such as money against intangible gains such as happiness is impossible since their qualities differ so greatly.

**Casulist** The casuist ethical theory compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes. This allows one to determine the severity of the situation and to create the best possible solution according to others' experiences. Usually, one will find examples that represent the extremes of the situation so that a compromise can be reached that will hopefully include the wisdom gained from the previous situations.

One drawback to this ethical theory is that there may not be a set of similar examples for a given ethical dilemma. Perhaps that which is controversial and ethically questionable is new and unexpected. Along the same line of thinking, this theory assumes that the results of the current ethical dilemma will be similar to results in the examples. This may not be necessarily true and would greatly hinder the effectiveness of applying this ethical theory.

Understanding ethical theories will help us better decide how certain unethical practices in marketing research should be resolved. Exhibit 2.8 details some of the unethical practices most common among the various groups involved in marketing research.

## Research Supplier Ethics

Unethical research supplier practices range from low-ball pricing to violating client confidentiality.

**Low-Ball Pricing** A research supplier should quote a firm price based on a specific incidence rate (percentage of the respondents in the sample that will qualify to complete

**EXHIBIT 2.8 Unethical Practices in Marketing Research**

Research Suppliers	Research Clients	Field Services
Low-ball pricing	Issuing bid requests when a supplier has been predetermined	
Allowing subjectivity into the research	Soliciting free advice and methodology via bid requests	Using professional respondents
Abusing respondents		Not validating data
Selling unnecessary research	Making false promises	
Violating client confidentiality	Issuing unauthorized requests for proposal	
Black Box Branding		

**➤ low-ball pricing**

Quoting an unrealistically low price to secure a firm's business and then using some means to substantially raise the price.

the survey) and questionnaire length (time to complete). If either of the latter two items changes, then the client should expect a change in the contract price. Low-ball pricing in any form is unethical. In essence, **low-ball pricing** is quoting an unrealistically low price to secure a firm's business and then using some means to substantially raise the price. For example, quoting a price based on an unrealistically high incidence rate is a form of low-ball pricing. Offering to conduct a focus group at \$6,000 a group and, after the client commits, saying, "The respondents' fees for participating in the group discussion are, of course, extra" is a form of low-balling.

**Allowing Subjectivity into the Research** Research suppliers must avoid using biased samples, misusing statistics, ignoring relevant data, and creating a research design with the goal of supporting a predetermined objective. One area of research today is so-called *advocacy studies*. These studies are commissioned by companies or industries for public relations purposes or to advocate or prove a position. For example, Burger King once used positive responses to the following question in an advocacy study in an attempt to justify the claim that its method of cooking hamburgers was preferred over that of McDonald's: "Do you prefer your hamburgers flame-broiled or fried?" When another researcher rephrased the question—"Do you prefer a hamburger that is grilled on a hot stainless-steel grill or cooked by passing the meat through an open gas flame?"—the results were reversed: McDonald's was preferred to Burger King.

Kiwi Brands, a shoe polish company, commissioned a study on the correlation between ambition and shiny shoes. The study found that 97 percent of self-described ambitious young men believe polished shoes are important. In many cases, advocacy studies simply use samples that are not representative of the population. For example, a news release for a diet products company trumpeted: "There's good news for the 65 million Americans currently on a diet." A company study had shown that people who lose weight can keep it off—the sample consisted of 20 graduates of the company's program, who also endorsed its products in commercials.

When studies are released to the news media, the methodology should be readily available to news reporters. Typically, this information is withheld, often on the ground that the material is proprietary. A survey done for Carolina Manufacturer's Service, a coupon redemption company, found that "a broad cross-section of Americans find coupons to be true incentives for purchasing products." The description of the methodology was available only at a price: \$2,000.

**Abusing Respondents** Respondent abuse can take several forms. Perhaps the most common is lengthy interviews. This problem stems in part from the "as long as



When studies are released to the news media, the methodology should be readily available to news reporters. A survey done for a coupon redemption company found that “a broad cross-section of Americans find coupons to be true incentives for purchasing products.” The description of the methodology, however, was available only for a price of \$2,000.

you’re asking questions” mentality of many product managers. It is not uncommon for clients to request additional “nice to know” questions, or even exploratory questions on an entirely separate project. This leads to lengthy questionnaires, 30-minute telephone or internet interviews, and 40-minute mall-intercept interviews. As a result of long interviews and telephone sales pitches, more and more Americans are refusing to participate in survey research. The refusal rate for telephone surveys now averages 60-plus percent, an increase of 10 percent over 10 years. Forty-nine percent of the people who do participate say the surveys are “too personal.”

Predictive dialers are tremendous productivity tools for survey research telephone call centers. They remove much of the idle time an interviewer would otherwise spend manually dialing numbers and recording call dispositions, such as no-answer and busy signals. By definition, predictive dialers dial phone numbers ahead of available interviewers, predicting when an interviewer will become available. Adjusting the pacing manually sets the aggressiveness of this dial-ahead capability. Obviously, there is strong motivation for call-center managers to increase the pacing and minimize the time an interviewer spends between calls. However, this action has undesirable consequences because some respondents are contacted before an interviewer is available. In most cases, the dialer then places the respondent on hold or disconnects the call. Both actions decrease respondent goodwill.<sup>16</sup>

Interest in a product or service is often discerned during the interviewing process, and the researcher knows the interviewees’ potential purchasing power from their answers to income and other pertinent financial questions. Although the introduction phase of the questionnaire usually promises confidentiality, some researchers have sold names and addresses of potential customers to firms seeking sales leads. Individuals willing to participate in the survey research process have a right to have their privacy protected.

