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PROBLEM DEFINITION, EXPLORATORY RESEARCH, AND THE RESEARCH PROCESS

LEARNING OBJECTIVES

- 1. To understand the problem definition process.
- 2. To learn the steps involved in the marketing research process.
- 3. To understand the components of the research request.
- 4. To learn the advantages and disadvantages of survey, observation, and experiment research techniques.
- 5. To become familiar with how the marketing research process is initiated.

Today's youth population, the so-called Net Generation born between 1980 and 1996, is undoubtedly of great interest to the consumer electronics industry. They are the first to grow up in the digital world, with the proliferation of the Internet and the introduction of such consumer technologies as wireless phones and DVDs. Since this population segment represents the first tech-savvy generation to enter the consumer buying population, it is of great interest to companies involved in the consumer technologies industries. In particular, the Consumer Electronics Association (CEA), a trade association promoting growth in the consumer technology industry, is very interested in gaining insight into the Net Generation. Among CEA's unanswered questions surrounding this generational group are their attitudes, behaviors, and interests with regard to wireless phones.

CEA's market research department set out to answer those questions by designing a study of the youth population with the following research objectives:

- ❑ Understand usage behaviors among young wireless users, including time devoted to wireless activities, types of activities, and environment (i.e., location and social circumstance).
- ❑ Explore the attitudes, behaviors, and desires around various phone features such as text messaging, Web access, mobile instant messaging, photos, or other features.
- ❑ Define the attitudes, behaviors, and desires around wireless phone personalizations such as skins, ring tones, and custom personalizations (i.e., glitter).
- ❑ Develop insight into behaviors and preferences regarding transporting wireless phones.

The study's participants consisted of both girls and boys across the United States, from a mix of urban, suburban, and rural environments, and from a mix of household income levels. In addition to recording their daily phone usage—which included the type of phone activities they were engaging in (voice calls, text messaging, game playing, etc.); the duration of those activities; who they were interacting with; where those activities took place and the total minutes used—they were also asked about phone personalization, transportation, and accessories.

Overall, the project proved extremely successful. It fully met CEA's research objectives.¹

Gathering data about the Net Generation's cell phone usage (or any other subject) requires marketing research. Conducting marketing research involves a series of logical steps, beginning with problem definition and research objectives. Notice the careful definition of research objectives in the cell phone study. What are the steps in the marketing research process? How is the research process initiated? These are the issues we will address in this chapter.

Critical Importance of Correctly Defining the Problem

Correctly defining the problem is the crucial first step in the marketing research process. If the research problem is defined incorrectly, the research objectives will also be wrong, and the entire marketing research process will be a waste of time and money. A large consumer packaged goods company wanted to conduct a study among a brand's heavy users in order to understand the brand's equity. More specifically, it wanted to expand that equity into new products. The brand had very low penetration, so the company needed new products to meet the upcoming fiscal year's volume goal of double-digit growth. Notice the absence of tying research learning—understanding the brand's equity—to the business objective.

The brand had a small base from which to grow, so simply investigating the brand's equity among its most loyal users wouldn't help decision makers reach a double-digit growth

rate. Upon reflection, the business objective focused on identifying marketing levers that would increase brand penetration—and thus growth. Accordingly, the research objectives transformed into understanding barriers to current brand purchase and identifying bridges that would motivate category users to buy the brand.

Study results showed that the brand chiefly suffered from awareness problems. Both brand and category users liked the product, but didn't use it as often as others in the category because they simply forgot about the brand. Reminders—in the form of advertising, incentives, and new products—became the levers that could improve brand penetration and growth. Conducting an equity study among heavy users clearly wouldn't have caught this.²

The process for defining the problem is shown in Exhibit 2.1. Note that the ultimate goal is to develop clear, concise, and meaningful marketing research objectives. Researching such objectives will yield precise decision-making information for managers.

Recognize the Problem or Opportunity

The marketing research process begins with the recognition of a marketing problem or opportunity. As changes occur in the firm's external environment, marketing managers are faced with the questions "Should we change the existing marketing mix?" and, if so, "How?" Marketing research may be used to evaluate products and services, promotion, distribution, and pricing alternatives. In addition, it may be used to find and evaluate new opportunities, in a process called **opportunity identification**.

Let's look at an example of opportunity identification. In 2005, online travel spending surpassed offline travel spending for the first time. During that year, \$66 billion of leisure and unmanaged business trips were bought through the Internet.³ Yet, the landscape for consumers is confusing because there are so many sites out there. For savvy marketers, this information represents an opportunity. Marketing research can hone in and clarify where the best opportunities lie.

Marketing research led to the creation of sites like Cheapflights, FareCompare, Kayak, Mobissimo, Ziso, SideStep, and Yahoo's Farechase. These so-called aggregators do what consumers have attempted with their own manual comparison shopping: open several browsers on a computer screen to check multiple travel sites. Aggregators simultaneously scour the Web sites of airlines, hotels, car rental companies, and consolidators, and present data along with the special deals.

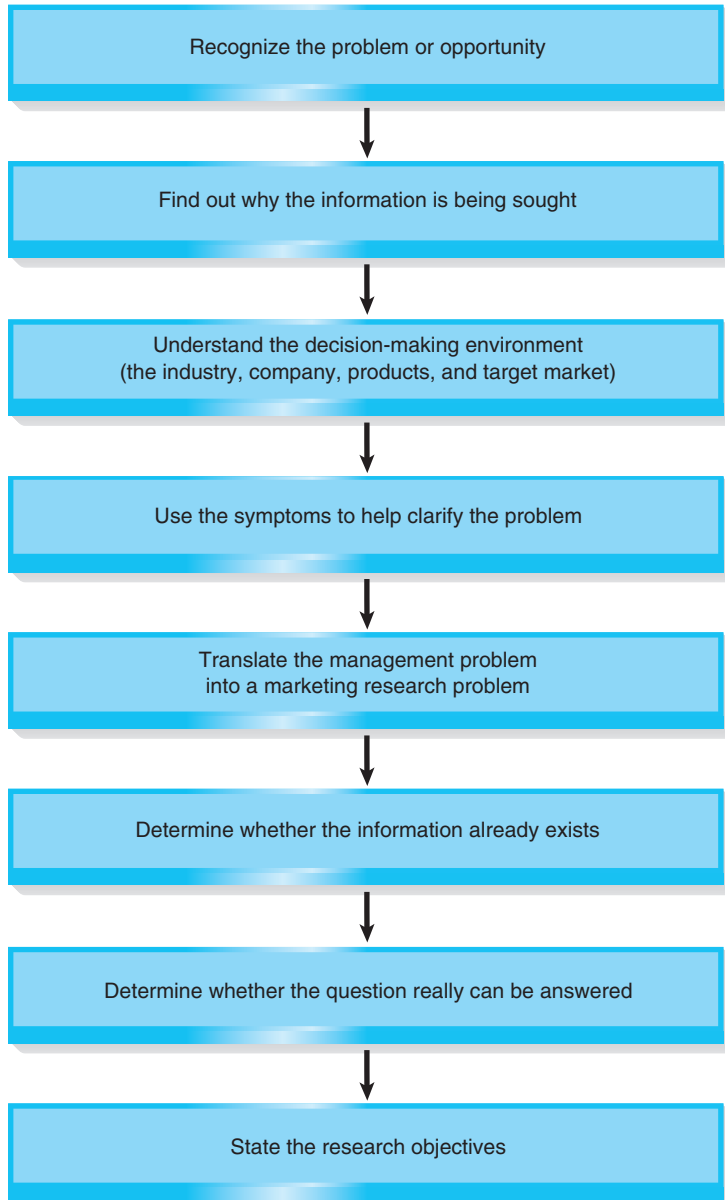


Exhibit 2.1
Problem Definition Process

Mobissimo noticed that other aggregators targeted the U.S. market. Again, this presented an opportunity to fill a niche in the marketplace. Mobissimo offers access to international hotels and many low-fare international carriers that the other aggregators lack. A direct flight from New York to Athens, for instance, may be too expensive. But Mobissimo can fly these travelers to Amsterdam and connect with one of Europe's 50 discount airlines. Marketing research helps firms like Mobissimo understand online travel purchasers' needs and what features they want on an online aggregator website. Satisfaction studies, done every quarter, help track the online travel purchasers' level of satisfaction and loyalty to a site.

Of course, marketing research doesn't always deal with opportunities. Managers may want to know, for example, "Why are we losing marketing share?" or "What should we do about Ajax Manufacturing lowering its prices by 10 percent?" In these instances, marketing researchers can help managers solve problems.

➤ **opportunity identification**
Using marketing research to find and evaluate new opportunities.

