

Barry J. Babin

ESSENTIALS OF MARKETING RESEARCH

Seventh Edition



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Barry J. Babin

Louisiana Tech University



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***LLF Essentials of Marketing Research,
Seventh edition***

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Library of Congress Control Number: 2018941314

ISBN: 978-1-337-69397-4

Soft-cover Edition

ISBN 978-0-357-03393-7

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20 Channel Center Street

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Printed in the United States of America

Print Number: 01

Print Year: 2018

First, to my wonderful family and second, to my colleagues and students
who continue to be a source of inspiration.

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PREFACE



Never before has marketing research been more exciting or offered more and better career opportunities. Today's decision-makers are under more pressure than ever to act, and to act fast. To take effective actions, they need intelligence, and intelligence begins with information. That's where research steps in. Research provides insight that leads to better decision-making. Researchers have access to more data than ever before to help provide that insight. Tracking consumers is so easy today given that virtually every move we make leaves some type of data trail. Also, never before has communicating with consumers been easier in a world where so many consumers are connected all the time. Perhaps finding gems of insight amidst the colossal amounts of intelligence seems a lot like searching for a needle amidst a mountain of hay. But, the hay is not still; markets change quickly meaning that we search for the needle in a dynamic mountain of hay. Thus, "search" cannot be removed from "research."

Decision making in practically all industries, both for-profit and not-for-profit, depends on input from research. The research process described in this text helps provide that input. The process enables a company to identify its customers and design products that maximize the value they receive from a purchase. In return, the company receives value as the customers spend their hard-earned money. The result: customers win and businesses win! All are better off.

A lot has changed since the first edition of this text. One thing that has not changed though is that businesses succeed by coming together with customers to create value that addresses real consumer needs. Although addressing needs remains the *raison d'être* for business, the way consumer needs get addressed is ever changing. Value creation today involves all sorts of technologies. Today, value creation involves much more than computers and the Internet. Smartphones mean billions of consumers can access your business at their fingertips, GPS systems point consumers to market offerings, drones help provide information and may even make deliveries, social media means consumers spread their opinions about new products or service received almost instantly and widely, tap and pay systems involving iPay or Google Wallet make transactions faster and easier than ever. For the market researcher, the key advantage is that all of these systems leave behind a trail of information ready to mine for insight. That's where this text comes in: *Essentials of Marketing Research* equips students with the knowledge and skills involved in this basic research process. By mastering this process, students will know how to frame questions to get valuable answers, where to look for those answers, and know how to use tools that help convert raw data into intelligence.

Chapter 3 introduces this process, which includes six stages. Researchers must first work together with decision makers to decide why they are looking for that metaphorical needle in the haystack. The next two stages plot out the way to go about finding the needle. Next are two stages that focus on the actual search for the needle. The process concludes when the market researcher communicates the benefits of finding "pointed" information that can help mend problems or create something really new and special to the decision maker. Success in this process usually merits the researcher a reward that is a bit more valuable than that needle!

New to *Essentials of Marketing Research*

To ensure that students are able to conduct market research with an understanding of all the latest theories and techniques available to them, the seventh edition is substantially revised and updated. The first chapters describe the overall research process and emphasize the way that technologies affect the way marketing researchers go about their jobs. The middle chapters provide the basics of measurement and data quality. The latter chapters introduce the user to statistical analytics as a tool of turning information into intelligence.

Technological and social developments of the last few decades are revolutionizing information systems, sources of and ways of gathering secondary data, survey processes, sampling, questionnaire design, qualitative analysis including focus group interviews, and communication of results. Practically every chapter includes significant coverage of technology-related topics. Most chapters also include review questions and activities that get students involved with the latest research technologies in a hands-on way. New to this edition, the each chapter contains a Research in Action box that helps guide students through a marketing research project.

Key features of the seventh edition include:

- **Project Outline**—Chapter 16 includes an outline (downloadable in the student resources) suitable for use as a student project. The outline functions as a guide for the steps necessary to conduct a marketing research project like one suitable to serve as a term-long project in a marketing research course. The outline is geared to fit almost any type of comprehensive research project. By selecting only parts of the outline, a smaller project could be designed.
- **Research in Action!**—Instructors and students have asked for guidance in turning information from the chapters into a marketing research project. Each chapter now provides a feature box that helps frame the material for the chapter with respect to completing the research project. Combined with the outline for Chapter 16, *Essentials* provides *essential* direction in helping get the project done competently.
- **Increased coverage of big data and analytics.**
- **Tips of the Trade**—Each chapter contains a useful list of important tips that correspond to the particular stage of the research process discussed in the chapter. The tips provide information addressing practical questions such as interview length, question wording, interviewer involvement, sample size requirements, and guides for data reliability and validity, as well as useful tips for testing hypotheses using inferential statistics.
- **Chapter Vignettes**—All chapters open with a story relevant to the material featured in that particular chapter. Some of these vignettes involve famous brands and companies, so the reader may well be familiar with some of the topics. Other vignettes involve “slice of life” stories describing a businessperson’s struggle to make smart decisions and demonstrate how research is intertwined with this struggle.
- **More emphasis on “how to”**—The boxed material, chapter objectives, and end-of-chapter materials seek to emphasize research in action or steps used to perform different approaches illustrated in the text. Boxed materials take the form of Research Snapshots that cover ethical angles of research, provide illustrations of research in practice, and offer relevant tips or detailed “how-to” examples. The chapter learning objectives provide coherence and structure to the chapters, each culminating with objective-directed end-of-chapter materials. In later chapters, the Research Snapshots provide step-by-step guides describing how to perform many of the marketing analytics approaches.
- **Software Friendly**—*Essential* recognizes that different students and instructors interact with multiple software platforms. Here, the illustrations do not focus on a single software platform. Rather, the how-to guides illustrate how to perform different analysis routines in multiple platforms. Most advanced analytical/statistical tools are illustrated in EXCEL, SPSS, SAS, and JMP (a fast growing analytical tool).
- **Substantial Coverage on International Business Issues**—The examples and illustrations make much greater use of international business. Readers of this book may end up working or dealing with issues anywhere in the world, so the increased international examples will increase awareness of research issues beyond North America and open up domestic students to global

market dynamics. This is a particularly important emphasis because cultural and language barriers often present challenges for the researcher.

- **Substantial Attention to Qualitative Research**—Big data also creates a big demand for qualitative research tools. In response, several chapters provide insight into how to gather and use data not expressed in the form of quantities. Chapter 5 focuses exclusively on qualitative research. Phenomenology, grounded theory, ethnography, and case study approaches are all covered. Qualitative research is dramatically being changed by the Internet as consumers leave more and more artifactual data behind on social networking websites, company chat rooms, blogs, social networks, micro-blogs (such as tweets left on Twitter), and more. Just think about the potential gold mine of data available in all of the online consumer feedback, ratings, and recommendations.

Organization of the Book

The seventh edition of *Essentials of Marketing Research* follows the logic of the marketing research process. The book is organized into parts, and each part presents the basic research concepts for one of the stages in the research process; each part also discusses how these concepts relate to decisions about conducting specific projects.

Part 1: Introduction, emphasizes the interplay between research and business and how the importance and scope of research varies with the type of business orientation that characterizes a company. Included in this discussion is an overview of computerized data management and information systems, an overview of the entire marketing research process, and an explanation of how all of this is changing due to the Internet.

Without high ethical standards, no business is good. Thus, the introductory materials also include an emphasis on business ethics and the special ethical problems associated with marketing research.

Part 2: Designing Research Studies, covers the essentials involved in starting to study business problems. This part emphasizes decision-making, problem definition, and the process of how researchers translate business problems into research questions and perhaps even research hypotheses. The part includes coverage of research proposals in some detail, and the reader is encouraged to see these as the written agreement that helps put the decision maker and the researcher on the same page.

Chapter 5 emphasizes qualitative research applications. One role played by qualitative research is helping to separate business problem symptoms from true issues that researchers can attack with marketing research. However, qualitative research extends far beyond problem definition; it allows greater potential for discovery as well as deeper and potentially more meaningful explanations in marketing research. Chapter 5 now covers text exploring software in greater details to provide insight into how text data scraped from social media, review sites, and other communications can be mined for meaning.

Chapter 6 includes a detailed discussion of secondary data and emphasizes its increasing importance in an increasingly data-rich world. Other chapters include descriptions of survey designs (how to conduct, administer, and design survey instruments), observational studies (data on actual consumer behaviors), and causal designs involving marketing experiments.

Part 3: Measurement, gives readers working knowledge of building blocks absolutely critical to effective marketing research. This part describes the basics of measurement theory. Key topics include descriptions of the different levels of scale measurement and how this affects the interpretation of results. Basic ways to measure human attitudes and practical matters dealing with questionnaire design are also discussed. Measurement discussions emphasize the application of a sound psychometric approach. An increased emphasis is placed on the use of new media technologies. For instance, how does asking a question in an electronic medium change options for respondents and the researcher?

Part 4: Sampling and Sample Statistics, explains the difference between a population and a sample. Two chapters cover important issues that provide a basis for statistical inference. Another chapter provides useful guides for determining how large a sample is needed to make inferences with desired levels of confidence. Basic issues related to sampling distributions also are covered. All the coverage of sampling emphasizes generalizability, or external validity, and the properties needed to be able to make accurate inferences from a sample to a population.

Part 5: Basic Data Analytics (and Reporting), covers basic processes necessary in translating raw data into market intelligence. The part presents some of the most commonly used methods for analyzing data. For instance, basic descriptive statistics related to central tendency and dispersion

are discussed in detail as a basis for understanding approaches that follow. The chapters also cover inferential statistics including often-used univariate and bivariate approaches such as the chi-square test, *t*-tests, and simple regression. Elementary ANOVA applications are discussed in the context of analyzing experiments. Last, but certainly not least, the part concludes with a chapter on presenting research results. The chapter includes the outline useful in creating a student (individual or group) marketing research project. Also, basic guidelines for constructing research reports and presentations that are delivered orally or presented online are discussed.

Part 6: Comprehensive Cases with Computerized Databases makes up the last section of the book. These cases provide materials that challenge students to apply and integrate the concepts they have learned throughout the text. Instructors will find that these cases provide some flexibility either to expand or simplify the assignment to suit the demands of varying course assignments.

The cases provide more variety and include some that involve analysis of internal marketing problems as well as an opportunity to use qualitative research. When quantitative data are included, they can be easily analyzed with basic statistical tools like EXCEL, SPSS, or JMP. Excel files are also included with the same data. These files can be read directly by statistical programs like SAS, SPSS, R, JMP, or other programs. The seventh edition includes a new comprehensive particularly illustrating how useful data can be found online and turned into intelligence with basic data analytics.

Superior Pedagogy

More than other marketing research textbooks, the seventh edition of *Essentials of Marketing Research* addresses students' need to comprehend all aspects of the marketing research process. The following features facilitate learning throughout the book:

- **Learning Objectives.** Each chapter begins with a concise list of learning objectives that emphasize the major areas of competency the student should achieve before proceeding to the next chapter. The key is to avoid labeling everything a major learning objective and to provide the instructors with flexibility for emphasizing additional material from each chapter as they see fit.
- **Major Headings Keyed to Learning Objectives.** All first-level headings, with the exception of those labeled "Introduction," are keyed to learning objectives. This should be an aid in developing assessment rubrics and makes the book more user friendly in terms of identifying key material. Example assessment rubrics are available in the instructional resources.
- **Research Snapshots.** All of the box materials share a common title, Research Snapshots. Each chapter contains three Research Snapshots. The boxes explore marketing research processes in a variety of topical businesses situations, ranging from international considerations to research ethics. In later chapters in particular, boxes illustrate research techniques and step-by-step instructions for producing statistical results across multiple platforms.
- **Writing Style.** An accessible, interesting writing style continues as a hallmark of this book. With a careful balance between theory and practice and a sprinkling of interesting examples and anecdotes, the writing style clarifies and simplifies the market research process. In addition, the text offers a comprehensive treatment of important and current topics.
- **Statistical Approach.** Given the increased emphasis in industry on marketing analytics, the seventh edition provides balanced coverage of data analytics. *Essentials* takes a simple approach to give full coverage to basic tools like those used to test hypotheses involving differences between means or relationships among variables. Cross-tabulation, *t*-tests, ANOVA, and regression are covered in sufficient depth to allow a student to apply these techniques. The text includes screen shots to get students started running statistics using EXCEL, SAS, JMP, or SPSS, with easy-to-follow, click-through sequences.
- **Key Terms.** Learning the vocabulary of marketing research is essential to understanding the topic, and *Essentials of Marketing Research* facilitates this with key terms. First, key concepts are boldfaced and completely defined when they first appear in the textbook. Second, all key terms and concepts are listed at the end of each chapter, and many terms are highlighted in a marginal

glossary. Third, a glossary summarizing all key terms and definitions appears at the end of the book for handy reference. A glossary of frequently used symbols is also included.

- **Research Activities.** The end-of-chapter materials include a few real-world research activities intended to provide actual research experience for the student. Most provide an opportunity for the student to gain experience with multiple content areas. Some involve ethical aspects of research, and some involve Internet usage.
- **Cases.** Cases taken from real-life situations illustrate marketing research concepts and build knowledge and research skills. These cases offer students the opportunity to participate actively in the decision-making process, one of the most effective forms of learning.

Resources for Students

To promote learning and competency, it is also important to provide students with well-crafted resources. In addition to covering the latest information technology, the sixth edition includes the following student resources:

- To access additional course materials and companion resources, please **visit** www.cengage.com. At the Cengage Brain home page, search for ISBN 9781337693974 using the search box at the top of the page. This will take you to the product page where free companion resources can be found.

MindTap: Empower Your Students

MindTap is a platform that propels students from memorization to mastery. It gives you complete control of your course, so you can provide engaging content, challenge every learner, and build student confidence. Customize interactive syllabi to emphasize priority topics, then add your own material or notes to the eBook as desired. This outcomes-driven application gives you the tools needed to empower students and boost both understanding and performance.

