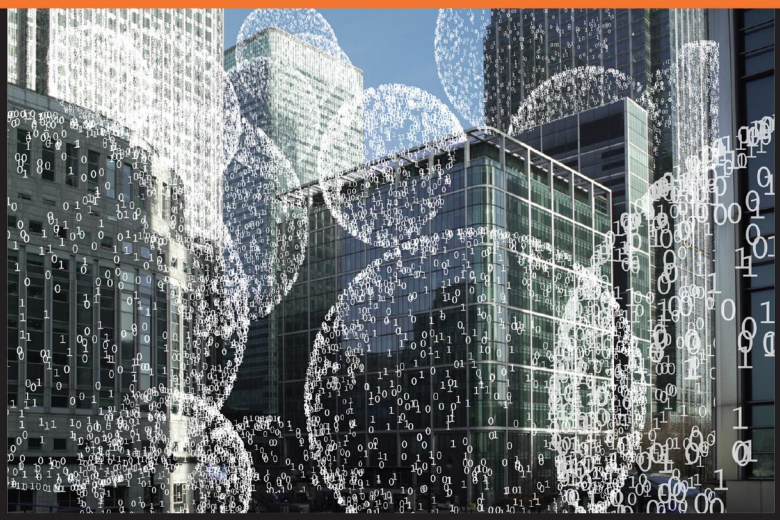
CENGAGE

9TH EDITION

Basic Marketing Research

Customer Insights and Managerial Action



BROWN • SUTER • CHURCHILL

Basic Marketing Research

Customer Insights and Managerial Action

9th Edition

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***Basic Marketing Research,* Ninth edition**
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To *DiAnn, Drew, Taylor, Avery, and Brady* (Tom J. Brown)

To *Kristen, Camille, and Emma* (Tracy A. Suter)

To our grandchildren
Kayla Marie
Johnathan Winston
Kelsey Lynn
Sean Jeffrey
Ethan Thomas
Averie Mae
(Gilbert A. Churchill, Jr.)

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Preface

Basic Marketing Research: Customer Insights and Managerial Action, 9th edition, provides an introductory look at marketing research for undergraduate students, managerially oriented graduate students, or anyone who wants an appreciation of the marketing research process. Our goal was to produce a readable book that overviews the datagathering and information-generating functions from the perspective of both researchers who gather the information and marketing managers who use the information.

Marketing research can be a complex topic. New types and sources of data are flowing into the organization at an increasing pace, making the process of information generation all the more complex. In this environment, marketing managers need to consider all relevant sources of data, whether the data already exist or must be collected. As industry trends have changed, we have attempted to keep our book relevant and engaging. For example, earlier editions of this book focused heavily on gathering and analyzing survey data; we still retain a great deal of information about how to gather such data effectively. We have continued the shift in emphasis, however, that we began in earlier editions toward the process of working with existing data when they are available. A great deal of attention and resources in industry are shifting to the analysis of the greatly multiplying sources of data available to firms.

Basic Marketing Research: Customer Insights and Managerial Action provides a framework for the choices and decisions that marketing analysts must make as they gather and analyze data. This is important, because decisions made in one stage of the research process have consequences for other stages. Both managers and marketing researchers need to appreciate the interactions among the parts of the research process so they can have confidence in a particular research result.

Organization

Basic Marketing Research: Customer Insights and Managerial Action, 8th edition, is intended to serve both aspiring researchers and managers by breaking down the marketing research process into the basic stages that should be followed when answering a research question. The process, which we reproduce at the end of this Preface, has four general stages:

1. Problem Definition
2. Data Collection
3. Data Analysis
4. Information Reporting

Each of these stages can be further broken down into different topics, making the material much more digestible for readers. For example, we use eleven chapters to discuss the data collection process, beginning first with the retrieval of existing data from a firm's decision support system, then on to the retrieval of existing data from external secondary data sources, and then—if necessary—on to the collection of primary data. We have organized the book in this fashion to emphasize the key decisions that managers must make in their hunt for useful information. If managers know what information they need (a key aspect of problem definition), the key decisions involve locating sources for the needed information. In the research industry, greater attention and resources are being turned toward the use of secondary data (that is, data that already exist) to solve problems. This book recognizes that trend by including a separate section on working with existing information to solve problems, including a chapter on working with "big data." We still devote a substantial portion of the book, however, to the generation of primary data with an eye toward collecting data with high degrees of validity.

Key Features

Basic Marketing Research: Customer Insights and Managerial Action has several special features to enhance the teaching and learning experience. The general approach used to discuss topics is to provide readers with the pros and cons of the various methods used to address a research problem and then to develop an appreciation of why these advantages and disadvantages arise. Our hope is that managers and researchers will be able to creatively apply and critically evaluate the procedures of marketing research. Other important features include the following.

Learning Objectives. A set of learning objectives in each chapter highlights the most important topics covered in the chapter. The learning objectives are discussed and are then reinforced point by point in the chapter summary.

Manager's Focus. These short features provide insights into how the information in that particular chapter or section is relevant to marketing managers. The goal is to emphasize the role of marketing managers in the research process and to offer guidelines for achieving the most usable results. Jon Austin, who teaches marketing research at Cedarville University and has a strong background working with clients in industry, provided the inspiration—and most of the writing—for the "Manager's Focus" entries.

The manager's focus discussions highlight one of the key distinctions of this book—we favor managerial usefulness and understanding over deep technical sophistication. It's not that we don't appreciate the "nuts and bolts" of topics such as big data integration and analysis, sampling, and sophisticated statistical analysis. We just believe that in a beginning course—covering everything from exploratory research to big data analytics to behavioral customer insights to primary data collection to statistical analysis—it's a lot more important to communicate the basic uses of marketing research, key decisions along the way, when and why to apply certain analysis techniques, and how to interpret the results of an analysis. Deeper knowledge about most of the topics in the book is readily available in advanced courses and textbooks.

Key Terms with Definitions. A running glossary appears throughout the text. Key terms in each chapter are boldfaced, and their definitions appear in the margin where the terms are discussed. A complete **Glossary** is also included at the end of the text.

Research Windows. The Research Windows provide a view of what is happening in the world of marketing research, describe what is happening at specific companies, and offer some specific how-to tips. They serve to engage the readers' interest in the chapter topic and to provide further depth of information. Some examples include "Marketing Research Company Job Titles and Mean Compensation" (Chapter 1); "Online Focus Groups and Webcam Interviews for Better Understanding Traveler Decision Making" (Chapter 4); "Data, Data Everywhere: Target, Big Data, and You" (Chapter 6); "How Key Ingredient Used A/B Tests to Design Web Site" (Chapter 8); and "'Driving' Towards Golfer Insights at PING" (Chapter 10).

The Qualtrics Research Suite. This feature was built for marketing researchers by marketing researchers. Enclosed with each new copy of Basic Marketing Research 9e, is an access code that gives you access to a tool that makes survey creation easy enough for a beginner while at the same time sophisticated enough for the most demanding academic or corporate researcher. Qualtrics allows you to create and deploy surveys, and provides data for analysis. Qualtrics access requires the code provided in the access card available with each new copy of the book. It may be accessed at https://www.qualtrics.com/support/.

Ethics as a Foundational Discussion. "Bad" research can violate participant trust. Researchers who use the research process as a sales tactic, a process known as sugging, harbor potential mistrust between research participants and the researcher. Advocating for a particular position or point-of-view at the expense of seeking honest insights, a practice called advocacy research, is outside of the scope of what marketing research intends to accomplish. Both of these topics as well as a deeper dive into three types of ethical reasoning are discussed early. The purpose of marketing research is research. The purpose is not sales or promotion. This message is foundational to *Basic Marketing Research*.

Seeking the "what" and the "why." "Big data" is a topic of considerable discussion in the marketing domain and business in general. The same is true of behavioral analytics. Each gives greater and greater consideration for what consumers have done and are doing as evidenced by their purchase and related behaviors. Behavioral data are critically important in modern business practices, but sometimes a researcher also wants to know why consumers participated in a particular behavior. In this case "big data" may not be the best tool for the job. *Basic Marketing Research* gives consideration for both by recognizing the value of what and why questions. What questions can be considered in the "Working with Existing Data" portion of the text while why questions are asked and answered in the "Collecting Primary Data" portion. Both types of considerations are brought together in the end to give a full and complete picture of data from multiple sources.

A Tangible, Applied Example. It is quite common for students to ask professors for a high-quality example of a student project from a past semester. If the students can see a top-notch, peer-produced model, they can produce top-notch work themselves. We have provided just such an example by including data collection instruments from multiple data sources, oral presentation slides, and a written research report as a tangible example of the type of research project that can be completed over the course of a semester. This eliminates the guesswork about what a professor might seek from his/her students when planning for students to work with firms in their communities to both assist the organization and learn by doing marketing research.

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.

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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.

Data. Data are provided for the Avery Fitness Center project. These data allow readers to perform the analyses discussed in Chapters 17 and 18. Readers might also want to conduct the analyses used to produce the AFC Research Report we provide as part of Chapter 20. These data are available to adopters on the text web site (go to www .cengagebrain.com and enter the ISBN found on the back cover of your book to locate this text's materials). We have updated the presentation, however, to reflect that data are often drawn from different sources (both communication- and observation-based sources) and merged in order to gain greater insights.

Changes to the Ninth Edition. This ninth edition of *Basic Marketing Research: Customer Insights and Managerial Action* brings with it several changes. Instructors will appreciate several features of this new edition. (1) The format of the book is changing to meet the needs of students. This edition is available in digital format, OR digital plus softcover paper version. Both options are available at attractive price points for students. (2) To stay current with industry practice, the authors have added or updated important content, including (a) A/B tests, with multiple examples, as one form of field experiment; (b) updated content on big data as applied to marketing analytics, predictive analytics, social media considerations, and data visualization; (c) recognition of the use of technology for techniques like online bulletin board focus groups and webcam interviews, (d) new content necessary to appreciate the ability to combine data from multiple sources (e.g., existing internal behavioral data on customers merged with new survey data) to generate answers to problems, including new content on aggregating data, merging data, and the new sources of error that arise; and (e) an ongoing example in the analysis chapters that demonstrates the merging of data from various sources. Although the world of research is becoming more complicated, the authors successfully walk the tightrope of providing enough information for students to focus and stay current with general industry trends without weighting them down with a scatter approach. As with previous editions, the authors aim to provide students with the information they need to conduct a start-to-finish project. This is consistent with the authors' strengths as marketing research professors and active participants in literally hundreds of real-world research projects.

Acknowledgments

This book has benefited immensely from the many helpful comments received along the way from interested colleagues. We especially want to acknowledge the following people who reviewed the manuscript for this or one of the earlier editions. While much of the credit for the strength of this book is theirs, the blame for any weaknesses is strictly ours. Thank you, one and all, for your most perceptive and helpful comments.

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I also want to thank the hundreds of students that have enjoyed (well, maybe *endured* is the better word) my marketing research courses over the years. I never grow tired of teaching this material, and the projects that we conduct help me to continue to learn about the process of gathering and interpreting data to address real marketing situations. Those projects greatly influence my thinking about marketing research and, by extension, the contents of this book.

Many thanks also to my friend and colleague, Tracy Suter. Your insights and wisdom are demonstrated throughout the book and supplemental materials. Thousands of students and instructors have benefited from your efforts. Thank you for participating with me in this continuing process.

I am grateful to Gil Churchill for giving me the opportunity to work with him on this book in the first place. For readers who don't know, this is the ninth edition of a book Gil wrote years ago for undergraduate students. We've changed the contents over the years to make the material even more accessible to students and to keep up with changes in the industry, but without his initial efforts we wouldn't have this book. Watching Gil for a few years at the University of Wisconsin was a privilege, and I learned a great deal from his example.

Projects like this require lots of time and effort, and my family has graciously allowed me the space to work on it. My wife, DiAnn, has always been a lovely source of inspiration. DiAnn, I love you completely—you continue to thrill me. I also thank our children, Drew, Taylor, Avery, and Brady, for their love and for the wonderful way they help keep my attention where it really needs to be. Finally, I thank God for His blessings and the joy of knowing Him.

Tom J. Brown
Stillwater, Oklahoma

I want to begin by thanking Tom Brown, my dear friend and colleague at Oklahoma State University. You continue to provide a terrific example of doing the right things the right way for the right reasons. I value such an approach and greatly appreciate that you do, too.

Next, I want to thank our colleagues, students, and alumni associated with the Spears School at Oklahoma State and the Collins College at The University of Tulsa. Of particular note is alumnus Dean (it's a name not a title as he told us) Headley. It was Dean's Marketing Research course as an undergraduate student that provided the initial spark of interest in this topic for me. That spark carried through graduate school, the early stages of my career, and then textbook coauthorship. Dean provided us, as undergraduate students, the chance to collect real data for a real firm. That initial opportunity to conduct marketing research is something I pay forward each semester.

Next, I want to thank a variety of people in the academic community who have been rock-solid in their advice, friendship, guidance, and support over the years: David Bednar, Scot Burton, O.C. Ferrell, Charles Futrell, Tom Jensen, Steve Kopp, Dave Kurtz, John Mowen, Alvin Williams, and Alex Zablah. Your experience, insight, and willingness to listen have always been, and will always be, greatly valued. The same is true of Erica Longenbach and Heather Mooney at Cengage Learning. Your patience and perseverance are incredible.

Finally, you don't have to know me very well or talk with me very long before you realize the joy in my life comes from a handful of critically important relationships. To my Lord and Savior, I am blessed beyond measure and thankful beyond belief. To my beautiful bride, Kristen, I love you more today than yesterday. Your support is unwavering. To our terrific daughters, Camille and Emma, I am still in anxious anticipation of the future. I love, cherish, and appreciate all of you.

Tracy A. Suter
Tulsa, Oklahoma

My colleagues at the University of Wisconsin have my thanks for the intellectual stimulation and psychological support they have always provided.

I also wish to thank Janet Christopher, who did most of the typing as well as many other things on earlier editions of this book. She was efficient in her efforts and patient with mine. I also wish to thank students Beth Bubon, Joseph Kuester, Jayashree Mahajan, Jennifer Markkanen, Kay Powers, and David Szymanski for their help with many of the tasks involved in completing this book. I would like to thank the editorial and production staff of Cengage Learning for their professional efforts on my behalf.

Finally, I once again owe a special debt of thanks to my wife, Helen, and our children. Their unyielding support and generous love not only made this book possible but also worth doing in the first place.

Gilbert A. Churchill, Jr.
Madison, Wisconsin

About the Authors

Tom J. Brown is Noble Foundation Chair in Marketing Strategy and professor of marketing in the Spears School of Business at Oklahoma State University. In addition, he serves as Director of the Center for Customer Interface Excellence, also in the Spears School. He received his Ph.D. from the University of Wisconsin-Madison. Professor Brown teaches marketing research and has supervised hundreds of student research projects for industry clients ranging from not-for-profit service organizations to Fortune 500 companies.

Professor Brown is a past recipient of the Sheth Foundation Best Paper Award in the *Journal of the Academy of Marketing Science.* In addition, he received a Richard D. Irwin Foundation Doctoral Dissertation Fellowship while at the University of Wisconsin, the Kenneth D. and Leitner Greiner Teaching Award, and the Regents Distinguished Research Award, both at Oklahoma State University.

Professor Brown's scholarly articles have appeared in a variety of outlets, including *Journal of Marketing Research, Journal of Marketing, Journal of Consumer Research, Journal of the Academy of Marketing Science, Journal of Applied Psychology, Journal of Retailing, Cornell Hotel and Restaurant Administration Quarterly, Journal of Service Research,* and others. His current research interests include organizational frontline research (e.g., customer orientation of frontline employees; customer influences on frontline employees) and causes and effects of corporate associations (e.g., reputation, identity). He is cofounder of the Corporate Associations/Identity Research Group as well as the Organizational Frontlines Research Symposia series. He is active in the American Marketing Association, having co-chaired multiple national conferences, co-hosted the AMA/Sheth Doctoral Consortium, and served as president of the Academic Council. In addition, he actively serves in a leadership role at Sunnybrook Christian Church.

