CHAPTER 1

The Role of Marketing Research in Management Decision Making

LEARNING OBJECTIVES

1. Review the marketing concept and the marketing mix.

2. Comprehend the marketing environment within which managers must make decisions.

3. Examine the history of marketing research.

KEY TERMS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| applied research |  | descriptive function |  | marketing mix |  |
| basic, or pure, research |  | diagnostic function |  | marketing research |  |
| Big Data |  | goal orientation |  | marketing strategy |  |
| consumer orientation |  | marketing |  | predictive function |  |
| Data Analytics |  | marketing concept |  | systems orientation |  |

CHAPTER SCAN

Chapter one begins with a review of the nature of marketing. The market concept is reintroduced with its three components, the customer orientation, the systems orientation, and the goal orientation. The elements of the marketing mix are also discussed. Marketing Research is defined and its importance to management is discussed. A detailed example of marketing research findings on millennials and the use of cell phones. Marketing research plays a proactive role in business, seeking to understand and help development opportunities, as well as finding solutions to marketing problems. The meaning of applied research and basic research is developed, with the understanding that marketing research is applied research. New to this edition is the inclusion of a detailed example of marketing research findings on millennials and the use of cell phones. Examples included on Twitter and ESPN. Eight reasons why to choose a career in marketing research. A case on Acxiom, The Data Giant.

CHAPTER OUTLINE

# I. Nature of Marketing

## A. The Marketing Concept

## B. Opportunistic nature of Marketing Research

## C. External Marketing Environment

# II. Marketing Research and Decision Making

## A. Marketing Research Defined

## B. Importance of Marketing Research to Management

## C. Understanding the Ever-Changing Marketplace

## D. Social Media and User-Generated Content

## E. Proactive Role of Marketing Research

## F. Applied Research versus Basic Research

## G. Decision to Conduct Marketing Research

# III. Development of Marketing Research

## A. Inception: Pre-1900

## B. Early Growth: 1900–1920

## C. Adolescent Years: 1920–1950

## D. Mature Years: 1950–2000

## E. The Connected World: 2000–2010

## F. Big Data and Data Analytics: 2010–Present

# IV. Summary

CHAPTER SUMMARY

**I. NATURE OF MARKETING**

* Marketing–the activity, set of institutions and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large
* ‘Right’ Principles–right goods or services to the right people at the right place at the right time at the right price, using the right promotion techniques, these are provided by management making the ‘right’ decisions by having timely decision-making information provided by marketing research.

**A. The Marketing Concept**

* **Consumer Orientation**–firms strive to identify the group of people (or firms) most likely to buy their product and to produce a good or offer a service that will meet the needs of the target customers most effectively
* **Goal Orientation**–a company can be consumer oriented only to the extent that it is also accomplishing corporate goals, such as financial goals
* **Systems Orientation**–managers should look at the effects of management actions upon the entire organization, not just upon one unit

**C. Opportunistic Nature of Marketing Research**

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

**D. External Marketing Environment**

* Marketing Mix-the unique blend of product/service, pricing, promotion, and distribution strategies designed to meet the needs of a specific target market.

**II. MARKETING RESEARCH AND DECISION MAKING**

**A. Marketing Research Defined**

1. AMA Definition of Marketing Research:

1. Marketing research is the function that links the consumer, customer, and public to the marketer through information–information used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.

2. Marketing research specifies the information required to address those issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

2. Authors Preferred Definition of Marketing Research:

**1. Marketing research** is the planning, collection, and analysis of data relevant to market decision making and the communication of the results of this analysis to management.

**B. Importance of Marketing Research in Management**

* Functions of Market Research
  + **Descriptive function**–gathering and presenting statements of fact
  + **Diagnostic function**–data and/or actions are explained
  + **Predictive function**–take advantage of opportunities as they arise in the ever-changing marketplace

**1. Paramount Importance of Keeping Existing Customers**

* Customer retention–increasing revenues and market share, decreasing costs and demands on employees’ time, and improving employee retention and productivity
  + Ability to retain customer is based on an intimate understanding of their needs, which comes primarily from marketing research.
* Marketing research–to understand customers’ needs and to satisfy those needs, which leads to customer satisfaction? British Airways used marketing research to find that first class passengers want to sleep.

**C. Understanding the Ever-Changing Marketplace.**

* Understanding trends in the marketplace and taking advantage of opportunities
* Marketing research has been practiced as far back as marketing existed

**D Social Media and User-Generated Content**

* Traditionally, marketers created a message via traditional media such as TV, print, radio, billboards, etc. Now consumers are participating in a variety of new media, known as social media, in which user-generated content expresses typical, honest, unsolicited and often passionate opinions of the consumer.
* Social media such as Twitter, Facebook and LinkedIn generate millions of comments a day about products and services.
* Market researchers are tapping into huge streams of data to determine what people think about their products and services as well as those of the competition.