Find Out Why the Information Is Being Sought

Large amounts of money, effort, and time are wasted because requests for marketing information are poorly formulated or misunderstood. For example, managers may not have a clear idea of what they want or may not phrase their questions properly. Therefore, marketing researchers often find the following activities helpful:

- ❑ Discuss what the information will be used for and what decisions might be made as a result of the research. Work through detailed examples to help clarify the issue.
- ❑ Try to get the client or manager to prioritize their questions. This helps sort out central questions from those of incidental interest.
- ❑ Rephrase the questions in several slightly different forms and discuss the differences.
- ❑ Create sample data and ask if such data would help answer the questions. Simulate the decision process.
- ❑ Remember that the more clear-cut you think the questions are and the more quickly you come to feel that the questions are straightforward, the more you should doubt that you have understood the real need.

Understand the Decision-Making Environment with Exploratory Research

Once researchers understand the motivation for conducting the research, often they need additional background information to fully comprehend the problem. This may mean simply talking to brand managers or new product managers, reading company reports, visiting production facilities and retail stores, and perhaps talking with suppliers. If the industry has a trade association, researchers might peruse its website for information published by the association. The better the marketing researcher understands the decision-making environment, including the industry, the firm, its products or services, and the target market, the more likely it is that the problem will be defined correctly. This step may be referred to as conducting a **situation analysis**.

Sometimes informed discussions with managers and suppliers and on-site visits aren't enough. **Exploratory research** may be conducted to obtain greater understanding of a concept or to help crystallize the definition of a problem. It is also used to identify important variables to be studied. Exploratory research is preliminary research, not the definitive research used to determine a course of action.

➤ **situation analysis**
Studying the decision-making environment within which the marketing research will take place.

➤ **exploratory research**
Preliminary research conducted to increase understanding of a concept, to clarify the exact nature of the problem to be solved, or to identify important variables to be studied.

 pilot studies

Surveys using a limited number of respondents and often employing less rigorous sampling techniques than are employed in large, quantitative studies.

Exploratory research can take several forms: pilot studies, experience surveys, secondary data analysis, pilot studies case analysis, and focus groups. **Pilot studies** are surveys using a limited number of respondents and often employing less rigorous sampling techniques than are employed in large, quantitative studies.

Nickelodeon, for example, was well aware of the new baby boom and wanted to know what it meant for the network. Exploratory research found that a long-held assumption about kids' attitudes was not accurate: the belief that female images in TV programming generally work with girls but alienate boys. The exploratory research consisted of a small-scale pilot study on the Internet and focus groups in which children were brought together to discuss their attitudes toward television. Like Nickelodeon's research, much exploratory research is highly flexible, with researchers following ideas, clues, and hunches as long as time and money constraints permit. Often ideas are obtained from so-called experts in the field. Nickelodeon, for example, could have spoken with child psychologists.

As the researcher moves through the exploratory research process, a list of marketing research problems and subproblems should be developed. The investigator should identify all factors that seem to be related to the problem area, as these are probable research topics. This stage of problem definition requires a brainstorming-type approach, but one guided by the previous stage's findings. All possibilities should be listed without regard to the feasibility of addressing them via research. Nickelodeon ultimately decided to define the marketing research problem as determining whether a live-action show with girls as the protagonists would appeal to both sexes. Quantitative marketing research results showed that such a program would have dual appeal. Managerial action taken as a result yielded a program where the star was female, but the audience was 53 percent male.⁴

 experience surveys

Discussions with knowledgeable individuals, both inside and outside the organization, who may provide insights into the problem.

Experience Surveys Analysis A second form of exploratory research is experience surveys. **Experience surveys** involve talking with knowledgeable individuals, both inside and outside the organization, who may provide insights into the problem. Rarely do experience surveys include a formal questionnaire. Instead, the researcher may simply have a list of topics to be discussed. The survey, then, is much like an informal discussion. For example if Jet Blue is redesigning the interior of its aircraft, it may use experience surveys to speak with interior designers, frequent flyers, flight attendants, and pilots.

Secondary Data Analysis Secondary data analysis is another form of exploratory research. Because secondary data analysis is covered extensively in Chapter 3, we will touch on it only lightly here. *Secondary data* are data that have been gathered for some purpose other than the one at hand. Today, marketing researchers can use the Internet to access countless sources of secondary data quickly and at minimal expense. There are few subjects that have not been analyzed at one time or another. With a bit of luck, the marketing researcher can use secondary data to help precisely define the problem.

 case analysis

Reviewing information from situations that are similar to the current one.

Case Analysis Case analysis represents the fourth form of exploratory research. The purpose of **case analysis** is to review information from a few other situations that are similar to the present research problem. For example, electric utilities across America are scrambling to adopt the marketing concept and to become customer oriented; these utilities are conducting market segmentation research, customer satisfaction studies, and customer loyalty surveys. To better understand the deregulation of the electric utility industry, marketing researchers are examining case studies on the deregulation of the airline industry. Researchers, however, must always take care to determine the relevancy of any case study to the present research problem.

Focus Groups Focus groups are in-depth discussions, usually consisting of 8 to 12 participants, which are led by a moderator and are generally limited to one particular concept, idea, or theme. The general idea is to have what one person says

generate thoughts and comments by others, therefore creating group dynamics. That is, the interplay of responses will yield more information than if the same number of persons had contributed in individual interviews. Focus groups are the primary topic of discussion in Chapter 4, so they will be lightly covered here. We mention them now because they are probably the most popular form of exploratory research.

Focus groups can, and do, cover just about any topic imaginable. Your authors, unlike all other marketing research text authors, have conducted over 2,000 focus group sessions. When used in exploratory research, focus groups are used to help clarify and understand the problem and issues involved. A few examples of topics that we have covered include: what creates the Harley-Davidson mystique, what happens when you discover head lice in your children, whether having a tequila made in America is a problem, what kitchen item is most difficult to clean, and the list goes on.

Using Intranets for Exploratory Research The computer can be a very powerful tool for doing exploratory research. In very large organizations with intranets, the researcher has the capability of determining whether needed or relevant information is available somewhere inside the organization. The corporate marketing research department at Texas Instruments (TI), for example, has developed a powerful intranet application that permits TI managers worldwide to search for past research studies and those currently in progress on the basis of key words. They have immediate online access to a brief description of each study and can send e-mail seeking permission to view the full text of reports on old projects. Permission can be granted electronically via e-mail by the owner of the report (the person who paid for it), and the full text can be accessed online.

More and more organizations are developing similar systems to permit much more effective managerial use of information resources. In large organizations, it is not uncommon for a group in one part of the organization to conduct a research project that might have great value to managers in another part of the organization. Too often, there is no way for one group to find out what another group has already done. Intranet systems like the one at Texas Instruments will help organizations get the most mileage out of their research dollars.

While intranets provide easy access to internal data, the Internet is an invaluable resource for searching tens of millions of external sources for the information needed. At the exploratory stage, a researcher might use any one or several of the online search engines to find information needed. This type of search not only is much faster than a traditional library search but also provides access to an incredible array of information that is not available in any library. The researcher can perform an Internet search and point out or download the desired information in a matter of hours rather than the days or weeks a standard library search might require. Finally, the researcher can identify a range of discussion or special-interest groups on the Internet that may be relevant to a research project.

Completing Exploratory Research The end of exploratory study comes when the marketing researchers are convinced that they have found the major dimensions of the problem. They may have defined a set of questions that can be used as specific guides to a detailed research design. Or they may have developed a number of potential ideas about possible causes of a specific problem of importance to management. They may also have determined that certain other factors are such remote possibilities that they can be safely ignored in any further study. Finally, the researchers may end exploration because they feel that further research is not needed or is not presently possible due to time, money, or other constraints.

Use the Symptoms to Clarify the Problem

Marketing researchers must be careful to distinguish between symptoms and the real problem. A symptom is a phenomenon that occurs because of the existence of something else. For example, managers often talk about the problem of poor sales, declining profits, increased customer complaints, or defecting customers. Each of these is a symptom of a deeper problem. That is, something is causing a company's customers to leave. Is it lower prices offered by the competition? Or is it better service? Focusing on the symptoms and not the true problem is often referred to as the *iceberg principle*. Approximately 10 percent of an iceberg rises out of the ocean; the remaining 90 percent is below the surface. Preoccupied with the obstacle they can see, managers may fail to comprehend and confront the deeper problem, which remains submerged. Marketing researchers Terry Grapentine, president of Grapentine Company and Dianne Weaver, owner of Strategy Resource Company, discuss the role of marketing researchers in problem definition in the Practicing Marketing Research box on page 47.

Ensuring that the true problem has been defined is not always easy. Managers and marketing researchers must use creativity and good judgment. Cutting through to the heart of a problem is a bit like peeling an onion—you must take off one layer at a time. One approach to eliminating symptoms is to ask, “What caused this to occur?” When the researcher can no longer answer this question, the real problem is at hand. For example, when a St. Louis manufacturer of pumps faced a 7-percent decline in sales from the previous year, managers asked, “What caused this?” A look at sales across the product line showed that sales were up or about the same on all items except large, heavy-duty submersible pumps, whose sales were down almost 60 percent. They then asked, “What caused this?” Sales of the pump in the eastern and central divisions were about the same as in the previous year. However, in the western region, sales were zero! Once again they asked, “What caused this?” Further investigation revealed that a Japanese manufacturer was dumping a similar submersible pump in western markets at about 50 percent of the St. Louis manufacturer's wholesale price. This was the true problem. The manufacturer lobbied the Justice Department to fine the Japanese company and to issue a cease and desist order.