Tracy A. Suter received his Ph.D. from the University of Arkansas. Prior to joining the management and marketing faculty at The University of Tulsa, he served as a faculty member in the Department of Marketing and School of Entrepreneurship at Oklahoma State University and as a marketing faculty at the University of Southern Mississippi. Professor Suter teaches a wide range of courses with emphasis on marketing research and applied creativity. Each semester undergraduate marketing research students complete real-world research projects for area for-profit and not-for-profit firms under his guidance. These service-learning projects now number in the hundreds completed.

Professor Suter's research interests include public policy, the use of new technologies in marketing, and consumer-to-consumer communities. He has published in journals such as the *Journal of Business Research, Journal of Public Policy & Marketing,* and *Journal of Retailing* among many others. He also serves on two editorial review boards of academic journals and is a frequent reviewer for other journals and conferences.

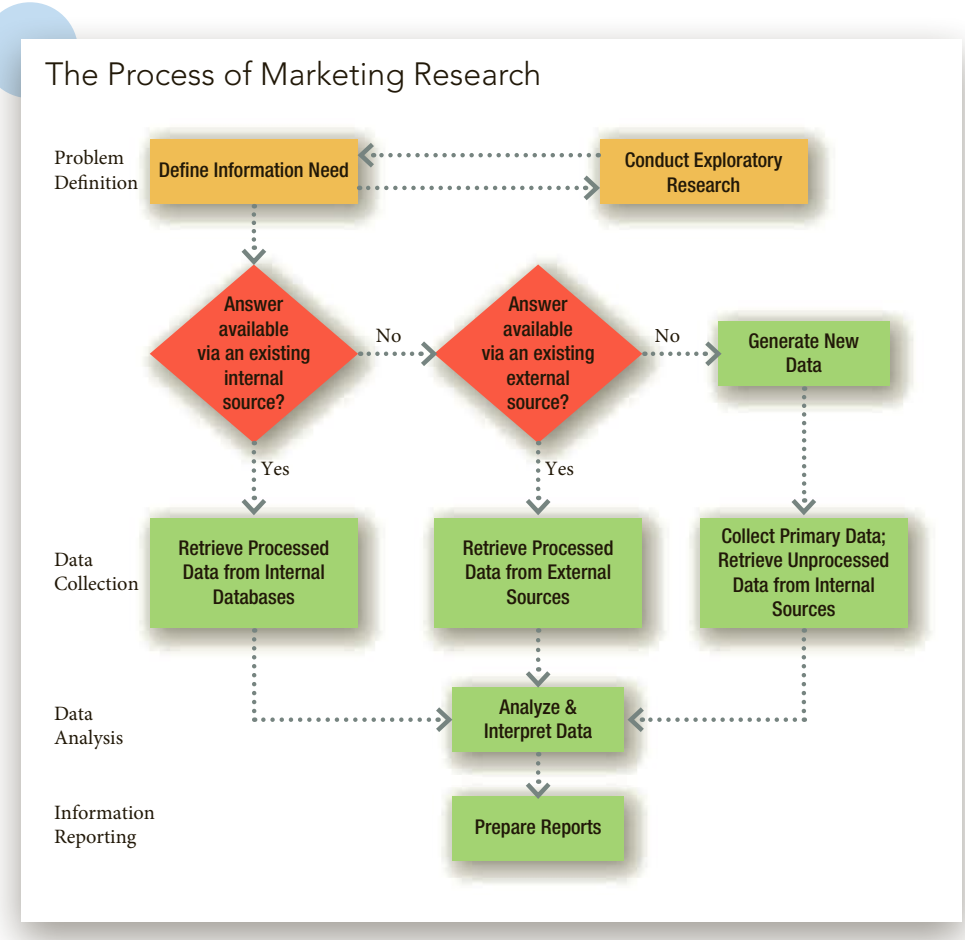
Professor Suter is currently the first holder of the David and Leslie Lawson Chair at Tulsa and is the former Daniel White Jordan Chair at Oklahoma State. He has received numerous awards for both research and teaching activities including the University of Arkansas Award for Excellence in Teaching, the Sherwin-Williams Distinguished Teaching Competition Award given by the Society for Marketing Advances, and the Kenneth D. and Leitner Greiner Outstanding Teaching, Regents Distinguished Teaching, and President's Outstanding Faculty Awards, all at Oklahoma State University. Tracy is frequently asked to speak to doctoral students and other academic groups about teaching excellence.

Gilbert A. Churchill, Jr., received his D.B.A. from Indiana University in 1966 and joined the University of Wisconsin faculty upon graduation. Professor Churchill was named Distinguished Marketing Educator by the American Marketing Association in 1986, the second individual so honored. This lifetime achievement award recognizes and honors a living marketing educator for distinguished service and outstanding contributions in the field

of marketing education. Professor Churchill was also awarded the Academy of Marketing Science's lifetime achievement award in 1993 for his significant scholarly contributions. In 1996, he received the Paul D. Converse Award, which is given to the most influential marketing scholars, as judged by a national jury drawn from universities, businesses, and government. Also in 1996, the Marketing Research Group of the American Marketing Association established the Gilbert A. Churchill, Jr., lifetime achievement award, which is to be given each year to a person judged to have made significant lifetime contributions to marketing research. In 2002, he received the Charles Coolidge Parlin lifetime achievement award from the American Marketing Association for his substantial contributions to the ongoing advancement of marketing research practice.

Dr. Churchill is a past recipient of the yearly William O'Dell Award for an outstanding article in the *Journal of Marketing Research*. He has also been a finalist for the award five additional times. He is a co-author of the most and third-most influential articles of the past century in sales management, as judged by a panel of experts in the field. His articles have appeared in such publications as the *Journal of Marketing Research, Journal of Marketing, Journal of Consumer Research, Journal of Retailing, Journal of Business Research, Decision Sciences, Technometrics, and Organizational Behavior and Human Performance.*

In addition to *Basic Marketing Research,* Professor Churchill is the coauthor of several other books, including *Marketing Research: Methodological Foundations,* 11th ed. (Mason, OH: Southwestern, 2015); *Marketing: Creating Value for Customers,* 2nd ed. (Burr Ridge, IL: Irwin/McGraw-Hill, 1998); *Sales Force Management: Planning, Implementation, and Control,* 6th ed. (Burr Ridge, IL: Irwin/McGraw-Hill, 2000); and *Sales force Performance* (Lexington, MA: Lexington Books, 1984). He is a former editor of the *Journal ofMarketing Research* and has served on the editorial boards of the *Journal of Marketing Research* and *Journal of Marketing,* among others. Professor Churchill is a past recipient of the Lawrence J. Larson Excellence in Teaching Award.



Basic Marketing Research

Customer Insights and Managerial Action

Introduction to Marketing Research and Problem Definition

1 The Role of Marketing Research
2 The Research Process and Ethical Concerns
3 Problem Formulation
4 Exploratory Research

Working With Existing Information to Solve Problems

5 Decision Support Systems: Introduction
6 Decision Support Systems: Working With "Big Data"
7 Using External Secondary Data

Collecting Primary Data to Solve Problems

8 Conducting Causal Research
9 Collecting Descriptive Primary Data
10 Collecting Data by Observation
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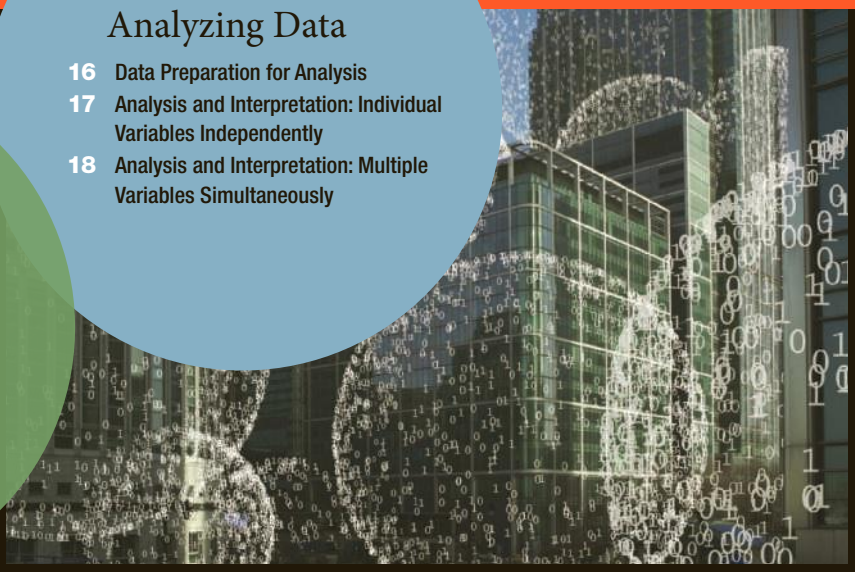
19 The Oral Research Presentation
20 The Written Research Report



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Part 1

Introduction to Marketing Research and Problem Definition

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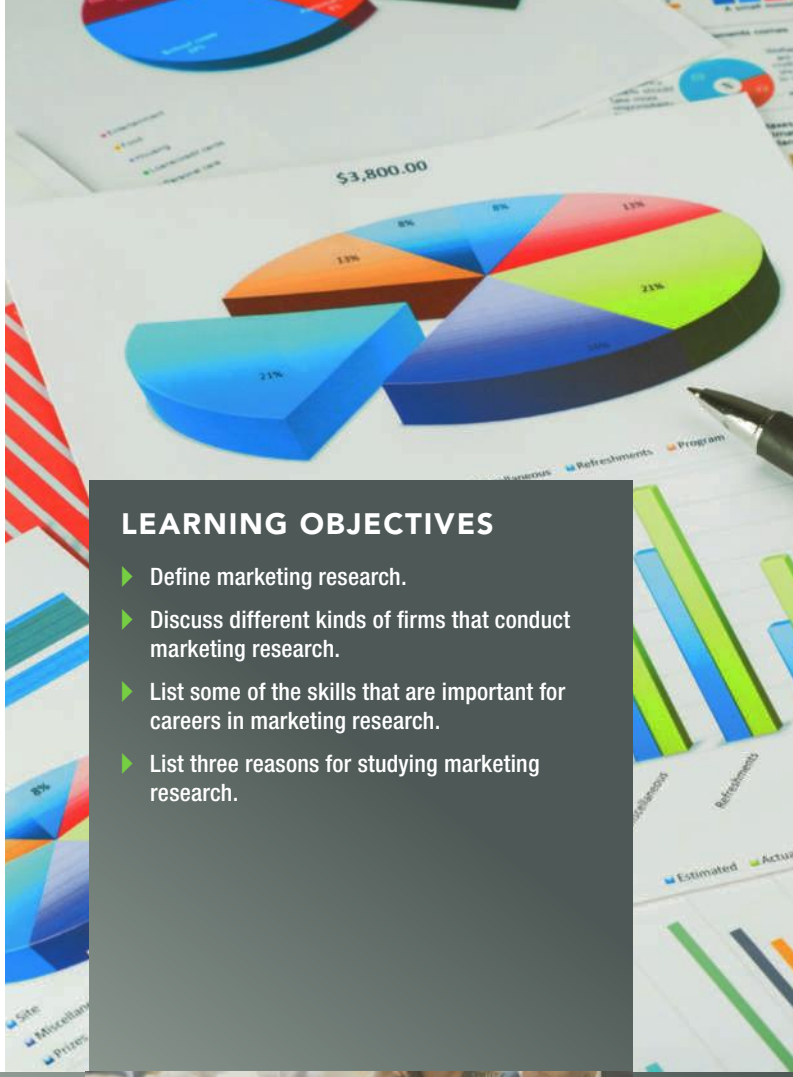
CHAPTER 1

The Role of Marketing Research



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LEARNING OBJECTIVES

- Define marketing research.
- Discuss different kinds of firms that conduct marketing research.
- List some of the skills that are important for careers in marketing research.
- List three reasons for studying marketing research.

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[INTRODUCTION]

Marketing research is a much broader and more common activity than many people realize. Most of us have completed online surveys, filled out questionnaires, or participated in other obvious forms of marketing research. Did you know, however, that using social media, activating location services on your phone, or visiting web sites also makes you a participant in the ever-expanding world of marketing research? In this book, we'll present a variety of examples of how marketing research is being used to improve the marketing process for companies—and for their customers. And modern marketing research isn't just for large organizations with deep pockets. Sophisticated technologies are becoming broadly available, and the cost of conducting useful marketing research is now within the reach of almost any company. A word of caution, however: Things are advancing so rapidly that, by the time you read this, even more new and exciting approaches to gathering and using data will have hit the scene. This is an exciting time for information detectives—and we are delighted to be able to offer you a guided tour through the basics of the marketing research process.

Before we get started, we'd like to establish an important ground rule. The tools we teach should be used in ways that ultimately help deliver satisfactory products, services, and experiences to your customers. You've probably heard that marketing is about creating exchanges between individuals or firms that leave both sides better

off than if no exchange had occurred. We believe strongly in this principle. Marketing is an honorable, worthy endeavor when this principle guides your efforts, including your efforts to better understand your customers and the marketplace.

OK, let's get started. In this chapter, we introduce the broad role of marketing research within a company or organization. In addition, we identify different types of companies that conduct marketing research, briefly discuss job opportunities in marketing research, and present three important reasons that individuals across a wide range of industries should develop a working knowledge of marketing research.

1-1 The Problem: Marketers Need Information

All businesses or organizations share a common problem: They need information in order to develop and deliver products and/or services that can satisfy their customers' needs. Consider the following examples.[1]

Example *Electronic Arts (EA) partnered with A/B testing company Optimizely on the latest release of EA's popular SimCity game. EA had various options for the placement, color, and display of a direct promotional discount on the preorder webpage of the game. Optimizely also included an option that removed the promotional offer altogether. Counterintuitively, the preorder page with no discount, an option EA had not previously considered, drove 43% more purchases than all other tested options. In total EA sold 1.6 million copies of SimCity, and about half were digital downloads.*

Example *City blocks on geographical maps often define neighborhoods and retail districts within a city. But what about the areas where people gather regardless of residential versus commercial zoning distinctions? The Livehoods Project at Carnegie Mellon University looks to understand the hidden structures of cities by analyzing social media services like tweets and check-ins. The restaurants, shops, and music stages define an area where people hang out instead of a Census tract or map. The outcome is locations within a city that have social meaning to its residents instead of mere municipal borders.*

Example *The Weather Channel uses television, its web site, and mobile apps to provide viewers with important weather forecasts and other content, such as road conditions and health information for allergy sufferers. It was interested in working with third-party publishers and advertisers to determine how changes in weather impact consumer buying decisions, especially apparel, food, and seasonal offerings. Partnering with Qualtrics, a web-based research and survey design firm, The Weather Channel was able to design research studies that provided real-time geographic, behavioral, and weather-related data directly to advertisers. In turn, these advertisers were able to determine the types of content that were most relevant to The Weather Channel's audience.*

Example *Researchers from Procter & Gamble (P&G) conducted home visits in more than 100 Vietnamese homes. Among other things, the researchers found new uses for some of their existing brands. For example, the company now promotes Ambi Pur (sold in the United States as Febreze) as a deodorant for motorbike helmets. The need for such a product intensified a few years ago when helmet usage became mandatory in Vietnam, a very humid country in which motorbikes are a key form of transportation.*

Example *Sanofi-Avantis is a large pharmaceuticals company headquartered in Paris. Working with existing data on pregnant women in developing countries, their director of vaccine operations in Southeast Asia discovered that midwives had become an important element in the distribution channel for infant vaccines.*

Example *John Deere tractor sales took off internationally due in part to the introduction of the 8R tractor line. To guide the development of the new tractor, the company interviewed growers from around the world. The resulting tractor was highly versatile, with more than 7,800 different configurations sold. After introducing the new line, the company began interviewing its customers—1,500 of them—as it began to work on the next new line of tractors.*

As these examples illustrate, different companies need different kinds of information, and the information they need can be gathered in diverse ways. Salespeople use the results of marketing research studies to help sell their products. Politicians use marketing research in the form of polling data to plan campaign strategies. Media companies use research to better understand their readers/viewers so that they can sell advertising spots to other companies. Even churches use marketing research to determine when to hold services. The point is that marketing research is an essential activity that can take many forms, but its basic function is to gather information that is needed to help managers make better decisions.