The state of New York sued Student Marketing Group for selling information on a broad scale to direct marketers. The survey filled out by students included age, gender, religious affiliation, career interests, and grade point average. The company said that it was gathering the data to provide to universities to help the students gain admission and financial aid. Direct marketers used the information to sell credit cards, magazines, videos, cosmetics, and other products.<sup>17</sup>

**Selling Unnecessary Research** A research supplier dealing with a client who has little or no familiarity with marketing research often has the opportunity to “trade

the client up.” For example, if a project called for four focus groups and an online survey of approximately 350 consumers, the research supplier might sell eight groups and 1,000 Internet interviews, with a 400-interview telephone follow-up in 6 months.

It is perfectly acceptable to offer a prospective client several research designs with several alternative prices when and if the situation warrants alternative designs. The supplier should point out the pros and cons of each method, along with sample confidence intervals. The client, in consultation with the supplier, then can decide objectively which design best suits the company’s needs.

**Violating Client Confidentiality** Information about a client’s general business activities or the results of a client’s project should not be disclosed to a third party. The supplier should not even disclose the name of a client unless permission is received in advance.

The thorniest issue in confidentiality is determining where “background knowledge” stops and conflict arises as a result of work with a previous client. One researcher put it this way:

*I get involved in a number of proprietary studies. The problem that often arises is that some studies end up covering similar subject matter as previous studies. Our code of ethics states that you cannot use data from one project in a related project for a competitor. However, since I often know some information about an area, I end up compromising my original client. Even though upper management formally states that it should not be done, they also expect it to be done to cut down on expenses. This conflict of interest situation is difficult to deal with. At least in my firm, I don’t see a resolution to the issue. It is not a onetime situation, but rather a process that perpetuates itself. To make individuals redo portions of studies which have recently been done is ludicrous, and to forgo potential new business is almost impossible from a financial perspective.<sup>18</sup>*

## Black Box Branding

Marketing research suppliers have discovered branding. Synovate has over 25 branded product offerings, including Brand Vision and M2M. Maritz Research offers Loyalty Maximizer, and Harris Interactive has TRBC, a scale bias correction algorithm. Go to virtually any large marketing research firm’s Web site, and you’ll see a vast array of branded research products for everything from market segmentation to customer value analysis—all topped off with a diminutive <sup>SM</sup>, <sup>TM</sup> or <sup>®</sup>.

A common denominator across some of these products is that they are proprietary, which means the firms won’t disclose exactly how they work. That’s why they’re also known pejoratively as black boxes. A black box method is proprietary—a company is able to protect its product development investment. And if customers perceive added value in the approach, suppliers can charge a premium price to boot. (Black boxes and brand names are not synonymous. Almost all proprietary methods have a clever brand name, but there are also brand names attached to research methods that are not proprietary.)

At least two factors have given rise to this branding frenzy. First, competitive pressures force organizations to seek new ways to differentiate their product offerings from those of their competitors. Second, many large research companies are publicly held, and publicly held companies are under constant pressure to increase sales and profits each quarter. One way to do this is to charge a premium price for services. If a company has a proprietary method for doing a marketing segmentation study, presumably it can charge more for this approach than another firm using publicly available software such as SPSS or SAS.

Clients have no objective way of determining whether the results of a proprietary method would vary significantly from those of more standard approaches, and neither

have we. Go to five different companies that have five different black boxes for choice modeling, for example. Each company claims its method is superior, yet it's impossible to assess, from a psychometric perspective, which possesses the highest level of validity.

Of course, no one is forcing clients to purchase a black box method, and they can always contact other organizations that have used a supplier's proprietary method to assess its effectiveness. Often clients will obtain multiple bids on a project so that they can select from a variety of approaches to help them answer their research questions.<sup>19</sup>

## Client Ethics

Like research suppliers, clients (or users) also have a number of ethical dos and don'ts. Some of the more common client problems are requesting bids when a supplier has been predetermined, requesting bids to obtain free advice and methodology, making false promises, and issuing unauthorized RFPs.

**Requesting Bids When a Supplier Has Been Predetermined** It is not uncommon for a client to prefer one research supplier over another. Such a preference may be due to a good working relationship, cost considerations, ability to make deadlines, friendship, or quality of the research staff. Having a preference per se is not unethical. It is unethical, however, to predetermine which supplier will receive a contract and yet ask for proposals from other suppliers to satisfy corporate requirements. Requiring time, effort, and money from firms that have no opportunity to win the contract is very unfair. Why more than a single RFP? Some corporations require more than one bid.

**Requesting Bids to Obtain Free Advice and Methodology** Client companies seeking bargain basement prices have been known to solicit detailed proposals, including complete methodology and a sample questionnaire, from a number of suppliers. After "picking the brains" of the suppliers, the client assembles a questionnaire and then contracts directly with field services to gather the data. A variation of this tactic is to go to the cheapest supplier with the client's own proposal, derived by taking the best ideas from the other proposals. The client then attempts to get the supplier to conduct the more elaborate study at the lower price.

**Making False Promises** Another technique used by unethical clients to lower their research costs is to hold out a nonexistent carrot. For example, a client might say, "I don't want to promise anything, but we are planning a major stream of research in this area, and if you will give us a good price on this first study, we will make it up to you on the next one." Unfortunately, the next one never comes—or if it does, the same line is used on another unsuspecting supplier.