Access Everything You Need in One Place

Cut down on prep with the preloaded and organized MindTap course materials. Teach more efficiently with interactive multimedia, assignments, quizzes, and more. Give your students the power to read, listen, and study on their phones, so they can learn on their terms.

Empower Students to Reach Their Potential

Twelve distinct metrics give you actionable insights into student engagement. Identify topics troubling your entire class and instantly communicate with those struggling. Students can track their scores to stay motivated towards their goals. Together, you can be unstoppable.

Control Your Course—and Your Content

Get the flexibility to reorder textbook chapters, add your own notes, and embed a variety of content including Open Educational Resources (OER). Personalize course content to your students' needs. They can even read your notes, add their own, and highlight key text to aid their learning.

Get a Dedicated Team, Whenever You Need Them

MindTap isn't just a tool, it's backed by a personalized team eager to support you. We can help set up your course and tailor it to your specific objectives, so you'll be ready to make an impact from day one. Know we'll be standing by to help you and your students until the final day of the term.

Acknowledgments

Certainly, no list of acknowledgments will be complete. So many people have assisted in this project. Chief among these would be to the late Bill Zikmund for carrying the weight of this project for the first two editions. I enjoy carrying the project along into hopefully many more editions as the premier marketing research text. Also, thanks go to some of my team. My current and former graduate assistants including Christian Bushardt, Nina Krey, David Locander, Lauren Brewer, Kevin James, David Shows, Melanie Gardner, and Christina Chung have helped share some of the workload on other endeavors freeing up time for me to spend on this project. Nina has contributed significantly to some of the key chapters, including Chapter 16. I would be remiss not to also mention the support and patience of my family. Thanks especially to Laurie (Dr. Laurie Babin) for carefully proofreading chapters and providing suggested corrections. Also, thanks go to all the great faculty who mentored me during my days in the Ph.D. program at LSU. Most notable among these are Joseph F. Hair, Jr. and the late William R. Darden.

Special thanks go to all the good people at Cengage Learning who helped make this project possible. Thanks to Katherine Caudill, Julie Dierig, and Stacey Lutkoski, for motivating the whole team to stay on schedule. Also, a special thanks to Jenny Ziegler and the rest of the production team. They provided tremendous support through the writing and production process, including assistance with proofing, permissions, photos, and exhibits.

Many colleagues contributed ideas for this book. They made many suggestions that greatly enhanced this book. For their insightful reviews of the manuscript for this or previous editions of *Essentials of Marketing Research*, I would like to thank the following:

Karen Goncalves <i>Nichols College</i>	Xin Zhao <i>University of Utah</i>
Carol Bienstock <i>Radford University</i>	Gerald Albaum <i>University of New Mexico</i>
Steven V. Cates <i>Averett University</i>	William Bearden <i>University of South Carolina</i>
Stephanie Noble <i>The University of Tennessee</i>	Joseph A. Bellizzi <i>Arizona State University—West, Emeritus</i>
Bob Lauman <i>Webster University</i>	James A. Brunner <i>University of Toledo</i>
Natalie Wood <i>St. Joseph's University</i>	F. Anthony Bushman <i>San Francisco State University</i>
Robert Jaross <i>Florida International University</i>	Thomas Buzas <i>Eastern Michigan University</i>
Terry Paul <i>The Ohio State University</i>	Roy F. Cabaniss <i>Huston-Tillotson College</i>
Mike Parent <i>Utah State University</i>	Michael d'Amico <i>University of Akron</i>
Stephen Batory <i>Bloomsburg University</i>	Ron Eggers <i>Barton College</i>
Michael R. Hyman <i>New Mexico State University</i>	H. Harry Friedman <i>City University of New York—Brooklyn</i>
Rick Saucier <i>St. John's University</i>	Ron Goldsmith <i>Florida State University</i>

Larry Goldstein <i>Iona College</i>	Sanjay Mishra <i>University of Kansas</i>
David Gourley <i>Arizona State University</i>	G. M. Naidu <i>University of Wisconsin–Whitewater</i>
Jim Grimm <i>Illinois State University</i>	Charles Prohaska <i>Central Connecticut State University</i>
Christopher Groening <i>University of Missouri</i>	Alan Sawyer <i>University of Florida</i>
Al Gross <i>Robert Morris College</i>	Robert Schaffer <i>California State University–Pomona</i>
Don Heinz <i>University of Wisconsin</i>	Leon G. Schiffman <i>City University of New York–Baruch</i>
Craig Hollingshead <i>Texas A&M University–Kingsville</i>	David Shows <i>Appalachian State University</i>
Victor Howe <i>University of Kentucky</i>	K. Sivakumar <i>Lehigh University</i>
Roy Howell <i>Texas Tech University</i>	Mark Speece <i>Central Washington University</i>
Rhea Ingram <i>Columbus State University–Georgia</i>	Harlan Spotts <i>Western New England College</i>
P. K. Kannan <i>University of Maryland</i>	Wilbur W. Stanton <i>Old Dominion University</i>
Susan Kleine <i>Arizona State University</i>	Bruce L. Stern <i>Portland State University</i>
David B. Klenosky <i>Purdue University</i>	James L. Taylor <i>University of Alabama</i>
C. S. Kohli <i>California State University–Fullerton</i>	Gail Tom <i>California State University–Sacramento</i>
Jerome L. Langer <i>Assumption College</i>	Deborah Utter <i>Boston College</i>
James H. Leigh <i>Texas A&M University</i>	David Wheeler <i>Suffolk University</i>
Larry Lowe <i>Bryant College</i>	Richard Wilcox <i>Carthage College</i>
Karl Mann <i>Tennessee Technological University</i>	Margaret Wright <i>University of Colorado</i>
Charles R. Martin <i>Wichita State University</i>	Clifford E. Young <i>University of Colorado–Denver</i>
Marlys Mason <i>Oklahoma State University</i>	William Lee Ziegler <i>Bethune-Cookman College</i>
Tom K. Massey <i>University of Missouri–Kansas City</i>	Weiling Zhuang <i>Eastern Kentucky University</i>

Thanks also to all of the students who have inspired me and reinforced the fact that I made a great career decision over two decades ago. Thanks also to my close colleagues Mitch Griffin, Dave Ortinau, and Jim Boles for their continued support and insight.



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June 2018

In Remembrance

William G. Zikmund (1943–2002)

A native of the Chicago area, William G. Zikmund was a professor of marketing at Oklahoma State University and died shortly after completing the second edition. He received a Ph.D. in business administration with a concentration in marketing from the University of Colorado.

Before beginning his academic career, Professor Zikmund worked in marketing research for Conway/Millikin Company (a marketing research supplier) and Remington Arms Company (an extensive user of marketing research). Professor Zikmund also served as a marketing research consultant to several business and nonprofit organizations. During his academic career, Professor Zikmund published dozens of articles and papers in a diverse group of scholarly journals, ranging from the *Journal of Marketing* to the *Accounting Review* to the *Journal of Applied Psychology*. In addition to *Essentials of Marketing Research*, Professor Zikmund authored *Essentials of Marketing Research*, *Business Research Methods*, *Marketing*, *Effective Marketing*, and a work of fiction, *A Corporate Bestiary*.

Professor Zikmund was a member of several professional organizations, including the American Marketing Association, the Academy of Marketing Science, the Association for Consumer Research, the Society for Marketing Advances, the Marketing Educators' Association, and the Association of Collegiate Marketing Educators. He served on the editorial review boards of the *Journal of Marketing Education*, *Marketing Education Review*, *Journal of the Academy of Marketing Science*, and *Journal of Business Research*.



●●●●●●●● **PART ONE**

Introduction

CHAPTER 1

The Role of Marketing Research

CHAPTER 2

Harnessing Big Data into Better Decisions

CHAPTER 3

The Marketing Research Process

CHAPTER 4

The Human Side of Marketing Research:
Organizational and Ethical Issues



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CHAPTER

1



The Role of Marketing Research

LEARNING OUTCOMES

After studying this chapter, you should be able to:

1. Know what marketing research is and what it does for business
2. Understand the difference between basic and applied marketing research
3. Understand how the role of marketing research changes with the orientation of the firm
4. Be able to integrate marketing research results into the strategic planning process
5. Know when marketing research should and should not be conducted
6. Appreciate the way that technology and internationalization continue to change the way we do and use marketing research

Chapter Vignette:

Look Ma, No Hands!

What's the future of the automobile? In 1962, Hanna-Barbera created *The Jetsons*, a fictional family from 2062. And in 2062, the automobile had left the road behind, but George Jetson kept a hand on the stick to control the car. A decade ago, analysts widely predicted that by 2018, cars would be driving themselves. Well, we see that those predictions were a bit ambitious, but a host of companies including Uber, General Motors, Baidu, Didi, and others are betting on a future where autonomous vehicles (AVs) make hands-off driving a reality. In fact, an AV may not need a steering wheel or a joy stick. Waymo and GM continue to test AVs and many cars have some drive-itself features like automatic braking, parallel parking, and steering assist. The question for consumers may not be whether technological advances can produce a truly driverless car as it is whether consumers are ready for a driverless car experience.

For generations of Americans, a love affair with the automobile grew out of the sense of freedom that the car driving experience embodied. Driving the car meant going where you want to go, when you want to go, the way you want to go. The future of the AV will depend heavily on marketing research. Firms are investing in the technology because they see the potential for sales. Certainly, many consumers may be attracted initially by the added convenience of being able to go places while tending to

other tasks like reading news or checking social media. But, look deeper and the questions are more complicated.

- Will consumers care to own a car that they don't drive? The implications for who buys cars, what amenities the car would have, and what the total market for cars would be are huge.
- Will consumer favorability be affected if they learn that AVs may well mean a loss of ability to determine what route a car takes or how fast the car can go? The onboard computers are not likely to allow even a little speeding.
- Will governments allow an environment where some cars drive themselves and others are controlled by humans, or will AVs be mandated?



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- Will consumer attitudes be affected by the fact that a loss of satellite communication or an Internet disruption could bring all traffic to a halt?
- Will the U.S. lead or follow trends in AV adoption compared to other cultures that traditionally placed less value on driving and car ownership?

No doubt, questions like these and others will keep marketing researchers busy for years to come.*

Sources: Winton, N. (2018), "Autonomous Car Hype Is Way Ahead of Reality," *Forbes*, (Jan. 2), <https://www.forbes.com/sites/neilwinton/2018/01/02/autonomous-car-hype-is-way-ahead-of-reality/#4461071f2d23>, accessed January 3, 2018. Cooke, C. C. (2017), "Autonomous Vehicles Are About to Collide with the American Way," *National Review*, (Dec. 30), <http://www.nationalreview.com/article/455018/autonomous-vehicles-will-spark-government-efforts-ban-driving>, accessed January 3, 2018. Stuttaford, A. (2017), "Highway Robbery: Mandating Driverless Cars," *National Review*, (Nov. 18), <http://www.nationalreview.com/corner/453877/highway-robbery-mandating-driverless-cars>, accessed January 3, 2018. Abkowitz, A. (2017), "Ride-Sharing App Didi Attracts \$4 Billion in New Funding," *Wall Street Journal*, (Dec. 22), A1.

Introduction

Given that we live in an era of big data, blockchain, the Internet of Things, etc., people like to say that the business world is changing faster now than ever before. Surprisingly, or perhaps not so surprisingly, businesspeople in other eras echoed the same refrain. Consider how radically the adoption of steam technology or the assembly line changed business. Indeed, only a few things in business are constant. One of those few things is change itself; another involves marketing. While the tools of marketing change over time, the overall role of marketing remains value creation and value creation comes about because marketing helps solve problems and create experiences. Both solving problems and creating experiences requires a firm to somehow be in touch. The firm needs to be in touch with the marketplace overall and with consumers, both its current and potential customers. Marketing research plays a vital role in firm success by keeping the firm in touch!

Staying in touch also means sifting through the profusion of data that exists today to identify actionable intelligence that assists the firm in making better decisions. Marketing decisions involve all of the 4 Ps: product, place, price, and promotion; but, in doing so, marketing research provides fuel for innovation and the development of mutually profitable firm-customer relationships. Marketing research also provides a way for firms to avoid the myopia that comes from focusing too much on controllable elements within the firm. Thus, marketing research is vitally important from a strategic view. More importantly though, marketing research becomes fascinating when one realizes that a lot of human behavior, which marketing research ultimately is tasked in predicting and understanding, is not so obvious or visible. As the opening vignette points out too, some issues with consumer adoption turn out a lot more complicated than they first appear. Here, we give a *taste* of marketing success and invite you to think about how marketing research fuels marketing decisions as you begin to explore the essentials of marketing research.

Tea or coffee? How do you take your caffeine? Is the market potential for coffee or tea better? United States consumers are neither the most prodigious coffee or tea drinkers in the world, but nonetheless, the average U.S. consumer 13 years and older takes in about 210 mg of caffeine each day, which amounts to more than a cup of coffee or more than 3 cups of tea per day. By late morning, 61 percent of all the caffeine taken in will have been consumed primarily because more than two-thirds of all the cups of coffee will have been consumed. The one segment that defies the morning caffeine intake trend is the adolescent segment.¹ Adolescents take caffeine in all day, but typically do so with drinks other than coffee or tea.

Both tea and coffee help consumers solve the problem of low energy, but is the pick-me-up the only reason for consumption. Are tea and coffee much the same product? Starbucks, more than any other company, brought the coffee experience to the U.S. less than 50 years ago. Prior to that, U.S. coffee was cheap and commoditized. Starbucks recognized that the coffee experience is more than coffee. They created modern, relaxing, accommodating environments where consumers could lounge over a coffee with a friend or with their device so that the

Unruly ad campaigns rely on research about the impact of viral videos.



RESEARCH IN ACTION!