➤ marketing research problem

A statement specifying the type of information needed by the decision maker to help solve the management decision problem and how that information can be obtained efficiently and effectively.

➤ marketing research objective

A goal statement, defining the specific information needed to solve the marketing research problem.

➤ management decision problem

A statement specifying the type of managerial action required to solve the problem.

Translate the Management Problem into a Marketing Research Problem

Once the true management decision problem has been identified, it must be converted into a marketing research problem. The **marketing research problem** specifies what information is needed to solve the problem and how that information can be obtained efficiently and effectively. The **marketing research objective**, then, is the goal statement, defining the specific information needed to solve the marketing research problem. Managers must combine this information with their own experience and other related information to make a proper decision.

In contrast to the marketing research problem, the **management decision problem** is action oriented. Management decision problems tend to be much broader in scope and far more general than marketing research problems, which must be narrowly defined and specific if the research effort is to be successful. Sometimes several research studies must be conducted to solve a broad management decision problem.

Determine Whether the Information Already Exists

It often seems easier and more interesting to develop new information than to delve through old reports and data files to see whether the required information already exists.

PRACTICING MARKETING RESEARCH



Driving Action-Producing Research

If researchers conduct research and marketers run the business, then should researchers be responsible for clarifying management objectives? Yes, because corporate researchers ultimately are responsible for the research-yielding action. This role shouldn't be relegated to marketers (who aren't as well versed in research) or research suppliers (who are less familiar with the business as "outsiders," and don't know how the research fits into a larger research and business plan).

Therefore, to design actionable research, researchers must play both marketing and market research roles. If you ran the business, then what would you need to know to make it successful? Starting with this question—and knowing how to answer it—will help you better define management objectives in the absence of clear definition from others.

Putting yourself in the decision maker's shoes is the first step in understanding what information to gather. Albert Einstein was known for doing "mind experiments," in which he would think through the effects of gravity on time and the speed of light. Our goals might not be as lofty, but engaging in this activity can be just as useful. Ask yourself questions such as, "If the research study discovered 'X,' then what decision would I make and how would it affect the business?"

In addition to mind experiments, referring to the business basics can guide your thinking on research design. The following primer covers most strategic business issues that clients face, as well as the levers at their disposal for addressing

them. Understanding the specific business issues that the research will address brings clarity to the management objective and, thus, the research.

Basic Business Objectives. Volume loss or desire to gain volume is the crux of most business issues. Three basic objectives and corresponding strategies can gain volume, depending on the business's nature.

- ❑ *Increase penetration:* Grow awareness and trial of new or existing low-penetration products.
- ❑ *Increase buy rate:* Grow usage or loyalty among current customers for high-penetration products.
- ❑ *Steal/stave off competitive volume:* This usually occurs as a share-defense strategy, or a way to increase buy rate in a competitive, mature product category.

Ask yourself, or your client, under which category the business problem falls; the answer will help guide not only the development of research objectives, but also sample composition. To increase penetration, talk to consumers who are in the category but not currently using the brand. To increase buy rate, talk to current customers. To steal or stave off competitive volume, talk to competitive brand users and brand switchers.⁵

Questions

1. Is it the sole responsibility of marketing researchers to define the management problem? Why?
2. What happens if the management problem is defined incorrectly?

There is a tendency to assume that current data are superior to data collected in the past, as current data appear to be a "fix on today's situation." And because researchers have more control over the format and comprehensiveness of fresh data, they promise to be easier to work with. Yet, using existing data can save managers time and money if such data can answer the research question.

Research objectives must be as specific and unambiguous as possible. Remember that the entire research effort (in terms of time and money) is geared toward achieving the objectives. When the marketing researcher meets with a committee to learn the goals of a particular project, committee members may not fully agree on what is needed. We have learned from experience to go back to a committee (or the individual in charge) with a written list of research objectives. The researcher should then ask the manager, “If we accomplish the objectives on this list, will you have enough information to make informed decisions about the problem?” If the reply is yes, the manager should be asked to sign off on the objectives. The researcher should then give the manager a copy and keep a copy for the research files. Putting the agreed-on objectives in writing prevents the manager from saying later, “Hey, this is not the information I wanted.” In a busy and hectic corporate environment, such misunderstandings happen more frequently than one might imagine.

Avoiding the Nice-to-Know Syndrome Even after conducting exploratory research, managers often tend to discuss research objectives in terms of broad areas of ignorance. They say, in effect, “Here are some things I don’t know.” A Starbucks executive might wonder: “You know, we already sell fresh-baked goods in our stores. . . . I wonder if people would buy frozen Starbucks pastries and rolls in supermarkets?” Maybe I’ll ask this question on our out-of-home advertising media study.” Unfortunately, this scenario usually leads to disappointment. There is nothing wrong with interesting findings, but they must also be *actionable*. That is, the findings must provide decision-making information. Accomplishment of a research objective has to do more than reduce management’s level of ignorance. Unless all the research is exploratory, it should lead to a decision. Perhaps the best way to assure that research is actionable is to determine how the research results will be implemented. Asking a single question about purchase intent of Starbucks frozen baked goods in a grocery store is not actionable. So much more would have to be known—for example, type of goods, price points, packaging design, and so forth. Numerous taste tests would also have to be conducted.

Determine Whether the Question Can Be Answered

When marketing researchers promise more than they can deliver, they hurt the credibility of marketing research. It is extremely important for researchers to avoid being impelled—either by overeagerness to please or by managerial macho—into an effort that they know has a limited probability of success. In most cases, you can discern in advance the likelihood of success by identifying the following:

- ❑ Instances in which you know for certain that information of the type required exists or can be readily obtained
- ❑ Situations in which you are fairly sure, based on similar prior experiences, that the information can be gathered
- ❑ Cases in which you know that you are trying something quite new and there is a real risk of drawing a complete blank

State the Research Objectives

The culmination of the problem definition process is a statement of the research objectives. These objectives are stated in terms of the precise information necessary to address the marketing research problem/opportunity. Well-formulated objectives serve as a road map in pursuing the research project. They also serve as a standard that later will enable managers to evaluate the quality and value of the work by asking “Were the

objectives met?” and “Do the recommendations flow logically from the objectives and the research findings?”

Research Objectives as Hypotheses Often researchers state a research objective in the form of a hypothesis. A **hypothesis** is a conjectural statement about a relationship between two or more variables that can be tested with empirical data; it is considered to be plausible, given the available information. A good hypothesis will contain clear implications for testing stated relationships. For example, based on exploratory research, a researcher might hypothesize that a doubling of expenditures for billboards in cities of 300,000 or more population will increase the sales of Starbucks’ summer drinks by 15 percent. Alternatively, a second hypothesis might be that spending \$30,000 for vehicle wraps in cities of 300,000 or more will have no significant impact on the sales of Starbucks’ summer drinks.

➤ **hypothesis**
A conjectural statement about a relationship between two or more variables that can be tested with empirical data.

Marketing Research Process

We have just discussed the first step in the marketing research process: identifying the problem/opportunity and stating the marketing research objectives. The other steps in the process are creating the research design, choosing the method of research, selecting the sampling procedure, collecting the data, analyzing the data, writing and presenting the report, and following up on any recommendations that were made as a result of the report (see Exhibit 2.2). The overview of the process in this section forms the foundation for the remainder of the text. The following chapters examine specific aspects of the marketing research process.

Creating the Research Design

The **research design** is a plan for addressing the research objectives or hypotheses. In essence, the researcher develops a structure or framework to answer a specific research problem/opportunity. There is no single best research design. Instead, different designs offer an array of choices, each with certain advantages and disadvantages. Ultimately, trade-offs are typically involved. A common trade-off is between research costs and the quality of the decision-making information provided. Generally speaking, the more precise and error-free the information obtained, the higher the cost. Another common trade-off is between time constraints and the type of research design selected. Overall, the researcher must attempt to provide management with the best information possible, subject to the various constraints under which he or she must operate. The researcher’s first task is to decide whether the research will be descriptive or causal.

➤ **research design**
The plan to be followed to answer the marketing research objectives.

Descriptive Studies **Descriptive studies** are conducted to answer who, what, when, where, and how questions. Implicit in descriptive research is the fact that management already knows or understands the underlying relationships among the variables in the problem. A **variable** is simply a symbol or concept that can assume any one of a set of values.

A descriptive study for Starbucks might include demographic and lifestyle characteristics of typical, light, and heavy patronizers of Starbucks stores, purchasers of Starbucks baked goods, purchasers of Starbucks sandwiches, and buyers of coffee to take home. Other questions might determine drive time from work or home to the nearest Starbucks and if purchasers pay by cash or credit.