**Requesting Proposals without Authorization** In each of the following situations, a client representative sought proposals without first receiving the authority to allocate the funds to implement them:

1. A client representative decided to ask for proposals and *then* go to management to find out whether she could get the funds to carry them out.
2. A highly regarded employee made a proposal to management on the need for marketing research in a given area. Although managers were not too enthused about the idea, they told the researcher to seek bids so as not to dampen his interest or miss a potentially (but, in their view, highly unlikely) good idea.
3. A client representative and her management had different ideas on what the problem was and how it should be solved. The research supplier was not informed of the

management view, and even though the proposal met the representative's requirements, management rejected it out of hand.

4. Without consulting with the sales department, a client representative asked for a proposal on analyzing present sales performance. Through fear of negative feedback, corporate politics, or lack of understanding of marketing research, the sales department blocked implementation of the proposal.

## Field Service Ethics

Marketing research field services are the production arm of the research industry requiring telephone or face-to-face interviews. They are the critical link between the respondent and the research supplier. It is imperative that they properly record information and carefully follow sampling plans. Otherwise, even the best research design will produce invalid information (garbage in; garbage out). Maintaining high ethical standards will aid a field service in procuring good raw data for the research firm.

**Using Professional Respondents** The problem of professional respondents arises most often in the recruitment of focus group participants. Virtually all field services maintain a database of people willing to participate in qualitative discussion groups, along with a list of their demographic characteristics. Maintaining such a list is good business and quite ethical. When qualifications for group participants are easy (for example, pet owners, persons who drive SUVs), there is little temptation to use professional respondents. However, when a supplier wants, for example, persons who are heavy users of Oxydol detergent or who own a Russian Blue cat, it is not unheard of for a group recruiter to call a professional respondent and say, "I can get you into a group tomorrow with a \$75 respondent fee and all you need to say is that you own a Russian Blue cat."

In an attempt to weed out professional respondents, a research supplier may specify that the participant must not have been a member of a qualitative discussion group within the past 6 months. However, dishonest field services will simply tell the professional respondent to deny having participated in a group within the past 6 months.

## Data-Collection Code of Ethics

The Marketing Research Association (MRA) is an association to which many field services belong. The organization is dedicated to promoting excellence in data collection. To this end, it recently enacted the following code of ethics:

### Companies Engaged in Data Collection . . .



1. will treat the respondent with respect and not influence a respondent's opinion or attitude on any issue through direct or indirect attempts, including the framing of questions.
2. will conduct themselves in a professional manner and ensure privacy and confidentiality.
3. will ensure that all formulas used during bidding and reporting during the data collection process conform with the MRA/CASRO Incidence Guidelines.
4. will make factually correct statements to secure cooperation and will honor promises made during the interview to respondents, whether verbal or written.
5. will give respondents the opportunity to refuse to participate in the research when there is a possibility they may be identifiable even without the use of their name or address (e.g., because of the size of the population being sampled).

6. will not use information to identify respondents without the permission of the respondent except to those who check the data or are involved in processing the data. If such permission is given, the interviewer must record it, or a respondent must do so, during all Internet studies, at the time the permission is secured.
7. will adhere to and follow these principles when conducting online research:
  - Respondents' rights to anonymity *must* be safeguarded.
  - Unsolicited e-mail *must not* be sent to those requesting not to receive any further e-mail.
  - Researchers interviewing minors *must* adhere to the Children's Online Privacy Protection Act (COPPA).
  - Before collecting, using, or disclosing personal information from a child, the researcher must obtain verifiable parental consent from the child's parent.  
*Refer to MRA Internet Ethics Guidelines "Use of the Internet for Conducting Opinion and Marketing Research" for more educational information. [http://www.mra-net.org/codes/internet\\_ethics\\_guidelines.PDF](http://www.mra-net.org/codes/internet_ethics_guidelines.PDF)*
8. for Internet research, will not use any data in any way contrary to the provider's published privacy statement without permission from the respondent.
9. will respect the respondent's right to withdraw or refuse to cooperate at any stage of the study and will not use any procedure or technique to coerce or imply that cooperation is obligatory.
10. will obtain and document respondent consent when it is known that the personally identifiable information of the respondent may be passed by audio, video, or Interactive Voice Response to a third party for legal or other purposes.
11. will obtain permission and document consent of a parent, legal guardian, or responsible guardian before interviewing children 13 years of age or younger. Prior to obtaining permission, the interviewer should divulge the subject matter, length of interview, and other special tasks that may be required of the respondent.
12. will ensure that all interviewers comply with any laws or regulations that may be applicable when contacting or communicating to any minor (18 years old or younger) regardless of the technology or methodology utilized.
13. will not reveal any information that could be used to identify clients without their written authorization.
14. will ensure that companies, their employees, and subcontractors involved in the data-collection process adhere to reasonable precautions so that multiple surveys are not conducted at the same time with a specific respondent without explicit permission from the sponsoring company or companies.
15. will consider all research materials provided by the client or generated as a result of materials provided by the client to be the property of the client. These materials will not be disseminated or disposed of without the verbal or written permission of the client.
16. will, as time and availability permit, give their client the opportunity to monitor studies in progress to ensure research quality.
17. will not represent a nonresearch activity to be opinion and marketing research, such as:
  - the compilation of lists, registers, or data banks of names and addresses for any nonresearch purposes (e.g., canvassing or fund raising).
  - industrial, commercial, or any other form of espionage.
  - the acquisition of information for use by credit rating services or similar organizations.

- ❑ sales or promotional approaches to the respondent.
- ❑ the collection of debts.<sup>20</sup>

## Respondents' Rights

Respondents in a marketing research project typically give their time and opinions and receive little or nothing in return. These individuals, however, do have certain rights that should be upheld by all marketing researchers. All potential participants in a research project have the right to choose, the right to safety, the right to be informed, and the right to privacy.