If you are reading this book, there is a good chance that you'll be involved in a project involving marketing research. While you are only at the beginning of the book, chances are you already have some familiarity with some of the tools covered in this book. Each time you participate in a survey, provide an online review, or take part in a professor's experiment, you learned something about marketing research. Firms more and more rely on data to make decisions and the availability of data is more than ever before. But, the steps that one takes before analyzing the data are equally as important

as data analysis. A mistake in any step of the research process can prohibit the project from turning data into marketing intelligence. In the very initial stages, the researcher must work with the decision-maker to express the problem in actionable terms and decide on the scope of the project. Sometimes, the researchers most critical decisions occur at this point. Should the research be done and if so, how can it best have a chance of creating intelligence? This chapter provides an introduction to help get you started on a path to a successful research project.

experience was not just a caffeine pick-me-up, but also an enjoyable time spent. Starbucks touches consumers away from the shop as well as through their successful app, and through content marketing. Their *Upstart* video series attempts to make consumers feel good about being Starbucks customers by showing the company's engagement with their employees' development, community issues, and wounded veterans' welfare. Based on the value they deliver, Starbucks enjoys greater flexibility in pricing than companies that only sell coffee. Consumers poked fun at the company by referring to them as "four-bucks." Today, Starbucks operates over 8,000 company-owned stores in the U.S. and over 24,000 worldwide.²

Why not then do the same thing for tea? After all, U.S. per-capita tea consumption has grown about 7 percent since 2010 and dollar sales about 10 percent. With that in mind, Starbucks purchased the Teavana brand in 2012 and opened up hundreds of stand-alone tea shops. Starbucks learned though that doing for tea what they did for coffee is not so easy. By 2019, Starbucks planned to be out of the Teavana tea shop business.³ Why did they fail? Well, perhaps the same place strategies that work for coffee don't work for tea. Traffic patterns vary during the day and consumers' mood for tea is different than for coffee. The same pricing strategies likely won't work either. Tea is traditionally less expensive than coffee to purchase and while \$4 is an expensive price for a coffee drink, consumers see \$4 for hot water and a tea bag as outrageously expensive.⁴ Perhaps Teavana promotions could have emphasized health more or altered the food offerings to better accommodate tea. Suffice it to say, while coffee and tea both caffeinate, the coffee and tea experiences are not the same.

Clearly, the role for information in making marketing decisions cannot be overstated. Marketing research can provide input to help predict the success of marketing efforts. Research can help predict how Starbucks' customers will react to a price change. Research can help explain why certain locations don't work out. Moreover, the data collected from customer apps can help make that customer happier by providing him or her with more value. This chapter provides an overview of marketing research and how it feeds into marketing strategy and marketing tactics. The opening vignette and the coffee versus tea examples provide useful contexts to help put everything into context.

What Is Marketing Research?

Part of business involves studying the different things that come together to create a business environment. Marketing research would not exist if business didn't exist. Thus, understanding marketing research requires at least a cursory understanding of business.

Business and Marketing Research

In its essence, business is very simple. Successful business enterprises offer value propositions to customers who are willing to buy. That means enough consumers view the propositions offered worth the price for the enterprise to survive. From this view, products are ultimately a bundle of

value-producing benefits. The realized benefits amount to the way the firm applies resources in serving the customer. In return for the value received, the customer provides the firm with economic resources. Many factors affect consumer perceptions of value and successful companies are those that keenly understand the value equation. With this in mind, several key questions help provide understanding:

1. *What do we sell?* This includes not only the benefits that are easily seen, but also the more emotional benefits such as the comfort and relaxation of enjoying a cup of gourmet coffee in a pleasant atmosphere or the esteem that comes from having the latest electronic gadget. Companies offer value propositions that provide the potential for value beyond merely tangible product features.
2. *How do consumers view our company?* Companies often define themselves too narrowly based only on the physical good they sell and then fail to understand the meaning of the brand to consumers. For instance, how is Starbucks viewed relative to its competitors? Who are the competitors? Does Starbucks compete more directly with Maxwell House, Keurig, Nespresso, McDonald's, or something completely unassociated with coffee like a local lounge? Ultimately, companies ask themselves "Are we viewed more or less favorably relative to alternative brands?"
3. *What does our company/product mean?* What knowledge do people have of the company and its products? Do they know how to use them? Do they know all the different needs the company can address? solutions the company can assist with? What do our goods, services, promotions, and social media efforts communicate to consumers? Do they view our brand as ethical? Do we accurately communicate our total value proposition?
4. *What do consumers desire?* How can the company make the lives of its customers better, and how can it do this in a way that is not easily duplicated by another firm? Part of this lies in uncovering the things that customers truly desire, but which they can often not put into words.
5. *How does our brand touch consumers?* Does the company understand all the various touch-points with its current customers and with potential customers? Beyond physical contact, digital marketing opens up less overt points of contact.

Answering these questions requires information. Marketing research's function is to supply information that helps provide these answers, thereby leading to more informed and more successful decision-making. Managers who use this information reduce the risk associated with decision-making.

All business problems require information for effective decision-making. Can researchers deliver the right information in a useful form and on time? Marketing research attempts to supply accurate information that reduces the uncertainty in decision-making. Very often, managers make decisions with little information for various reasons, including insufficient time to conduct research or management's belief that they already know enough. Relying on seat-of-the-pants decision-making—decision making without research—is like betting on a long shot at the racetrack because the horse's name is appealing. Occasionally the long shot pays off. More often, long-run uninformed decision-making is unwise. Marketing research helps decision-makers shift from intuitive guesswork to a more systematic, objective, and effective approach.

Marketing Research Defined

Marketing research is the application of the scientific method in searching for the truth about market and marketing phenomena. Research applications identify and define marketing opportunities and problems, generate and evaluate potentially innovative marketing ideas, monitor marketing performance, and describe the way consumers extract value from consumption. Marketing research includes idea generation and theory development, problem definition, information gathering, analyzing data, model building, and communicating the resulting implications clearly and concisely.

This definition suggests that the marketing research process is neither accidental nor haphazard. Literally, research (*re-search*) means "to search again." The term connotes patient study and scientific investigation wherein the researcher takes another, more careful look to try and successively know

marketing research

The application of the scientific method in searching for the truth about marketing phenomena.



Do Consumers Want the Real Joe?

Marketing creates value by providing solutions and creating experiences. Providing a solution is associated with utilitarian value while hedonic value results from rewarding experiences. Today, lots of experts espouse consumers' search for "authenticity," but sometimes authenticity butts heads with value creation.

A host of local and regional competitors promise an even more "authentic" coffee experience than Starbucks. Enter the pour-over. A barista serves a customer by lifting a kettle high into the air while pouring steamy water into a filtered vessel containing freshly ground coffee, making one cup at a time—a 4-to-5-minute process. All the while, the barista converses with the observant customer while constantly tending the process. In fact, this was the original non-cooked coffee-making technique that dates back over 200 years. The warm conversation, the anticipation, and the sensations of coffee aromas create an emotionally rewarding experience. The hedonic value brings the customer back!

But, this "authentic" experience has drawbacks. Baristas are not all equally skilled. The quality of an authentic pour-over varies from cup to cup. Also, it's time-consuming. Thus, lots of coffee shops adopt automated drip machines, which

control temperature and coffee distribution closely, standardize the quality, and allow an individual customer to be served in seconds, not minutes. The customer's morning joe problem is solved with utilitarian value. As a compromise, some shops opt for fancy automated pour-over coffee machines that amount to a robotic barista.

The robotic pour-over still takes about 4 minutes for an individual cup, but the employee can be taking payment and fetching a pastry during that time. In the era of artificial intelligence, we have some artificial authenticity! Marketing research can serve to strike the right balance between utilitarian and hedonic value for a market segment.



Cultura Creative (RF)/Alamy Stock Photo

Sources: Jargon, J. (2018), "Is the 'Pour-Over' Over? Baristas Say Coffee Machines Have Their Perks," *Wall Street Journal*, (Jan. 2), <https://www.wsj.com/articles/is-the-pour-over-over-baristas-say-coffee-machines-have-their-perks-1514913201>, accessed January 8, 2018. Song, J. and H. Qu (2017), "The Mediating Role of Consumption Emotions," *International Journal of Hospitality Management*, 66, 66–76.

more. Ultimately, all findings tie back to previous knowledge and help develop theory and effective practice.

The definition also emphasizes, through reference to the scientific method, that any information generated should be accurate and objective. The researcher should be personally detached and free of bias attempting to find truth. Research isn't performed to support preconceived ideas but to discover and test them. If bias enters into the research process, the value of the research is considerably reduced. We will discuss this further in a subsequent chapter.

Clearly, marketing research is relevant to all aspects of the marketing mix. Research can facilitate managerial decision making about each of the four Ps: product, pricing, promotion, and place (distribution). By providing valuable input for marketing mix decisions, marketing research decreases the risk of making bad decisions in each area.

Finally, this definition of marketing research is limited by one's definition of *marketing*. Although one could hardly argue that research aimed at designing better products for a for-profit corporation like Coca-Cola is clearly marketing research, marketing research also includes efforts that assist nonprofit organizations such as the American Heart Association, the university alumni association, or a parochial elementary school. Every organization exists to satisfy social needs, and each requires marketing skills to produce and distribute their products and services. Governments also can use research in much the same way as managers at Samsung or Coke. For instance, the Food and Drug Administration (FDA) is an important user of marketing research, employing it to address the way people view and use various food and drugs. One such research study funded by the FDA addressed the question of how point of sale materials might influence consumers' perceptions, or better misperceptions, of the healthiness of fresh food offerings.⁵ This book explores marketing research as it applies to all organizations and institutions engaging in marketing activities.

Digital Marketing

Change is a certainty and the tools of marketing research reflect technological evolution as much as any area of business. Later in the book, we will discuss state of the art research technologies, but here we introduce the notion of digital marketing and how it works with marketing research to help shape value. **Digital marketing** is a term used to capture all the various electronic, communicative technologies through which marketing enterprises (suppliers, manufacturers, retailers, etc.) work together with customers toward enhancing value from interaction, including exchange and relationships.⁶

In the early 20th century, the widespread adoption of telephones greatly facilitated communication. In the late 20th century, optical scanners made traditional mechanical cash registers obsolete, along with band-stampers (a device used to stamp the price, in purple ink, on cans, jars, boxes in stores) and label guns, and allowed the automatic recording of all sales to be fed into computers in real-time. Today, so-called smart technologies (phones, tablets, computers) are ubiquitous enabling not only online purchases to be recorded, but app usage, search behavior, and a consumer's whereabouts all become potentially useful data.

Exhibit 1.1 provides an overview of how marketing research fits into the business dynamic with a particular emphasis on digital technologies. Marketing research programs digital technologies to collect information and that information feeds back into marketing research as consumers use various devices and applications. When a consumer creates a product review and shares it on Facebook, that review has the potential to become data in a marketing research project. Marketing strategy helps shape research questions and the resulting research enables the design of the marketing mix. All of these activities feed directly or indirectly into consumption value. And, to the extent that marketing enables value creation, other stakeholders realize value as well. Marketing research serves as the nerve center for the socially engaged marketing firm.



digital marketing

A term used to capture all the various communicative technologies through which marketing enterprises (suppliers, manufacturers, retailers, etc.) work together with customers toward enhancing value from interaction, including exchange and relationships.

It's not your grandfather's marketing research anymore. Technological changes continue to provide more and more data, much of it automatically recorded and transmitted.

Heritage Images/Hulton Archive/Getty Images

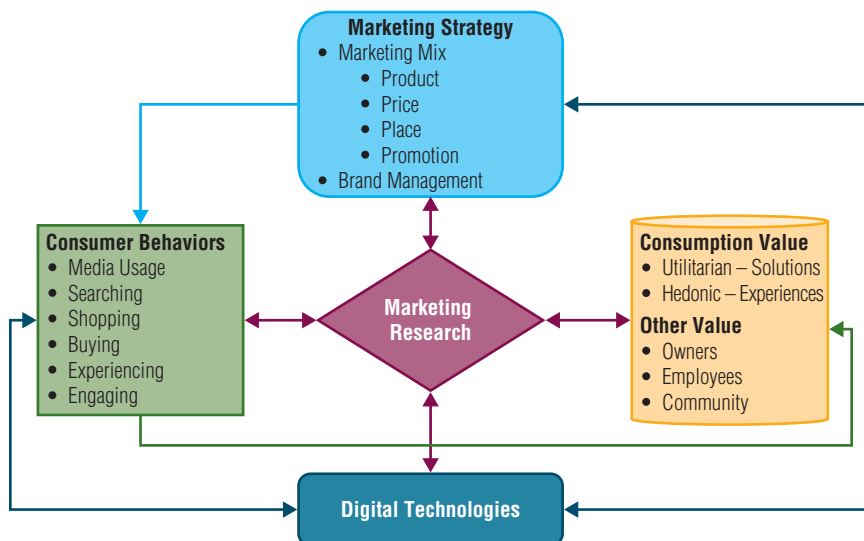


EXHIBIT 1.1

Marketing Research is the Nerve Center for the Organization Always Receiving, Processing, and Distributing Information

Applied and Basic Marketing Research

One useful way to describe research is based on the specificity of its purpose. Is the research intended to address a very specific problem or is it meant to describe some overall marketing phenomenon?

Applied Marketing Research

applied marketing research

Research conducted to address a specific marketing decision for a specific firm or organization.

Applied marketing research is conducted to address a specific marketing decision for a specific firm or organization. If Costco needs to decide whether to open a warehouse store in Woodbury, NJ, applied marketing research can help provide answers. Similarly, the research that identifies the best market segments for its stores is applied. Applied research is relatively specific and aims to help a particular organization make better decisions regarding that issue.

Basic Marketing Research

basic marketing research

Research conducted without a specific decision in mind, which usually does not address the needs of a specific organization. It attempts to expand marketing knowledge in general and is not aimed at solving a particular business's problem.

Basic marketing research doesn't address the needs of a specific organization and doesn't typically address a specific business decision. Instead, basic research expands marketing knowledge in general and not at solving a particular business's problem. Basic research can test the validity of a general marketing theory (one that applies to all of marketing) or seek to learn more about some market phenomenon like social networking. A great deal of basic marketing research addresses the ways in which retail atmosphere influences consumers' emotions and behavior. From such research, we can learn how much the senses experienced in the time and space create value for consumers above and beyond any items purchased. This basic research does not examine the problem from any single retail or service provider's perspective. However, Starbucks' management may become aware of such research and apply the results in deciding how to design its stores. For instance, they may pay more attention to the control of in-store odors. Thus, these two types of research are not completely independent.