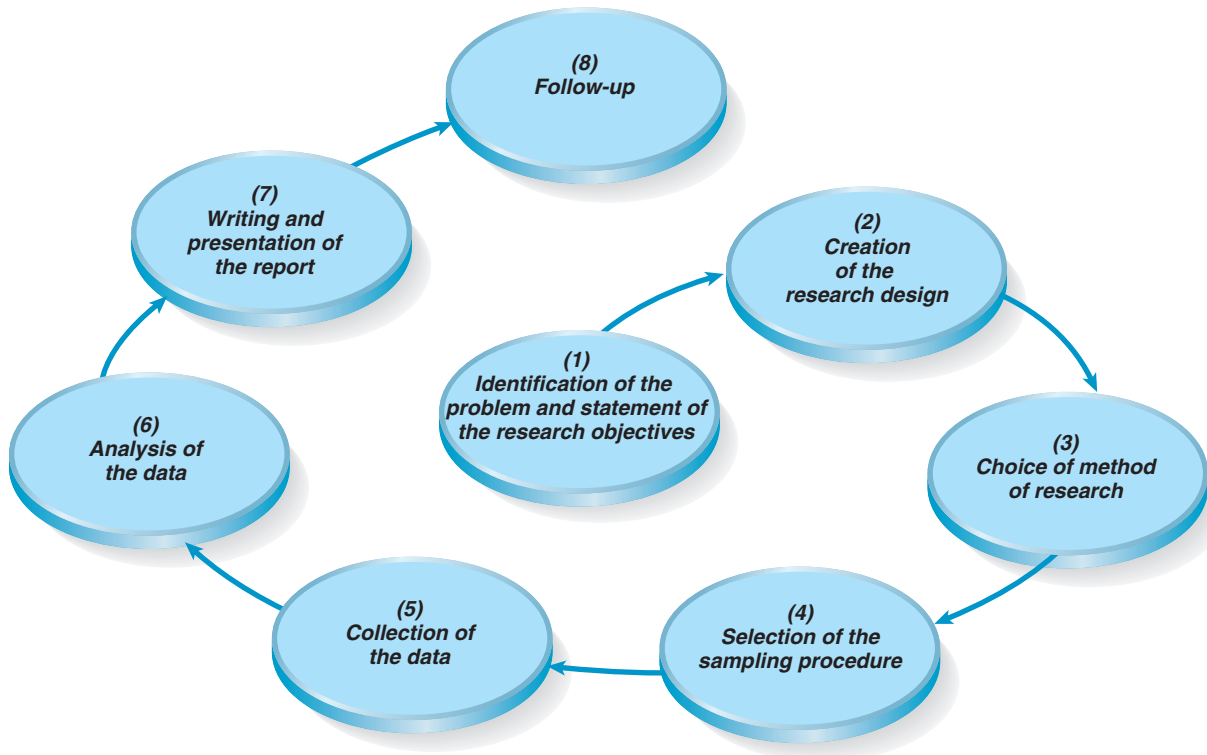
Descriptive research can tell us that two variables, such as advertising and sales, seem to be somehow associated, but it cannot provide convincing evidence that high levels of advertising cause high sales. Because descriptive research can shed light on associations or relationships, it helps the researcher select variables for a causal study.

➤ **descriptive studies**
Research studies that answer the questions who, what, when, where, and how.

➤ **variable**
A symbol or concept that can assume any one of a set of values.

Exhibit 2.2

Marketing Research Process



➤ causal studies

Research studies that examine whether the value of one variable causes or determines the value of another variable.

➤ dependent variable

A symbol or concept expected to be explained or influenced by the independent variable.

➤ independent variable

A symbol or concept over which the researcher has some control and that is hypothesized to cause or influence the dependent variable.

Causal Studies In **causal studies**, the researcher investigates whether the value of one variable causes or determines the value of another variable, in an attempt to establish linkage between them. Experiments (see Chapter 7) often are used to measure causality. A **dependent variable** is a symbol or concept expected to be explained or affected by an independent variable. In contrast, an **independent variable** is a variable that the market researcher can, to some extent, manipulate, change, or alter. An independent variable in a research project is a presumed cause of or influence on the dependent variable, the presumed effect. For example, Starbucks would like to know whether the level of advertising (independent variable) determines the level of sales (dependent variable).

A causal study for Starbucks might involve changing one independent variable (for example, the number of direct mailings offering a 10-percent discount on a one-pound bag of coffee over a six-month period to target customers) and then observing the effect on coffee sales. Here, there is an appropriate causal order of events, or **temporal sequence**; the effect follows closely the hypothesized cause. Temporal sequence is one criterion that must be met for causality.

A second criterion for causality is **concomitant variation**—the degree to which a presumed cause (direct-mail promotion) and a presumed effect (coffee sales) occur together or vary together. If direct-mail promotions are a cause of increased coffee sales, then when the number of direct-mail promotions is increased, coffee sales should go up, and when the number of promotions is decreased, sales should fall. If, however, an increase in direct-mail promotions does not result in an increase in coffee sales, the researcher



achieved. One additional bulk mailing might bring a small increase in sales and the next mailing a larger increment, or vice versa. And, during the next six-month period, an increase in direct-mail promotions might produce no increase or even a decline in sales.

Remember, even perfect concomitant variation would not prove that A causes B. All the researcher could say is that the association makes the hypothesis more likely.

An important issue in studying causality is recognizing the possibility of **spurious association**, in which other variables are actually causing changes in the dependent variable. In an ideal situation, the researcher would demonstrate a total absence of other causal factors. However, in the real world of marketing research, it is very difficult to identify and control all other potential causal factors. Think for a moment of all the variables that could cause sales of one-pound bags of coffee to increase or decrease—for example, prices, newspaper and television advertising, coupons, discounts, and weather. The researcher may be able to lower spurious associations by trying to hold constant these other factors. Alternatively, the researcher may look at changes in sales in similar socioeconomic areas.

Choosing a Basic Method of Research

A research design, either descriptive or causal, is chosen based on a project's objectives. The next step is to select a means of gathering data. There are three basic research methods: (1) survey, (2) observation, and (3) experiment. Survey research is often descriptive in nature but can be causal. Observation research is typically descriptive, and experiment research is almost always causal.

Surveys **Survey research** involves an interviewer (except in mail and Internet surveys) who interacts with respondents to obtain facts, opinions, and attitudes. A questionnaire is used to ensure an orderly and structured approach to data gathering. Face-to-face interviews may take place in the respondent's home, a shopping mall, or a place of business.

Observations **Observation research** is examining patterns of behavior as opposed to asking consumers why they do what they do. This may involve people watching consumers or the use of a variety of machines. Since 2000, Kimberly-Clark, the maker of Huggies, Kleenex, and other household staples, has outfitted consumers with mini video

must conclude that the hypothesis about the relationship between direct-mail promotions and coffee sales is not supported.

An ideal situation would be one in which sales of coffee increased markedly every time Starbucks increased its direct-mail promotions (up to a saturation level). But, alas, we live in a world where such perfection is rarely

➤ **temporal sequence**
An appropriate causal order of events.

➤ **concomitant variation**
The degree to which a presumed cause and a presumed effect occur or vary together.

➤ **spurious association**
A relationship between a presumed cause and a presumed effect that occurs as a result of an unexamined variable or set of variables.

Scanning bar code information is a means of observation research that is widely used today.

➤ **survey research**
Research in which an interviewer (except in mail and Internet surveys) interacts with respondents to obtain facts, opinions, and attitudes.

➤ **observation research**
Typically, descriptive research that monitors respondents' actions without direct interaction.

cameras mounted to visors and linked to a recording device. Paid participants wear the somewhat strange-looking eye gear, known internally as the Consumer Vision System (CVS), while doing chores or shopping.

Under the system, K-C discovered that mothers who used Huggies Baby Wash, a bathing lotion, had trouble holding the bottle and needed two hands to open and dispense its contents. “[Moms] almost always have to have one hand on the baby at one time,” said Becky Walter, K-C director–innovation, design and testing.⁶

K-C redesigned the product with a grippable bottle and a large lid that could easily be lifted with a thumb. The result was a significant increase in market share. Observation research is discussed in detail in Chapter 6.

➤ experiments

Research to measure causality, in which the researcher changes one or more independent variables and observes the effect of the changes on the dependent variable.

Experiments Experiments are the third method researchers use to gather data. Experiment research is distinguished by the researcher’s changing one or more independent variables—price, package, design, shelf space, advertising theme, or advertising expenditures—and observing the effects of those changes on a dependent variable (usually sales). The objective of experiments is to measure causality. The best experiments are those in which all factors other than the ones being manipulated are held constant. This enables the researcher to infer with confidence that changes in sales, for example, are caused by changes in the amount of money spent on advertising.