**Right to Choose** Everyone has the right to determine whether or not to participate in a marketing research project. Some people, such as poorly educated individuals or children may not fully appreciate this privilege. A person who would like to terminate an interview or experiment may give short, incomplete answers or even false data.

The fact that a person has consented to be part of an experiment or to answer a questionnaire does not give the researcher carte blanche to do whatever she or he wants. The researcher still has an obligation to the respondent. For example, if a person participating in a taste test involving a test product and several existing products prefers the test product, the researcher does not have the right to use the respondent's name and address in a promotion piece, saying that "Ms. Jones prefers new Sudsies to Brand X."

**Right to Safety** Research participants have the right to safety from physical or psychological harm. While it is unusual for a respondent to be exposed to physical harm, there have been cases of persons becoming ill during food taste tests. Also, on a more subtle level, researchers rarely warn respondents that a test product contains, say, a high level of salt. An unwitting respondent with hypertension could be placed in physical danger if the test ran several weeks.

It is much more common for a respondent to be placed in a psychologically damaging situation. Individuals might experience stress when an interviewer presses them to participate in a study. Others might experience stress when they cannot answer questions or are given a time limit to complete a task (for example, "You have five minutes to browse through this magazine, and then I will ask you a series of questions").

**Right to Be Informed** Research participants have the right to be informed of all aspects of a research task. Knowing what is involved, how long it will take, and what will be done with the data, a person can make an intelligent choice as to whether to participate in the project.

Often, it is necessary to disguise the name of the research sponsor to avoid biasing the respondent. For example, it is poor research practice to say, "We are conducting a survey for Pepsi; which brand of soft drink do you consume most often?" In cases in which disguising the sponsor is required, a debriefing should take place following the completion of the interview. The debriefing should cover the study's purpose, the sponsor, what happens next with the data, and any other pertinent information. A debriefing can reduce respondent stress and build goodwill for the research industry. Unfortunately, taking the time to debrief a respondent is a cost that most companies are unwilling to incur.

In some business and academic research, the researcher may offer to provide the respondent with a copy of the research results as an incentive to obtain his or her participation in the project. When a commitment has been made to disseminate the findings to survey respondents, it should be fulfilled. On more than one occasion, we have participated in academic surveys where the carrot of research results was offered but never delivered.

**Right to Privacy** All consumers have the right to privacy. All major research organizations, including the MRA (discussed above), the Council of American Survey Research Organizations (CASRO), the Internet Marketing Research Association (IMRO), the American Marketing Association (AMA), and the Advertising Research Foundation (ARF), have privacy codes. For example, with online research, lists of potential respondents must have one of two characteristics. Potential respondents must have either a prior opt-in for contact, or they must have an existing business relationship with the sender through which an e-mail contact would not be considered a random, unsolicited e-mail (spam).

Consumer privacy can be defined in terms of two dimensions of control. The first dimension includes control of unwanted telephone, mail, e-mail, or personal intrusion in the consumer's environment, and the second concerns control of information about the consumer. Consumer privacy can be viewed in the context of any interaction, profit or nonprofit, between marketer and consumer, including (but not limited to) credit and cash sales, consumer inquiries, and marketer-initiated surveys. The very nature of the marketing research business requires interviewers to invade an individual's privacy. An interviewer calls or approaches strangers, requests a portion of their limited free time, and asks them to answer personal questions—sometimes *very* personal questions. Perhaps the greatest privacy issue for consumers today is the role of marketing databases (see Chapter 4).

A number of laws have been passed in recent years dealing with various aspects of privacy as it relates to the marketing research industry. Diane Bowers, president of the Council of American Survey Research Organizations (CASRO), poses the following questions to marketing researchers:

***Did you know. . . .***

*You may be violating the law if you interview customers of financial institutions who have not consented to that research? (Federal regulations require opt-out; some states require opt-in.)*

*You may be violating the law if patients you interview for health care research have not consented to that research? (Federal regulations require opt-in.)*

*You may be violating the law if telephone customers you interview for telecommunications research have not consented to that research? (Federal regulations require opt-out.)*

*You may be violating the law if you exchange personal data about respondents with someone in Europe without complying with the U.S. Safe Harbor and the EU Directive on Data Protection? (U.S. Safe Harbor principles must be verifiably adhered to, or contractually met, or you must be EU certified.)*

*You may be violating the law if you disclose personal information about respondents to a subcontractor, including interviewers and data processors? (Privacy laws require binding confidentiality agreements before any "onward transfer" of such information.)*

*You are violating the law if you fail to comply with any material aspect of your online privacy statement or offline privacy policy? (The FTC, for example, has the ability to impose fines of up to several thousands of dollars **per day** for such violations.)*

*You are legally and professionally liable for the privacy and confidentiality of your research respondents and the integrity of your research?<sup>21</sup>*

The Global Research feature explains the Safe Harbor Program and why it is important to global marketing researchers.

## Ethics and Professionalism

Today's business ethics are actually a subset of the values held by society as a whole. The values that underlie marketing decisions have been acquired through family, educational and religious institutions, and social movements (for example, women's rights, environmental



# GLOBAL RESEARCH

## Safe Harbor in a Privacy Storm

The European Commission's Directive on Data Protection went into effect in October 1998 and prohibits the transfer of personal data to non-European Union nations that do not meet the European "adequacy" standard for privacy protection. Although the United States and the European Union share the goal of enhancing privacy protection for their citizens, the United States takes a different approach to privacy from that taken by the European Union (EU). The United States uses a sectoral approach that relies on a mix of legislation, regulation, and self-regulation. The EU, however, relies on comprehensive legislation that, for example, requires creation of government data protection agencies, registration of databases with those agencies, and in some instances prior approval before personal data processing may begin. As a result of these different privacy approaches, the Directive could have significantly hampered the ability of U.S. companies to engage in many trans-Atlantic transactions.