Researchers sometimes use different terms to represent the same distinction. Some reserve the term *marketing research* to refer to basic research. Then, the term *market research* is used to capture applied research addressing the needs of a firm within a particular market. Although the distinction provides useful terminology, very few aspects of research apply only to basic or only to applied research. Here, we will use the term *marketing research* more generally to refer to either type of research.

The Scientific Method

scientific method

The way researchers go about using knowledge and evidence to reach objective conclusions about the real world.

All marketing research, whether basic or applied, involves the scientific method. The **scientific method** is the way researchers go about using knowledge and evidence to reach objective conclusions about the real world. The scientific method is the same in social sciences, such as marketing, as in physical sciences, such as physics.

Exhibit 1.2 briefly illustrates the scientific method. Researchers usually begin with some understanding of theory in the problem area. Consumer researchers usually are familiar with consumer behavior theory and by elaborating on this theory and/or combining theoretical knowledge with pure discovery, research questions emerge. Discovery can involve any means of idea generation, including exploratory techniques that we will discover later or even eureka types of experiences like when the apple fell on Newton's head! The early stages of the research process in particular work better when creative thinking is applied. A host of creative thinking tools exist that managers and researchers can and should apply. The researcher then develops formal research hypotheses that play a key role through the remainder of the process. The next step involves testing hypotheses against empirical evidence (facts from observation or experimentation). Results either support a particular hypothesis or do not support that hypothesis. From the results, new knowledge is acquired that may lead to a new theory or modification of an existing theory.

Use of the scientific method in applied research ensures objectivity in gathering facts and testing creative ideas for alternative marketing strategies. In basic research, scientific research contributes to conclusions that over time contribute to the development of general laws about phenomena like

To the Point

“If you have knowledge, let others light their candle with it.”

—WINSTON CHURCHILL

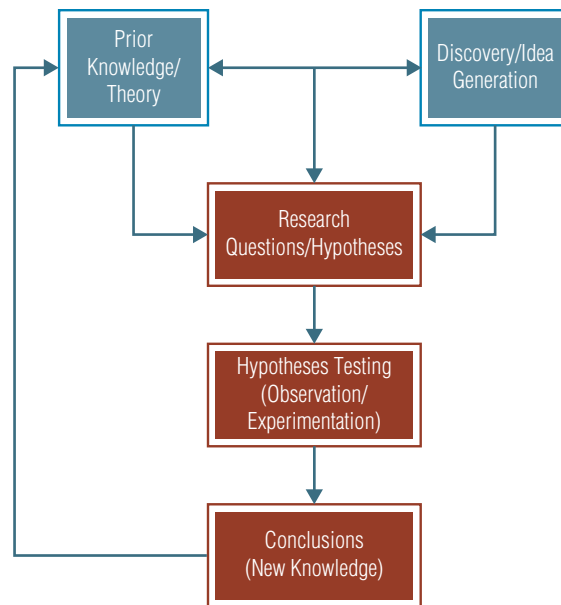


EXHIBIT 1.2
The Scientific Method

price and value. The scientific method is the philosophy and way of doing *scientific* research, the results of which are the basis for knowledge growth and better decision making.

Marketing Research and Strategic Management Orientation

Organizations over time adopt a certain way of going about their business. These ways represent strategic management orientations and they provide a common theme for decision making. A firm can be **product oriented**. A product-oriented firm prioritizes decision making in a way that emphasizes technical superiority of their offerings. Thus, input from technicians and experts are very important in making critical decisions. The goal is to make what the firm sees as the best products possible. A firm can be **production oriented**. Production orientation means that the firm prioritizes efficiency and effectiveness of the production processes in making decisions. Here, input from engineers and accountants becomes important as the firm seeks to drive costs down. Production-oriented firms are usually very large firms manufacturing products in very large quantities resulting in good economies of scale. Marketing research may take a backseat with these orientations.

In contrast, marketing research is a primary tool enabling implementation of a marketing orientation.⁷ The **marketing concept** is a central idea in modern marketing thinking that focuses more on how the firm provides value to customers than on the physical product or production process. The orientation has evolved over time as product- and production-oriented firms respond to changes in technology and competitive and economic environments. When a firm adapts the marketing concept, it develops a **marketing orientation**. A marketing-oriented firm must:

1. Be **customer oriented**—means that all firm decisions are made with a conscious awareness of their effect on the consumer
2. Emphasize long-run profitability rather than short-term profits or sales volume
3. Adopt a cross-functional perspective, meaning that marketing is integrated across other business functions

Going further, a **stakeholder orientation** recognizes that multiple parties are affected by firm decisions. When a company makes a decision to change a product line based on marketing research, that decision affects customers, employees, and their families; the owners of the company (shareholders in a public company); and even the community in general. Good decision making considers how all are affected when making decisions. Exhibit 1.3 provides an overview of business orientations.

product oriented

Describes a firm that prioritizes decision making in a way that emphasizes technical superiority in the product.

production oriented

Describes a firm that prioritizes efficiency and effectiveness of the production processes in making decisions.

marketing concept

A central idea in modern marketing thinking that focuses on how the firm provides value to customers more than on the physical product or production process.

marketing orientation

The corporate culture existing for firms adopting the marketing concept. It emphasizes customer orientation, long-term profitability over short-term profits, and a cross-functional perspective.

customer oriented

Describes a firm in which all decisions are made with a conscious awareness of their effect on the consumer.

stakeholder orientation

Recognizing that multiple parties are affected by firm decisions.

EXHIBIT 1.3

Types of Business Orientations

Product Orientation	Production Orientation	Marketing Orientation	Stakeholder Orientation
Internal focus	Internal focus	External focus	External focus
Emphasize product superiority	Emphasize efficiency and low costs	Emphasize customer tastes and desires	Emphasize a balance in satisfying all parties touched by organization
Product research is critical	Process research is important	Customer research is essential	Consumer research is important
Narrow or even niche markets served	Mass markets often required for success	Identifiable market segments matched with unique product	Select segments served balanced with great concern for public persona

To the Point

“Knowledge has to be increased, challenged and improved constantly, or it vanishes.”

—PETER DRUCKER



Marketing research provides input that can make a traveler happy about the bag they tote through an airport

Customer Orientation

According to the marketing concept, the consumer should be the primary focus of attention, the pivot point about which the business moves to achieve the balanced best interests of all other stakeholders in the long run. According to this philosophy, the firm creates offers with consumers' needs in mind. The creation of value for consumers, after all, is the reason that a firm exists. Therefore, unlike the other two orientations, marketing research addressing consumer desires, beliefs, and attitudes becomes essential.

How could a good piece of luggage be designed without consumer research? Those who travel frequently, particularly by air, are very fussy about the bag they carry. When all is considered, research shows that price is hardly the most important criterion for the frequent traveler. These consumers are willing

to plunk down hundreds and sometimes even over \$1,000 for the right bag. Well-known companies like Samsonite and lesser well-known companies, at least to the general public, like Mandarina Duck, use consumer input to design *perfect* bags. What factors do consumers consider more important than price and essential in a good bag? First, rollers. Not just any rollers, smooth and sturdy rollers and increasingly, four instead of two wheels. That enables the bag to stand up and provide an easy place to rest a computer or purse. Second, size. It has to hold at least a few days' attire but has to fit in the overhead bin of an airplane. Third, separate storage for items like shoes and toiletries and preferably, a garment compartment for more dressy attire. Fourth, sturdiness. The bag should stand abuse and last years, not months! Fifth, unique and fun appearance. When you



Milles Studio/Shutterstock.com

travel a lot, the bag should have personality that says something about the consumer. Thus, a bag that is a special khaki orange color with grey accents not only is fun, but unique enough to stand out in a crowd and much easier to pick out on a carousel should you have to check it. Mandarina Duck is a leader in style but does not take a backseat in function.⁸ Consumer research plays a big role in this research.

Although technology firms are traditionally thought of as prototypically product oriented, that view is changing. In particular, social media has changed the technology firm by providing more avenues for users to provide feedback directly, like through chat-rooms, and indirectly through online reviews. Thus, if a new smartphone's microphone is aggravating, people will hear about it online. In fact, technology firms increasingly use their content marketing efforts as vehicles for consumer learning and consumer feedback.⁹ Put another way, the organizations that continuously learn from their research and use that as input to their decision making also adopt a learning-orientation.

Long-Run Profitability

Customer orientation does not mean slavery to consumers' every fleeting whim. Implicit in the marketing concept is the assumption of the continuity of the firm. Thus, the firm must eventually experience profitability to survive although its orientation may be more toward building strong relationships with customers.

Lego works hard to build relationships with customers. Not only do they do research to try to predict how today's children would like to interact with the Lego brand, but they also study the market to integrate carefully their marketing efforts. Lego monitors social networks and general Internet communication constantly searching for positive and negative mentions of the brand. They refer to this as their **online sentiment analysis**.¹⁰ **Lego.com** provides visitors with an interactive Lego experience from which Lego harvests more information about their customers and potential customers. This aggressive research approach allows them to build and maintain strong relationships with its customers.

The second aspect of the marketing concept argues against profitless volume or sales volume for the sake of volume alone. Sometimes, the best decision for a customer and the best decision in the end for the firm is the sale that is not made. For instance, a parts supplier might be able to mislead a customer about the relative quality of the parts he or she sells and make an immediate sale. However, when the parts begin to fail sooner than expected, the customer will almost certainly not do business with this firm again. If instead the salesperson had been honest and suggested another supplier, he or she may be able to find another opportunity to do business with that firm.

online sentiment analysis

Using data indicating the total positive or negative mentions of a brand on the Internet to assess and understand the strength of the brand.

A Cross-Functional Effort

The marketing concept requires the firm to provide marketing information to be used by all functional areas of a business. Production needs accurate forecasts to know how much should be produced; the design team needs input on consumer tastes, strategic management personnel need to understand the meaning of the brand, and so on. Problems are almost certain to arise from lack of an integrated, company-wide effort. The marketing concept stresses a crossfunctional perspective to achieve consumer orientation and long-term profitability.

When a firm lacks organizational procedures for communicating marketing information and coordinating marketing efforts, the effectiveness of its marketing programs will suffer. Marketing research findings produce some of the most crucial marketing information; thus, such research is management's key tool for finding out what customers want and how best to satisfy their needs. In a competitive marketplace, managers recognize the critical need for conducting marketing research. When conducted competently, the firm bases decisions on valid and reliable facts communicated effectively to decision-makers.

In a marketing-oriented firm, marketing researchers serve more than the external customers who buy the firm's offerings. Marketing research also serves internal customers with information. The internal customers include employees all along the value production chain from frontline service and sales employees, to production managers to the CEO. In fact, in a market-oriented organization, all employees are marketers in that they serve internal and external customers. An accountant who prepares a report for a sales manager should view the manager as a customer who uses the information to make decisions benefiting external customers. All employees share the common focus of providing value to customers; in such organizations, the focus on customers becomes tacit knowledge. Even, and perhaps especially, critical information becomes integrated.¹¹ Stakeholder-oriented companies also place a keen focus on processes that serve customers as well as others impacted by firm decisions.

Keeping Customers and Building Relationships

Marketers often talk about getting customers, but keeping customers is equally important. Effective marketers work to build long-term relationships with their customers. The term **relationship marketing** communicates the idea that a major goal of marketing is to build long-term relationships with the customers contributing to their success. Once an exchange is made, effective marketing stresses managing the relationships that will bring about additional exchanges. Effective marketers

relationship marketing

Communicates the idea that a major goal of marketing is to build long-term relationships with the customers contributing to their success.



Engaged to a Robot, I Do or I Don't?

Marketing research feeds artificial intelligence (AI) systems, which in turn, model consumers' behavior. All of those technologies that tell us what we want to buy, control our thermostat, and help drive our car add value. Right? Well, marketers are preparing for a backlash against automated technologies. Survey research suggests that consumers are skeptical. More than 2 of 3 respondents indicate they fear AI to some degree. Perhaps the rush to have machines take over for humans with things like chatbots is premature. Only 13 percent of respondents express a preference in communicating with a

virtual service provider over an actual company representative. Indeed, a key to having consumers warm up to automated processes is to make sure they maintain a human touch. Otherwise, consumers will say "I don't" to an engagement with the robot.

Sources: Insights Team (2017), "4 Ways to Drive Customer Engagement with AI," *Forbes*, (Nov. 2), <https://www.forbes.com/sites/insights-pegas/2017/11/02/4-ways-to-drive-customer-engagement-with-ai/#435c23992cde>, accessed January 7, 2018. Altman, I. (2017), "The Top 10 Business Trends that Will Drive Success in 2018," *Forbes*, (Dec. 5), <https://www.forbes.com/sites/ianaltman/2017/12/05/the-top-business-trends-that-will-drive-success-in-2018/#1bb36189701a>, accessed January 7, 2018.

view making a sale not as the end of a process but as the start of the organization's relationship with a customer. In fact, all touchpoints become an opportunity to invite the customer to engage with the firm. Nike's "JUST DO IT" serves as an invitation to engage with products. However, Nespresso takes every opportunity to engage with its customers as a way of building relationships. Nespresso coffee stores provide free guest Wi-Fi service that enables the Nespresso app, not just to be downloaded, but to provide useful information and promotional information as a way of enhancing the already enhanced in-store experience. Consequently, Nespresso customers are not just engaged, but committed.¹² At the same time, the connectivity allows data to be gathered about the customer's preferences and behaviors.