Holding all other factors constant in the external environment is a monumental and costly, if not impossible, task. Factors such as competitors’ actions, weather, and economic conditions in various markets are beyond the control of the researcher. One way researchers attempt to control factors that might influence the dependent variable is to use a laboratory experiment—that is, an experiment conducted in a test facility rather than in the natural environment. Researchers sometimes create simulated supermarket environments, give consumers scrip (play money), and then ask them to shop as they normally would for groceries. By varying package design or color over several time periods, for example, the researcher can determine which package is most likely to stimulate sales. Although laboratory techniques can provide valuable information, it is important to recognize that the consumer is not in a natural environment; how people act in a test facility may differ from how they act in an actual shopping situation. Experiments are discussed in detail in Chapter 7.

Selecting the Sampling Procedure

A sample is a subset from a larger population. Although the basic nature of the sample is specified in the research design, selecting the sampling procedure is a separate step in the research process. Several questions must be answered before a sampling procedure is selected. First, the population or universe of interest must be defined. This is the group from which the sample will be drawn. It should include all the people whose opinions, behaviors, preferences, attitudes, and so on will yield information needed to answer the research problem—for example, all persons who eat Mexican food at least once every 60 days.

After the population has been defined, the next question is whether to use a probability sample or a nonprobability sample. A **probability sample** is a sample for which every element in the population has a known nonzero probability of being selected. Such samples allow the researcher to estimate how much sampling error is present in a given study. All samples that cannot be considered probability samples are nonprobability samples. **Nonprobability samples** are those in which the chances of selection for the various elements in the population are unknown. Researchers cannot statistically calculate the reliability of a nonprobability sample; that is, they cannot determine the degree of sampling error that can be expected. Sampling is the topic of Chapter 11.

➤ probability sample

A subset of a population where every element in the population has a known nonzero chance of being selected.

➤ nonprobability sample

A subset of a population in which the chances of selection for the various elements in the population are unknown.

Collecting the Data

Most survey-based data are now collected on the Internet. Interviewer-based data collection is done by marketing research field services. Field service firms, found throughout the country, specialize in collecting data through personal and telephone interviewing on a subcontract basis. A typical interviewer-based research study involves data collection in several cities and requires working with a comparable number of field service firms. To ensure that all subcontractors do everything exactly the same way, detailed field instructions should be developed for every job. Nothing should be left to chance; in particular, no interpretations of procedures should be left to the subcontractors.

In addition to doing interviewing, field service firms often provide group research facilities, mall intercept locations, test product storage, and kitchen facilities for preparing test food products. They may also conduct retail audits (counting the amount of product sold from retail shelves).

Analyzing the Data

After the data have been collected, the next step in the research process is data analysis. The purpose of this analysis is to interpret and draw conclusions from the mass of collected data. The marketing researcher may use a variety of techniques, beginning with simple frequency analysis and culminating in complex multivariate techniques. Data analysis will be discussed later in the text.

Writing and Presenting the Report

After data analysis is completed, the researcher must prepare the report and communicate the conclusions and recommendations to management. This is a key step in the process because a marketing researcher who wants project conclusions acted on must convince the manager that the results are credible and justified by the data collected.

The researcher usually will be required to present both written and oral reports on a project. The nature of the audience must be kept in mind when these reports are being prepared and presented. The oral report should begin with a clear statement of the research objectives, followed by an outline of the methodology. A summary of major findings should come next. The report should end with a presentation of conclusions and recommendations for management. In today's fast-paced world of marketing research, long, elaborately written reports are virtually a thing of the past. Decision makers today typically want only a copy of the PowerPoint presentation.

Judging the Quality of a Report Because most people who enter marketing become research users rather than research suppliers, it is important to know what to look for in a research report. The ability to evaluate a research report is crucial. As with many other items we purchase, the quality of a research report is not always readily apparent. Nor does paying a high price for a project necessarily guarantee superior quality. The basis for measuring a report's quality lies in the research proposal. Does the report meet the objectives established in the proposal? Has the methodology outlined in the proposal been followed? Are the conclusions based on logical deductions from the data analysis? Do the recommendations seem prudent, given the conclusions?

Using the Internet to Disseminate Reports It is becoming increasingly commonplace for research suppliers and clients to publish reports directly to the Web. All of the latest versions of major word-processing, spreadsheet, and presentation packages have the capability to produce Web-ready material, which simplifies the process of putting reports on the Web. Most companies, such as Texas Instruments, locate this material not in

public areas on the Web but on corporate intranets or in password-protected locations on websites. Publishing reports on the Web has a number of advantages:

1. The reports become immediately accessible to managers and other authorized and interested parties worldwide.
2. The reports can incorporate full multimedia presentation, including text, graphs, various types of animation, audio comments, and video clips.
3. The reports are fully searchable. Suppose a manager is interested in any material relating to advertising. Instead of manually scanning a long and detailed report for such mentions, he or she can search the report for comments relating to advertising.

Following Up

After a company has spent a considerable amount of effort and money on marketing research and the preparation of a report, it is important that the findings be used. Management should determine whether the recommendations were followed and, if not, why not. As you will learn in the next section, one way to increase the likelihood that research conducted by a corporate marketing department will be used is to minimize conflict between that department and other departments within the company.

Managing the Research Process

The Research Request

research request

An internal document used by large organizations that describes a potential research project, its benefits to the organization, and estimated costs; it must be formally approved before a research project can begin.

Before conducting a research project, a company such as Microsoft might require approval of a formal research request. Moderate- and large-size retailers, manufacturers, and nonprofit organizations often use the **research request** as a basis for determining which projects will be funded. Typically, in larger organizations there are far more requests by managers for marketing research information than monies available to conduct such research. Requiring a research request is a formalized approach to allocating scarce research dollars.

It is very important for the brand manager, new product specialist, or whoever is in need of research information to clearly state in the formal research request why the desired information is critical to the organization. Otherwise, the person with approval authority may fail to see why the expenditure is necessary.

In smaller organizations, the communication link between brand managers and marketing researchers is much closer. Their day-to-day contact often removes the need for a formal research request. Instead, decisions to fund research are made on an ad hoc basis by the marketing manager or the director of marketing research.

Completion and approval of the request represent a disciplined approach to identifying research problems and obtaining funding to solve them. The degree of effort expended at this step in the research process will be reflected in the quality of the information provided to the decision maker because a well-conceived research request will guide the design, data-gathering, analysis, and reporting processes toward a highly focused objective. The sections of a formal research request are as follows:

1. *Action.* The decision maker should describe the action to be taken on the basis of the research. This will help the decision maker focus on what information should be obtained and guide the researcher in creating the research design and in analyzing the results.
2. *Origin.* The decision maker should state the events that led to a need for a decision. This will help the researcher understand more deeply the nature of the management decision problem.

3. *Information.* The decision maker should list the questions that she or he needs to have answered to take action. Carefully considering the questions will improve the efficiency of the research.
4. *Use.* This section should explain how each piece of information will be used to help make the actual decision. By giving logical reasons for each part of the research, it will ensure that the questions make sense in light of the action to be taken.
5. *Target groups and subgroups.* By describing those from whom information must be gathered to address the research problem, this section will help the researcher design the sample procedure for the research project.
6. *Logistics.* Time and budget constraints always affect the research technique chosen for a project. For this reason, approximations of the amount of money available and the amount of time left before results are needed must be included as a part of the research request.
7. *Comments.* Any other comments relevant to the research project must be stated so that, once again, the researcher can fully understand the nature of the problem.

Request for Proposal

The research request is an internal document used by management to determine which projects to fund. A **request for proposal (RFP)** is a solicitation sent to marketing research suppliers inviting them to submit a formal proposal, including a bid. An actual RFP, adapted slightly for the purposes of this text, is shown in Exhibit 2.3. The RFP is the lifeblood of a research supplier. Receiving it is the initial step in getting new business and, therefore, revenue.

A typical RFP provides background data on why a study is to be conducted, outlines the research objectives, describes a methodology, and suggests a time frame. In some RFPs, the supplier is asked to recommend a methodology or even help develop the research objectives. Most RFPs also ask for (1) a detailed cost breakdown, (2) the supplier's experience in relevant areas, and (3) references. Usually, a due date for the proposal will be specified.

Suppliers must exercise care in preparing their proposals in response to the RFP. More than one client has said, "We find the quality of the proposals indicative of the quality of work produced by the firm." Thus, a research supplier that doesn't have the necessary time to adequately prepare a proposal should simply not submit a bid.

➤ **request for proposal (RFP)**
A solicitation sent to marketing research suppliers inviting them to submit a formal proposal, including a bid.

The Marketing Research Proposal

When marketing research suppliers receive an RFP, they respond to the potential client with a research proposal. The **research proposal** is a document that presents the research objectives, research design, time line, and cost of a project. We have included an actual proposal (disguised) prepared by two project managers at Decision Analyst (a large international marketing research firm) in Appendix 2-A. Most research proposals today are short (3 to 5 pages) and are transmitted back to the potential client as an e-mail attachment. A proposal for the federal government can run 50 pages or longer. The federal proposal will include a number of standard forms mandated by the government.