**E. Proactive Role of Marketing Research**

* Proactive Management–alters the marketing mix to fit the newly emerging patterns in economic, social, and competitive environments, whereas reactive management waits for change to have a major impact on the firm before deciding to take actions

**Proactive position**–to become cutting-edge in the industry

**Proactive management**–allows managers to anticipate changes in the market and customer desires and then design goods and services to meet those changes and needs

* Proactive Manager–continually seeks new opportunities through strategic planning
* Proactive Marketing Strategic Plan–guides the long-run use of the firm’s resources based on the firm’s existing and projected internal capabilities and on projected changes in the external environment

**F. Applied Research versus Basic Research**

**Applied Research**–conducted to determine changes in the market, to better understand results of a decision, or to reduce uncertainty in management decision making.

**Basic or Pure Research**–expands the frontiers of knowledge. Basic research is conducted to validate an existing theory or learn more about a concept or phenomenon–findings of basic research usually cannot be implemented by managers in the short run

**G. Decision to Conduct Marketing Research**

Decide whether or not to conduct marketing research.

Reasons not to conduct marketing research

Resources are lacking–organization does not have the funds to conduct research properly, it should not be undertaken

Research results would not be useful–information obtained from the research could not be used in a practical application by the firm

Opportunity has passed–if the opportunity for successful entry into a market has already passed

The decision has already been made–management is just conducting research to try to justify a decision that has already been made

Managers cannot agree on what they need to know to make a decision–if the problem or opportunity to be researched cannot be properly identified, it is impossible to plan and implement a marketing research project to help managers resolve the problem or take advantage of the opportunity

Decision-making information already exists– Organizations gather much data and information in daily activities. This information may hold the answer to a research problem, and it is unwise to invest in a project to gather the same information.

The costs of conducting research outweigh the benefits–when the expected value of the information is greater than the cost of obtaining the data

**Exhibit 1.1 Deciding Whether to Conduct Marketing Research**

**III. DEVELOPMENT OF MARKETING RESEARCH**

**A. The Inception–Pre-1900**

Election poll performed by Harrisburg Pennsylvanian in July 1824; John Jacob Astor employed an artist to sketch the hats worn by fashionable New York women in 1790’s so he could keep abreast of fashion trends.

First documented use of research to make informed marketing decisions was by advertising agency N.W. Ayer in 1879 to determine expected levels of grain production.

Academics enter field in 1895.

**B. Early growth–1900-1920**

In response to the need to understand consumer’s buying habits the first formal marketing research department was established by the Curtis Publishing Company in 1911, as consumer demand surged and the seller was in daily contact with the marketplace.

Research focused primarily on the auto industry, as manufacturers had decided that everybody who had money and wanted a car had one. Hence, new groups of consumers were needed to target promotions.

**C. The Adolescent Years–1920-1950**

Percival White developed the first application of scientific research to commercial problems

A. C. Nielsen entered the research business in 1922 expanding on White’s earlier work by developing the “share of market” concept

1930s formal courses in marketing research were offered on college campuses

Two events that helped the discipline to become a well-defined profession–the spread of broadcast media and World War II

**D. The Mature Years–1950 to present**

The mid-1950s brought the concept of market segmentation, based largely on easily identifiable demographic characteristics of customers

The concepts of segmentation and motivation analysis were combined with psychographics and benefit segmentation

Several mathematical models were developed for description and prediction–stochastic models, Markova models, linear learning models

The development of the computer during the early 1960s enhanced the researcher’s ability to quickly analyze, store, and retrieve large amounts of data

**E. The Connected World: 2000-2010**

Benefits of the Internet for Marketing Researchers

* + rapid access to business intelligence, allowing for faster and better decision making.
  + improves firm’s ability to respond quickly
  + ability to conduct follow up studies and longitudinal research
  + cuts labor intensive activities
  + greatly enhanced the management of the research process and
  + dissemination of information

**F. Big Data and Analysis: 2010-Present**

Big Data: the accumulation and analysis of massive quantities of information.

Era of Structured Data: until recently this data that consists of fixed answers that can be arranged into rows and columns was the way most data was analyzed.

In 2009 the breakthrough came in the form of new algorithms created to analyze unstructured and free-form data, such as YouTube videos, social media posts, web-click behavior, GPS tracking data, etc.

McKinsey & Co. say that companies who use big data and the proper analytics can deliver productivity gains and profit gains that are 5 to 6 percent higher than the competition.