Marketing Research: A Means for Implementing the Marketing Concept

The real estate business has its ups and downs. Part of the reasons for these is that the things that appeal to consumers change over time. Companies like Camden Properties and Riverstone Residential manage apartment complexes all over the United States. In some markets, the apartment business is extremely competitive. These companies have learned several things about the modern apartment shopper. One big trend in their favor is that younger Americans tend to favor apartment complex living over stand-alone housing. Buying and owning a home is not as important a goal to younger generations as it was in the past. A second big trend is understanding how apartments ultimately are selected. It turns out that one of the biggest factors in judging the quality of a complex is its landscaping. Therefore, a lot of large apartment complexes invest heavily in sod, shrubs and even trees. Even a new complex can seem to be secluded in greenery. The landscaping gives the complex tremendous curb appeal that ultimately helps build sales. In addition, the landscaping may well keep the tenants happy longer, decreasing problems with turnover.

Analysis of data may also be a form of marketing research that can increase efficiency. Any consumer browsing the Internet sees how data fed into a marketing system attempts to make shopping efficient. A combination of browsing behavior and searches feeds a system that helps predict what the consumer wants to buy. Also, browse one item online and you will see suggestions of other purchases based on what other people have bought in combination.

Marketing Research and Strategic Marketing Management

Effective marketing management requires research. Think about the role that celebrity endorsers play for many companies. Given their importance, numerous firms monitor the favorability of different celebrities and firms seek this research information in making endorsement decisions.

Taylor Swift is considered among the most valuable celebrity endorsers overall. What makes a celebrity an effective endorser? Well, notoriety has a lot to do with it, but likability and fit with the brand matter a lot as well.

Opendorse provides a list of the leading professional athlete endorsers and also tracks their social media presence based on the number of Twitter followers. What athletes come first to your mind? Perhaps some NFL players? Well, the top three endorsers are from tennis, Roger Federer (\$60M, 5.3 M Twitter followers); NBA, LeBron James (\$54M, 32 M Twitter followers); and golf, Phil Mickelson (\$50M, 0 Twitter followers).¹³ No current NFL player makes the top 20. The twentieth spot is occupied by retired NFL player Peyton Manning, who remains well-liked and trusted. Data like these help firms know whether to invest in celebrity endorsers. The prime managerial value of marketing research comes from the reduced uncertainty that results from information and facilitates decision making about marketing strategies and tactics to achieve an organization's strategic goals.

Developing and implementing a marketing strategy involves four stages:

1. Identifying and evaluating market opportunities.
2. Analyzing market segments and selecting target markets.
3. Planning and implementing a marketing mix that will provide value to customers and meet organizational objectives.
4. Analyzing firm performance.

Exhibit 1.4 illustrates the integration of research and marketing strategy and the way they come together to create value in the marketplace.

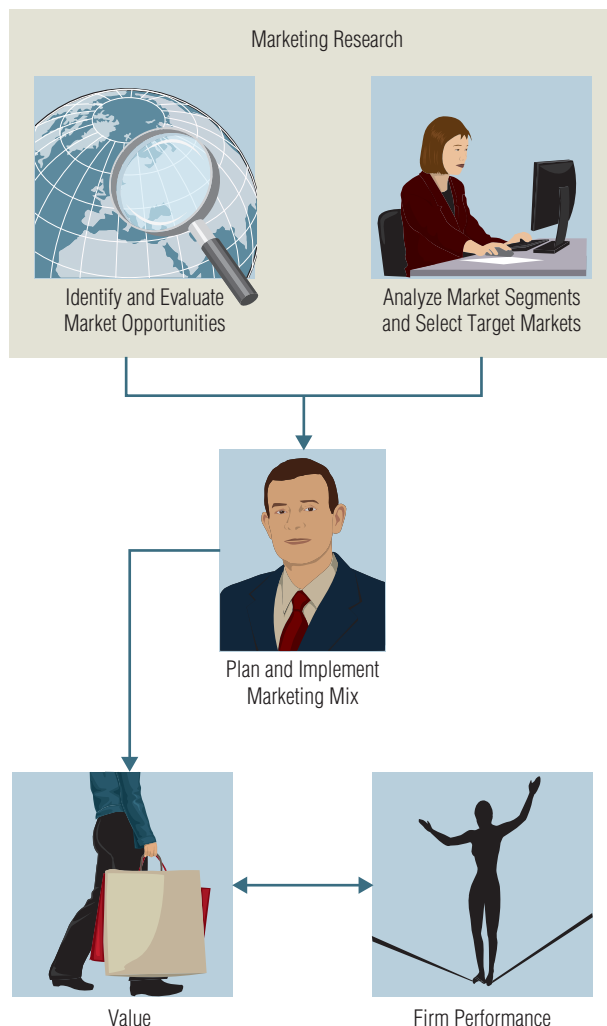


EXHIBIT 1.4

Marketing Research Cuts
Decision Risk with Input That
Leads to Value

Identifying and Evaluating Market Opportunities

One job that marketing research performs is monitoring the environment for signals indicating a business opportunity. A mere description of a social or economic activity, such as trends in consumer purchasing behavior, may help managers recognize problems and identify opportunities for enriching marketing efforts. In some cases, this research can motivate a firm to take action to address consumer desires in a way that is beneficial to both the customers and to the firm.

At times, evaluating opportunities may involve something as mundane as tracking weather trends. Consumers have a physical need to maintain some degree of physical comfort. Thus, changes in temperature patterns may create business opportunities for utility companies, appliance companies, and even beverage companies as more consumers will select a hot beverage like hot chocolate when the weather is cold and dreary. Companies can also adjust their logistic distribution patterns based on the weather. When hurricane weather companies forecast hurricanes for the Gulf or East Coasts, that information feeds into manufacturers' and retailers' distribution systems. Home Depot and Lowes redirect products like Honda generators, Poulan chainsaws, and Weyerhaeuser plywood intended for other places to try to satisfy the emergency-drive demand. As a result, the retailers can maintain inventory even when demand increases many times over normal. Thus, the misfortune of a hurricane created a business opportunity that also provides real value to consumers. In this case, the businesses and the consumers all benefited from the fact that firms scan the opportunity for trends.

Malls sometimes have research firms housed within them because the firm can interact with a steady stream of consumers. Some shopping centers in Texas near the United States–Mexican border spotted an opportunity when they realized that a significant number of the shoppers in their mall indicated their residency in Mexico. A survey project was launched to profile these consumers. The results revealed that these consumers were typically from somewhere near Monterrey, Mexico, typically households with children and typically relatively high in household income.¹⁴ The results to that study can be used to market to other consumers living near Monterrey who match this profile and encourage them to take a day trip across the border to do some shopping.

Market opportunities may be evaluated using many performance criteria. Estimates of market sales potential allow managers to evaluate the profitability of various opportunities. Accurate sales forecasts are among the most useful pieces of planning information a marketing manager can have. Complete accuracy in forecasting the future is not possible because change is one of the few constants in marketing. Nevertheless, objective forecasts of demand or of changes in the environment can provide a strong foundation for a sound marketing strategy.



Fun in the snow depends on weather trends, equipment, and clothing—all subjects for a market researcher.



age fotostock/SuperStock

Analyzing and Selecting Target Markets

The second stage in developing a marketing strategy involves analyzing market segments and selecting target markets. Marketing research is a major source of information for determining which characteristics of market segments distinguish them from the overall market. Such research can help “locate” a market segment by describing it in terms of demographic characteristics. Geodemographics can be important to study and track in this effort. **Geodemographics** refers to information describing the demographic profile of consumers in a particular geographic region. The company may learn that consumers in a particular postal code within a region tend to be middle-aged, have multiple children over the age of twelve, and have college degrees and white-collar jobs. Once the company knows the geodemographics of a market segment, the consumers within that segment can be reached by choosing media appealing to that particular profile. For example, *Architectural Digest* is a magazine that is read predominantly by consumers with very high social status in the most exclusive ZIP codes in the United States.

geodemographics

Refers to information describing the demographic profile of consumers in a particular geographic region.

Planning and Implementing a Marketing Mix

Using the information obtained in the two previous stages, marketing managers plan and execute a marketing-mix strategy. Marketing research may be needed to support specific decisions about any aspect of the marketing mix. For instance, the research can evaluate an alternative course of action. Perhaps an exercise products firm is trying to decide on whether or not they should pay a social media influencer like Jen Selter or Jake Paul to promote the brand in online video content. Certainly, the number of followers is an important piece of data for that decision, but the firm also needs to measure credibility among the relevant market segment. Jake has more followers, but perhaps for a segment of active, young women, Jen would hold more credibility.

An overall research plan involves all marketing strategy elements. Once research identifies a target market and media that can be used in promotion, the benefits required to create value for the customers must be known and communicated, the appropriate price to capture that value must be determined and not overlooked, and the best channel of distribution to reach the targeted consumers must be determined. Effective brand management requires integration of all the intelligence gathered from research.

Product Research

Product research takes many forms and includes studies designed to evaluate and develop new products and to learn how to adapt existing product lines. Concept testing exposes potential customers to a new product idea to judge the acceptance and feasibility of the concept. Product testing reveals a product prototype’s strengths and weaknesses or determines whether a finished product performs better than competing brands or according to expectations. Brand-name evaluation studies investigate whether a name is appropriate for a product. Package testing assesses size, color, shape, ease of use, and other attributes of a package. Product research encompasses all applications of marketing research that seek to develop product attributes that will add value for consumers.

The idea of a smokeless cigarette has been around for decades. Products like Reynolds’s Premier, perhaps the most famous (or infamous) smokeless cigarette, typically failed because the experience was too different from traditional smoking. After all, one can hardly smoke if there is no smoke! E-cigarettes and vaping provide an alternative to traditional cigarette smoking. People smoke to get caffeine, flavor, and the sense of smoking. E-cigarettes provide all of this and are perceived as a safer alternative to cigarettes. Today, millions of people use one of



Product testing research provides valuable input to companies, customers, and policy makers.



Diego Cervo/Shutterstock.com

hundreds of brands like blu eCigs, OM Vapors, or Green Smoke. Are they really safer? Research to date is inconclusive overall but does suggest that they are at least safer than traditional cigarettes.¹⁵ Marketing research can help answer the question of whether consumer perceptions are in-line with the medical research findings.

Pricing Research

pricing

Involves finding the amount of monetary sacrifice that best represents the value customers perceive in a product after considering various market constraints.

Pricing research represents typical marketing research. Many test markets address the question of how consumers will respond to a new product offered at two different prices. **Pricing** strategy involves finding the amount of monetary sacrifice that best represents the value customers perceive in a product after considering various market constraints. Most organizations conduct pricing research. Starbucks may seem expensive now, but if the price doubled, would Starbucks lose half of its customers? How much extra are Toyota customers willing to pay for each extra mpg? How much is one willing to pay for same day delivery? Pricing research also investigates the way people respond to pricing tactics. How do consumers respond to price reductions? Do price gaps among national brands, regional brands, and private labels exist? Does an Amazon Dash Button reduce price sensitivity? Most importantly, research also addresses the way consumers determine perceived value at a given price.

Pricing research, by its nature, also involves consumer quality perceptions. Do groceries priced at 99 cents really sell a lot more than groceries priced at \$1? A great deal of research explores the effects of “odd-ending” prices. For the most part, overall effects due to odd-ending prices seem subtle and have very little effect. However, when other variables are considered, the results become clearer. Research suggests that for premium brands, odd-ended pricing can lower sales whereas for discount brands, a 99-cent ending price can enhance sales.¹⁶ Like other aspects of research, the story often is not as straightforward as some may think.

Distribution Research

marketing channel

A network of interdependent institutions that performs the logistics necessary for consumption to occur.

supply chain

Another term for a channel of distribution, meaning the link between suppliers and customers.

Distribution involves the marketing channels that will physically “distribute” products from a producer to a consumer. A **marketing channel** is a network of interdependent institutions that perform the logistics necessary for consumption to occur. Some channels are very short and involve only a producer and a consumer, and some are very long involving many transportation, wholesale, and retail firms. It may be somewhat obvious why the term **supply chain** is sometimes used to refer to a channel of distribution. Distribution is necessary to remove the separations between buyers and sellers.

Distribution research is typified by studies aimed at selecting retail sites or warehouse locations. A survey of retailers or wholesalers may be conducted because the actions of one channel member can greatly affect the performance of other channel members. Distribution research often is needed to gain knowledge about retailers’ and wholesalers’ operations and to learn their reactions to a manufacturer’s marketing policies. It may also be used to examine the effect of just-in-time ordering systems or exclusive distribution on product quality. Research focused on developing and improving the efficiency of marketing channels is extremely important.

Consider today how the distribution channel for the entertainment industry is changing. Just a couple of decades ago, most Americans relied on the big three networks (CBS, NBC, ABC) for entertainment and even news. The customer typically watched programs on one of the networks when the network showed the program. Advertisers paid the networks to host shows. Today, the major three networks are just fractions of what they once were and consumers watch many network programs online from the network websites or from YouTube. Netflix, Amazon, and iTunes give other examples of new channel options for consumers looking for a little electronic entertainment. Redbox offers another novel channel option by making movies available in vending machines. So, when consumers visit Walgreens, they can also get a movie. Locations become critically important for Redbox. Location studies are indeed important for retailers and other members of the distribution channel.

What types of marketing research would be useful to Redbox?



Rob Wilson/Shutterstock.com

Promotion Research

Promotion is the communication function of the firm responsible for informing and persuading buyers. **Promotion research** investigates the effectiveness of advertising, premiums, loyalty programs, coupons, sampling, discounts, public relations, and other sales promotions. However, among all of these, firms spend more time, money, and effort on advertising research, including a hefty chunk investigating the design and effectiveness of content marketing. One area of research deals with how long an ad should be. Research suggests the average human attention span has fallen below that of a goldfish, to less than 10 seconds.¹⁷ As a consequence, ad agencies now purchase air time for less than 30 seconds. In fact, 10 second spots are common and spots as short as 6 seconds are sold.

Loyalty programs also involve considerable research. Amazon Prime provides one example, but others like Dunkin Donuts' (DD) Perk program have been successfully implemented within an overall branding strategy. Research on loyalty programs should consider the following:

1. Is the program earned through patronage like airline programs or purchased like Amazon Prime? If purchased, what should the membership price be?
2. At what rate do members accrue benefits and how substantial are those benefits?
3. Does the program create inertia only or true customer commitment?
4. Does the program entice current members to recruit other customers as loyalty members and what rewards should be associated with recruitment?