In order to bridge these different privacy approaches and provide a streamlined means for U.S. organizations to comply with the Directive, the U.S. Department of Commerce in consultation with the European Commission developed a "safe harbor" framework. The Safe Harbor Program—approved by the EU in 2000—is an important way for U.S. companies to avoid experiencing interruptions in their business dealings with the EU or facing prosecution by European authorities under European privacy laws. Certifying to the Safe Harbor will assure that EU organizations know that an American company provides "adequate" privacy protection, as defined by the Directive.

Organizations that participate in the Safe Harbor Program, which is voluntary, must comply with the Safe Harbor requirements and must publicly declare their adherence. To do so, an organization self-certifies annually to the Department of Commerce in writing that it agrees to adhere to the Safe Harbor Program's requirements. It must also state in its published privacy policy statement that it adheres to the Safe Harbor Program.

To qualify for the Safe Harbor Program, an organization can (1) join a self-regulatory program that adheres to the Safe Harbor's requirements and certify to the Department of Commerce or (2) develop its own self-regulatory privacy policy that conforms to the Safe Harbor and certify its adherence to the Department of Commerce.

The Safe Harbor Program consists of seven privacy principles:

**1. Notice.** This involves the purposes for which a company collects and uses information and how individuals can contact the organization with inquiries, the types of third parties that may receive the information, and the choices and means the organization offers for limiting its use and disclosure.

**2. Choice.** Choose (opt-out) whether personal information will be disclosed to a third party or used for a purpose incompatible with its original or authorized purpose. For sensitive information, affirmative or explicit (opt-in) choice must be given if the information is to be disclosed to a third party or used for another purpose.

**3. Onward transfer.** This is the transfer of information only to third parties who comply with Safe Harbor principles or with whom the organization has a written agreement requiring the third party to provide at least the same level of privacy protection.

**4. Access.** Individuals must have access to personal information about them and be able to correct or delete information that's inaccurate (except where the burden would be disproportionate to the risks of the individual's privacy or where the rights of other persons would be violated).

**5. Security.** Reasonable precautions must be taken to protect information from loss, misuse, unauthorized access, disclosure, alteration, and destruction.

**6. Data integrity.** Personal information must be relevant for the purposes for which it is to be used. An organization should take reasonable steps to ensure that data is reliable for its intended use, accurate, complete, and current.

**7. Enforcement.** Must have mechanisms for assuring compliance, and sanctions must be sufficiently vigorous to ensure compliance.<sup>22</sup>

protection). A marketing researcher with a mature set of ethical values accepts personal responsibility for decisions that affect the community. Considerations include the following:

- ❑ Employees' needs and desires and the long-range best interests of the organization
- ❑ The long-range goodwill and best interests of people who are directly affected by company activities (a bonus: good publicity for the firm)
- ❑ The societal values and conditions that provide the basis for the social structure in which the company exists

High standards of ethics and professionalism go hand in hand. Good ethics provide a solid foundation for professionalism, and striving for a lofty level of professionalism requires ethical behavior on the part of researchers.

**Fostering Professionalism** Because of the specialized knowledge and expertise they possess, members of a profession have influence and power over those for whom they provide a particular service. The tools of a doctor or lawyer cannot easily be obtained and sold in the marketplace; these professions guard their knowledge and control who has access to it. Although marketing researchers and marketers wield power and influence over their customers and even society, the marketing industry does not have a credentialing process or high entry barriers. The argument can be made that the marketers who most need to think, believe, and behave with professionalism are those in marketing research.

The distinction between a profession and professionalism is important: a **profession** and membership in it are objectively determined (for example, by medical board exams), whereas **professionalism** is evaluated on more personal and subjective levels. A study designed to measure the level of professionalism in marketing research found that researchers had autonomy in their jobs, were permitted to exercise judgment, and were recognized for their level of expertise and ability to work independently.<sup>23</sup> These characteristics are marks of professionalism. However, most researchers did not readily identify the contribution that marketing makes to society, nor did most firms tend to reward researchers' participation in professional organizations. These characteristics do not indicate a high level of professionalism.

Several steps have been taken recently to improve the level of professionalism in the marketing research industry. For example, CASRO has sponsored symposia dealing with ethical issues in survey research. CASRO also has created a code of ethics that has been widely disseminated to research professionals. The CASRO board has worked with groups such as the Marketing Research Association to provide input to legislatures considering antimarketing research legislation.

**Researcher Certification** Today, it is far too easy to begin practicing marketing research. We have seen several "fast talkers" convince unwary clients that they are qualified researchers. Unfortunately, relying on poor information to make major decisions has resulted in loss of market share, reduction in profits, and, in some cases, bankruptcy.



A profession and membership in it are objectively determined; professionalism is evaluated on more personal and subjective levels.

➤ **profession**  
Organization whose membership is determined by objective standards, such as an examination.

➤ **professionalism**  
Quality said to be possessed by a worker with a high level of expertise, the freedom to exercise judgment, and the ability to work independently.

Certification has generated a great deal of debate among members of the marketing research industry. It should be noted that certification is not licensing. *Licensing* is a mandatory procedure administered by a governmental body that allows one to practice a profession. *Certification* is a voluntary program administered by a nongovernmental body that provides a credential for differentiation in the marketplace. The issue of certification is sensitive because it directly affects marketing researchers' ability to practice their profession freely.