As we emphasized earlier, the goal of marketing is to create exchanges with customers that satisfy the needs of both the customer and the marketer. Marketing managers generally focus their efforts on several key elements—the product or service, its price, its placement or the channels in which it is distributed, its promotion, the tangible elements at the point of contact, and the processes and people involved in making the exchange or delivering the service. The goal is to develop a marketing strategy that combines the marketing mix elements so that customers are satisfied and the organization stays in business over the long run.

The goal of marketing is to create exchanges with customers that satisfy the needs of both the customer and the marketer.

Many factors in the marketing environment affect the success of the marketing effort. Unfortunately, many of these factors are not under the marketer's control, including other social actors (competitors, suppliers, governmental agencies, customers themselves, and so on) and societal trends in the external environment (economic, political and legal, social, natural, technological, and competitive trends; see Exhibit 1.1). As a result, marketing managers have an urgent need for information—and marketing research is responsible for providing it. Marketing research is the firm's formal communication link with the environment. More formally, **marketing research** is the process of gathering and interpreting data for use in developing, implementing, and monitoring the firm's marketing plans.

marketing research The process of gathering and interpreting data for use in developing, implementing, and monitoring the firm's marketing plans.

Marketing research is involved with all phases of the information management process, including (1) specifying what information is needed, (2) gathering the relevant data from internal and external sources, (3) analyzing and interpreting the data, and (4) communicating the results to the appropriate audiences. In fact, we use these stages as the general outline of this book.

Another way of looking at the function of marketing research, however, is to consider how management uses it. Some marketing research is used for planning, some for problem solving, and some for control. When used for planning, it deals largely with determining which marketing opportunities are worthwhile and which are not. Also, when good opportunities are uncovered, marketing research provides estimates of their size and scope to help managers allocate resources correctly. Problem-solving marketing research tends to focus on tactical decisions with respect to the elements of the marketing mix. Control-oriented marketing research helps management isolate trouble spots and generally monitor ongoing operations. Exhibit 1.2 provides a general list of the kinds of questions marketing research can address with regard to planning, problem solving, and control decisions.

Solid marketing research is becoming increasingly important as the world continues as a global economy. That's why companies as diverse as P&G and John Deere have invested heavily in research in international markets. For example, marketing research helped McDonald's adjust its positioning as attitudes toward the company changed in the United Kingdom. When the company first crossed the Atlantic in the mid-1970s, customers appreciated its American origins and the novelty of fast, efficiently prepared food. The company's

Exhibit 1.1 ▶ The Environments Affecting Marketing

Exhibit 1.2 ▶ Examples of Questions Marketing Research Can Help Answer

I. Planning
   A. What kinds of people buy our products? Where do they live? How much do they earn? How many of them are there?
   B. Are the markets for our existing products increasing or decreasing? Are there promising markets that we have not yet reached?
   C. Do our customers have other needs that we can meet? What new products or services can we develop to meet these needs?
   D. Are the channels of distribution for our products changing? Are new types of marketing institutions likely to evolve?

II. Problem Solving
   A. Product
      1. Which of various product designs is likely to be the most successful?
      2. What kind of packaging should we use?
   B. Price
      1. What price should we charge for our products?
      2. As production costs decline, should we lower our prices or try to develop higher-quality products?
   C. Place
      1. Where, and by whom, should our products be sold?
      2. How should we design our online store?
   D. Promotion
      1. How much should we spend on promotion? How should it be allocated to products and to geographic areas?
      2. What combination of media—newspapers, radio, television, magazines, the Internet—should we use?

III. Control
   A. What is our market share overall? In each geographic area? By each customer type?
   B. Are customers satisfied with our products? How is our record for service? Are there many returns?
   C. How does the public perceive our company? What is our reputation with the trade?
   D. How do our products compare with direct competitors?

first UK ad slogan announced, "There's a difference at McDonald's you'll enjoy." Within a few years, however, research showed that UK consumers were describing McDonald's as inflexible and arrogant—a negative take on the efficiency that consumers associated with the company's American heritage. As a result, McDonald's adjusted its ad campaigns to use softer messages depicting McDonald's at the center of UK family life. During 2015, 3.7 million people per day visited a McDonald's restaurant in the United Kingdom.[2]

1-2 Who Does Marketing Research?

Although individuals and organizations have practiced marketing research for centuries—the need for information has always existed—the formal practice of marketing research can be traced to 1879. That is the year when advertising agency N. W. Ayer & Son collected data on expected grain production from state officials and publishers across the United States for a client who produced agricultural machinery. The agency constructed a crude market survey by states and counties; this was probably the first real instance of marketing research in the United States.[3]

The Curtis Publishing Company is generally given credit for establishing the first formal marketing research department back in 1911. The Nielsen Company, still a world leader in the marketing research industry, began operation in 1923. The notion of marketing research as an important business function really took off around the end of World War II as competition for customers heightened.

Today, three major categories of firms conduct marketing research: (1) producers of products and services, (2) advertising agencies, and (3) marketing research companies.

Manager's Focus

No matter what type of organization completes a marketing research project—internal researchers of a product/service producer or external researchers at an advertising agency or research company—it is always seeking to meet the information needs of marketing managers. The quality of the organization's work will have a direct effect on the integrity of the marketing intelligence available to managers. Managers sometimes fail to realize the roles they play that significantly influence the quality of the work researchers perform on their behalf.

As a future marketing manager, how will your behavior affect the quality of marketing researchers' work? Think carefully about that question for a moment. What could you do for researchers to enhance their efforts? What behaviors on your part might limit or hinder the performance of quality marketing research?

One key role is informational in nature. To serve your needs well, researchers will need to fully understand your marketing situation. Put simply, they need to know what you already know. Who are your target customers? What is your marketing strategy? What are your competitors doing? What has been learned through prior marketing research studies or other market intelligence-gathering activities? What decisions are being considered now? What issues are unclear to you now? Under what political constraints are you operating within your organization? What failures and successes have occurred in the past?

Managers are often reluctant to admit what they don't know or how their efforts have failed in the past, but disclosure of these various types of information can have a profound impact on researchers' abilities to tailor their work to address managers' unique needs. In other words, successful marketing research depends on a series of information exchanges between researchers and managers (many other such exchanges will be discussed in later Manager's Focus sections). For this to occur, managers and researchers must develop relationships based on trust and mutual respect. By developing expertise in marketing research in this course, you will be better prepared to develop and nurture these essential relationships in your future career as a manager.

1-2a COMPANIES THAT PRODUCE OR SELL PRODUCTS AND SERVICES

Marketing research began to grow significantly when firms found they could no longer sell all they could produce. Instead, they had to gauge market needs and produce accordingly. Marketing research was called on to estimate these needs. As consumers began to have more choices in the marketplace, marketing began to assume a more dominant role and production a less important one. The marketing concept emerged and along with it a reorganization of the marketing effort. Many marketing research departments were born in these reorganizations.

Although some companies choose to outsource marketing research (and some choose to ignore it altogether, unfortunately), many firms have one or more people assigned specifically to marketing research. Marketing research departments are common among industrial and consumer manufacturing companies. These companies conduct research designed to develop and market the products they manufacture. For example, companies such as the Goodyear Tire and Rubber Company, Kraft Foods, The Hershey Company, and the Oscar Meyer Company have their own marketing research departments.

Other types of companies also have marketing research departments. Publishers and broadcasters, for example, do a good deal of research. They attempt to measure the size of the market reached by their message and construct a demographic profile of this audience. These data are then used to sell advertising space or time. Digitally focused companies such as Microsoft and Google run large internal research departments. Large retailers such as Walmart and JC Penney have operated marketing research departments to gather information about consumer preferences, store image, and the like. Financial institutions such as banks and brokerage houses do research involving forecasting, measurement of market potentials, determination of market characteristics, market-share analyses, sales analyses, location analyses, and product-mix studies. For example, one major home mortgage lender wanted to understand how to best serve first-time home buyers. The research team conducted one-on-one interviews followed by concept tests that allowed the company to better understand the needs of these buyers.

Many firms have one or more people assigned specifically to the marketing research activity.

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1-2b ADVERTISING AGENCIES

As you might imagine, advertising agencies often conduct research designed to help create effective advertising campaigns and to assess their effectiveness with target audiences. They might test alternative approaches to the wording or art used in an ad or investigate the effectiveness of a particular celebrity spokesperson. Much agency research is aimed at gauging consumer awareness of brands during and after advertising campaigns. Many agencies also do marketing research for their clients to determine the market potential of a proposed new product or the client's market share.

Ad agencies sometimes conduct research to better understand consumer interests and behaviors in order to serve their corporate clients. For example, when Boden, a UK-based clothing company with annual sales of $500 million, sought to enter the crowded US women's fashion market, it hired AMP, a Boston-based ad agency, to assist. AMP took a two-phased research approach. First, AMP sought to thoroughly understand the drivers and motivations of women's purchase decisions and emotional connection to Boden via exploratory research. Second, AMP conducted a national online survey to assess the current state of Boden's brand, including perceptions, purchase intent, and likelihood to recommend among other things. Taken together, these two studies led to creative strategies and media recommendations far beyond Boden's traditional catalog-driven approach. The subsequent Splash of Happy campaign saw a 71% increase in brand awareness and a sales increase of 8% year over year.[4]

1-2c MARKETING RESEARCH COMPANIES

Many companies specialize in conducting marketing research. In the United States, marketing research is an $11.2 billion industry—that's about $35 spent on research each year for every man, woman, and child in the United States.[5] Worldwide, total revenues for the marketing research industry exceed **$22.5** billion.[6] (And these numbers don't reflect the research done by producers and advertising agencies.)

Most marketing research firms are relatively small organizations, but they can have a large influence on the companies that hire them. As an example, consider H^{2}R Market Research located in Springfield, Missouri. The company does a tremendous amount of research for the Herschend Family Entertainment (HFE) Corporation, which owns or manages theme parks and tourist attractions across the United States, including Dollywood (Pigeon Forge, Tennessee) and Silver Dollar City (Branson, Missouri). Research Window 1.1 presents an overview of the kinds of research H^{2}R Market Research conducts for HFE.

research window 1.1

Marketing Research at Herschend Family Entertainment Properties

H^{2}R Market Research conducts the research for each of the properties owned or managed by Herschend Family Entertainment (HFE) Corporation across the United States, including the Silver Dollar City, Dollywood, and Wild Adventures theme parks. H^{2}R Market Research uses one of the most comprehensive databases of primary and secondary entertainment-related research in the entertainment industry. This library of guest, theme

(*continued*)

research window 1.1 (*continued*)

park, tourism, and consumer information is largely the foundation of HFE's long-term strategic plans and marketing strategies.

Guest Research, Profiling, Analysis, and Consumer Insights H²R has an ongoing, in-house guest survey program designed to gather customer demographics, geographic origin, behavior, and level of satisfaction. These surveys are conducted in person, by telephone, or over the Internet. H²R processes, analyzes, and produces reports on the resulting database of guest information seasonally and by customer segment. In addition to measuring each customer segment's size and attendance trends, the company also uses this information to analyze the impact of capital additions and the economic impact by customer segment. Likewise, in an effort to understand guests' needs and wants on a much deeper level, H²R Market Research uses a variety of qualitative and quantitative methodologies designed to discern guests' functional and emotional needs. This enables each of the HFE properties to better predict the impact of market and marketing changes, in addition to helping them better connect with consumers.

Market Area Research, Profiling, and Analysis H²R also regularly conducts research designed to provide insights about the geographic area in which each of the properties is located. Among other things, such research identifies destination trends and provides a better understanding of the types of tourists who are visiting the area but *not* visiting the HFE properties. The information gathered includes general tourist demographic profiles, visitor counts, resident market size and demographics, market performance, and census data.

Research and Analysis Designed to Address a Specific Issue In addition to these regularly scheduled research activities, H²R frequently invests in research and analysis designed to answer specific marketing or management questions. For example, these efforts have produced reports with titles such as "Consumer Insights Evaluation," "Estimates of Market Potential," "New Product Concept Evaluations," "Assessment of the Bluegrass and BBQ Festival Visitor," and "Guest Psychographic Profiles Assessed Using PRIZM." The results of such studies led to the introduction of The Grand Exposition section of the Silver Dollar City theme park. According to Brad Thomas, the general manager, "In conducting extensive research with moms, they told us they want more rides they can ride together as a family. So instead of adding one new major ride, we decided to add 10 new family rides that bring the park's ride capacity up more than 50 percent." The results of these types of studies have led to the creation and development of most new shows and attractions added at Silver Dollar City over the past five years.

Competitive Research Competitive research is another avenue of research for H²R. The company monitors both local competition and competitive destinations and has developed a large database of top-50 theme park information. This database includes theme park attendance history, pricing history, history of capital additions and estimated capital investments, overnight domestic leisure visitors to each park's home market, resident population, resident income, resident age, year the park opened, size of the park, number of coasters installed, and other variables. The information is used to estimate the influence of these types of factors on park attendance. For example, Dollywood might want to determine the relationship between the length of a roller coaster, the number of roller coasters at a park, or the overall size of the park on theme park attendance. Using such information can help H²R provide better insight to decision makers within the property concerning the design and layout of the park.

Other Research and Statistical Analysis Other research and analysis activities that are frequently used include lifetime value analysis, factor analysis, hierarchical cluster analysis, discriminant analysis, and regression forecasting models. Such statistical analyses help in the understanding of the potential value (or lack thereof) of specific customer segments or market programs being considered.

Tracking Consumer and Leisure Trends

H²R closely monitors trends from a variety of industries in an effort to evolve with their customers' changing needs, wants, and behaviors. The company tracks things as demographic and behavioral trends of guests,

guests' ages, party composition, last visit, incomes, and attendance at other Herschend Family Entertainment properties. Such changes influence the creation of future strategic decisions and marketing plans.

Consumer trends are also of great concern. H²R tracks changes in social, demographic, technological, economic, and commerce trends by reviewing books, periodicals, social media, blogs, and syndicated research studies and by attending conferences on these topics. The company also pays attention to trends in the theme park industry. In addition to the attendance, pricing, and capital trends mentioned above, H²R researches stock prices of publicly traded theme parks, consolidation in the industry, new theme park queue-line technologies being introduced, new types of ride technologies, and marketing promotions.

These are just a few of the trends being followed by H²R for the HFE properties. Literally hundreds of resources are evaluated and analyzed every year for the purpose of determining how such trends might impact the company.

Source: H²R Market Research.

Some marketing research firms are large global companies. Exhibit 1.3 shows the names, home countries, and revenues of the 10 largest marketing research firms in the world. Some firms provide standardized ("syndicated") research; they collect certain information on a regular basis and then sell it to clients. For example, Nielsen provides product-movement data for grocery stores and drugstores as well as a wide variety of data for other types of clients. Syndicated research is not custom designed, except in the limited sense that the firm will perform special analyses for a client from the data it regularly collects. Other firms, though, specialize in custom-designed research. Some of these firms provide only a field service, such as data collection or data analysis, while others are full-service suppliers that help the client with all phases of a project. For example, GfK provides full-service customized research services, conducting studies from start to finish using a range of techniques.

Other organizations that provide or conduct marketing research include government agencies, trade associations, and universities. Government agencies provide much marketing information in the form of published statistics. In fact, the federal government is the largest producer of marketing facts through its various censuses and other

Exhibit 1.3 ▶ The World's 10 Largest Marketing Research Firms

RANK/ORGANIZATION	PARENT COUNTRY	WORLDWIDE RESEARCH REVENUE (U.S. $ IN MILLIONS)
1. Nielsen Holdings N.V.	United States	6,172.0
2. Kantar	United Kingdom	3,710.0
3. IMS Health Inc.	United States	2,921.0
4. Ipsos SA	France	1,980.9
5. GfK SE	Germany	1,712.6
6. IRI	United States	981.0
7. dunnhumby	United Kingdom	970.5
8. Westat	United States	509.6
9. INTAGE Holdings Inc.	Japan	375.7
10. comScore	United States	368.8

Source: Developed from information in (2016, October). The 2016 AMA gold global top 25 report. *Marketing News*, pp. 36–52. This report describes the services provided by the 25 largest global research organizations.

publications. Trade associations often collect and share data gathered from members. Much university-sponsored research of interest to marketers is produced by the marketing faculty or by the bureaus of business research found in many schools of business. Faculty research is often reported in marketing journals, while research bureaus often publish monographs.