The latter point is more complicated than it may seem. For example, a significant amount of reward-scrouring, that is, the "recruitment" of members in a somewhat shady way. That could mean recruiting someone who was going to join anyway or recruiting someone who will not stay in the program just as a means of getting the benefits. Research suggests that reward scrouring decreases the overall profitability of a reward program.¹⁸

The Integrated Marketing Mix

Marketing today focuses increasingly on the fact that different promotional decisions should not be made in isolation. Instead, the concept of **integrated marketing communication** is adopted, meaning that all promotional efforts (advertising, digital/content marketing, public relations, personal selling, event marketing, social networking, and so forth) should be coordinated to communicate a consistent image. Likewise, more generally, marketing firms realize that the elements of the marketing mix itself must work together. For instance, a change in price can affect the quality of the product, which may also influence decisions about distribution. From a research standpoint, the **integrated marketing mix** means that research studies often investigate effects of various combinations of marketing mix elements on important outcomes like sales and image. Research suggests firms with a consumer orientation are particularly oriented toward integrating all aspects of their marketing into a single message.¹⁹

Integration means sending a consistent message. Part of Dunkin Donuts' (DD) transformation from a donut shop into a morning ritual experience involves replacing the visual image of donuts with coffee. Everywhere the consumer encounters the brand they see coffee and coffee beverages featured much more prominently than donuts. Southwest Airlines practices integrated communication. A constant message in their communications is transparency in fares. More specifically, Southwest refers to it as **transfarency**! Put **transfarency.com** into your browser address window and see where you end up.



promotion

The communication function of the firm responsible for informing and persuading buyers.

promotion research

Investigates the effectiveness of advertising, premiums, coupons, sampling, discounts, public relations, and other sales promotions.

integrated marketing communication

Means that all promotional efforts (advertising, public relations, personal selling, event marketing, and so forth) should be coordinated to communicate a consistent image.

integrated marketing mix

The effects of various combinations of marketing-mix elements on important outcomes.

An Integrated Marketing Mix sends a constant message, in this case, fairness in airfare.

Analyzing Marketing Performance

total value management

Trying to manage and monitor the entire process by which consumers receive benefits from a company.

performance-monitoring research

Refers to research that regularly, sometimes routinely, provides feedback for evaluation and control of marketing activity.

marketing metrics

Quantitative ways of monitoring and measuring marketing performance.

After a marketing strategy has been implemented, marketing research may serve to inform managers whether planned activities were properly executed and are accomplishing what they were expected to achieve. In other words, marketing research may be conducted to obtain feedback for evaluation and control of marketing programs. This aspect of marketing research is especially important for successful **total value management**, which attempts to manage the entire process by which a consumer receives benefits from a company.

Performance-monitoring research refers to research that regularly, sometimes routinely, provides feedback for evaluation and control of marketing activity. For example, most firms continuously monitor wholesale and retail activity to ensure early detection of sales declines and other anomalies. In the grocery and drug industries, sales research may use Universal Product Codes (UPCs) on packages read by optical scanners linked to computerized checkouts and inventory systems and providing real-time information on key variables such as store revenue, turnover, customer share, promotional effectiveness, and even market share. Marketshare analysis and sales analysis are the most common forms of performance-monitoring research. Almost every organization compares its current sales with previous sales and with competitors' sales. However, analyzing marketing performance is not limited to the investigation of sales figures.

Marketing metrics refer to quantitative ways of monitoring and measuring marketing performance. Research derives marketing metrics that allow a firm to know whether the resources invested in marketing activities have met their quantitative business goals. Marketing metrics allow the firm to assess the return on investment (ROI) associated with marketing activities. Recent research suggests that the more firms emphasize value creation in their marketing, the higher are these key performance metrics.²⁰ Thus, value appears to pay.

When Is Marketing Research Needed?

The need to make intelligent, informed decisions ultimately motivates marketing research. Not every decision requires marketing research. Thus, when confronting a key decision, a marketing manager must initially decide whether to conduct marketing research. The determination of the need for marketing research centers on (1) time constraints, (2) the availability of data, (3) the nature of the decision to be made, and (4) the value of the research information in relation to costs.

Time Constraints

Systematic research takes time. In many instances management believes that a decision must be made immediately, allowing no time for research. Managers often make decisions without adequate information or thorough understanding of market situations. Although making decisions without researching a situation is not ideal, sometimes the urgency of a situation precludes the use of research. The urgency with which managers often want to make decisions often conflicts with the marketing researchers' desire for rigor in following the scientific method.

Availability of Data

Often managers already possess enough information to make sound decisions without additional marketing research. When they lack adequate information, however, research must be considered. This means that data need to be collected from an appropriate source. If a potential source of data exists, managers will want to know how much it will cost to get the data.

If the data cannot be obtained or obtained in a timely fashion, this particular research project should not be conducted. For example, many nations do not have reliable population census data due to underdevelopment, corruption, ongoing conflicts, transient migration, etc. Organizations engaged in international business often find that data about business activity or population characteristics that are readily available in the United States are nonexistent or sparse in developing

countries. Imagine the problems facing marketing researchers who wish to investigate market potential in places like Uzbekistan, Yugoslavian Macedonia, and Rwanda.

Nature of the Decision

The value of marketing research depends on the nature of the managerial decision to be made. A routine tactical decision that does not require a substantial investment may not seem to warrant a substantial expenditure for marketing research. For example, a computer company must update its operator's instruction manual when it makes minor product modifications. The research cost of determining the proper wording to use in the updated manual is likely too high for such a minor decision. The nature of the decision is not totally independent of the next issue to be considered: the benefits versus the costs of the research. In general, however, the more strategically or tactically important the decision, the more likely it is that research will be conducted.

Benefits versus Costs

Marketing research can be costly but it can also be of great benefit. Earlier we discussed some of the managerial benefits of marketing research. In any decision-making situation, managers must identify alternative courses of action and then weigh the value of each alternative against its cost. Marketing research can be thought of as an investment alternative. When deciding whether to make a decision without research or to postpone the decision to conduct research, managers should ask three questions:

1. Is the potential payoff worth the investment?
2. Will the information gained by marketing research improve the quality of the marketing decision enough to warrant the expenditure?
3. Is the proposed research expenditure the best use of available funds?

Consider a food company considering a change in packaging such as a move from Styrofoam to paper cups for coffee or from plastic to styrene for snacks. Firms often may make such decisions with little or no research input. Management may not appreciate the value of research into this issue because they believe the research costs exceed the potential benefits. Perhaps managers view a change in packaging as so inconsequential that extensive testing is unnecessary to make a quality decision. However, managers often end up regretting the decision not to do research. SunChips changed their packaging material to compostable paper and saw a tremendous drop in sales as customers ridiculed the packages publicly including on YouTube videos. One problem the brand overlooked was how incredibly noisy the new packages would be. In hindsight, perhaps more research was merited although a comparison of the loss in sales revenue with the costs of conducting further market tests would be needed to better address this question. Exhibit 1.5 outlines the criteria for determining when to conduct marketing research. If the any of the “Do Not Conduct Market Research” items is true, then the researcher should stop and not proceed with a new research project.

Factor	Conduct Market Research	Do Not Conduct Market Research
Time	Sufficient time is available before decision will be made.	Time pressure requires a decision before adequate research can be completed.
Data Availability	Firm does not have access to data but data can be obtained.	Firm already has relevant data or data cannot be obtained.
Nature of Decision	Decision is of considerable strategic or tactical importance.	Decision is NOT of considerable strategic or tactical importance.
Benefits versus Costs	Potential value of research exceeds costs of conducting research.	Costs of research exceed potential value of project.
	GO!	STOP!

EXHIBIT 1.5
Should We Conduct
Marketing Research?

Marketing Research in the Twenty-First Century

Marketing research, like all business activity, continues to change. Changes in communication technologies and the trend toward an ever more global marketplace have played a large role in many of these changes.

Communication Technologies

Virtually everyone is “connected” today. Increasingly, many people are “connected” nearly all the time. The typical college student spends hours a day on YouTube, Facebook, and other social networking sites that connect him or her to content and to others. Each move provides access to information but also leaves a record of data that tells a great deal about that particular consumer. Walmart gathers and stores more data every hour (about 3 petabytes) than exists in the collections of the Library of Congress. The amount of data now is not discussed in terms of megabytes or terabytes, but zetabytes (1 sextillion bytes—1 and 21 zeros).

The speed with which people exchange information continues to increase. During the 1970s, exchanging information overnight from anywhere in the continental United States was heralded as a near miracle of modern technology. Today, we can exchange information from nearly anywhere in the world to nearly anywhere else in the world almost instantly. A researcher can get on Skype, WhatsApp, or FaceTime, and interview decision makers anywhere in the world as long as an Internet connection is present. Our smart devices enable us to converse, but they also serve as a means of communication that can even involve marketing research data. Marketing researchers arm trained interviewers with iPads and similar devices that can display graphic images to respondents and provide a structured guide to the interview. Thus, the expressions “time is collapsing” and “distance is disappearing” capture the tremendous revolution in the speed and reach of our communication technologies.

As recently as the 1970s, most computer applications required expensive mainframe computers found only in very large corporations, major universities, and large governmental/military institutions. Researchers could expect to wait hours or even longer to get results from a statistical program involving 200 respondents. Today, even the most basic laptop computers can solve complicated statistical problems involving hundreds of thousands of data points in practically a nanosecond. Small, inexpensive appliances like a smartphone access software and data existing on a cloud (large servers that supply information and software to large numbers of Internet users), reducing the need for specialized software and a conventional personal computers. More and more, all manner of appliances like refrigerators, air conditioners, and even lightbulbs deposit information in a database.

Global Marketing Research

Marketing research has become increasingly global as more and more firms take advantage of markets that have few, if any, geographic boundaries. Some companies have extensive international marketing research operations. Nielsen Holdings NV, founded in New York in 1923 and still based in the Big Apple, but now incorporated in the Netherlands, is the world’s largest marketing research company. Less than half of its business comes from the United States these days. Nielsen researches all manner of topics internationally. It is probably best known as the television ratings company. However, their consumer watch business is heavily involved in research for clients in consumer goods markets.

A Nielsen report describes U.S. consumers food spending patterns. Spending on food away from home continues to increase. U.S. consumers spend a little more than \$800 billion on food away from home and a little less than \$800 billion on food to prepare at home. The portion of spending on food away from home varies demographically based on age and children at home. Those organizations

When the Nudge Is Gone!

Lots of marketing managers today are excited by the idea of nudge marketing. Instead of trying to convince a consumer to use a product, just give them a nudge. Companies from Carl's Jr. to Accuweather employ tactics that nudge consumers into becoming customers! A nudge is a psychological push that encourages a certain type of behavior. For example, research might suggest that a certain musty type of odor at low levels could increase wine store sales because it gives the impression of a wine cellar. Put the same amount of food on a smaller plate and the consumer is nudged to eat less.

In the mid-2010s, investors jumped on the subscription "kit" service bandwagon. Blue Apron exemplifies the "meal-kit" subscription service where consumers subscribe to receive a box of pre-portioned, fresh food to prepare a meal. The nudge aspect is that the receipt of everything in a box evokes excitement like opening a gift. However, perhaps more marketing research would have exposed some limitations to the excitement of the nudge. The number of consumers renewing subscriptions to such services is no longer growing at a fast pace and the opportunity in the subscription box business seems far less promising. Why did this happen? Results from



AP Images/Matthew Mead

interviews of Blue Apron customers suggest that the excitement wears off right away because of:

1. The stress associated with using the foods before they go bad. Fresh fish, for example, should be used within 48 hours.
2. The hassle with not being home for deliveries.
3. Boredom because they choose your food.
4. Frustration from opening all those vacuum-sealed packages!
5. Conventional retailers like Kroger began offering meal kits without the need for a subscription.

A nudge works better when backed up with a unified message.

Sources: Soat, M. (2018), "Just a Little Nudge," *Marketing News*, (January), 3. Haddon, H. (2018), "Meal-Kit Start-Ups Losing Sizzle," *Wall Street Journal*, (January 9), B2.

interested in nutrition or opportunities might find value in research comparing U.S. food spending with France. French consumers spend about 21 percent of their budget on food, spending about three times as much for food at home compared to food away from home. Although when U.S. consumers think of France, a French restaurant often comes to mind, French consumers eat fewer restaurant meals and they are much more picky about food quality. An international restaurant company finds such research critically valuable in decision making. However, public policy officials also find value in the data. Perhaps food spending habits are related to obesity. French consumers on average are far less likely to be obese than their U.S. counterparts. Global insights are very useful.

Companies that conduct business globally must understand the nature of those particular markets and judge whether they require customized marketing strategies. For example, although the fifteen nations of the European Union (EU) share a single formal market, marketing research shows that Europeans do not share identical tastes for many consumer products. Marketing researchers have found no such thing as a typical European consumer; language, religion, climate, and centuries of tradition divide the EU nations. Scantel Research, a British firm that advises companies on color preferences, found inexplicable differences in Europeans' preferences in medicines. The French prefer to pop purple pills, but the English and Dutch favor white ones. Consumers in all the three countries dislike bright red capsules, which are big sellers in the United States. Marketing practices that work in one place may not work the same way in another.

The internationalization of research places greater demands on marketing researchers and heightens the need for research tools that allow us to **culturally cross-validate** research results, meaning that the empirical findings from one culture also exist and behave similarly in another culture. The development and application of these international research tools are an important topic in basic marketing research.

culturally cross-validate

To verify that the empirical findings from one culture also exist and behave similarly in another culture.



TIPS OF THE TRADE

- Throughout this text, a Tips of the Trade section provides helpful hints for using and doing marketing research. The first tip is to pay attention to these sections as helpful references.
- Customers and employees are valuable sources for input that leads to innovation in the marketplace and in the workplace.
- Business problems ultimately boil down to information problems because with the right information, the business can take effective action.
- Research plays a role before, during, and after key marketing decisions.
- Research helps design marketing strategies and tactics before action is taken.
- Once a plan is implemented, research monitors performance with key metrics providing valuable feedback.
- After a plan is implemented, research assesses performance against benchmarks and seeks explanations for the failure or success of the action.
- Research that costs more than the right decision could return should not be conducted.
- Marketing researchers must stay in touch with changes in media technology and the way consumers contact companies with those devices.