The MRA has launched a Professional Researcher Certification program. The objectives, according to the MRA, are "to encourage high standards within the profession in order to raise competency, establish an objective measure of an individual's knowledge and proficiency, and to encourage continued professional development."<sup>24</sup> The program allows for certification as a research user, supplier, or data collector. The process requires a series of continuing education credits and then passing an exam. Researchers can be grandfathered into certification if they meet the MRA's standards for a specific research job. The grandfathering period ends on February 28, 2007.

## SUMMARY

The marketing research industry consists of (1) information users (consumer and industrial goods and services producers; federal, state, and local governments; media companies; retailers and wholesalers), (2) marketing research suppliers (custom research firms' syndicated research firms and limited function research firms), and (3) marketing research supplier service firms.

Users of marketing research can be further categorized as external or internal to the firm. External users include company vendors and franchisee. The primary internal user of marketing research is the marketing department, which seeks data for decision making in such areas as logistics, sales, promotions, new product development, brand management, and pricing. Other internal groups and departments using marketing research are senior management, product engineers, finance, manufacturing, human resources management, and legal.

The marketing research industry continues to grow at a steady rate. The size of marketing research departments, however, is shrinking despite growing budgets. This means that research users are relying on external suppliers more than ever. Some of the biggest challenges facing the research industry are maximizing survey participation and completion rates and reaching a representative sample of respondents.

Ethics are moral principles or values generally governing the conduct of an individual or group. The deontology theory says that a person will follow his or her obligations to another individual or society because upholding one's duty is what is considered ethically correct. In contrast, utilitarian ethical theory maintains that a choice yielding the greatest benefit to the greatest number of people is the choice that is ethically correct. The casuist theory holds that a decision should be made by comparing a current ethical dilemma with examples of similar ethical dilemmas and their outcomes.

Unethical practices by some suppliers include low-ball pricing, allowing subjectivity into the research, abusing respondents, selling unnecessary research, violating client confidentiality, and using black box branding. Unethical practices performed by some research clients include requesting bids when a supplier has been predetermined, requesting bids to gain free advice or methodology, making false promises, and issuing unauthorized requests for proposals. Marketing research field services have used professional respondents which is unethical.

Respondents have certain rights, including the right to choose whether to participate in a marketing research project, the right to safety from physical and psychological harm, and the right to be informed of all aspects of the research task. They should know what is involved, how long it will take, and what will be done with the data. Respondents also have the right to privacy.

The level of professionalism in the marketing research industry can be raised through the efforts of organizations such as CASRO and CMOR as well as socially concerned marketing research firms. Researcher certification has been launched by the MRA.

**custom, research firms** Companies that carry out customized marketing research to address specific projects for corporate clients.

**syndicated service research firms** Companies that collect, package, and sell the same general market research data to many firms.

**field service firms** Companies that only collect survey data for corporate clients or research firms.

**research panel** A group of individuals who agree to participate in a series of research studies over time.

**strategic partnership** An alliance formed by two or more firms with unique skills and resources to offer a new service for clients,

provide strategic support for each firm, or in some other manner create mutual benefits.

**ethics** Moral principles or values, generally governing the conduct of an individual or group.

**low-ball pricing** Quoting an unrealistically low price to secure a firm's business and then using some means to substantially raise the price.

**profession** Organization whose membership is determined by objective standards, such as an examination.

**professionalism** Quality said to be possessed by a worker with a high level of expertise, the freedom to exercise judgment, and the ability to work independently.

## KEY TERMS & DEFINITIONS

1. Compare and contrast custom and syndicated marketing research firms.
2. What is the role of field service firms in marketing research?
3. Describe the marketing research industry.
4. List several key characteristics of corporate marketing research departments.
5. Discuss the various project offerings of syndicated service firms.
6. Divide the class into groups of five. Each group should select one section of the city in which the course is being taught (or the closest large city) and determine the zip codes for this section of the city. Next, go to <http://www.claritas.com> and follow the instructions for getting Prizm profiles by zip code. Each group should then discuss the marketing profile for its section of the city.
7. What do you see as the role of a code of ethics within an organization? What can be done to ensure that employees follow this code of ethics?
8. Who would you say has the greatest responsibility within the marketing research industry to raise the standards of ethics—marketing research suppliers, marketing research clients, or field services?
9. What role should the federal government play in establishing ethical standards for the marketing research industry? How might such standards be enforced?
10. If respondents consent to interviews after being told they will be paid \$50 for their opinions, do they forfeit all respondent rights? If so, what rights have been forfeited?

*(Team Exercise)*

## QUESTIONS FOR REVIEW & CRITICAL THINKING

11. What is the relationship between ethics and professionalism? What do you think can be done to raise the level of professionalism within the marketing research industry?
12. Explain the Safe Harbor Program and its importance.

## WORKING THE NET

1. Compare the offerings of two marketing research firms, DSS Research and Burke Incorporated, by visiting their Web sites at <http://dssresearch.com> and <http://www.burke.com>.
2. Research International, which is part of the Kantar group, is a major international marketing research firm, with offices in 54 countries. Go to its Web site at <http://www.research-int.com> and report on its global research capabilities.
3. Interviewers must take special care when interviewing children or young people. The informed consent of the parent or responsible adult first must be obtained for interviews with children. Parents or responsible adults must be told some specifics about the interview process and special tasks, such as audio or video recording, taste testing, and respondent fees before permission is obtained. All researchers must adhere to all federal and state regulations regarding the interviewing of children 13 years of age or younger. All interviews conducted online must adhere to the Children's Online Privacy Protection Act (COPPA). Use these sites to gather more information about interviewing children and report the results to the class.
  - <http://www.ftc.gov/bcp/online/edcams/kidzprivacy/biz.htm>
  - <http://www.ftc.gov/privacy/coppafaqs.htm>
  - [http://www.ftc.gov/bcp/online/edcams/kidzprivacy/files/coppa-full\\_files/frame.htm](http://www.ftc.gov/bcp/online/edcams/kidzprivacy/files/coppa-full_files/frame.htm)
4. Go to CMOR's Web site at <http://www.cmor.org> for a discussion of the latest issue regarding respondent cooperation.