Most proposals contain the following elements:

- I. Title Page
This includes the title of the project from the RFP; the names of the preparers of the proposal, and contact information; who the proposal is being prepared for; and the date.

➤ **research proposal**
A document developed, usually in response to an RFP, that presents the research objectives, research design, time line, and cost of a project.

Exhibit 2.3

An RFP to Conduct an Image Benchmark Study

Background

Mega Health has been tracking consumers' awareness and image of our plan on an annual as well as monthly basis for many years. These studies have been conducted for the purpose of understanding our brand awareness, brand image, and brand benchmarking vs. the competition. As we plan for advertising and public communication, we first need to determine how Mega Health is perceived in the marketplace. The annual Brand Image Benchmarking study allows Mega Health to assess its brand image in a competitive context.

Issue

Assess overall Mega Health brand strength by surveying individuals (in MD/DC/VA regions) in the 3rd–4th quarter of 2009, using a version of the current survey instrument.

Objectives

- Assess brand awareness and image of Mega Health in the MD/DC/VA regions.
- Benchmark Mega Health awareness and image vs. competitors in all regions.
- Determine importance of health insurance company/HMO attributes.
- Assess rating of Mega Health and competitor performance on health insurance company/HMO attributes.
- Assess reaction to attributes of Mega Health.
- Profile insured population.
- Create comprehensive brand image analysis.

Methodology

Quantitative telephone survey with the general public and business decision makers.*

Sample:

- Total interviews: 1950.
General public: approx. 1250 interviews (may need as many as 300 over sample—1550 total—to improve representation in harder-to-recruit areas). *RDD methodology.* *Business decision makers:* approx. 400 interviews.
- List sources and detailed sampling methodology: to be determined.
- Quota for the study should be representative of 5 mid-Atlantic regions: Baltimore Metro, DC Metro, Eastern Shore MD, Southern MD, and Western MD (Southern and Western MD may be combined after study completion). Mega Health will provide zip codes in order to delineate regions.

Questionnaire: This study is being conducted for benchmarking and tracking purposes. Thus, the questionnaire that has previously been used to conduct this research has been included (see attachment). Some modifications to this questionnaire may be necessary for improved analysis.

Proposed Timing

Develop RFP for research	8/11/09
Select vendor	8/17/09
Sample and survey adjusted/finalized	8/30/09
Initiate interviews (including recruiting)	9/1/09
Complete interviews	10/4/09
Topline analysis	10/15/09
Final analysis [†]	11/1/09

We would like to begin the preparation for this study, so please expedite the return of proposals as soon as possible. Thank you for your consideration. Please contact Joe Bedlow at 999-998-7513 (fax: 999-998-7660; email: joebedlow@megahealth.com) with any questions or proposals.

*Sample of general public and decision makers subject to change. *Note:* The population from which to sample business decision makers is typically not very large and can be more difficult to recruit, especially larger businesses (1000+ employees).

[†]It is most important that the “general public” sample be completed within this time frame. Business decision makers’ results may be afforded a later date, if needed.

Note: The real company name, contract name, and phone numbers have been disguised.

II. Statement of the Research Objectives

These are often stated in the RFP. If not, they must be determined as described earlier in the chapter.

III. Study Design

This presents a statement of how the data will be gathered and who will be sampled and the sample size.

IV. Areas of Questioning

This is not found in all proposals, but in our experience we have found it to be very helpful. It is a tentative list of survey topics based on the research objectives.

V. Data Analysis

This states which techniques will be used to analyze the data.

VI. Personnel Involved

This provides a complete list of all supervisory and analytical personnel who will be involved in the project and a short vita of each. Each person's responsibility is also outlined. This element is typically not included when the client and supplier have an ongoing relationship. It is mandatory in most government work.

VII. Specifications and Assumptions

Most RFPs are relatively short and don't spell out every detail. In order to make certain that the supplier and potential client are on the same page, it is a good idea to list the specifications and assumptions that were made when creating the proposal (see Appendix 2-A).

Exhibit 2.4 details the benefits of a good proposal to both the client and the supplier.

VIII. Services

This spells out exactly what the research supplier will do (see Appendix 2-A). For example, who is designing the questionnaire? Is it the client, the supplier, or is it a joint effort? Again, the purpose is to make sure that the client and the research supplier operate from the same set of expectations.

IX. Cost

This specifies the cost and payment schedule.

X. Timing

This states when various phases of the project will be completed and provides a final completion date.

Preparing proposals may be the most important function a research supplier performs inasmuch as proposals, and their acceptance or rejection, determine the revenue of the firm. If a research firm's proposals are not accepted, the company will have no funds and will ultimately go out of business! Moreover, if the price that is quoted is too low, the researcher may get the job but lose money. If the price is too high, the proposal may be outstanding, but the researcher will lose the work to a competitor.

What to Look for in a Marketing Research Supplier

Market Directions, a Kansas City marketing research firm, asked marketing research clients around the United States to rate the importance of several statements about research companies and research departments. Replies were received from a wide range of industries, resulting in the following top 10 list of desirable qualities in marketing researchers:

1. Maintains client confidentiality
2. Is honest
3. Is punctual

EXHIBIT 2.4 Benefits of a Good Proposal	
Client	Supplier
Serves as a road map for the project ☐ specifies research methodology ☐ specifies time line ☐ specifies deliverables ☐ specifies projected costs ☐ allows for planning-team member involvement and resource allocation Ensures that competing vendors carefully consider: ☐ project specifications ☐ research design/methodology ☐ project cost Ensures that the selected vendor has an explicit understanding of business decisions the research will affect	Serves as a road map for the project ☐ identifies specific responsibilities of the vendor ☐ identifies the role the client has in fielding the research ☐ allows for planning-team member involvement and resource allocation Serves as a valuable tool for managing client expectations, especially when the client: ☐ contributes to delays or revises project timeline ☐ mandates changes to project scope ☐ requests additional or alternative deliverables ☐ cancels the project Provides an objective method for clients to examine vendor qualifications

Source: Matthew Singer, “Writer’s Lock,” *Marketing Research* (Fall 2006), p. 38.

- 4. Is flexible
- 5. Delivers against project specifications
- 6. Provides high-quality output
- 7. Is responsive to the client’s needs
- 8. Has high quality-control standards
- 9. Is customer oriented in interactions with client
- 10. Keeps the client informed throughout a project⁷

The two most important qualities, confidentiality and honesty, are ethical issues; the remaining factors relate to managing the research function and maintaining good communications.

Good communications are a necessity. Four of the qualities on the top 10 list—flexibility, responsiveness to clients’ needs, customer orientation, and keeping the client informed—are about good communications. A successful marketing research organization requires good communications both within the research company and with clients.

How important is communication? Consider this: Managers spend at least 80 percent of every working day in direct communication with others. In other words, 48 minutes of every hour are spent in meetings, on the telephone, or talking informally. The other 20 percent of a typical manager’s time is spent doing desk work, most of which is communication in the form of reading and writing.⁸ Communications permeate every aspect of managing the marketing research function.

One of the hottest markets in the world today is China. The accompanying Global Research box discusses conducting marketing research in this rapidly developing market.

GLOBAL RESEARCH



Tapping the China Market

Matthew Harrison is a director of B2B International, a United Kingdom-based marketing research firm that has recently set up an office in Beijing. He discusses conducting marketing research in China below.

To most Western companies, the idea of commissioning market research in China can be daunting. Frequently, they see the perceived barriers of researching a Chinese market as so insurmountable that they make no serious consideration of the potential benefits. For companies wishing to conduct or commission research, however, the opportunity in China is enormous. This is a huge, diverse, growing, and increasingly affluent and innovative economy eager to share its ideas with potential investors. China might not be the easiest country in which to conduct research, but for the research buyer, the value of the obtained information can be enormous.

Market Size and Sectors

Although the Chinese market research industry has existed for about two decades, its development has been relatively slow. Even today, the value of market research commissioned in China is worth approximately 5,000 million renminbi (RMB), or \$636.1 million. However, the market is growing rapidly—at around 20 percent per annum.

B2B Research. B2B is defined as market research in which an organization seeks the views of businesspeople to facilitate a business decision. It also incorporates projects in which organizations seek the views of government officials, and medical or pharmaceutical projects in which organizations seek the views of physicians, for example.

Estimates of the proportion of the Western market research industry that is composed of B2B research are usually at about 10 percent. In China, however, the proportion is at about 25 to

30 percent, putting its value at about \$180.3 million. This B2B sector of the market is expected to experience the most growth over the coming years—with Chinese companies increasingly open to the idea of obtaining the views of businesspeople and Western companies ever hungrier for Chinese business opinions. Estimates of current growth in this part of the market are at about 25 percent per annum.