:: SUMMARY

Six key learning objectives structure Chapter 1. After reading the chapter, the student should be competent in each area described by a learning outcome.

1. Know what marketing research is and what it does for business. Marketing research is the application of the scientific method in searching for the truth about market and marketing phenomena. Research applications identify and define marketing opportunities and problems, generate and evaluate potentially innovative marketing ideas, monitor marketing performance, and describe the way consumers extract value from consumption. Thus, it is the intelligence-gathering function in business. This intelligence assists in decisions ranging from long-range planning to near-term tactical decisions. Although many business decisions are made “by the seat of the pants” or based on a manager’s intuition, this type of decision making carries with it a large amount of risk. By first researching an issue and gathering intelligence on customers, competitors, and the market, a company can make a more informed decision. The result is less risky decision making.

2. Understand the difference between basic and applied marketing research. Applied marketing research seeks to facilitate managerial decision making. Basic or pure research seeks to increase knowledge of theories and concepts. Both are important. Applied research examples are emphasized in this text although practically all of the tools and techniques that are discussed are appropriate to either type of research. Some use the term *market research* to refer to applied research and *marketing research* to refer to basic research.

3. Understand how the role of marketing research changes with the orientation of the firm. Every company has a particular operating orientation. Production-oriented companies emphasize producing outputs as efficiently as possible. Generally, this leads to an emphasis on low-cost production and low-cost positioning in the marketplace. Product-oriented companies emphasize producing a sophisticated product that is also technologically advanced. Firms that are oriented around the marketing concept become very consumer oriented. Market-oriented firms view all

employees as customers who need marketing intelligence to make good decisions. Stakeholder oriented companies try to balance concerns of all internal and external constituencies, including consumers. Marketing-oriented and stakeholder oriented companies tend to do more marketing research and emphasize marketing research more than do other firms.

4. Be able to integrate marketing research results into the strategic planning process. Marketing research is a means of implementing the marketing concept, the most central idea in marketing. The marketing concept says that a firm must be oriented both toward consumer satisfaction and toward long-run profitability (rather than toward short-run sales volume). Marketing research can help implement the marketing concept by identifying consumers' problems and needs, improving efficiency, and evaluating the effectiveness of marketing strategies and tactics. The development and implementation of a marketing strategy consist of four stages: (1) identifying and evaluating opportunities, (2) analyzing market segments and selecting target markets, (3) planning and implementing a marketing mix that will provide value to customers and meet the objectives of the organization, and (4) analyzing firm performance. Marketing research helps in each stage by providing information for strategic decision making. In particular, marketing research aimed at the marketing mix seeks information useful in making better decisions about product design, promotion, distribution, and pricing.

5. Know when marketing research should and should not be conducted. Marketing managers determine whether marketing research should be conducted based on (1) time constraints, (2) availability of data, (3) the nature of the decision to be made, and (4) the benefit of the research information versus its cost. Research should only be conducted when time is available, relevant data can be found and does not already exist, the decision can be shaped by information, and the benefits outweigh the cost of doing the research.

6. Appreciate the way that technology and internationalization continue to change the way we do marketing research. Technology has changed almost every aspect of marketing research. Modern computing and media technologies including smart devices (phones, watches, tablets, etc.) and social networking media facilitate data collection, study design, data analysis, data reporting. Researchers do have to be aware of the multiple ways that companies interact with consumers. Digital marketing closely integrates marketing practice and marketing research. Furthermore, as more companies do business outside their own borders, companies are doing research in a global marketplace. This places a greater emphasis on research that can assess the degree to which research tools can be applied and interpreted the same way in different cultures. Thus, research techniques often must culturally cross-validate results.

KEY TERMS AND CONCEPTS

applied marketing research, 8
 basic marketing research, 8
 culturally cross-validate, 21
 customer oriented, 9
 digital marketing, 7
 geodemographics, 15
 integrated marketing communication, 17
 integrated marketing mix, 17
 marketing channel, 16

marketing concept, 9
 marketing metrics, 18
 marketing orientation, 9
 marketing research, 5
 online sentiment analysis, 11
 performance-monitoring research, 18
 pricing, 16
 product oriented, 9
 production oriented, 9

promotion, 17
 promotion research, 17
 relationship marketing, 11
 scientific method, 8
 stakeholder orientation, 9
 supply chain, 16
 total value management, 18

QUESTIONS FOR REVIEW AND CRITICAL THINKING

1. What are the two key ways that marketing creates value? How can marketing research facilitate marketing's efforts at value creation?
2. Define digital marketing? How can marketing research be seen as "the nerve center" for the organization?
3. Define a marketing orientation and a product orientation. Under what strategic orientation(s) is there a greater need for marketing research?
4. What are the four key questions helpful in understanding the value equation for a given firm?
5. Define *marketing research* and describe its task. How is it different from research in the physical sciences?
6. In what stage of the scientific method is creativity and creative thinking most important? Briefly explain.
7. Which of the following organizations are likely to use marketing research? Why? How?
 - a. Kelloggs
 - b. Waygo
 - c. Fastenol
 - d. The Federal Trade Commission
 - e. Mayo Clinic
 - f. Cengage
 - g. Google
8. An automobile manufacturer is conducting research in an attempt to predict consumer auto preferences in the year 2022. Is this basic or applied research? Explain.
9. Define online sentiment analysis. How can it be helpful in brand management?
10. What is the definition of an *integrated marketing mix*? How might this affect the research a firm conducts?
11. Comment on the following statements:
 - a. Marketing managers are paid to take chances with decisions. Marketing researchers are paid to reduce the risk of making those decisions.
 - b. A marketing strategy can be no better than the information on which it is formulated.
 - c. The purpose of research is to solve marketing problems.
 - d. Digital marketing makes marketing research less able to be used.
12. List the conditions that help a researcher decide when marketing research should or should not be conducted.
13. How have technological changes and globalization of the marketplace affected marketing research?
14. What types of tools does the marketing researcher use more given the ever-increasing internationalization of marketing?

RESEARCH ACTIVITIES

1. Consider the opening vignette. What are some of the questions that consumer research will need to address to assess U.S. consumers' willingness to support the move to AVs (self-driving technology)? Do a search of the Internet. Is there evidence that each of these questions is being addressed as of now? What, if any, evidence can you find? Would the research change if the focus shifted to India from the U.S.?
2. Find examples of news articles from the most recent week involving the use of marketing research in making decisions about each element of the marketing mix. The *Wall Street Journal* is a good source for such stories.
3. Find a list of the ten most popular smartphone apps at the current time. Is there anything in common among the apps? Do they indicate any trends about consumers in general or a particular segment of consumers? Describe any such trends. Which companies may benefit from such trends?

Harnessing Big Data into Better Decisions

CHAPTER

2

LEARNING OUTCOMES

After studying this chapter, you should be able to:

1. Know why concepts like data, big data, information, and intelligence represent value
2. Understand the four characteristics that describe data
3. Know what a decision support system is and the technology tools that help make it work
4. Recognize some of the major databases and how they are accessed
5. Understand the basic concept of marketing analytics and its potential to enhance decision-making
6. Be sensitive to the potential ethical issues of tracking consumers' behavior electronically

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Chapter Vignette:

Marketing Research Is Good for You!

Todd lives in Toronto and works a 40-hour week. When not at work, Todd likes being a couch potato. He spends a lot of time watching the Maple Leafs, Blue Jays, and other sports events. He subscribes to a premium television service to make sure he has access to what he wants to see when he wants to see it. He uses apps to order pizza regularly and often swipes his loyalty card at nearby fast-food restaurants. Todd doesn't like to cook! He receives a personalized invitation to participate in a clinical trial of a new obesity drug.

Across town, Jane stops for Asian food in a restaurant and is handed an electronic tablet for a menu. The home page says, "Hungry after your workout?"

Unbeknownst to Todd, all of this behavior is known to Blue-Chip Marketing, a company that combines consumer data with health facts to assist marketing efforts for companies, many in health-related fields. From his Internet behavior, social networking, the fact that his phone is often near the couch, and he subscribes to the premium television service, Todd becomes very interesting to Blue-Chip. A statistical model used by Blue-Chip puts these things together to predict that Todd is obese. With these models, they can more carefully identify candidates for trials without even having to ask any questions.

Also unbeknownst to Jane, the fact that she checked in at her gym 90 minutes before going through the turnstile at the

restaurant is already known and the restaurant informed. An electronic turnstile system detects her presence (or at least her phone's presence) and the message is pushed to the restaurant. The hostess can then quickly choose the best opening page for the tablet before giving it to the customer.



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This is marketing today. Decisions that used to require considerable time and judgment can now be nearly or completely automated and they can be applied at the individual customer level. The heart of this process is data,

big data we might say. This chapter provides an overview of how marketing research today uses data, including big data, to help feed into decision systems that hopefully improve marketing performance.¹

Introduction

data

Recorded facts or measures of certain phenomena (things).

Data have always been the fuel that marketing research uses to create knowledge. As long as research itself has been conducted, data provide the answer to research questions, allow exploration of ideas, and provide the testing mechanism for hypotheses. In its basic form, **data** are recorded facts or measures of certain phenomena. The phenomena could include objects or events. Objects might include the amount of sales attributed to a specific product in a specific country, the color of a package, or the price of a product. Data about events may include survey responses indicating how consumers feel during a service experience, the amount a consumer purchases during a sale, or the amount of time a consumer spends on an online game.

Today, a typical notebook computer has a memory capacity of over 250 GB (gigabytes). 1 GB = 1,024 MB (megabytes and 1 MB = about 1 million characters). Marketing research grew rapidly in the 1950s and 1960s. Part of the growth was fueled by the growth in computing power, which made analytical analysis using computationally complex statistics possible. In 1956, the most powerful IBM mainframe computer contained 50 disks (hard drives) that enabled a storage capacity of almost 5 MB. Not until 1980 did a mainframe computer have a 1 MB memory capacity.² Even a simple computer today has more than 1,000 times the capacity of the most powerful computer of three decades ago.

big data

Large quantities of data taken from multiple, varied sources that were not intended to be used together, but can be analytically applied to provide input to organizational decision-making.

The ability to store and record data continues to grow. So today many of our everyday activities leave data traces behind. When we use our smartphone, browse the Web, use Facebook, make a purchase at a retail outlet, or drive a car with our GPS navigation system, we are leaving behind data. Through these simple types of activities, we leave behind 2.5 quintillion bytes of data each day.³ Thus, everything about data has become bigger except the devices that enable us to record and store that data. The tremendous growth in data has led many to use the term “big data.” While there is considerable disagreement about just what comprises **big data**,⁴ we can think of it as large quantities of data taken from multiple, varied sources that were not intended to be used together, but can be analytically applied to provide input to organizational decision-making. Because these large data sets include data that have been previously collected for purposes other than the one at hand, this data can also be referred to as **archival data**.

archival data

Data that have been previously collected for some purpose other than the one at hand. (see secondary data)

Like the growth of marketing research that occurred in the early days of sophisticated computational devices, the advances in big data technology are leading to another surge in the growth of the marketing research industry. As a result, marketing researchers with strong analytical skills are in high demand. That growth is expected to create 2,720,000 data jobs by 2020 according to IBM.⁵ Thus, a career in marketing research is a real possibility for many readers of this book.

This chapter discusses big data, data systems, and the role decision support systems and predictive analytics play in helping firms make informed marketing decisions. The decision support systems can be complicated and extensive, extending beyond the internal organizational walls. Marketing research plays an important role in making sense out of the glut of data now available. Today, data technology allows businesses to more easily integrate research findings into marketing strategy and operations.

Data, Information, and Intelligence Equal Value

In everyday language, terms like *information* and *data* are often used interchangeably. Researchers use these terms in specific ways that emphasize how useful each can be. Marketing managers may not be as intimately involved in finding and analyzing data; however, the decisions that they

RESEARCH IN ACTION!

Now that you are familiar with marketing research in general and the notion of conducting a research project, it is time to start thinking about the different type of information you will need to provide input into a firm's decision-making process. While most projects rely on collecting new data, you can gain valuable information from existing data. Therefore, as a first step in your research project, it is essential to familiarize yourself with data and data sources you have at your disposal. To start understanding data better, begin to look into a research topic of interest and find valuable information that will contribute to



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your project. This information can later be used in the background and introduction section of your project report.

make based on the input received from research will make or break the firm. In this way, data, information, and intelligence all have the potential to create value to the firm through better decision-making.

Data by themselves do not provide valuable input to decision-making. For instance, raw data showing the amount of Wi-Fi usage in Starbucks stores means very little. That data has to be put into a usable form. **Information** is data formatted (structured) to support decision making or define the relationship between two or more data points. **Market intelligence** is the subset of information that actually has some explanatory power enabling effective decisions to be made. So, there is more data than information, and more information than intelligence. Most data are irrelevant to any specific decision-making situation and therefore not always valuable. When data become information, their relevance is examined more closely through some analytical procedure. Conclusions are drawn from the structured data (i.e., information) to actually shape marketing decisions. The result is market intelligence derived from data analysis, and this should enable better decision-making, better value provided to customers in that their desires are more closely met and thereby more value for the firm in the form of improved organizational performance.⁶

Think again about the millions of facts recorded by Amazon each day. Each time a product is sold, facts about that transaction are recorded and become data. The data include the selling price of purchased items, the amount of time a shopper spent on a given Web page, the number of consumers visiting a page without making a purchase, comments left by consumers, and much more. One way that Amazon tries to use big data is in improving customer service.⁷ Each time a consumer interacts with Amazon.com, data are recorded. So, Amazon systems know a lot about the consumer, including things like phone numbers, address, credit card or other payment information, purchase history, and data on previous chats, e-mails, or phone calls. When a customer initiates a complaint online, all of this information is available to provide better service. Sometimes in under a minute, the consumer receives a call from an Amazon call center. The representative already knows the person's name and number and has pulled up information on common complaints about the recent purchase. As a result, the consumer's problem can often be addressed in less than 2 minutes.

information

Data formatted (structured) to support decision making or define the relationship between two or more data points.

market intelligence

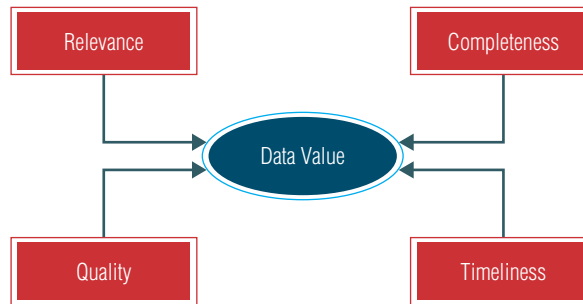
The subset of information that actually has some explanatory power enabling effective decisions to be made.