## REAL-LIFE RESEARCH • 2.1

### Schering-Plough and Pfizer Go Toe-to-Toe in Court with Marketing Research as Their Weapon

The dispute between Schering-Plough and Pfizer involved physicians' perceptions about various antihistamines and sales messages used by sales reps about the products. Antihistamines are drugs intended to relieve symptoms such as a runny nose, watery eyes, postnasal drip, skin rash, and itching that occur when the body releases histamine, as it often does as part of an allergic reaction to pollen, dust mites, and related irritants. Antihistamines come in two main classes: prescription products (such as Zyrtec and Allegra) and non-prescription [over-the-counter (OTC)] products (including Benadryl, Chlor-Trimeton, Drixoral, and Tavist). At the time of the research, Claritin was a prescription drug.

One of the primary, and clearly undesirable, side effects of antihistamines is the tendency of some brands to cause drowsiness. The federal Food and Drug Administration (FDA) requires that labels for most antihistamines carry a precautionary statement about possible drowsiness. Claritin and Allegra are the best products available with respect to low levels of drowsiness (essentially equal to that of a placebo). Zyrtec's drowsiness level is statistically higher than the placebo. For example, clinical trials have shown that Claritin's drowsiness level affects only 8 percent of adults, compared with 6 percent for a

placebo—essentially no drowsiness at all. On the other hand, Zyrtec’s drowsiness level affects 14 percent of adults compared with 8 percent for Claritin. These levels mean that Claritin (but not Zyrtec) can be promoted as nonsedating.

One of the major points was Schering’s claim that, while Zyrtec’s package labeling, advertising, and promotion all accurately portrayed the drug’s sedation level, Pfizer sales representatives were making false claims about Zyrtec’s drowsiness level in their detailing calls. (Typically, sales details are information calls, up to 10 minutes long, between the sales rep and the doctor, usually in the physician’s office.) Schering alleged that some Pfizer sales reps were claiming that Zyrtec did not cause drowsiness (that is, was essentially nonsedating).

Schering based much of its claim on a market survey conducted by an outside research firm. In this survey, the firm randomly phoned a sample of physicians until it identified 200 doctors who reported that they had been detailed by a Pfizer sales rep within the prior 24 to 48 hours. The survey firm then telephoned each physician and asked three questions:

- In your recent Zyrtec detail, what did the Pfizer sales rep say to you about Zyrtec tablets?
- You may have mentioned this already, but I just want to make sure I have this right. During your recent Zyrtec detail, what did the sales rep say about Zyrtec tablets and sedation?
- Even at the risk of repeating what you have already told me, please be as complete and as specific as possible: What was said by the sales rep about Zyrtec tablets and sedation during the Zyrtec detail?

Based on the “verbatim” answers, Schering’s outside research group coded each doctor’s answers into common phrases for a simple frequency analysis across physicians and concluded that 14.5 percent of the physicians indicated that the Pfizer rep stated that Zyrtec is nonsedating (a claim prohibited by the FDA).

Schering had also conducted an earlier study, broadly similar to this survey, on a smaller sample of 98 physicians. In the earlier study, 16.4 percent of the doctors indicated that some sales reps said, in effect, that Zyrtec is nonsedating. Schering’s outside survey expert asserted that his surveys suggested that some 15 to 20 percent of the doctors claimed their Pfizer sales rep indicated Zyrtec to be either nonsedating or essentially nonsedating.

Pfizer countered strongly that Schering’s research studies were seriously flawed. None of the studies had used a control group, an essential element in marketing experiments. Also a doctor could infer “nonsedating” incorrectly from the sales rep’s truthful remarks. Furthermore, the results didn’t take into account the possible influence of external events (such as journal articles, doctor–patient interactions, or other information sources) and the physicians’ own experience on their perceptions of Zyrtec’s sedation levels. These additional sources of information could easily become confounded with what the sales rep actually said.

In preparation for further court battles, Pfizer initiated two novel surveys. The first sought to determine whether physicians really understood the sedation side effect as a continuum along which Zyrtec, even though it produces some sedation, might nonetheless be characterized by some physicians as nonsedating. The second survey tested whether physicians might mistakenly state, in response to survey questions, that the sales rep mentioned Zyrtec was nonsedating, even though the presentation never actually used that term or, indeed, any prohibited information.

A sample of 399 physicians perceived that Claritin and Allegra are no more or less sedating than a placebo. That is, the survey found no statistical difference between the mean values of these three items. Their properties were consistent with the FDA-approved labeling for these products.

The physicians also understood that the antihistamines labeled as causing drowsiness (Zyrtec, Benadryl, and Chlor-Trimeton) do in fact cause some drowsiness. All were

ranked as more “sedating” than the placebo, Claritin, or Allegra by statistically significant margins. Moreover, the physicians perceived real, statistical differences among these three brands in their degree of sedation. The physicians drew the average line of demarcation between sedating and nonsedating at a point close to the average value of Zyrtec.