1-3 Job Opportunities in Marketing Research

Employment opportunities for those interested in a career in marketing research continue to be good. The U.S. Bureau of Labor Statistics reports that employment for marketing research analysts is expected to grow faster than the average for all occupations—a 19% projected growth rate—through the year 2024.[7] Why? Because the demand for information continues to grow—and so will the demand for individuals who can collect, analyze, and interpret this information.

1-3a TYPES OF JOBS IN MARKETING RESEARCH

A marketing researcher—whether internal or external to the firm—might perform many different kinds of tasks. Depending on whether you work for a producer, an advertising agency, a marketing research firm, or some other type of organization, the type and scope of jobs available can vary greatly. In smaller companies, researchers are likely to be exposed to a greater variety of tasks, simply out of necessity. In larger firms, the work tends to be more specialized for each employee. The responsibilities of a marketing researcher could range from simple analyses of questionnaire responses to the management of a large research department. Research Window 1.2 lists some common job titles with mean (average) compensation for

research window 1.2

Marketing Research Company Job Titles and Mean Compensation

Market Research Company Job Titles	Total Compensation ($)
Owner / Partner	200,206
President / CEO / COO	234,232
Senior Vice President or Vice President	176,926
Director of Research	114,000
Group Head / Manager	102,080
Senior Project Director / Manager	85,493
Project Director / Manager	71,210
Senior Research Analyst	67,859
Research Analyst	52,938
Statistician	86,556
Business Development	111,929
Senior Research Associate	66,794
Research Associate	50,542
Field Manager / Director	77,476
Field Associate	47,833
Facility Manager	59,800
Marketing / Communication Manager	87,900
Business Development / Sales Director	118,457
Sales / Account Representative	123,735
Administrator / Coordinator	40,000
Other	83,042

Source: (2016). Market research salaries by job title. *Quirk's Marketing Research Review*. Retrieved from www.quirks.com. Compensation data in the table are based on the responses of 1,496 marketing research company employees who subscribe to Quirk's in an online survey conducted between May 12 and June 9, 2015.

marketing research company employees based on a recent survey by Quirk's Marketing Research Media.

In consumer goods companies, the typical entry-level position is research analyst, often for a specific brand. While learning the characteristics and details of the industry, the analyst will receive on-the-job training from a research manager. The usual career path for an analyst is to advance to senior analyst, then research supervisor, and on to research manager.

At marketing research companies, the typical entry-level position might be a trainee position, in which the researcher will spend some time conducting interviews, assisting with analyses, or any number of other activities. The goal is to expose trainees to the processes the firm follows so that when they advance in the company, they will be familiar enough with the firm's capabilities to respond intelligently to clients' needs for research information.

The requirements for entering the marketing research field include human relations, communication, conceptual, and analytical skills. Marketing researchers need to be able to interact effectively with others, and they need to be good communicators—both orally and in writing. They need to understand business in general and marketing processes in particular. When dealing with brand, advertising, sales, or other types of managers, they need to have some understanding of the issues facing these managers. Marketing researchers also should have basic numerical and statistical skills: they must be comfortable with numbers and with the techniques of marketing research. And as companies begin to work with the increasingly larger datasets that are rapidly becoming available, there will be an increasing demand for analysts capable of working with the technologies required to capture, store, and analyze these data.

For marketing researchers working for producers, it is not uncommon to switch from research to product or brand management at some point in the career path. One advantage these employees possess is that after working so closely with marketing intelligence, they often know more about the customers, the industry, and the competitors than anyone else in the company with the same years of experience. Note, though, that to make this switch, you'll need to develop more knowledge about marketing and business in general than those who plan to focus exclusively on marketing research.

Successful marketing researchers tend to be proactive rather than reactive. That is, they tend to identify and lead the direction in which the individual studies and overall programs will go, rather than simply responding to explicit requests for information. Successful marketing researchers realize that marketing research is conducted for one primary reason—to help managers make better marketing decisions.

1-4 Why Study Marketing Research?

Most business schools offer courses in marketing research, and many require students who are completing majors in marketing to take a marketing-research course. Why?

There are at least three important reasons for a business student to be exposed to marketing research training. First, some students will discover that marketing research can be rewarding and fun. For these students, initial training in how to be an "information detective" may lead to a career in marketing research. These students usually develop an immediate appreciation for the power and responsibility involved in taking preexisting or new data and converting them into information that can be used by marketing managers to make important decisions. Thus, for some students at least, the study of marketing research will be directly relevant to their careers.

Most students will not go on to careers in marketing research; why should they study the topic? We are all consumers of marketing and public opinion research on an almost daily basis. The second important reason for studying marketing research, therefore, is to learn to be a *smart* consumer of marketing research results. Businesspeople are increasingly exposed to research results, usually by someone trying to convince them to do something. Suppliers use research to promote the virtues of their particular products and services; advertising agencies use research to encourage a company to promote a product in particular media vehicles; product managers inside a firm use research to demonstrate the likely demand for the products they are developing to get further funding. Effective managers, however, do not take research results at face value but instead ask the right questions to determine the likely validity of the results.

A third key reason for studying marketing research is to gain an appreciation of the process—what it can and cannot do. As a manager, you will need to know what to expect marketing research to be able to deliver. The process of gathering data and generating information is full of opportunities for error to slip into the results. Thus, no research is perfect, and managers must take this into account when making decisions. Managers also need to understand what they are asking of researchers when requesting marketing research. The process is detailed, time consuming, and requires a lot of thought and effort. As a result, marketing research is costly to an organization and should *not* be undertaken on trivial issues or to support decisions that have already been made.

Summary

Learning Objective 1

Define marketing research.

Marketing research is the process of gathering and interpreting data for use in developing, implementing, and monitoring the firm's marketing plans.

Learning Objective 2

Discuss different kinds of firms that conduct marketing research.

Producers and sellers of products and services often have marketing research departments that gather information relevant to the particular products and services sold and the industry in which they operate.

Advertising agencies often conduct research, primarily to test advertising and measure its effectiveness. Marketing research companies are in business to conduct research; some focus on very specific topics or aspects of the research process, while others are more general in focus.

Learning Objective 3

List some of the skills that are important for careers in marketing research.

Most positions in marketing research require analytical, communication, and human-relations skills. In addition, marketing researchers must be comfortable working with numbers and statistical techniques, and they must be familiar with a great variety of marketing research methods.

Learning Objective 4

List three reasons for studying marketing research.

(1) Some students pursue careers in marketing research; (2) almost everyone is a consumer of marketing research in one way or another and needs to be able to know how to evaluate the likely validity of the research; and (3) managers must understand what marketing research can and cannot do, as well as what is involved in the process of conducting research.

Key Term

marketing research (page 6)

Review Questions

1. **How is marketing research defined? What are the key elements of this definition?**
2. **Who does marketing research? What are the primary kinds of research done by each enterprise?**
3. **Why did marketing research begin to experience real growth after World War II?**
4. **In a large research department, who would be responsible for specifying the objective of a research project? For deciding on specific procedures to be followed? For designing the questionnaire? For analyzing the results? For reporting the results to top management?**
5. **What are the necessary skills for employment in a junior or entry-level marketing research position? Do the skills change as one changes job levels?**
6. **If so, what new skills are necessary at the higher levels?**
7. **Why is it important to study marketing research?**

Endnotes

1. For more information on these examples, see Ha, A. (2013, June 14). Optimizely explains how it boosted SimCity pre-order revenue. *TechCrunch*. Retrieved from http://www.techcrunch.com; Wilson, M. (2012, April 19). A map of your city's invisible neighborhoods, according to foursquare. *Fast Company*. Retrieved from http://www.fastcompany.com; The Weather Channel Qualtrics site intercept case study. Retrieved from http://www.qualtrics.com; (July 9–15, 2012), P&G woos the hearts, minds, and schools of Vietnam. *Bloomberg Businessweek,* pp. 19–21; Dan Briody, D. (2011, September). Big data: Harnessing a game-changing asset. *Economist Intelligence Unit*, 12. Retrieved from http://www.sas.com; Gruley, B., & Singh, S. D. (2012, July 9–12) Big green profit machine. *Bloomberg Businessweek,* 44–49.
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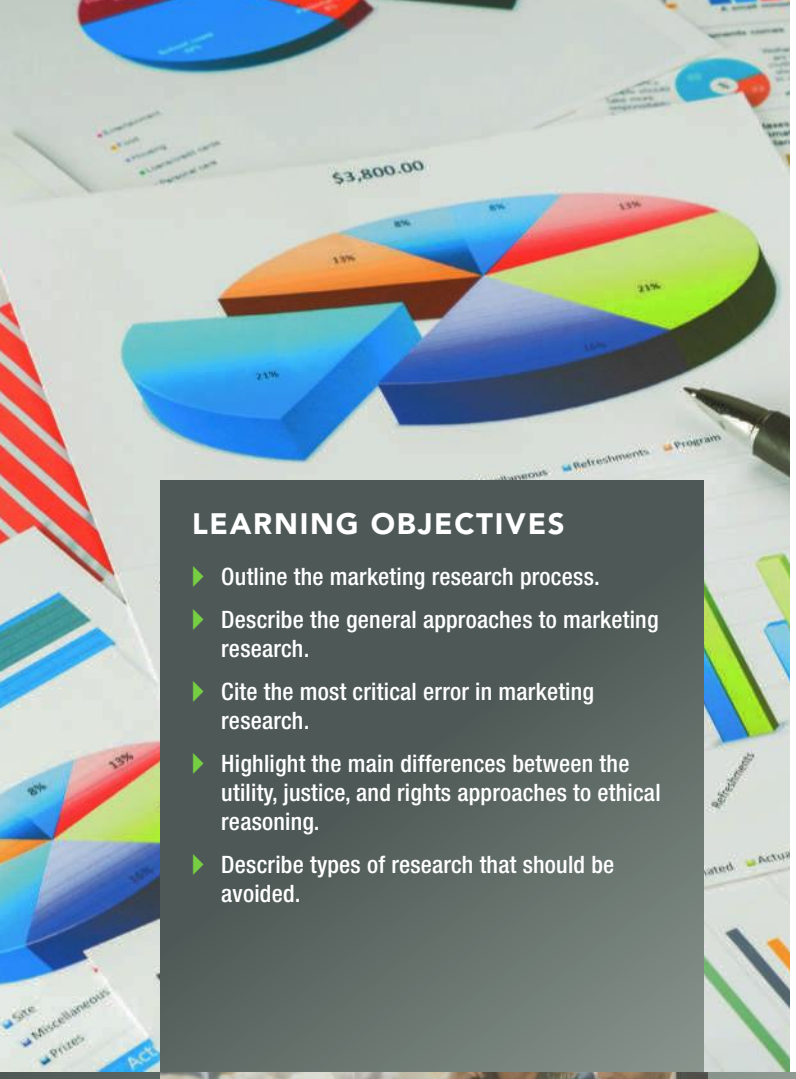

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CHAPTER 2

The Research Process and Ethical Concerns

LEARNING OBJECTIVES

- Outline the marketing research process.
- Describe the general approaches to marketing research.
- Cite the most critical error in marketing research.
- Highlight the main differences between the utility, justice, and rights approaches to ethical reasoning.
- Describe types of research that should be avoided.

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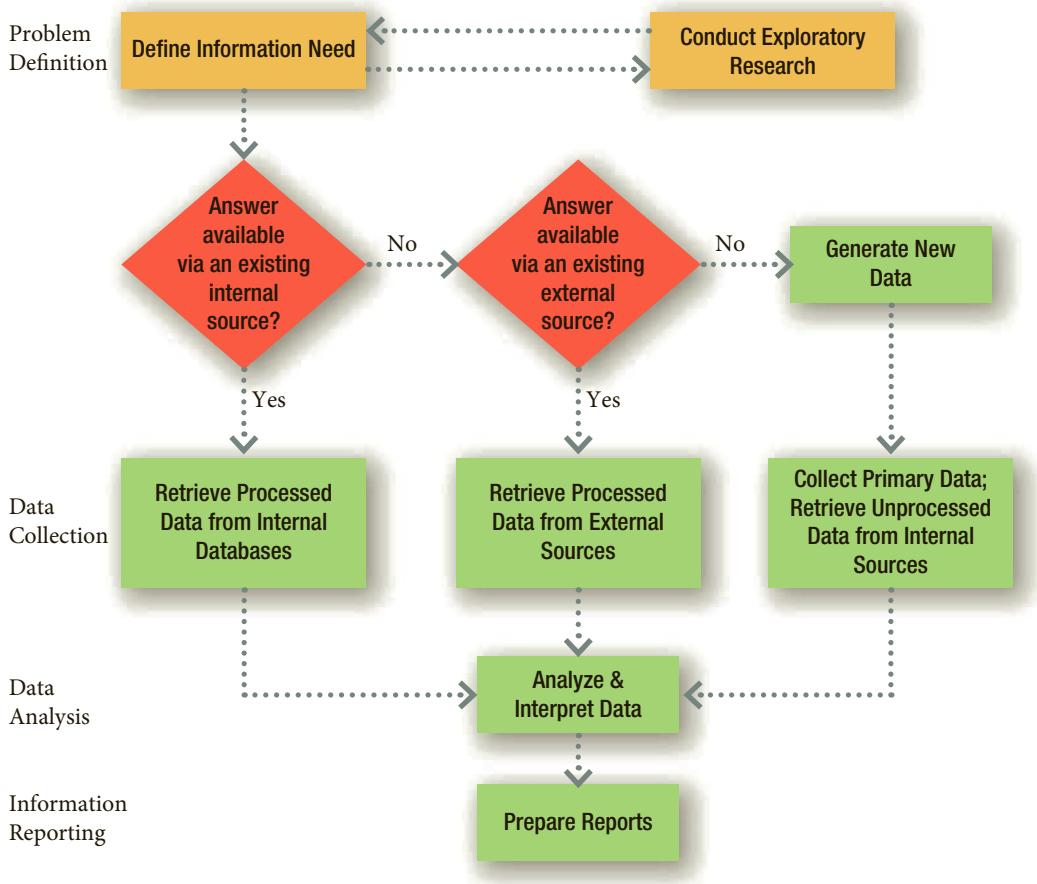
[INTRODUCTION]

Chapter 1 highlighted problems marketing research can be used to solve. It emphasized that marketing research is a firm's communication link with the environment and can help marketing managers in planning, problem solving, and control. Although every company has its own way of using marketing research, in this chapter we describe the general marketing research process (see Exhibit 2.1). As a researcher, sometimes you'll gather and use existing processed data from internal sources. In other cases, you'll gather or purchase the processed data you need from external sources. Other times, however, the data you need won't have been gathered by anyone and it will be your job to collect new-to-the-world data (or maybe to gather unprocessed internal data and turn it into useful information). In all cases, however, there is a general process that managers should follow as they seek information.

2-1 The Marketing Research Process

The marketing research process outlined in Exhibit 2.1 provides an overview of the general sequence of activities undertaken to provide information needed for decision making. Initially, the information need must be carefully defined, a process that often involves exploratory research. The next stage involves capturing the data necessary for satisfying the information need. This can be accomplished by

Exhibit 2.1 ▶ The Marketing Research Process



using existing data from inside or outside the firm or by collecting new data of various types for the problem at hand. Once data capture is complete, the focus shifts to data analysis and interpretation. The final stage in the process involves communicating the results to the appropriate managers so that they can make informed decisions. As you might imagine, researchers deal with many issues in each stage. Exhibit 2.2 lists some of the typical questions needing answers at each stage.

The remaining chapters in this book describe in detail each of the stages in the research process. In this chapter, we provide a quick overview. Let's start with the single most important step in the process, problem definition.