The Characteristics of Valuable Information

Four important characteristics do much to determine the value of information. Exhibit 2.1 provides an overview of the characteristics discussed on the next page.

EXHIBIT 2.1

Characteristics of Valuable Data



Relevance

relevance

The characteristic of data reflecting how pertinent these particular facts are to the situation at hand. When data are relevant, a change in that fact is associated with a change in an important outcome.

Relevance is the characteristic of data reflecting how pertinent these particular facts are to the situation at hand. Put another way, the facts are logically connected to the situation. Unfortunately, irrelevant data and information often creep into decision making. One particularly useful way to distinguish relevance from irrelevance is to think about how things change. Relevant data are facts about things that will materially alter the situation if they change. So, this simple question becomes important:

Will a change in the data coincide with a change in some important outcome?

American consumers' dietary trends are relevant to the restaurant industry. For instance, if Americans become more health-conscious, sales of doughnuts are likely to change. This may lead a restaurant like Dunkin' Donuts to rethink its product offering. However, information on the height of Mount Washington is irrelevant because it isn't going to change any time soon and even if it did, it would not affect U.S. doughnut preferences.

Completeness

information completeness

Having the right amount of information.

Information completeness refers to having the right amount of information. Marketing managers must have sufficient relevant information to develop explanations and predictions useful in decision-making. For example, managers trying to make a key decision about launching a technological innovation to their current software commission a quick research study in which consumers are asked to rate the perceived usefulness of the technological improvement. Based on the high usefulness scores, the managers launch the innovation only to find decreased sales and increased customer complaints. The complaints send a loud signal that the innovation made the product too complex. In their haste to act, the managers acted without input on this critical variable.

A follow-up study demonstrated that perceived complexity was equally as important in predicting adoption of new technologies and that as consumers see innovations as more complex, they find less value in the product. Theory can play a big role in helping to make information more complete and in this case a theory known as the technology acceptance model describes some key pieces of information in predicting the success of technological innovations.⁸

Quality

data quality

How accurately the data actually match reality.

Data quality reflects how accurately the gathered data actually match reality. High-quality data are valid and reliable—both concepts we'll turn to in detail later. In this chapter, we emphasize the vast quantity of data now available not in small part due to new technologies.

Not all data are equal in quality. Professional sales managers equip their salespeople with a plethora of technology to record information about sales calls. The data have numerous uses, not the least of which is allowing data systems to compute an expected value of the customer. In this way, the salesperson can know how much effort to put into winning each particular prospect. However, salespeople often are pinched for time and wait until the end of the day or even the end of the week to enter the required information. A pharmaceutical salesperson may wonder, "Did I spend 5 minutes or 12 minutes answering questions?" "Did the doctor make me wait 10 minutes or more?" "Did the doctor ask for samples or did I just leave them?" Each inaccurate answer lowers data quality and

means the decision system's statistical models are less reliable. Managers can take advantage of technology by tracking their behavior through various location services tied to cellphones, tablets, and even product samples. The tracking devices record the time spent in each location automatically. However, sales managers might weigh the increased accuracy against the reality of management spying on its salespeople. The automated data collection also may need to be enhanced with salesperson input to explain nonroutine activities. Researchers offer this advice as a guide to enhanced data quality:⁹

1. Automate data collection and entry when feasible.
2. Inspect the data and cleanse for obvious errors.
3. Be mindful of the costs and benefits of efforts at improving data quality.

Timeliness

Timeliness means the data are not so old that they are irrelevant. Generally, timeliness requires highly current data. Imagine car companies currently trying to predict the types of cars that would interest consumers. Think of all the changes in the operating environment that have taken place since 2008. The economy went from boom to bust and consumer confidence dropped consequently. Fuel prices have fluctuated wildly ranging anywhere from a U.S. average for regular gas of \$1.60 per gallon in late 2008 to nearly \$4.10 per gallon in July of that same year only to briefly fall to nearly \$1.60 by the first of 2009. By mid 2018, prices appeared reasonably stable at about \$2.80 per gallon. Most auto executives believe gas prices are relevant to the automotive market and therefore desire input from such data. Car preference will change with these environmental factors, so data collected in one time period may not be entirely accurate. Similarly, imagine how the dramatic pace of technological change in the electronics industry hinders predicting consumer acceptance of new mobile phone models. The term **market dynamism** represents the rate of change in environmental and competitive factors.¹⁰ Highly dynamic markets mean greater risk in relying on data, particularly on untimely data.

timeliness

Means the data are not so old that they are irrelevant.

market dynamism

Represents the rate of change in environmental and competitive factors.

Global Marketplace

By now, marketers around the world realize the potential marketplace is the entire world. A start-up company in Topeka, Kansas, only needs a website and the company's business isn't just in Kansas anymore. Large companies use a plethora of technology ranging from handheld tablets to satellites to gather and exchange data in an effort to keep track of business details globally.

Consider a simple example. At any moment, United Parcel Service (UPS) can track the status of any shipment around the world. UPS drivers use handheld electronic clipboards called delivery information acquisition devices (DIADs) to record appropriate data about each pickup or delivery. The data are then entered into the company's main computer for record-keeping and analysis. A satellite telecommunications system allows UPS to track any shipment for a customer. Consumers also can get near real-time information on the status of a delivery as information from the DIADs is available through www.ups.com.

To the Point

“Facts are stubborn things.”

—RONALD REAGAN

Decision Support Systems

Marketing research serves four possible business functions. These functions align with purposes of marketing research:

1. Foundational—answers basic questions such as, “What consumers or consumer segments should the company serve and with what types of products?”
2. Testing—addresses things like new product concepts, product innovations, pricing, or promotional ideas. “How effective will they be?”
3. Issues—examine how specific, broad issues impact the firm. “How will a new competitor, a change in organizational structure, or increased investments in advertising influence the company?”
4. Performance—this type of research monitors specific metrics, including financial statistics like profitability and delivery times with questions such as, “How is variation in product lead-time affecting performance metrics?”



Bringing Home the Bacon!

Marketers employ big data because it helps them bring home the bacon. A McKinsey study found that companies that orient their marketing and sales decision making around results from the analysis of big data see a 15 to 20 percent improvement in return on investment (ROI). That's an attractive marginal return that likely will send more firms looking for marketing researchers who can make sense of big data.

Sometimes, bringing home the bacon becomes quite literal. A research project using data mining approaches analyzed consumer ratings of nearly 1,000,000 new menu items in an effort to reveal what ingredients most make food taste better. The results are clear. Nothing improves the flavor of food items like sandwiches more than bacon. Fast-food restaurants can use this data in their new product designs to help, well, bring home more bacon! Bacon has its limits, though. The project results showed that consumers did not



Joe Gough/Shutterstock.com

tend to rate dessert items that contained added bacon any better than the same items without the bacon. Is this the power of big data or big bacon?

Sources: McKinsey and Company (2013), "Big Data, Analytics and the Future of Marketing and Sales," *Forbes*, (7/22), <http://www.forbes.com/sites/mckinsey/2013/07/22/big-data-analytics-and-the-future-of-marketing-sales/>, accessed March 19, 2014. Thusco, A. (2014), "How Big Data Is Revolutionizing the Food Industry," *Wired.com*, (February), <http://www.wired.com/insights/2014/02/bigdata-revolutionizing-food-industry/>, accessed March 19, 2014.

decision support system (DSS)

A computer-based system that helps decision-makers confront problems through direct interaction with databases and systems.

customer relationship management (CRM)

Part of the DSS that characterizes interactions between firm and customer.

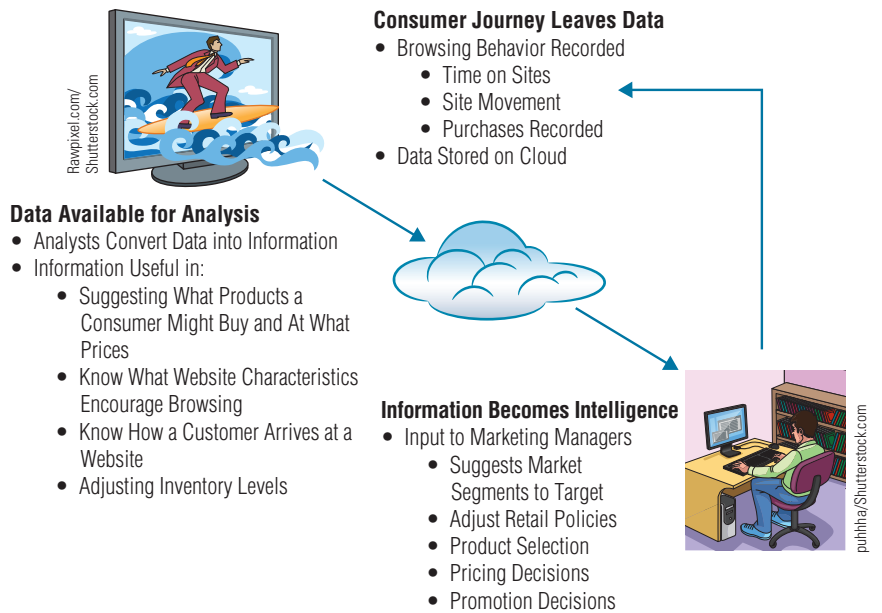
The performance category is most relevant in decision support systems. Monitored metrics feed into automated decision-making systems and/or trigger reports for specific managers. These form the basis of a decision support system and best typify the way marketing research assists managers with day-to-day operational decisions.

A marketing **decision support system (DSS)** is a system that helps decision-makers confront problems through direct interaction with computerized databases and systems. A DSS stores and transforms data into organized information that is easily accessible to marketing managers and other specific internal customers of information. DSSs save managers countless hours by making decisions in minutes or even seconds that might otherwise take days or weeks.

Modern decision support systems greatly facilitate **customer relationship management (CRM)**. A CRM system is the part of the DSS that characterizes the interactions between firm and customer. It brings together information about customers, including sales data, market trends, marketing promotions, and the way consumers respond to them based on customer preferences. A CRM system describes customer relationships in sufficient detail so that managers, salespeople, customer service representatives, and perhaps the customers themselves can access information directly, match customer needs with satisfying product offerings, remind customers of service requirements, and know what other products a customer has purchased or might be interested in purchasing. CRM systems can compute the overall lifetime value of each customer. This data point often proves a key metric for triggering decisions.

The CRM systems are specifically responsible for promotions customized to individual customers. Casinos use loyalty or "player's" cards that the customer swipes with each activity. All this information gets stored and eventually the casino knows how to manage the customer by directing offers that the customer's previous behavior suggests a liking-for. Auto service centers can use information about a consumer's car to schedule routine maintenance and help diagnose problems before they occur.

Exhibit 2.2 illustrates how data systems work with a decision support system. Raw, unsummarized data are input to the DSS. Data collected in marketing research projects are a major source of this input, but the data may be purchased or collected by accountants, sales managers, production managers, or company employees other than marketing researchers. Effective marketers spend a great deal of time and effort collecting information for input into

**EXHIBIT 2.2**

Decision Support Systems
Create Intelligence

the decision support system. Useful information is the output of a DSS. A decision support system requires both databases and software. For firms operating across national borders, the DSS becomes part of its global information system.

Databases and Data Warehousing

A **database** is a collection of raw data arranged logically and organized in a form that can be stored and processed by a computer. A customer mailing list is one type of database. Population characteristics may be recorded by state, county, and city in another database.

Data warehousing is the process allowing important day-to-day operational data to be stored and organized for simplified access. More specifically, a **data warehouse** is the multitiered computer storehouse of current and historical data. Data warehouse management requires that the detailed data from operational systems be extracted, transformed, placed into logical partitions (for example, daily data, weekly data, etc.), and stored in a consistent and secure manner. Organizations with data warehouses may integrate databases from both inside and outside the company. Data warehousing allows for sophisticated analysis, such as data mining, discussed later in the book.

More and more, data storage exists in **cloud storage**, meaning data are stored on devices that make the files directly available via the Internet. This means that any authorized user from any computer, smartphone, or tablet with Internet accessibility. Salesforce.com is one of the largest providers of CRM systems.¹¹ They make the data gathered about customers easy to access by subscribers anywhere by utilizing cloud storage.

Input Management

How does data end up in a data warehouse? In other words, how is the input managed? Input includes all the numerical, text, voice, behavioral, and image data that enter the DSS. Systematic accumulation of pertinent, timely, and accurate data is essential to the success of a decision support system.

DSS managers, systems analysts, and programmers are responsible for the decision support system as a whole, but many functions within an organization provide input data. Marketing researchers, accountants, corporate librarians, sales personnel, production managers, and many others within the organization help collect data and provide input for the DSS. Input data can also come from external sources.

Exhibit 2.3 shows six major sources of data input: internal records, proprietary marketing research, salesperson input, behavioral tracking, Web tracking, and outside vendors and external distributors of data. Each source can provide valuable input.

database

A collection of raw data arranged logically and organized in a form that can be stored and processed by a computer.

data warehousing

The process allowing important day-to-day operational data to be stored and organized for simplified access.

data warehouse

The multitiered computer storehouse of current and historical data.

cloud storage

Data files stored on devices that make them directly accessible via the Internet.