A second sample consisted of 578 general practitioners, family practitioners, internists, and allergists who prescribed antihistamines as part of their practice. The physicians were first shown a videotape that depicted a sales representative having a detailing discussion with a doctor. The interviewer then left the physician’s office. About 24 to 48 hours after the physician saw the videotape, an interviewer contacted the physician and asked questions that essentially mirrored those used in Schering’s two surveys. The 24- to 48-hour delay between exposure to the stimulus and the questions about it was intended to mimic the survey methodology of the Schering surveys, which had identified respondents by asking physicians if they had been detailed on Zyrtec within the previous one to two days.

One or two days after seeing the videotape, interviewers contacted the physicians by telephone, and asked, “What was said about (Zyrtec/Ardozac)?”; “What, if anything, was said in the video about (Zyrtec/Ardozac) and side effects?”; and “What, if anything, was said in the video about (Zyrtec/Ardozac) and sedation?” These questions mimicked those asked in the Schering litigation survey. The senior personnel of Guideline Research then coded the verbatim answers, and we tabulated and analyzed the responses. We found the following results:

- About 25.6 percent of survey respondents reported that the sales representative in the videotape said the product was nonsedating or words to that effect.
- There was no statistically significant difference between the Zyrtec cells and the Ardozac cells in terms of reporting that the sales representative had claimed the product was nonsedating.
- There were no statistically significant differences in responses based on the various levels of discussion of side effects. In all six cells, a substantial proportion of physicians reported that the sales representative on the tape said the product was nonsedating. Thus, the extent of commentary within the 3- to 6-minute framework had a significant effect on responses. In reality, of course, all of the video presentations contained only FDA-permitted claims.

The data from this study are similar in magnitude to the approximately 15 to 20 percent of nonsedating responses across the surveys found by Schering’s survey research team. Such apparent consistency would be expected to instill confidence that “what was said” is not necessarily “what is reported.” The error in this reasoning is strikingly apparent, however. None of the tapes used the term *nonsedating*. Therefore, the survey responses obviously could not be due to a stimulus (in this case, the detail session) that did not contain any prohibited message. This study demonstrates forcefully that it’s incorrect to infer “what was said” (stimulus) from “what was reported” (response).

Schering’s burden was to prove that Pfizer made prohibited, rather than permitted, statements. As demonstrated by a second study, the evidence by Schering didn’t satisfy Schering’s burden. The second study demonstrates that the Schering surveys couldn’t be used reliably to discern whether the nonsedating survey responses were caused by truthful or by deceptive messages. A physician could still have concluded, based on permitted statements made by a Pfizer representative, that Zyrtec is nonsedating or “essentially nonsedating.” These inferences could arise from a large variety of sources, unrelated to the sales rep’s detail.

At this point, Pfizer began preparing for a full trial to contest Schering’s pending motion for a permanent injunction. As part of its activities, Pfizer commissioned several additional scientific experiments to test the validity of Schering’s survey evidence; for various reasons, however, the parties decided to settle the case. Schering was allowed to convert its temporary injunction against Pfizer to a permanent one. Pfizer was granted several restrictions on Schering’s Claritin promotion.<sup>25</sup>

## Questions

1. Discuss the role of marketing research in this case. Was it critical to the outcome?
2. How might lawyers attack evidence presented from marketing research data?
3. Give examples of other instances where marketing research could play a role in lawsuits.

## Coke Juices Up a Market Test

For several days Dyquan Gibson and his friends had a strong incentive to study every afternoon at a neighborhood Richmond, Virginia, Boys & Girls Club. “If you finished your homework, you got a burger,” says Dyquan, who is now 11 years old.

Dyquan and his friends didn’t know it, but the free Whoppers came from a consultant hired by Coca-Cola Company. Officials at the Atlanta beverage company had sent the man to Richmond with \$9,000. He gave cash to the clubs and other nonprofit groups and told them to treat the children to hundreds of “value meals” at Burger King.

Millions of dollars in sales were at stake for Coke. The company was trying to persuade Burger King to run a national promotion for its slushy dessert drink, Frozen Coke, which Burger King sells at all of its restaurants. But Burger King wanted to run a test promotion before it invested in a big campaign. So the Miami-based restaurant chain ran a two-week test in Richmond, offering a coupon for a free Frozen Coke when customers bought a value meal—a sandwich, fries, and drink combo. If the meals sold well enough, and enough people redeemed the coupons, Burger King would take the promotion national.

The Coke officials embarked on the buying spree because the initial test results were dismal. In the end, their efforts added only 700 value meals to the nearly 100,000 sold during the promotion. But even that small number helped bolster Coke’s case for a national push. Burger King sank roughly \$10 million into the campaign.

Later, Coke acknowledged that some of its employees “improperly influenced” the sales results in Richmond, and that the actions were “wrong and inconsistent with the values of the Coca-Cola Co.” It issues a public apology to Burger King—and agreed to pay the company and its franchisees up to \$21 million to make amends.<sup>26</sup>

## Questions

1. Were Coke’s attempts to fix the market test unethical? If so, is Coke guilty of unethical behavior, or was it just the fault of some misguided employees?
2. Burger King is Coke’s second largest fountain drink customer after McDonald’s. The Richmond test started out very poorly, and it was clear that unless results improved, the national Frozen Coke promotion was not going to happen. Coke was worried that without the promotion it would not make its fountain sales objectives for the year. At that point, it was decided to stimulate value-meal sales in Richmond. Did the desired end (meeting sales goals) justify the actions taken? Why or why not?
3. Use the ethics theories described in the chapter to illustrate how Coke decision makers could have reached a different decision?
4. Should Coke fire those responsible, counsel them, or do nothing?

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