Eight Reasons to Choose Marketing Research as a Career

1. The chance to drive competitive strategy

2. Opportunity to make your mark

3. Ever-increasing variety

4. Global opportunities

5. Thrill of discovery

6. Never-ending learning

7. Transferable skills

8. More fun

**IV. SUMMARY**

QUESTIONS FOR REVIEW AND CRITICAL THINKING

**1. The role of marketing is to create exchanges. What role might marketing research play in facilitating the exchange process?**

Exchange can take place when two or more parties have something of potential value to each other and can communicate and deliver these desired goods or services. Marketing research helps these parties to determine what goods or services are desired by other parties and at what price level these goods and services become of value. In other words, marketing research aids managers in determining who wants benefits from goods or services and where, when, and at what price an exchange can occur.

**2. Marketing research has traditionally been associated with manufacturers of consumer goods. Today an increasing number of organizations, both profit and nonprofit, are using marketing research. Why do you think this trend exists? Give some examples.**

Marketing research helps all organizations follow the principle of the “marketing concept.” Profit-making organizations face increasing amounts of competition from U.S. companies, as well as from global companies. Also, both profit-making and nonprofit organizations are serving an increasingly diverse clientele. Marketing research helps to identify target customers and their needs in a rapidly changing environment.

**3. Explain the relationship between marketing research and the marketing concept.**

The marketing concept requires (1) a consumer orientation, (2) a goal orientation, and (3) a systems orientation. The consumer orientation means that firms strive to identify the group of people (or firms) most likely to buy their product (the target market) and to produce a good or offer a service that will meet the needs of those target customers most effectively. This must be accomplished while serving the firm’s other goals, which means the firm has a goal orientation. The systems orientation aspect of the orientation means that the firm has a system in place to achieve the consumer orientation and the goal orientation. Within this system is marketing research, which helps identify what customers want to buy and at what price they will buy it.

**4. Comment on the following statement by the owner of a restaurant in a downtown area: “I see customers every day whom I know on a first-name basis. I understand their likes and dislikes. If I put something on the menu and it doesn’t sell, I know that they didn’t like it. I also read the magazine *Modern Restaurants*, to keep up with industry trends. This is all of the marketing research that I need to do.”**

This restaurant owner may know customers by name, but the assertion about understanding their tastes may be over-confident. An item on the menu may not sell because the customers are not familiar with it. Or, it may be perceived as too expensive. There could be many reasons why a product might not sell as well as the owner wants it to. By conducting marketing research, the owner could better determine the preferences of customers and potential customers. This would save the money, effort, and time of changing the menu selection. While a national magazine can determine national trends in the restaurant business, these trends are not always completely applicable at the local level. Marketing research could help the owner become familiar with the favorite foods in the local geographic market.

**5. Why is marketing research important to marketing executives? Give several reasons.**

Marketing research is important to marketing executives because it gives them additional information on which to make decisions. Some of that information includes:

* It discovers trends in the market.
* It gauges customer attitudes toward products, services, and advertising.
* It explains what effect changing an element of the marketing mix would have on sales.
* It predicts the results of a planned marketing decision.
* It determines the level of services customers’ desire at a given price.

**6. What differences might you note among marketing research conducted for (a) a retailer, (b) a consumer goods manufacturer, (c) an industrial goods manufacturer, and (d) a charitable organization?**

Each of these organizations would use marketing research to help accomplish the strategic mission of their organization or the goals that were determined to be most important. For example:

A retailer might use marketing research to track trends in demographics, to determine effective advertising strategies, and to find products or services desired by the customer.

A consumer goods manufacturer might use marketing research to help determine the probability of success of a new product or to keep current on its competitors’ activities and success. It might also use it to ascertain the best target market for current products.

An industrial goods manufacturer might use marketing research to project future needs of customers or to determine the level of products that will be demanded.

A charitable organization might use marketing research to determine what services are most needed in a demographic target market and to find the most effective vehicle for delivering those services. It might also use marketing research to identify potential donors and to find the most effective way to appeal to them.

**7. Comment on the following: Ralph Moran is planning to invest $1.5 million in a new restaurant in Saint Louis. When he applied for a construction financing loan, the bank officers asked whether he had conducted any research. Ralph replied, “I checked on research and a marketing research company wanted $20,000 to do the work. I decided that with all the other expenses of opening a new business, research was a luxury that I could do without.”**

If Mr. Moran is willing to spend $1.5 million on a new restaurant without conducting marketing research, he should be prepared to lose that money. Without marketing research, he may not know his potential customers or their desires. Nor will he know if those desires or needs are currently being met by existing businesses, or at what price or quality level the customers would be willing to try a new restaurant. His advertising may be at best ineffective or at the worst offensive. For example, what if he were to advertise barbecue pork ribs in an area that is predominantly Jewish? Given all of this, $20,000 seems a small price to pay to increase the chances of success of a business with so large an investment.

**8. Describe three situations in which marketing research should not be undertaken. Explain why this is true.**

**A Lack of Resources** – If an organization does not have the funds to conduct the research properly, it should not be undertaken. If a firm has the money to perform the research, but it cannot afford to implement changes based on the research, it should not conduct the research.