In terms of the industries in which an organization conducts most market research, the picture is changing rapidly. Nevertheless, some clear patterns are emerging—for example, the fast-moving consumer goods sector is progressively more buoyant. In business research, the level of commissioned work can be ranked as:

1. automotive
2. petrochemical
3. information technology (IT)
4. pharmaceutical and medical
5. financial

Foreign-owned companies with joint ventures or subsidiaries within China commission most automotive and petrochemical research. In the telecom and IT markets, indigenous companies increasingly have the budgets and strategic vision to recognize the benefits of business research. The pharmaceutical/medical and financial markets are both significant and have huge potential. The financial market is now exposed to increasing competition, with state-owned companies registered on the Chinese stock exchange and permitted to commission market research. And the pharmaceutical and medical market is growing rapidly, with domestic and foreign companies seeking information to be able to profit from the huge Chinese market.

Across industries, the type of research that an organization commissions is markedly different from that in Europe and North America. In the West, research reflects the objectives of companies operating in mature markets, which want to establish customer loyalty, achieve differentiation

through branding, monitor the satisfaction of their employees, develop new concepts, or segment their target audiences. Typical research projects are therefore customer and employee satisfaction studies, branding studies, concept tests, and segmentations. In China, however, about 60 percent of research projects are focused on market assessment studies in which clients (often foreign companies) ask for a comprehensive explanation of market size and structure. In the Western economies, research buyers generally seek intelligence that will help them progress in existing markets—whereas in China, much of the research is about entering new markets.

English-language directory of the key players. The Web site of ESOMAR, the World Association of Research Professionals, is currently the best English-language source of contact details for research agencies in China—but even this contains the particulars of only about 50 agencies from the 1,000-plus active in the country. It is fair to state, however, that this list contains both the majority of the main full-service agencies and agencies with a cross-China capability. The website of the Chinese Market Research Association (CMRA), in Chinese, provides a far more comprehensive list (www.cmra.org.cn).⁹

Active Market Companies

Identifying the correct agency is difficult for any company aiming to conduct market research in China. There are a number of impediments, including the absence of a comprehensive

Questions

1. What might be some of the problems one could encounter in conducting marketing research in China?
2. What problems might different languages between the client and supplier pose?

What Motivates Decision Makers to Use Research Information?

When research managers communicate effectively, generate quality data, control costs, and deliver information on time, they increase the probability that decision makers will use the research information they provide. Yet academic research shows that political factors and preconceptions can also influence whether research information is used. Specifically, the determinants of whether or not a manager uses research data are (1) conformity to prior expectations, (2) clarity of presentation, (3) research quality, (4) political acceptability within the firm, and (5) lack of challenge to the status quo.¹⁰ Managers and researchers both agree that technical quality is the most important determinant of research use. However, managers are less likely to use research that does not conform to preconceived notions or is not politically acceptable.¹¹ This does not mean, of course, that researchers should alter their findings to meet management's preconceived notions.

Marketing managers in industrial firms tend to use research findings more than do their counterparts in consumer goods organizations.¹² This tendency among industrial managers is attributed to a greater exploratory objective in information collection, a greater degree of formalization of organizational structure, and a lesser degree of surprise in the information collected.

SUMMARY



The process for correctly defining the research problem consists of a series of steps: (1) recognize the problem or opportunity, (2) find out why the information is being sought, (3) understand the decision-making environment, (4) use the symptoms to help clarify the problem, (5) translate the management problem into a marketing research problem, (6) determine whether the information already exists, (7) determine whether the question can really be answered, and (8) state the research objectives. If the problem is not defined correctly, the remainder of the research project will be a waste of time and money.

The steps in the market research process are as follows:

1. Identification of the problem/opportunity and statement of the marketing research objectives
2. Creation of the research design
3. Choice of the method of research
4. Selection of the sampling procedure
5. Collection of data
6. Analysis of data
7. Preparation and presentation of the research report
8. Follow-up

In specifying a research design, the researcher must determine whether the research will be descriptive or causal. Descriptive studies are conducted to answer who, what, when, where, and how questions. Causal studies are those in which the researcher investigates whether one variable (independent) causes or influences another variable (dependent). The next step in creating a research design is to select a research method: survey, observation, or experiment. Survey research involves an interviewer (except in mail and Internet surveys) interacting with a respondent to obtain facts, opinions, and attitudes. Observation research, in contrast, monitors respondents' actions and does not rely on direct interaction with people. An experiment is distinguished by the fact that the researcher changes one or more variables and observes the effects of those changes on another variable (usually sales). The objective of most experiments is to measure causality.

A sample is a subset of a larger population. A probability sample is one for which every element in the population has a known nonzero probability of being selected. All samples that cannot be considered probability samples are nonprobability samples. Any sample in which the chances of selection for the various elements in the population are unknown can be considered a nonprobability sample.

In larger organizations, it is common to have a research request prepared after the statement of research objectives. The research request generally describes the action to be taken on the basis of the research, the reason for the need for the information, the questions management wants to have answered, how the information will be used, the target groups from whom information must be gathered, the amount of time and money available to complete the project, and any other information pertinent to the request. The request for proposal (RFP) is the document used by clients to solicit proposals from marketing research suppliers.

Marketing research proposals are developed in response to an RFP. In some cases, the proposals are created based on an informal request such as in a telephone conversation between a client and research supplier. The research proposal gives the research objectives, research design, time line, and cost. Research proposals are the tool that generates revenue for the research firm.

Good communications are the foundation of research management and the basis for getting decision makers to use research information. The information communicated to a decision maker depends on the type of research being conducted.

KEY TERMS & DEFINITIONS

opportunity identification Using marketing research to find and evaluate new opportunities.

situation analysis Studying the decision-making environment within which the marketing research will take place.

exploratory research Preliminary research conducted to increase understanding of a concept, to clarify the exact nature of the problem to be solved, or to identify important variables to be studied.

pilot studies Surveys using a limited number of respondents and often employing less rigorous sampling techniques than are employed in large, quantitative studies.

experience surveys Discussions with knowledgeable individuals, both inside and outside the organization, who may provide insights into the problem.

case analysis Reviewing information from situations that are similar to the current one.

marketing research problem A statement specifying the type of information needed by the decision maker to help solve the management decision problem and how that information can be obtained efficiently and effectively.

marketing research objective A goal statement, defining the specific information needed to solve the marketing research problem.

management decision problem A statement specifying the type of managerial action required to solve the problem.

hypothesis A conjectural statement about a relationship between two or more variables that can be tested with empirical data.

research design The plan to be followed to answer the marketing research objectives.

descriptive studies Research studies that answer the questions who, what, when, where, and how.

variable A symbol or concept that can assume any one of a set of values.

causal studies Research studies that examine whether the value of one variable causes or determines the value of another variable.

dependent variable A symbol or concept expected to be explained or influenced by the independent variable.

independent variable A symbol or concept over which the researcher has some control and that is hypothesized to cause or influence the dependent variable.

temporal sequence An appropriate causal order of events.

concomitant variation The degree to which a presumed cause and a presumed effect occur or vary together.

spurious association A relationship between a presumed cause and a presumed effect that occurs as a result of an unexamined variable or set of variables.

survey research Research in which an interviewer (except in mail and Internet surveys) interacts with respondents to obtain facts, opinions, and attitudes.

observation research Typically, descriptive research that monitors respondents' actions without direct interaction.

experiments Research to measure causality, in which the researcher changes one or more independent variables and observes the effect of the changes on the dependent variable.

probability sample A subset of a population where every element in the population has a known nonzero chance of being selected.

nonprobability sample A subset of a population in which the chances of selection for the various elements in the population are unknown.

research request An internal document used by large organizations that describes a potential

research project, its benefits to the organization, and estimated costs; it must be formally approved before a research project can begin.

request for proposal (RFP) A solicitation sent to marketing research suppliers inviting them to submit a formal proposal, including a bid.

research proposal A document developed, usually in response to an RFP, that states the research objectives, research design, time line, and cost.

QUESTIONS FOR REVIEW & CRITICAL THINKING

1. The definition of the research problem is one of the critical steps in the research process. Why? Who should be involved in this process?
2. What role does exploratory research play in the marketing research process? How does exploratory research differ from other forms of marketing research?
3. Give some examples of symptoms of problems and then suggest some underlying real problems.
4. Give several examples of situations in which it would be better to take a census of the population than a sample.
5. Critique the following methodologies and suggest more appropriate alternatives:
 - a. A supermarket is interested in determining its image. Cashiers drop a short questionnaire into the grocery bag of each customer prior to bagging the groceries.
 - b. To assess the extent of its trade area, a shopping mall stations interviewers in the parking lot every Monday and Friday evening. After people park their cars, interviewers walk up to them and ask them for their zip codes.
 - c. To assess the potential for new horror movies starring alien robots, a major studio invites people to call a 900 number and vote yes if they would like to see such movies or no if they would not. Each caller is billed a \$2 charge.
6. You have been charged with determining how to attract more business majors to your school. Outline the steps you would take, including sampling procedures, to accomplish this task.
7. What can researchers do to increase the chances that decision makers will use the marketing research information they generate?
8. Explain the critical role of the research proposal.
9. Divide the class into teams of four or five. Half of the teams should prepare short RFPs on the following topics:
 - a. food on campus
 - b. role of fraternities and sororities on campus
 - c. entertainment in your city
 - d. your university website
 - e. role of student internships in education
 - f. online purchasing of school supplies
 - g. purchasing music on the Internet

The RFPs should state clearly and precisely the research objectives and other pertinent information. The remaining teams should create proposals in response to the RFPs.