2-1a PROBLEM DEFINITION (CHAPTERS 3 AND 4)

Only when a problem or opportunity has been precisely defined can research be designed to provide the needed information to address it. Part of the process of problem definition includes specifying the manager's *decision problem* and one or more *research problems* to be addressed. You simply can't move further until the decision problem and the research problem(s) can be stated explicitly. Once you've pinned down the problem, you are in position to prepare the *research request agreement,* a document that clearly states the research problem(s) to be addressed in a research project.

If relatively little is known about the phenomenon to be investigated, *exploratory research* is often used to clarify the issues. Typically, exploratory research is used when the problem to be solved is broad or vague. It may involve reviewing published data, interviewing knowledgeable people, conducting focus groups, investigating trade literature that discusses similar cases, analyzing the reams of data held in a company's databases, or any of a variety of other activities. One of the most important characteristics of exploratory research is its flexibility. When you don't know very much about the problem, you rely on intuition and might try several types of exploratory research to get a better grasp on the issues. The most important outcome of exploratory research at this stage is a clear understanding of exactly what information managers need to make important decisions. With this knowledge, researchers and managers can agree on the research request agreement.

Exhibit 2.2 ▶ Questions Typically Addressed at the Various Stages of the Research Process

STAGE IN THE PROCESS	TYPICAL QUESTIONS
Problem Definition	What is the purpose of the study? To solve a problem? Identify an opportunity? Is additional background information necessary? What is the source of the problem (planned change or unplanned change)? Is the research intended to provide information (discovery oriented) or to make a decision (strategy oriented)? What information is needed to make the decision? How will the information be used? Should research be conducted? How much is already known? What type(s) of exploratory research should be conducted to clarify the problem? Can a hypothesis be formulated?
Data Capture	Can existing data be retrieved from internal sources? Has the data been cataloged and organized? Can existing data be retrieved from external sources? What is to be measured? How? What is the source of the data to be collected? Can observation techniques be used to gather data? Should electronic or mechanical means be used to make the observations? Can objective answers be obtained by asking people? How should people be questioned? Should questionnaires be administered in person, over the phone, through the mail, or online? Should structured or unstructured items be used to collect the data? Should the purpose of the study be made known to the respondents? What specific behaviors should be recorded? What criteria define the target population? Is a list of population elements available? Is a probability sample desirable? How large should the sample be? Should insights from the entire population be sought instead? Who will gather the data? How long will the data gathering take?
Data Analysis	Who will handle the editing of the data? How will the data be coded? How will data from different sources be aggregated? What analysis techniques will be used?
Prepare the Research	Who will read the report?
Report (Information Reporting)	What is their technical level of sophistication?
	What is their involvement with the project? Are managerial recommendations called for? What will be the format of the written report? Is an oral report necessary? How should the oral report be structured?

2-1b DATA CAPTURE: EXISTING DATA (CHAPTERS 5 THROUGH 7)

Broadly speaking, there are two ways marketing research gathers marketing intelligence: (1) by collecting data to address specific problems or (2) by putting systems in place that provide marketing intelligence on an ongoing basis. Each approach has its merits; most companies would benefit from using both ways.

Look at the differences between the two approaches this way: Both sources of marketing intelligence illuminate the darkness, but collecting data on specific problems is like a flashlight, while collecting ongoing data is like a candle.[1] A marketing research project can shed intense, focused light on a particular issue at a particular time. In contrast, a continuous marketing information system rarely shows all the details of a particular situation, but its glow is broad and steady.

Much of the data that marketing managers need to make routine decisions may already exist inside a company's databases. Companies with well-developed *decision support systems* (DSS) might routinely track sales of their products by region, salesperson, product line, and any other way they can break it down as a means of determining the success of various marketing plans. And companies are getting much better at finding value within "big data," data sets from sensors placed in products, GPS location data sent by electronic equipment (e.g., cell phones), online searches, social media data, calling center audio recordings, e-mails from customers, and the list goes on. Regardless of the particular internal source, if the information needed to solve a problem is held by the company in processed form (e.g., cataloged, organized), the data are retrieved and prepared for data analysis.

Many times, however, the problem goes beyond the scope of regularly collected internal data. The next step is to consider whether or not the data are available from an existing external source. Such sources might include the government (e.g., census data), trade associations, published sources, or commercial sources—organizations that specialize in collecting and selling third-party data to those who need it. If the external data fit the problem at hand and come from a credible source, you'll probably want to use those data rather than to pay to capture your own data on the topic.

2-1c DATA CAPTURE: PRIMARY DATA (CHAPTERS 8 THROUGH 15)

Sometimes the information you need is specific to a particular issue, and the data you need to address the problem aren't readily available from internal or external sources. In those cases, your job is to collect new-to-the-world data to address the problem. This often means collecting data from customers, prospects, employees, the general public, or any other group that has the information you need. Such new data are usually referred to as primary data. It's also possible that you can create usable information from unprocessed internal data—companies routinely collect and save tons of data even if they don't know how or when they'll use them. Importantly, once you process these data and begin to use them they can become part of your internal databases, available for use as part of the company's decision support system.

Collecting data on specific problems is like a flashlight, while collecting ongoing data is like a candle.

Generating new data is generally a time-consuming, expensive process—that's why the model we presented earlier in Exhibit 2.1 indicates that new data should only be generated if the information cannot be obtained from the company's internal sources or from external sources. Once a problem is well-defined and clearly stated in the research request agreement, descriptive or causal research can be conducted. Sometimes researchers also conduct exploratory research at this stage to further refine the issues at hand. They do this in order to guide descriptive or causal research or to provide richer insights in specific situations.

Causal research uses experiments to identify cause-and-effect relationships between variables. Using test markets to determine which version of a product to offer, which package design to use, which advertising campaign is most effective, which price to charge, and so on are examples of causal research. Many online companies use A/B tests (i.e., simple experiments) to determine the best means of marketing products and services. Although causal research, especially in the online context, is growing in importance, descriptive research is a more common means of gathering primary data for many companies.

As the name suggests, *descriptive research* focuses on describing a population, often emphasizing the frequency with which something occurs or the extent to which two variables are related to one another. There are lots of questions to be answered when conducting descriptive research, including: Should the data be collected by observation or questionnaire? How should these observations be made—personally or electronically? How should the questions be administered—in person, over the telephone, through the mail, or with an online survey?

Once you've settled on the study method, design the actual observation form or questionnaire for the project. Suppose you decide to use a questionnaire. Should it include a fixed set of questions and alternative answers, or should the responses be open ended to allow respondents to reply in their own words? Should the purpose be made clear to the respondents, or should the study objectives be disguised? Should some type of rating scale be used? What type?

After determining how the needed information will be collected, decide what group will be observed or questioned. Depending on the study, the *population* might be preschoolers, sports car drivers, Pennsylvanians, or tennis players. The particular subset of the population chosen for study is known as a *sample.* In designing the sample, you must specify (1) the *sampling frame,* which is the list of population elements from which the sample will be drawn; (2) the type of sampling plan to be used; and (3) the sample size. There are two basic types of sampling plans. In a *probability sample,* which is the preferred category, each member of the population has a known, nonzero chance

Manager's Focus

In this chapter, we provide a road map of what you will be studying throughout the remainder of this book. Later chapters will place strong emphasis on issues that should be considered when designing projects and the steps researchers must complete to perform quality research. At this point, we simply want to remind you of why it is essential for you as a marketing manager to have a strong background in these areas. Without this knowledge, you will be completely dependent on the recommendations of others as you attempt to evaluate proposed research projects and the quality of the information produced by completed studies. *In other words, you will be placing your career in the hands of others—a risky proposition at best.* Armed with research expertise, however, you will be a formidable force in the marketing efforts of your organization. You will be an effective independent consumer of research services and an invaluable sounding board as research providers seek feedback on the methods they propose using on your behalf. In an information-driven marketplace, managers who comprehend the role of marketing research and the limitations and strengths of the information generated by different techniques are indispensable to an organization.

of being selected. This allows us to determine, at a certain margin of sampling error, what would have been true for the whole population if we had information from or about all elements. With a *nonprobability sample,* however, the researchers choose, in one way or another, which individuals or groups will be part of the study. The results apply only to the sample—they can't safely be projected to the population.

2-1d DATA ANALYSIS (CHAPTERS 16 THROUGH 18)

You might retrieve a mountain of existing internal or external data or collect primary data from many thousands of respondents, but those data are useless unless you analyze and interpret them correctly in light of the problem at hand. Data analysis generally involves several steps. For new data gathered by asking people questions, individual responses must be scanned to be sure that they are complete and consistent and that the instructions were followed. This process is called *editing.* After being edited, the responses must be *coded,* which involves assigning numbers to each of the answers so that they can be analyzed by a computer. When data involve observations of behavior over time (e.g., purchases of a product based on scanner data), decisions must be made about appropriate time units for *aggregation*. There is also the issue of *merging* data when they come from different sources. Once the data have been edited, coded, aggregated, and/or merged, they are ready to be analyzed.

Most analysis is quite straightforward, involving frequency counts (i.e., how many people answered a question a particular way, often reported as a percentage) or simple descriptive statistics (e.g., means and standard deviations). Sometimes the research calls for cross-tabulation, which allows a deeper look at the data by looking for differences or relationships across groups. Suppose, for instance, that researchers asked women if they have purchased a certain new cosmetic. The responses (i.e., percentage who have purchased) may be cross-classified by age group, income level, and so forth. We give you enough information about these and other kinds of analyses so that you can use a statistics software package to produce your own analyses.

2-1e INFORMATION REPORTING (CHAPTERS 19 AND 20)

The written research report is the document you'll submit to management that summarizes your research results and conclusions. This is all that many executives will see of the research effort, and it becomes the standard by which the research is judged. Thus, the research report must be clear and accurate because no matter how well you've performed all the previous steps in the research, the project will be no more successful than the research report. In addition, in many cases you'll get the opportunity to do a research presentation as well. This is really important: The written research report and oral presentation are critical to whether or not the research ultimately will be used.

2-1f THE GOAL: MINIMIZE TOTAL ERROR

There is one more thing to consider about the research process we've outlined. No one has ever designed a perfect decision support system or conducted a perfect marketing research project (especially when it comes to collecting new primary data). Even the best projects contain error of one kind or another; it can enter at any stage of the process. The goal is to minimize total error in the marketing research process, not any particular type. It's really dangerous to focus on just one or two kinds of error and forget

Exhibit 2.3 ▶ Questionable Ethical Decision Making in Marketing Research

- A promotions company hired by an automobile dealership sent letters to local residents inviting them to a special "market test" at the dealership the following weekend. Recipients were led to believe that their help was needed for research purposes. Inquiries with the dealership and the promotions company eventually revealed that the only "research" being conducted involved how many people they could get into the dealership to take a test drive and—they hoped—buy a car. An employee of the promotions company admitted that they do this because it works.
- A few years ago, a well-known soft drink company was feeling pressure to increase sales. Its managers decided to focus on bumping up sales through the Burger King restaurant chain. Managers at Burger King were willing to sponsor a multimillion-dollar promotion for one of the soft drink company's new products if a two-week market test indicated that a sales promotion effort was effective at increasing sales of value meals in a particular market. Results for the first week were not good—and unless the test results improved substantially, Burger King indicated that it wouldn't go forward with a planned national promotion of the new product. Representatives from the soft drink company proceeded to give $9,000 in cash to kids' clubs and other nonprofits in the market to be used to buy hundreds of value meals. These behind-the-scenes efforts added enough value meals to the total consumed in the test market to help convince Burger King to go forward with the national promotion. Not surprisingly, the national promotion was later deemed a disappointment. The artificially inflated sales during the soft drink company's cash infusion could not be maintained after the market test period ended.

about the others, although that happens all too frequently. If you'll think carefully about the questions we presented earlier in Exhibit 2.2, you'll be better prepared to minimize the different kinds of error.

Error can enter at any stage of the process.

2-2 Marketing Research Ethics

Marketing researchers must make many decisions over the course of a single research project. Throughout the process, researchers must consider the ethics of the choices they make.

Ethics are the moral principles and values that govern the way an individual or a group conducts its activities. Ethics apply to all situations in which there can be actual or potential harm of any kind (e.g., economic, physical, or mental) to an individual or a group. **Marketing ethics** are the principles, values, and standards of conduct followed by marketers. Exhibit 2.3 provides two examples of instances in which companies demonstrated questionable (at best) ethical decision making with respect to marketing research.

ethics Moral principles and values that govern the way an individual or a group conducts its activities.

marketing ethics The principles, values, and standards of conduct followed by marketers. Marketing researchers must make many decisions over the course of a single research project. Throughout the process, researchers must consider the ethics involved in the choices they make.

Many researchers (and managers as well) often fail to think about whether it is morally acceptable to proceed in a particular way. Many think that if an action is legal, it is ethical. It's not that simple, however. There can be differences between what is ethical and what is legal. Even among those who understand this, many don't seem to evaluate the ethical implications of their decisions. Some researchers probably don't care; others may find it easier to ignore such considerations because doing the right thing isn't always easy.

Marketing researchers must recognize that their jobs depend a great deal on the goodwill of the public. "Bad" research that violates the trust of study participants will only make it more difficult and costly to approach, recruit, and survey participants. Even researchers who don't care whether their actions are right or wrong ought to be concerned about such issues from a business perspective. Good ethics is good business—one reason that marketing and public opinion research associations have developed codes of ethics to guide member behavior. Exhibit 2.4 contains the 10 basic principles of the Code of Conduct for the Market Research Society, a leading trade association based in London. Drawn from a much longer document, this is just one example—other organizations have similar codes of conduct for members. Professional marketing researchers care deeply about ethical considerations.

2-3 Three Methods of Ethical Reasoning

In judging whether a proposed action is ethical or not, we need to adopt one or more moral reasoning frameworks. In this section, we'll briefly overview three frameworks: the utility, justice, and rights approaches.

Exhibit 2.4 ▶ The Principles of the Market Research Society (MRS) Code of Conduct

1. Researchers shall ensure that participation in their activities is based on voluntary informed consent.
2. Researchers shall be straightforward and honest in all their professional and business relationships.
3. Researchers shall be transparent as to the subject and purpose of data collection.
4. Researchers shall respect the confidentiality of information collected in their professional activities.
5. Researchers shall respect the rights and well-being of all individuals.
6. Researchers shall ensure that participants are not harmed or adversely affected by their professional activities.
7. Researchers shall balance the needs of individuals, clients, and their professional activities.
8. Researchers shall exercise independent professional judgement in the design, conduct and reporting of their professional activities.
9. Researchers shall ensure that their professional activities are conducted by persons with appropriate training, qualifications and experience.
10. Researchers shall protect the reputation and integrity of the profession.

Source: Code of Conduct, Market Research Society, (September 2014), 3. Retrieved from www.mrs.org.uk, January 3, 2017.

The **utility approach** method focuses on society as the unit of analysis and stresses the consequences of an act on all those directly or indirectly affected by it. The utility approach holds that the correct course of action is the one that promotes "the greatest good for the greatest number." As a result, you would need to take into account all benefits and costs to all persons affected by the proposed action—in effect, to society as a whole. If the benefits outweigh the costs, then the act is considered to be ethical and morally acceptable. Determining all the relevant costs and benefits can be extremely difficult, however. And because society is the unit of analysis, it is entirely possible that one or more individuals or groups may bear most of the costs, while other individuals or groups enjoy most of the benefits.

utility approach
A method of ethical or moral reasoning that focuses on society and the net consequences that an action may have. If the net result of benefits minus costs is positive, the act is considered ethical; if the net result is negative, the act is considered unethical.

justice approach
A method of ethical or moral reasoning that focuses on the degree to which benefits and costs are fairly distributed across individuals and groups. If the benefits and costs of a proposed action are fairly distributed, an action is considered to be ethical.

Take a look at Exhibit 2.4 and imagine that you have been hired to conduct research on how consumers shop for vegetables and other produce in a grocery store. Was the decision to use video cameras to record consumers' behaviors in the store—without their knowledge—an ethical decision? Using the utility approach, we attempt to add up the benefits (e.g., knowing how consumers *really* behave when it comes to reading nutrition labels as a starting point for developing better ways of communicating this important information); better understanding of the purchase process so that the company can ultimately sell more produce, thereby employing more workers and putting more money into the economy; and the costs (e.g., violation of shoppers' privacy and their ability to choose whether or not to participate in the research; the costs of doing the research). Considering only these potential costs and benefits, most people would probably say that the action was ethical from a utility perspective: the potential benefits to the company and society from the information gained seem to outweigh the costs borne by the consumers who participated in the study without their knowledge, as well as the cost of the actual research.

The **justice approach** to ethical reasoning considers whether or not the costs and benefits of a proposed action are distributed fairly among individuals and groups. Who decides what amounts to a "fair" distribution of benefits or costs? Essentially, it boils down to societal consensus—what is generally accepted by most people in a society—about what is equitable. If the benefits and costs of an action are fairly distributed, then the action would be considered morally acceptable under the justice approach.

Now, back to the grocery store. To the extent that the knowledge gained from the research has the potential to benefit most people in the society—including those shoppers that participated in the study along with the company that paid for the research—through improved eating habits (for consumers) and improved profits (for the firm), we could probably argue that the benefits were more or less fairly distributed. (By the way, we should note that a "fair" distribution is not necessarily an "equal" distribution. In this situation, the company itself and its workers may enjoy a greater share of the benefits, but they also took on a greater share of the costs and risks.) On the other hand, suppose that the company conducted the research for the

sole purpose of figuring out how to sell more products without regard for its customers or their needs. If the people who pay important costs (e.g., loss of privacy, knowledge of their participation) see none of the benefits, then the action would likely be judged as unethical from the justice approach.

Finally, let's consider the **rights approach** to ethical decision making. Both the utility and justice approaches focus on the consequences of behaviors. Under the rights approach, however, a proposed action is right or wrong in and of itself—there is less concern about an action's consequences. Researchers following the rights method of ethical reasoning focus on the individual's welfare and rights. They believe that every individual has a right to be treated in ways that ensure the person's dignity, respect, and autonomy. Probably most people in the United States would argue, for example, that every person has a right to be safe, to be informed, to choose, and to be heard.

rights approach A method of ethical or moral reasoning that focuses on the welfare of the individual and that uses means, intentions, and features of an act itself in judging its ethicality. If any individual's rights are violated, the act is considered unethical.

What about the research with grocery store customers? When we focus on the rights of the individuals who are being studied without their knowledge or permission, it seems fairly easy to judge the research to be unethical under the rights approach. And this highlights one of the difficulties of applying the rights approach: In general, it is more difficult to judge an action as ethical under this approach because it is nearly impossible to ensure that every right of every relevant individual or group has not been violated.

As a practical matter, it's not always easy to apply these models to marketing research decisions. As a researcher, though, you'll have to decide whether or not a particular action is ethical and whether or not to proceed. For many people, there is a natural tendency toward the rights approach, with its focus on individual rights. Still, as we saw with the grocery-store example, society can often benefit through the (temporary) violation of basic rights, such as the right to be informed and to choose to participate in research. The goal of marketing research is to discover the truth about a phenomenon or situation—in the grocery store, we might not be able to observe true consumer behaviors if we tell people that they are being observed, for example.

As we have seen, the frameworks will not always lead to the same conclusion. Exhibit 2.5 offers some practical guidelines for what to do when the answer isn't obvious. The important point is that researchers must consider the ethical ramifications of their actions.

Exhibit 2.5 ▸ Applying the Ethical Frameworks in Practice

You have been hired to help a large producer of leafy vegetables understand how consumers shop for produce in grocery stores. The company is considering different methods of packaging its produce, especially with respect to how best to display nutritional content. Company managers believe that if more people understand the nutritional value of their products (as well as those of other producers) consumers will begin to make better decisions about the foods that they and their children eat. To accomplish this, however, they need to fully understand how consumers actually behave within the grocery store environment (e.g., how much time they spend reading nutritional information, comparing different types of vegetables, selecting particular vegetables for purchase). Because you suspect that shoppers will change their shopping behaviors if they know that they are being observed, you have decided to place small cameras in strategic locations in the produce sections of four participating grocery stores and record consumer behaviors over a two-week period.

- Is this decision ethical using the utility approach to ethical reasoning?
- Is this decision ethical using the justice approach to ethical reasoning?
- Is this decision ethical using the rights approach to ethical reasoning?

Three Approaches to Ethical Analysis

	KEY ISSUE	LEVEL OF ANALYSIS	LIKEHOOD OF AN ACTION BEING JUDGED ETHICAL
The UTILITY Approach	Do benefits outweigh costs?	Society	Most
The JUSTICE Approach	Are costs and benefits distributed fairly?	Society	
The RIGHTS Approach	Are any rights being violated	Individual	Least

Manager's Focus

One of the most important areas for ethical consideration is the confidentiality required in the relationship between marketing researcher and client. But confidentiality is a two-way street. Obviously, researchers need to keep confidential the highly sensitive information clients provide to them. But what about the information research firms provide to clients? For example, due to the highly competitive nature of their industry, research companies often seek to differentiate themselves by developing proprietary research techniques. To obtain an account, they must reveal to prospective clients what they do. In addition, when research firms bid for a project by submitting a research proposal, they are revealing their unique ideas of what should be done for the client. We have personally experienced a situation in which a client announced that a competitor submitted a superior proposal, but they preferred working with us, so the client asked us to implement our competitor's proposed project. Disclosing a research provider's intellectual property to another company is just as unethical as a research company disclosing a client's confidential information. We have stated before that successful collaboration between managers and researchers is based on mutual trust. As a manager, your ethical conduct will be vital in establishing trusting relationships with research providers.

2-4 Research to Avoid

Although the process of marketing research has many benefits, it is not a perfect process, even when used appropriately. Sometimes, however, researchers choose actions that are inappropriate or even unethical. Stealing competitors' documents in the name of competitive intelligence, falsifying data or results to please a client or manager, conducting **advocacy research** in which the goal is to support a particular position with pseudoscientific results rather than to search for the truth, and attempting to sell products or services or ideas after telling respondents you are conducting marketing research, a process known as **sugging**, are all blatantly unethical uses of marketing research (Exhibit 2.6 provides more details about sugging). Unfortunately, these offenses and many others occur all too often.

advocacy research Research conducted to support a position rather than to find the truth about an issue.

sugging Attempting to sell products or services or ideas under the guise of marketing research.

Besides unethical research, there are other types of research that should be avoided. Sometimes a manager or client will have preset ideas about a particular situation, and his or her position may not change, regardless of what your research results suggest. When this is the case, research would be a waste of the firm's resources. It's even worse when the manager takes it a step further to "suggest" what the results ought to be, which amounts to advocacy research and is clearly unethical. Conducting a project for this manager has very little upside for the researcher. If the results work out as expected, you get no credit; if they don't work out, you get all the blame. The manager may be

Exhibit 2.6 ▶ Practical Guidelines for Ethical Analysis

ETHICAL TEST	PRACTICAL ETHICAL GUIDELINE
Common Sense	If proposed course of action violates your "common sense," don't do it.
One's Best Self	If the proposed course of action is not consistent with your perception of yourself at your "best," don't engage in it.
Making Something Public	If you would not be comfortable with people knowing you did something, don't do it.
Ventilation	Expose your proposed course of action to others' opinions. Don't keep your ethical dilemma to yourself. Get a second opinion.
Purified Idea	Don't think that others, such as an accountant or lawyer, can "purify" your proposed action by saying they think it is okay. You will still be held responsible.
Big Four	Don't compromise your action or decision by greed, speed, laziness, or haziness.
Gag Test	If you "gag" at the prospect of carrying out a proposed course of action, don't do it.

Source: Archie B. Carroll and Ann K. Buchholtz, *Business and Society: Ethics and Stakeholder Management,* 7th ed. (Cincinnati, OH: South-Western College Publishers, 2009), p. 309.

Exhibit 2.7 ▶ Sugging: Sales Under the Guise of Research

How Is "Sugging" Different From Legitimate Survey, Opinion and Marketing Research?

Selling, in any form, is different. Whether conducted by telephone, by mail, by fax or via the internet, sales-related activities are not research. The purpose of a sales call, email, fax or mail solicitation is to encourage members of the public to purchase a good or service. Conversely, the purpose of research (in any form – via telephone, mail, in-person interview, door-to-door, mall or focus group) is to gather information and opinions from members of the public to measure public opinions of products and services or social and political issues. Occasionally, survey research companies will offer a gift to the respondent in appreciation of his or her cooperation. Such a gift could be a cash donation to a charity, a product sample, or a nominal monetary award. But, sales or solicitation is not acceptable or permitted in legitimate and professionally conducted research. In fact, if a research company attempts to sell anything while conducting research, they would be in violation of the MRA Code of Marketing Research Standards, and may be in violation of federal law (e.g., the FTC Act, or the Telemarketing Sales Rule).

How Is "Sugging" A Violation of Privacy?

Under survey, opinion and marketing research practices, research companies will never divulge your identity, personal information or individual answers unless you give them permission to do so. In addition, they will never sell or give your name or phone number to anyone else. No one will ever contact you as a result of your participation except perhaps to validate that you did in fact participate. Conversely, sales calls disguised as research calls may be using your information for list generation, may sell that information to third parties and/or may be used to contact you to conduct a sale.

How Can You Tell If It Is Real Research?

Overall, there are three easy questions that *you* should ask to determine whether the telephone call, mail piece or e-mail is a legitimate survey:

1. "Are you selling anything?"
2. "Will my participation in this survey result in anyone contacting me to try to sell me anything?"
3. "Will my name and personal information be sold or dispensed to anyone who will contact me to try to sell me anything?"

A legitimate research company will answer no to all of these questions.

Source: From "Sales Under the Guise of Research (Sugging)," Marketing Research Association, January 13, 2015. Retrieved from www.marketingresearch.org on January 3, 2017.

Manager's Focus

Research has discovered important differences in orientation between managers and research providers. Managers tend to prefer research that confirms what they already believe to be true about the marketing situation. Researchers, in contrast, often value unexpected research findings that may be suggestive of new environmental opportunities or threats. When research disconfirms a manager's expectations, the tendency is to not believe the results or to blame the unexpected results on flawed research. As a marketing manager, it is important for you to recognize the possible confirmation bias you might bring to the research process. By developing a strong understanding of the methods presented in this book, you will be in a much better position to decide whether particular unexpected results are likely based on errors in the research or might reflect true results that you simply hadn't expected. This ability will make you a valuable asset to your marketing team.

setting you up as an alibi in case the advertising campaign fails or the new product never catches on (e.g., "But the research results were all positive. . ."). This is a manager to avoid, if possible.

Research should also be avoided when resources, such as time and budget, to do the research appropriately are lacking. This may seem strange, in that some research ought to be better than none at all, but this isn't always the case. The danger is that managers will use preliminary or exploratory research as justification for important decisions. Not all research has to be expensive or time consuming, but important decisions should be supported by

adequate research. Too often, managers are willing to take shortcuts.

> *Feeling pressed for time, these managers typically ask researchers to run a few focus groups, make 100 telephone calls to test a concept, or undertake one of the many other popular conventional techniques we refer to as "death wish" research. These techniques seem reasonable to the time-challenged because they're quick, low-cost, and often corroborate what the marketer already thought. They may take less time and cost less money, but death wish research techniques offer little in the way of value. What companies usually get is more misinformation than information, which then contributes to the failure of marketing programs. As a result, not surprisingly, executives' confidence in marketing research has declined.*[2]

Even when done correctly, marketing research may not be a good idea in some situations. For example, the benefits of marketing research must always be weighed against the risks of tipping off a competitor, who can then rush into the market with a similar product at perhaps a better price or with an added product advantage. And when a product is truly innovative, it is difficult for consumers to judge whether or not they will ultimately buy and use the product. Some companies will forgo test marketing if there is little financial risk associated with a new product introduction. The best strategy is to examine the potential benefits from the research and to make sure they exceed the anticipated costs, both financial and otherwise.

Summary

Learning Objective 1

Outline the marketing research process.
There are four general stages in the marketing research process: (1) problem definition, (2) data capture, (3) data analysis, and (4) information reporting. There are three potential types of data sources that should be considered sequentially in light of a specific information need. These are (1) existing data from internal sources, (2) existing data from external sources, and (3) new data from individuals or unprocessed data from internal sources.

Learning Objective 2

Describe the general approaches to marketing research.
There are two general approaches to marketing research: (1) the collection of data to address specific problems and (2) the development of decision support systems that provide marketing intelligence on an ongoing basis. The first approach can be compared to a flashlight that provides a great deal of light directed at a specific point. The second approach is like a candle that offers a steady glow but doesn't provide great illumination of any particular point.

Learning Objective 3

Cite the most critical error in marketing research.
Total error, rather than the size of an error that occurs in any single stage, is the most critical error in research work.

Learning Objective 4

Highlight the main differences between the utility, justice, and rights approaches to ethical reasoning.
The utility approach focuses on society as the unit of analysis and stresses the consequences of an act on all those directly or indirectly affected by it. If the benefits of the act to society exceed its costs, the act is ethical; if the net benefits are negative, the act is unethical. The justice approach considers the degree to which costs and benefits are fairly distributed, based on societal consensus. If the costs and benefits are equitably distributed, the action is ethical. The rights approach focuses on the individual as the unit of analysis and specifically on the rights to which every individual is entitled. Activities that violate an individual's basic rights are considered unethical.

Learning Objective 5

Describe types of research that should be avoided.
Several types of research should be avoided, including unethical research (e.g., sugging, advocacy research); research to support a decision that has already been made; research for which adequate resources are unavailable; and research in which the costs involved outweigh the benefits to be obtained.

Key Terms

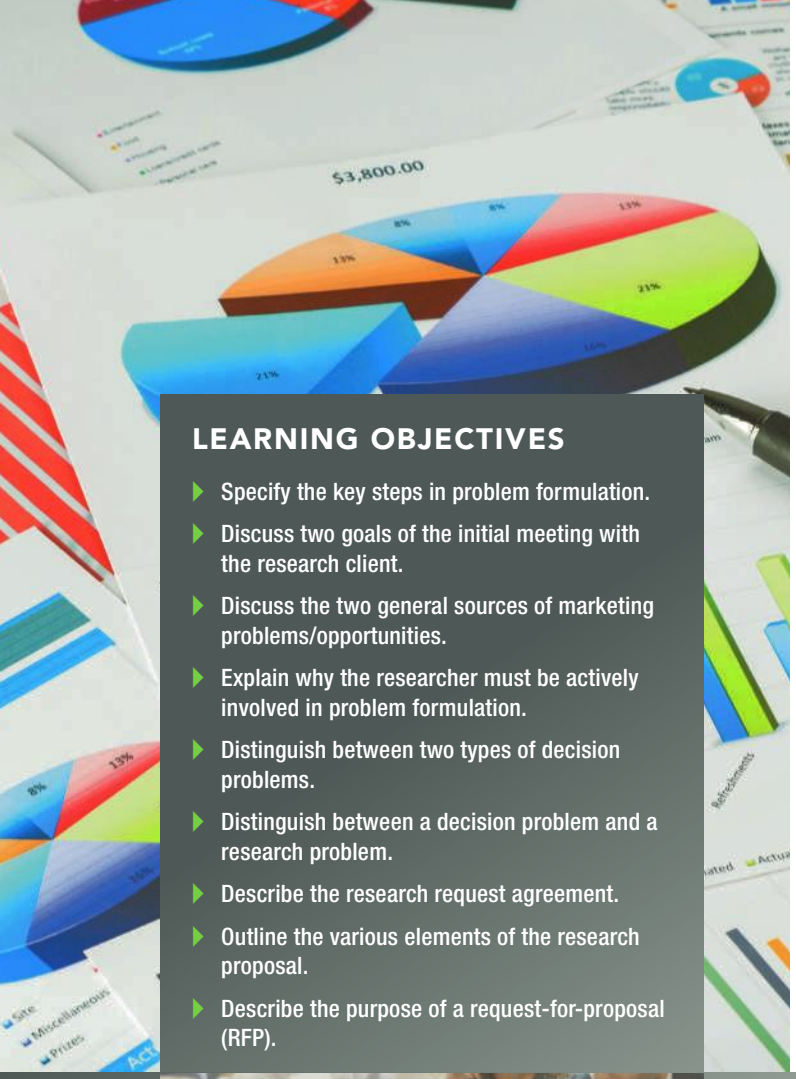
ethics (page 20)
marketing ethics (page 20)
utility approach (page 21)
justice approach (page 21)
rights approach (page 22)
advocacy research (page 23)
sugging (page 23)

Review Questions

1. **What is the research process?**
2. **What are the various forms of data capture?**
3. **What is the most important error in research? Explain.**
4. **What are the main differences between the utility, justice, and rights approaches to ethical reasoning?**
5. **Why is it important to consider marketing research ethics?**

Endnotes

1. Williams, R. J. (1966, January). Marketing intelligence systems: A DEW line for marketing men. *Business Management*, 32.
2. Clancy, K. J., & Krieg, P. C. (2001, Winter). Surviving death wish research. *Marketing Research: A Magazine of Management & Applications, 13*, 9.