(Team Exercise)

WORKING THE NET

1. Go to the Internet and search on “intranet + future.” Report your findings to the class.
2. Describe how putting research reports on the Web can benefit managers.
3. Go to a search engine and type “writing RFPs.” Explain what kind of help is available to prepare RFPs.

REAL-LIFE RESEARCH • 2.1

The Food and Drug Administration Finds Consumers Aren't up to Speed on Nutritional Matters

With the FDA mulling a “report card” to be printed on foods that make health claims, a new study found that most consumers are “nutritionally naïve” when it comes to reading nutrition food labels.

The *Food for Life* study was conducted by research firm Yankelovich, Chapel Hill, North Carolina, to assess consumers’ attitudes and behaviors about nutrition, diet, and healthcare. “Consumers need better tools to make intelligent decisions,” said Steve Bodhaine, Yankelovich group president. “The data show a glaring lack of understanding of the basics of nutrition and why the right messages aren’t getting through. We’ve taught people how to compare labels when shopping for food but not to understand what they are reading.”

The study was conducted online among 2,200 adults age 18 and older. Among the findings:

- 72% of Americans say if food does not taste good, they won’t eat it, no matter how healthy and nutritious it is.
- 43% support legislation to ban vending machines from schools.
- 63% said they have a fair to very good grasp of nutritional information on labels. But half didn’t know how many calories they should consume daily and 80% did not know how much fat, carbs, or sodium to consume in a 2,000-calorie diet.

That contradiction is somewhat explained by the fact that, when asked which was bigger, an ounce or a gram, nearly a third incorrectly said a gram. “If people don’t know how much fat should be in their diets, how is it helpful to look at the fat content as a source of information?” asked Bodhaine.

Food companies should not feel their marketing efforts are being wasted. Among those surveyed, the top five reasons for shopping for healthy foods were freshness, whole grain, low fat, high in fiber, and low cholesterol. Marketers like General Mills and Kellogg leverage such buzz words on-pack and in advertising for their whole-grain cereals and snacks.

Bodhaine offered ways for marketers to become part of the solution. First, scrap the metric system and use a standard with which Americans are familiar. He feels the FDA’s “report card” (*Brandweek*, February 2006) is a good idea. It would designate health claims with A, B, C, and D, in descending order of scientific evidence, backing the claims on labels. But even that might not work. Bodhaine said studies show consumers

are more apt to trust a brand that aligns itself with a medical group, such as the American Heart Association, than the government. Among others, Campbell's Healthy Request soups, ConAgra's Egg Beaters and Healthy Choice, and Kellogg's Smart Start Healthy Heart cereal all sport the AHA's "heart check mark." Also, PepsiCo's SmartSpot program has an icon on more than 100 products that communicates they meet nutritional standards set by the National Academy of Sciences and the FDA.

If companies are seeking one gem from the survey, it might be this: Almost 60 percent of respondents said they would support legislation to force marketers to make food labels more understandable if marketers don't do it themselves.¹³

Questions

1. Would you say that this was an exploratory study? If not, what are the research questions?
2. Is this research causal or descriptive? Why?
3. Explain how the FDA might use this information. Kellogg's?
4. What might be included in an RFP to do further research?

APPENDIX 2 - A A MARKETING RESEARCH PROPOSAL

Decision Analyst, Inc. Proposal to Conduct a Brand Equity Study

Confidential

Prepared For
Fun City Gaming, Inc.

Prepared by
Kathi McKenzie & Sally Danforth
January 2009

Background

Fun City Gaming, Inc. currently operates a multilevel dockside riverboat casino and a land-based pavilion with three restaurants and a hotel, all located on the Arlen River. The casino offers 1500 slot machines and 70 table games, and is the “flagship” of the Fun City franchise. The Fun City Casino has four primary competitors currently operating in the area, all within a roughly 30-mile radius of the Fun City. The Fun City Casino ranks second in revenue, but first in profit among these competitors. In addition to these competitors, additional competition will be provided by the planned “River Wild” casino, which will likely begin construction in about a year. This casino will be located in St. George, minutes from the Fun City Casino.

Fun City is currently undergoing a large redevelopment, involving construction of a completely new gaming vessel, significant upgrades to the pavilion, addition of new restaurants, and a new parking garage. The gaming vessel will feature 2500 slot machines, 84 table games, high-limit gaming areas, and upgraded décor. The new Fun City will offer superior features to the current product as well as to primary competitors.

In order to be financially feasible, this project must increase business from current customers as well as attract customers from competitive casinos, some of whom may have to travel past competitive casinos to arrive at Fun City. In addition, the new offering should be especially attractive to premium casino players.

Objectives

The overall objective of this study would be to help management position the new Fun City offering. Key questions to be addressed include:

- ☐ What should be the positioning of the new casino?
- ☐ Should the Fun City name be used, or should it be rebranded?
- ☐ If rebranded, what name should be used?

Study Design

This study would be conducted using a targeted telephone survey among 800 gamblers within a 100-mile radius of the Fun City Casino location. Specifically, we will survey 400 within the Arlen Valley portion of this area and 400 in the area eastward, where the majority of current/future competition lies. Respondents will be screened based on past 12-month casino usage.

Areas of Questioning

Decision Analyst would work closely with Fun City Gaming in developing the questionnaire. Assuming that we have three to four potential positionings to test, tentative survey topics would include:

- ☐ Current casino usage and gambling behavior.
- ☐ Awareness and overall rating for Fun City name, as well as names of key competitors and other names owned by Fun City Gaming which might be used for the new casino.

- ❑ Rating of Fun City and key competitors on several (8 to 10) image attributes.
- ❑ Exposure to brief description of the “new” (redeveloped) casino. Each respondent would be exposed to the description with *one* of the potential positionings. This will result in a readable sample size for each positioning.
- ❑ Overall rating and rating on key image attributes for the “new” casino.
- ❑ Rating of Fun City name and other potential names on overall appeal and fit with this description.
- ❑ Projected use of new casino; effect on gambling habits and share of casino visits.

Data will be analyzed both by area of residence and by gambling value (high/medium/low value gamblers).

Data Analysis

Factor analysis will be conducted, and the factors that are most related to the overall rating of the casino will be identified. On the basis of these factors, a perceptual map will be created to show visually the relationship between the current Fun City and competitive brands, based on brand image. The image projected by the new casino description will also be shown on this map, and a gap analysis conducted to highlight possible differences in image projected by each of the three to four positionings.

Personnel Involved

This project will be supervised by Kathi McKenzie and Sally DanGorth. Kathi will be the overall supervisor and Sally will be responsible for the data analysis and presentation. *(Note: A short bio of each person would normally be attached.)*

Specifications/Assumptions

The cost estimate is based on the following assumptions:

- ❑ Number of completed interviews = 800
- ❑ Average interview length = 20 minutes
- ❑ Average completion rate = 0.62 completes per hour
- ❑ Assumed incidence = 25%
- ❑ No open-ended questions
- ❑ Type of sample: targeted random digit
- ❑ Up to two banners of statistical tables in Word format
- ❑ Factor analysis, two perceptual maps (total sample and high-value gambler), and gap analysis
- ❑ Report
- ❑ Personal presentation, if desired

Services

Decision Analyst, Inc. would:

- ❑ Develop the questionnaire, in conjunction with Fun City Gaming management
- ❑ Generate sample within the target area
- ❑ Program the survey
- ❑ Manage and administer the project
- ❑ Monitor and oversee all telephone interviewing
- ❑ Process data, specify cross-tabulations, and compile statistical tables
- ❑ Analyze the data and prepare presentation-style report, if desired

Cost

The cost to conduct this study, as described, would be \$61,900, plus a minimum 10 percent contingency fee, which would only be spent with specific prior approval of Fun City Gaming. This cost estimate does not include the cost of any travel outside of the Dallas-Fort Worth area. Any overnight deliveries or travel expenses would be billed at cost at the end of the study.

Decision Analyst would closely monitor data collection. If the actual data collection experience differed from the stated specifications and assumptions, we would notify you immediately to discuss the options available.

Timing

After approval of the final questionnaire, the project would require approximately five to six weeks, as outlined below:

Survey programming and quality control	3–4 days
Data collection	3 weeks
Final data tabulations	3 days
Final report	1–2 weeks