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CHAPTER 3

Problem Formulation

LEARNING OBJECTIVES

- Specify the key steps in problem formulation.
- Discuss two goals of the initial meeting with the research client.
- Discuss the two general sources of marketing problems/opportunities.
- Explain why the researcher must be actively involved in problem formulation.
- Distinguish between two types of decision problems.
- Distinguish between a decision problem and a research problem.
- Describe the research request agreement.
- Outline the various elements of the research proposal.
- Describe the purpose of a request-for-proposal (RFP).

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[INTRODUCTION]

Defining the marketing research problem correctly is a really big deal. Far too many technically competent research studies produce valid results that aren't very useful because researchers asked all the wrong questions. The Coca-Cola Company found this out the hard way when it introduced New Coke—based on millions of dollars of perfectly wonderful, but ultimately off-target, research—back in the 1980s.

To set the stage, Coca-Cola's market share had shrunk from 60% in the mid-1940s to less than 24% in 1983. At the same time, Pepsi, the product's chief rival, had continued to gain market share. Coca-Cola managers could easily see there was a problem. Stung by Pepsi-Cola's "Pepsi Challenge" promotional campaign, which showed consumers consistently preferring the taste of Pepsi to Coke in blind taste tests, company researchers, managers, and executives became convinced that Coca-Cola had a "taste problem."[1]

The company's researchers proceeded to conduct extensive marketing research—including 190,000 blind taste tests with consumers, costing $4 million—to compare the taste of a new version of Coca-Cola with that of Pepsi and regular Coke. The new formulation was preferred by a majority of consumers. Further research demonstrated that the results held—in fact, were stronger—when consumers were allowed to glimpse the labels to see what they were tasting. Managers were confident that they had developed a product that would successfully solve the taste problem. On the basis of the

research, the company introduced New Coke to the world in April 1984, replacing the original formula.

The decision to replace the original product with New Coke turned out to be a huge misstep. The company reversed course less than three months later and brought back the original Coca-Cola flavor. What happened? The research was technically sound; it is quite likely that people actually preferred the sweeter taste of New Coke, all else equal. The bigger issue for many consumers, however, was the idea that the original Coca-Cola—with a century's worth of history and imagery—was being discontinued. Although Coca-Cola managers recognized in advance that some consumers would probably not accept a change in the brand, they continued to focus on the "taste problem."

Here's another example: Some years ago, after much hard work to develop a cigarette with an acceptable taste but no visible smoke, RJR Nabisco launched Eclipse. Unfortunately, smokers didn't care to buy the product; they liked the smoke of a cigarette. Cigarette smoke was a problem only for nonsmokers—and they, by definition, were not the company's target market. The company's $100 million development effort went to correct something its customers didn't view as a problem by developing a product they didn't want.[2]

3-1 Problems Versus Opportunities

When we talk about "defining the problem" or "problem formulation," we simply mean a process of trying to identify specific areas where additional information is needed about the marketing environment. A manager might face a situation that is obviously negative for the organization. For example, a retailer might experience sharply reduced revenues compared with earlier periods, a civic organization might face a chronic shortage of volunteers, or an entrepreneur might lack evidence of market demand to persuade investors to "buy in" to her idea for a new kind of product. These kinds of situations are normally thought of as "problems." On the other hand, a manager might face a situation with potentially positive results for the organization (e.g., the organization's research department has invented a new chemical compound that promises to revolutionize the product category, or brand managers think they have identified a market segment of consumers whose needs are not being met adequately by competitors). One of us once worked with a company whose biggest problem was determining what to do next with all of the money it was making! Although these don't sound much like problems, managers still need information about whether to exploit these opportunities, and if so, how.

We think it is better to think of problems and opportunities as two sides of the same coin. Regardless of perspective, both situations require good information about the marketing environment before managers make important decisions. And today's opportunity is tomorrow's problem if a company fails to take advantage of the opportunity while its competitors do. Similarly, a company that successfully deals with a problem before its competitors has created an opportunity to move ahead in the industry. For these reasons, we usually refer to a "problem" as something that needs information, regardless of whether the organization originally viewed the situation as a problem or an opportunity.

3-2 The Problem Formulation Process

How can a company avoid the trap of researching the wrong problem? The best way is to delay research until the problem is properly defined. Too often, researchers jump ahead and write a proposal describing the methods they will use to conduct the research. Instead, in cooperation with managers, you'll want to take the necessary time to fully understand the situation. Many times, this involves conducting fairly extensive exploratory research to pin down the issues at hand. Even well-designed and executed research can't rescue a project (and the resulting business decisions and consequences) if you fail to define the problem correctly.

> How can a company avoid the trap of researching the wrong problem?

Exhibit 3.1 presents the key steps in problem formulation. Defining the problem is among the most difficult—and certainly most important—aspects of the entire marketing research process. The difficulty is primarily due to the uniqueness of every situation a manager may encounter. Although we provide some fairly specific directions, problem formulation involves more art than science, and it must be approached with great care.

3-2a STEP ONE: MEET WITH THE CLIENT

The first step toward defining the problem correctly is to meet with the manager(s) who are requesting marketing research. Do this as early as possible for two important reasons. First, it's important that managers and researchers are able to trust and communicate openly with each other. This won't happen until you begin to know one another and build a relationship. To the extent possible, researchers need to keep the client engaged and actively participating in the process, especially during problem formulation, but also at later stages.

The second reason to meet with the client is straightforward. You need to get as much information as possible from the manager with respect to the problem/opportunity at hand. In particular, you need a clear understanding of the problem from the manager's viewpoint, along with all relevant background information. The broader context is critical, as many people will become very focused on a specific task (e.g., "I need a taste test") versus the

Exhibit 3.1 ▶ Key Steps in Problem Formulation

Meet with the client to obtain (a) management statement of problem/opportunity, (b) background information, (c) management objectives for research, and (d) possible managerial actions to result from research.

Clarify the problem/opportunity by questioning managerial assumptions and gathering additional information from managers and/or others as needed. Perform exploratory research as necessary.

State the manager's decision problem, including source (planned change or unplanned change in environment), type (discovery- or strategy-oriented), and scope (one-time or recurring).

Develop a full range of possible research problems that would address the manager's decision problem.

Select research problem(s) that best address the manager's decision problem, based on an evaluation of likely costs and benefits of each possible research problem.

Prepare and submit the research request agreement to the client. Revise in consultation with the client.

broader issue (i.e., "We're losing market share"). Without the broader issue in mind, you can accidentally go down a very specific and possibly incorrect path.

Here are some questions that are appropriate at this point.

- What is the problem or opportunity you're facing right now? Can or should this be defined more broadly? Can it be defined more narrowly?
- What caused you to notice the problem? Is there any other evidence or information that you have?
- Why do you think this situation has occurred? (Ask "Why?" five times to dive deeper into the possible causes.)
- What is likely to happen if nothing changes in the next 12 months?
- Is this likely to be an ongoing problem? Do you need to gather relevant information on a continuous basis?
- What do you hope to accomplish by using marketing research?
- What actions will you take depending upon the answers?

Planned Change versus Unplanned Change

In general, there are only two basic sources of marketing problems: (1) unplanned changes in the marketing environment and (2) planned changes in the marketing environment. Understanding the problem's basic source will provide clues about the nature of the problem and the type of research that is needed.

Sometimes problems/opportunities show up unexpectedly due to changes in the external environment. How a firm responds to new technology or a new product introduced by a competitor or a change in demographics or lifestyles largely determines whether the change turns out to be a problem or an opportunity. For example, a great deal of marketing research is conducted to track changes in consumer preferences.

A slightly different form of unplanned change involves serendipity, or chance ideas. An unexpected new idea might come from a customer in a complaint letter. Marie Moody, founder of Stella & Chewy's, a maker of premium pet foods, learned to listen carefully to customer complaints after finally agreeing to use opaque—rather than transparent—packaging on frozen pet foods in response to complaints. Consumers were choosing other brands because they could see ice crystals on the Stella & Chewy's products. Customers responded favorably, and sales began to soar.[3]

In still other cases, companies have performed basic research in their laboratories and produced chemicals or compounds that they don't know what to do with—until someone stumbles upon a way to use them. A chemist working in a Procter and Gamble (P&G) lab, for instance, developed a new compound (hydro-xypropyl beta cyclodextrin; thankfully known as HPBCD for short); unfortunately, there was no obvious use for it. The chemist, who happened to be a heavy smoker, went home one evening to a wife who was curious about why his clothes no longer smelled like smoke. It turned out that HPBCD has one amazing quality—the compound removes odors from clothing and other objects. This was a breakthrough; marketing research results for years had shown that consumers desired a product that would remove and not simply mask bad odors. Within a short period of time, P&G introduced Febreze to the U.S. marketplace.[4]

Not all change is unanticipated, though; much of it is planned. Most firms want to increase their business, and they develop various marketing actions to do so. These actions include the development and introduction of new products, improved distribution, more effective pricing, and promotion. Planned change is oriented more toward the future and is proactive; unplanned change tends to be oriented more toward the past and is often reactive. Planned change is change that the firm wishes to bring about—the basic issue is how.

Marriott has traditionally been one of the better companies at identifying new opportunities in the tourism and hospitality industry. When the company recognized a need for a hotel geared toward business travelers, researchers proceeded to conduct research with business travelers to determine the features that were most desired, a process that resulted in the Courtyards by Marriott hotel chain. This is an excellent example of research to implement a planned change.

3-2b STEP TWO: CLARIFY THE PROBLEM/OPPORTUNITY

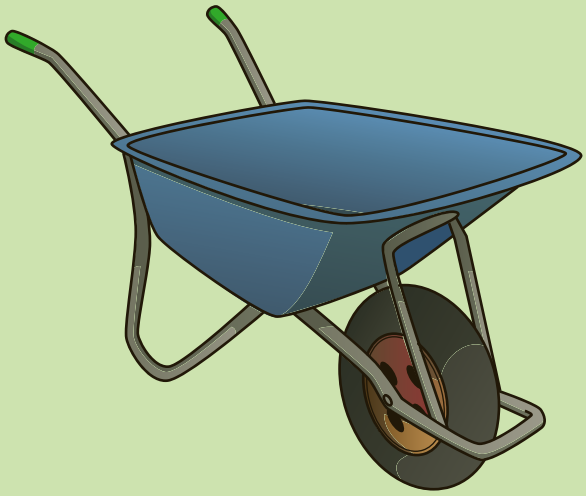
During the first step in problem formulation, the researcher's primary task is to listen carefully as managers provide their perspective on the problem, its background and source (planned versus unplanned change), and what they hope to learn through marketing research. Step 2 involves helping managers get precisely to the heart of the problem. This may seem odd at first—after all, shouldn't managers have a better understanding of the problem than the researcher? It's not a good idea, however, to let a manager perform her own diagnosis and prescribe the treatment as well. Further, many managers focus too quickly on a specific issue when it may not be the real cause of a current problem. Your job as a researcher is to serve as a consultant to help determine root causes and clear paths of action.

Sometimes it's necessary to challenge managers on their preexisting assumptions. For example, in the case of a new service that hasn't lived up to revenue expectations, may be consumers never really needed that service. Sometimes it also helps to probe managers as to why the problem is important: "Why do you want to measure customer satisfaction? Have you seen signs that customers may not be satisfied? Are you concerned about a new competitor that has entered the market? Are you planning to upgrade service and want a baseline measure of current satisfaction?" The point isn't to put a manager on the spot; the point is to help the manager understand the true nature of the problem. Asking hard questions is much easier if you've demonstrated your professionalism and have developed a rapport with the client.

One of the most important things you can do for a manager is to provide a different perspective. Many managers, particularly those who have been with a company for a long time, are afflicted with "normal thinking." That is,

Exhibit 3.2 ▶ The Problem With "Normal Thinking"

There is an old story of a factory worker who left the factory each night pushing a wheelbarrow piled high with scrap materials. At the factory gate, the security guard would tip his hat, say "Good evening," and wonder to himself why anybody would want to take that stuff home. But because the scraps held no value to the company, the guard let him pass each night. Years later, after both the security guard and the factory worker had left the company, the former guard happened to meet the worker. After they exchanged greetings, the guard leaned over to the worker and said, "Say, now that we're both retired, there's something I've just got to know. What did you want with all that trash you took home every night?" The worker looked at him and smiled. "I didn't want the trash," he said. "I was stealing wheelbarrows!"



they look at the business in routine ways. In many ways, this is a good thing; the presence of normal operating procedures allows greater efficiency through the development of standards and routines.

Normal thinking often can get in the way of understanding the true nature of a problem, however. It's your job as a researcher to provide a new perspective, even though the client may not appreciate it at first. Exhibit 3.2 offers an example to help you begin thinking creatively. The security guard was guilty of normal thinking—he failed to consider alternative perspectives.

Bringing a new perspective to a problem may sound like a good idea, but how do you actually do it? How could the Coca-Cola Company have known to define its problem a bit more broadly than simply one of taste? To be honest, it's tough. Because researchers don't deal with a manager's issues on a daily basis, they are automatically less likely to fall victim to normal thinking, so that's a good start. And in most cases, it's a good idea to conduct exploratory research, particularly when managers have seen evidence of a problem (e.g., falling sales revenue, increasing complaints from customers) but don't know the underlying causes. Exploratory research is often very helpful in pinpointing the problem.

strategy-oriented decision problem A decision problem that typically seeks to answer "how" questions about a problem/opportunity. The focus is generally on selecting alternative courses of action.

3-2c STEP THREE: STATE THE MANAGER'S DECISION PROBLEM

After working through the first two steps, you should be able to state the manager's **decision problem**, which is simply the basic problem/opportunity facing the manager for which marketing research is intended to provide answers. A well-stated decision problem takes the manager's perspective, it is as simple as possible, and it takes the form of a question. For example, consider a new restaurant near a university campus that has been open for six months but has yet to make a profit. Costs have been held as low as possible; however, sales revenue simply hasn't materialized as quickly as expected. While the owner no doubt has many questions about her business, its lack of success, and how to move forward successfully, her initial decision problem might best take the form, "Why are store revenues so low?" This situation was certainly unanticipated, so the problem has originated from unplanned change.

decision problem The problem facing the decision maker for which the research is intended to provide answers.

discovery-oriented decision problem A decision problem that typically seeks to answer "what" or "why" questions about a problem/opportunity. The focus is generally on generating useful information.

The decision problem facing the restaurant owner is an example of a **discovery-oriented decision problem.** Discovery-oriented problems are common with unplanned changes in the marketing environment. In these situations, managers often simply need basic information ("What is going on and why?"). The researcher provides facts that decision makers can use in formulating strategies to deal with the unanticipated situation. For example, you could provide information about customer satisfaction (perhaps the restaurant doesn't consistently offer a quality product), or the overall awareness level among the target market (maybe most people don't know about the restaurant), or consumer perceptions of competing restaurants (perhaps a nearby restaurant is perceived as a better value for the money). In each case, you can offer facts that help shed light on the basic problem.

Note, however, that discovery-oriented research rarely solves a problem in the sense of providing actionable results. This form of research simply aims to provide some of the insights and building blocks necessary for managers to make better decisions.

Discovery-oriented decision problems may also apply to situations of planned change, particularly in early stages of planning when the issue is to identify possible courses of action (as opposed to choosing a preferred course of action). In this situation, key questions are likely to include "What options are available?" or "Why might this option be effective?"

A second form of manager's decision problem, the **strategy-oriented decision problem,** aims squarely at making decisions. This type of decision problem is commonly used with planned change, with an emphasis on how the planned change should be implemented. It is also appropriate for problems originating from unplanned change, provided that enough is known about the situation (perhaps through discovery-oriented research) in order to make decisions. Suppose that initial research for the restaurant indicated that only 38% of the potential customers in its target market were aware that it existed. An appropriate decision problem at this point might be "How do we increase awareness?" Researchers might determine the effectiveness of two proposed advertising campaigns at generating awareness. Notice that the output from the research process in this situation will be a recommendation about which of two specific alternatives to choose. The key distinction between discovery-oriented and strategy-oriented decision problems is that strategy-oriented research provides actionable results.

If possible, you should attempt to conduct strategy-oriented research because the results are designed to provide a clear decision about how to move forward. Providing additional "facts" through discovery research doesn't necessarily get managers much closer to a good decision. Still, there are times when discovery-oriented research is absolutely

Providing additional "facts" doesn't necessarily get managers much closer to a good decision.

essential, particularly when managers are confronted with unplanned changes in the environment.

There's one other important consideration when developing the manager's decision problem. The researcher, working with managers, must decide whether this is a one-time information need (e.g., choosing a new location or brand logo for the restaurant) or if the information will be needed at regular intervals in the future (e.g., tracking customer satisfaction or target market awareness over time). Sometimes, the information that marketing managers need is very specific and applies only to a given context, and the decision problem should be specified as a one-time project. When the information will be needed regularly in the process of managing and marketing the enterprise, the decision problem should be specified as a recurring project. The decision about whether an information need is one-time or recurring is not trivial. The good news, however, is that the correct answer should become clear by talking with your client.

research problem
A restatement of the decision problem in research terms.

3-2d STEP FOUR: DEVELOP POSSIBLE RESEARCH PROBLEMS

The manager's decision problem describes the manager's view of the problem/ opportunity. A **research problem** is a restatement of the decision problem in research terms, from the researcher's perspective. A research problem states specifically what research can be done to provide answers to the decision problem.

Consider again the restaurant owner facing the discovery-oriented decision problem of "Why are store revenues so low?" As is true of most discovery-oriented problems, there are lots of actions you can take that would provide insight into the problem, including:

- Investigate current customer satisfaction.
- Assess target market perceptions of the restaurant and its competitors.
- Determine target market awareness.

Manager's Focus

One of the most common criticisms managers have of marketing research studies is that the findings are not "actionable." By this, they mean that it is not clear what step(s) should be taken in response to the research. While this may be a fair assessment of many research studies, managers often share more responsibility for this outcome than they realize. There are several ways managers might "short circuit" the problem definition process and thereby limit the usefulness of research findings.

For example, managers at times believe the marketing problem is adequately defined in the request-for-proposal (RFP) they issued. Before granting a contract for a project, however, managers are understandably protective of confidential information, so they may not have revealed certain issues that might have led the marketing research firm to define the problem differently and possibly propose different methods. After a research firm's proposal has been accepted, managers too commonly consider the process to have been completed. And so they delegate subsequent interactions with the research firm to the internal marketing research staff or lower-level managers who may not be as knowledgeable about the marketing issues confronting the organization. Such behavior can result in a decision problem that may not reflect all of the complexities of the actual marketing situation.

As you will see in this chapter and the next one, it is often necessary to complete some preliminary (or exploratory) research before the marketing problem can be fully or adequately defined. This means that at the time a research provider has been selected, the problem formulation stage may be only partially completed. Even though the research proposal has been accepted, you should realize that the final research methods may need to be adjusted based on what is learned from the exploratory research and the corresponding re-specification of the decision problem. Therefore, as a marketing manager, it is essential that you stay engaged in the problem formulation process until you and the research provider agree that it has been properly finalized. By doing this, you will dramatically increase the odds that the completed project will give you the guidance you need (i.e., will be actionable).

Here's something else: If your research provider is willing to proceed on the basis of the marketing problem as specified in the RFP, you should consider replacing that provider with one that recognizes its responsibility to guide you through the problem formulation stage. Helping you properly formulate the problem is one of the most important services provided by a research firm because research based on a poorly defined problem will likely lead you down the wrong path.

Exhibit 3.3 ▶ Examples of the Relationship Between Decision Problems and Research Problems

DECISION PROBLEMS	POSSIBLE RESEARCH PROBLEMS
Discovery-Oriented (What? Why?) Why are store revenues so low?	Investigate current customer satisfaction. Assess target market perceptions of store and competitors. Determine target market awareness.
What needs do our customers have that currently are not being met?	Investigate customer lifestyles. Determine customer problems with existing products. Measure customer satisfaction.
Strategy-Oriented (How?) How do we increase store traffic?	Investigate effectiveness of different sales promotions. Determine consumer response to two proposed ad campaigns. Measure consumer preferences for new store layouts.
How should we introduce a new product?	Run test market to determine consumer preferences for different package sizes. Determine if at least 80% of test market purchasers are satisfied with product. Determine if product sampling promotion leads to 15% initial purchase rate.

Each of these possible research problems begins with an action word and describes information to be uncovered that might help solve the decision problem. At this stage, your primary task is to develop the full range of research problems for a given decision problem. Exhibit 3.3 provides examples of the relationship between decision problems and research problems.

With strategy-oriented decision problems, there are typically fewer possible research problems because the focus has shifted to making a choice among selected alternatives. At least, that's the way it's supposed to work. When the restaurant owner shifted to the strategy-oriented decision problem, "How do we increase awareness?" there were still several strategic options available, including improved signage, increased levels of sales promotion, the introduction of an advertising campaign, and so on. Research problems might have included "Determine which style of lettering is most readable on outdoor signage," "Investigate the effectiveness of alternative coupon designs," or "Determine consumer response to two proposed advertising campaigns." Presumably, the manager's experience, the available budget, and/or discovery-oriented research led her to decide that advertising was the best area to consider for further research. (Don't forget that defining the problem is often more art than science.)

Where do you get ideas about possible research problems? Usually, they come from the client during the process of clarifying the problem. Sometimes, however, you'll uncover new ideas through exploratory research or as a result of your own experience. In any case, the key point at this stage of problem formulation is to specify the full range of potential research problems.

3-2e STEP FIVE: SELECT RESEARCH PROBLEM(S) TO BE ADDRESSED

There are often many possible research problems that would provide useful information, especially with discovery-oriented decision problems. Even strategy-oriented problems will sometimes have many associated research problems. The trick is to figure out which research problem(s) to pursue, given resource constraints. Only in rare cases will decision makers fund research on all possible research problems. As a result, you'll need to carefully review each of the research problems in terms of the trade-off between the information to be obtained versus the costs of obtaining that information. The costs may include money, time, and effort.

For example, we noted three of the possible research problems for the restaurant owner facing the discovery-oriented decision problem, "Why are store revenues so low?" Investigating customer satisfaction will require gathering information from current customers. Assessing target market perceptions of the store and its competitors, as well as determining the target market's overall awareness of the store, require collecting data from the target market, many of whom are not current customers. To address all three research problems would be costly. In this situation, you would work closely with the owner to determine the most likely problem area(s) and, in turn, the most profitable areas of

research. (Again, more art than science.) If you've done a thorough job at previous stages in the problem definition process, the selection of research problems should be relatively straightforward.

It is important to stress at this point that it is better to address one or two research problems fully than to try to tackle multiple issues and do a half-baked job on each. Our experience is that novice researchers tend to believe that they can accomplish much more in a single project than is actually possible. You just can't do all the research you want to do because of budget considerations, which makes the choice of research problem(s) so critical.

3-2f STEP SIX: PREPARE THE RESEARCH REQUEST AGREEMENT

When working with internal managers or external clients, the written research request agreement will make your life as a researcher much easier. The **research request agreement** summarizes the problem formulation process to make certain that the client and the researcher agree about the research problems to be addressed. A good research request agreement includes the following items:

research request agreement A document prepared by the researcher after meeting with the decision maker that summarizes the problem and the information that is needed to address it.

1. **Background:** The events that led to the manager's decision problem. While the events may not directly affect the research that is conducted, they help the researcher understand the nature of the problem more deeply.
2. **Decision problem:** The underlying question confronting the manager. A brief discussion of the source of the problem (i.e., planned versus unplanned change) should be included, along with a discussion of (a) whether the problem is discovery-oriented or strategy-oriented and (b) whether this is a onetime or recurring information need.
3. **Research problem(s):** The range of research problems that would provide input to the decision problem. An overview of costs and benefits of each research problem should be included. The final choice of research problem(s) to be addressed must be indicated and justified.
4. **Use:** The way each piece of information will be used. For discovery-oriented decision problems, indicate key information to be obtained and how managers will use the information. For strategy-oriented decision problems, indicate the way the information will be used to help make the action decision. Supplying logical reasons for each piece of the research ensures that the research problem(s) make sense in light of the decision problem.
5. **Population and subgroups:** The groups from whom the information must be gathered. Specifying these groups helps the researcher design an appropriate sample for the research project.
6. **Logistics:** Approximate estimates of the time and money available to conduct the research. Both of these factors will affect the techniques finally chosen.

The research request agreement should be submitted to the decision maker for his or her approval. If possible, it is best to get that approval in writing with a signature directly on the agreement. Research Window 3.1 presents the research request agreement between a research group and a nonprofit organization seeking a onetime marketing research project on the topic of domestic violence.

research window 3.1

Research Request Agreement Presented to Family Crisis Services, Inc., by Research Partners, Ltd.

Background

Family Crisis Services, Inc. (FCS), was formed in 1979 as a nonprofit agency to offer services to individuals. Funded by the United Way, the state's Office of Attorney General, the Federal Office for Victims of Crime, and by private donations from groups and individuals, the organization's goal is to provide comprehensive, confidential treatment and counseling to families in crisis due to domestic violence, sexual assault, and/or child abuse or neglect.

FCS offers various services to the local community, including sheltering for victims of domestic violence, a help line, counseling and consultation, a relief nursery, parenting education, community education on domestic violence, and a sexual assault response team. All services are offered to victims without consideration of individuals' ability to pay.

Despite the fact that university students make up about half of the population of the city in which FCS is located, the FCS director has noted that students rarely use the services offered by the organization. This is unfortunate because national statistics suggest that a significant number of college students are affected by

domestic violence at some point during their college career. The director is concerned that most students may not know that FCS exists and that its services are available to them when needed. In addition, FCS relies on volunteers to deliver many of its client support services. Perhaps more university students would volunteer their services if they knew of the existence of FCS and the services it provides. FCS has done no prior formal marketing research.

Decision Problem

"Why aren't more students using the services of FCS?" The director desires to fulfill the organization's goals for all local residents, including university students. This is a discovery-oriented decision problem that has arisen from an unplanned change in the marketing environment—the unexpectedly low number of university-student clients. At this point, a one-time project is proposed.

Research Problems

There are several different research problems that might be addressed; each would offer insights into the general decision problem. This section discusses the most promising of these research problems and provides the rationale for selecting two of them for further attention.

(Research Problem 1) Investigate student awareness of the services offered by FCS. The director has already noted that he believes that lack of awareness is the likely reason that so few university students utilize the services of FCS. Awareness is relatively straightforward to measure, student respondents can be readily accessed, and costs would probably be low.

(Research Problem 2) Determine the incidence level of domestic violence among local university students. Another possibility is that domestic violence is simply not very common in the local area among students. This seems unlikely to be true, but establishing that the problem exists might be a good first step. One difficulty is likely to be establishing a common understanding of what constitutes "domestic violence," but researchers should be able to offer a relatively clear definition of the concept before assessing the incidence level. A more difficult hurdle is the sensitivity of the issue to respondents who have experienced domestic violence or to those who will simply consider the questions to be "too personal."

(Research Problem 3) Determine student satisfaction with the services provided by FCS. If students have turned to FCS for help in the past but have been disappointed in the services offered, they likely will not return—and they'll probably share their experiences with others. Given the director's belief that few students have sought help and the difficulty of finding prior student clients due to confidentiality requirements, the costs of pursuing this research problem would likely be quite high.

(Research Problem 4) Determine student awareness for any organization providing services to victims of domestic violence. It is conceivable that students' needs for assistance with domestic violence issues are being met by other organizations, either on campus, in the community, or in students' hometowns. If this is the case, the director's fears that students don't know where to go for help may be unfounded. This research problem might be easily combined with Research Problem 1 or 2 because it would require the same general population of university students. As with these research problems, the costs would be relatively low.

(Research Problem 5) Investigate student perceptions of the FCS office location. Even if students are aware of the services offered by the organization, perhaps its location makes it less likely that students would go to FCS for help. Although this could be an important issue, the research team believes that this is secondary to the basic awareness issue. In addition, unless the researchers can effectively describe the location to respondents, the sample would need to be drawn from among students who have actually visited the office. According to the director, there just aren't many of these.

(Research Problem 6) Determine which media outlets university students are most likely to use. If an awareness problem exists among students, FCS may need to rethink its promotion strategy. Knowing which traditional and new media vehicles (newspapers, radio stations, television stations, social networks, video channels, podcasts, etc.) are routinely used by students could inform future decisions about advertising and other forms of promotion. Given the number

(*continued*)

research window 3.1 (*continued*)

of options available, collecting this information could take significant time with each student respondent, and the accuracy of the information would be questionable. It is difficult for individuals to communicate perceptual processes such as attention to all the different media they encounter in their daily lives. Plus, it is possible that awareness is not the issue at all, which would make the information obtained from pursuing this research problem less valuable.

Research Problems Selected

After reviewing these research problems (and others), the research team has concluded that Research Problems 1 and 4 offer the greatest value in terms of providing information that is likely to address the decision problem. Each involves collecting information from the same population (see the following); including both issues should not make the data collection forms too long.

Use

The key information to be obtained will include (a) unaided awareness and recognition of FCS as an entity providing services for victims of domestic violence, and (b) unaided awareness for any other organizations providing similar services. The FCS director plans to use the results to determine the degree to which a problem exists in terms of student awareness and to help make decisions about increasing communications with students.

Population and Subgroups

Although the population will be formally defined in the research proposal, the researchers intend to collect data from local university students. FCS clients have primarily been women; most respondents should be women, but a small proportion of men (say, 20% of the sample) should be included. Because Research Partners, Ltd. is donating its services (see next), the sample size will be limited to 200 to 250 individuals.

Logistics

The project should be completed in approximately three months. As a nonprofit organization, FCS has limited funds available that can be dedicated to marketing research. Research Partners, Ltd., has agreed to donate its services, although the director has agreed to cover out-of-pocket expenses.

Source: The contributions of student researchers Jeff Blood, Trey Curtis, Kelsey Gillen, Amie Kreger, David Pittman, and Matt Smith are gratefully acknowledged.

3-3 The Research Proposal

Once the problem has been defined and research problem(s) agreed upon, you can turn your attention to the specifics of conducting the research. Much of the remainder of this book addresses these issues in detail. In this section, though, we provide a quick overview of the contents of the research proposal. This proposal specifies the techniques, along with estimated costs, to be used in implementing the research, whether a one-time project or the development of (or addition to) a decision support system.

research proposal A written statement that describes the marketing problem, the purpose of the study, and a detailed outline of the research methodology.

Notice that in the research request agreement, we paid little attention to research methods, other than a general specification of the population to be studied. That all changes, however, with the preparation of the formal **research proposal**, which lays out the proposed method of conducting the research. The research proposal also provides another opportunity to make sure the research will provide the information needed to address the decision maker's problem.

Some research proposals are very long and detailed, running 20 pages or more. Others are much shorter. Regardless of their length, however, most proposals should contain the following elements. Pay close attention to the level of detail required by the client company; this will normally be apparent from a review of the request-for-proposal developed by the client. (We discuss this in the following section.)

3-3a PROBLEM DEFINITION AND BACKGROUND

This section presents a short summary of the information contained in the research request agreement, including the background of the problem, the manager's decision problem, and the specific research problem(s) to be addressed by the project or system. It is often a good