**Research Results Would Not Be Useful** – The information obtained from the research could not be used in a practical application by the firm.

**Poor Timing in the Marketplace** – If a product is in a category that is almost at a saturation point, new product entry research would be foolish.

**9. Using the Internet and a Web browser, visit a search engine such as Google or Yahoo!, and type, “marketing research.” From the thousands of options you are offered, pick a Web site that you find interesting and report on its content to the class.**

There are many possible answers, depending on the interest of individual students.

**10. Divide the class into groups of four. Each team should visit a large organization (profit or nonprofit) and conduct an interview with a top marketing executive to discover how this firm is using marketing research. Each team then should report its findings in class.**

There are many possible answers, depending on the interest of individual students.

**11. How has the Internet changed the field of marketing research?**

The reach, economy, and speed of the Internet have had significant effects in the recent past, and promise to have even more profound impact in the future. Secondary information for exploratory research can be obtained from literature reviews and Web pages. The capacity for capture and communication of primary data will make descriptive research more effective. Consumers can be surveyed on-line, and the results analyzed instantly. Project sponsors and researchers will be able to communicate and collaborate more easily. In addition, research results and reports can be disseminated over a wide audience, again in real-time.

**12. Explain the concept of Big Data.**

**Big Data** as the accumulation and analysis of massive quantities of information especially related to human behavior and interactions

**13. Go to the Internet and find several examples of how firms are successfully using big data.**

Answers will vary.

REAL LIFE RESEARCH

Case 1.1: Acxiom — The Data Giant

Key Points

* They have detailed information on around 200 million Americans.
* Their data determines many types of promotions seen
* Let people see and correct their own data

Questions

**1. Where does Acxiom get the data?**

Publicly available, information from surveys, and data from other providers.

**2. What is Partner Marketing Data?**

Data coupled with information from their data partners.

**3. Was the data correct about the person creating an account?**

Answers will vary for each person.

**4. If not, what type of data was incorrect?**

Answers will vary for each person.

Case 1.2: Can Anyone be a Market Researcher?

Key Points

* Recently, Google announced that it was offering Google Consumer Surveys ([www.google.com/insights/consumersurvey](http://www.google.com/insights/consumersurvey)) to anyone wanting to do marketing research. Google says that the service is for anyone from Fortune 500 companies to “the local bike shop.”
* It is promoted as fast, accurate, and a low cost alternative to traditional marketing research. The Google survey website notes, “With Google Consumer Surveys, you choose your target audience, type your question and watch the results roll in within hours. Get complete results in days; not weeks.” Google notes that users can test product concepts, track brands, measure consumer satisfaction and more.
* In an interview with Paul McDonald, a creator of Google Consumer Surveys, he addresses several concerns from the marketing research industry about the new service. He says, “I think your concerns about the quality of the data from self-service survey platforms are well known in the research community,” McDonald wrote. “As the mantra goes, ‘Garbage in, garbage out’… We try to encourage survey best practices in our help content, program policies and by providing survey templates to guide new researchers. In the end we are providing a platform which can be used to create professional and statistically accurate surveys.”

Questions

**1. Go to Google’s Consumer Survey website. After clicking through how it works, and examples, do you feel competent to create an Internet survey? Why or why not?**

The Google Consumer Survey method is easy to understand and use, because it is well designed and menu driven.

**2. Do you think the marketing research industry should be concerned about Google Consumer Surveys? Why?**

Yes, because Google has a methodology which possibly gives its survey method the ability to infer demographic information to its surveys without asking demographic questions.

**3. Most traditional consumer surveys conclude with a series of demographic questions such as gender, age, location, and so forth. Google Consumer Surveys don’t ask these questions. Instead it infers approximate demographic and location information using the respondent’s IP address and DoubleClick cookie. The respondent’s nearest city can be determined from their IP address. Income and urban density can be computed by mapping the location to census tracts and using census data to infer income and urban density. Gender and age group can be inferred from the types of pages the respondent has previously visited in the Google Display Network using the DoubleClick cookie. Google says that is information is used to ensure each survey receives a representative sample and to enable survey researchers to see how sub-populations answered questions. Inferring this demographic data enables Consumer Surveys researchers to ask fewer questions in a survey, which in turn increases the number of consumers that respond. Do you think this methodology is better than simply asking the demographic questions? Do you see any problems with Google’s methodology?**

It depends upon how good is Google’s method algorithm for estimating demographics. Shorter questionnaires historically have higher response rates than longer questionnaires. Google uses a number of factors such as IP addresses and DoubleClick cookies to map respondent location. Then Google infers demographics from based on the average demographics for a given “mapped” area. This method would be effective for a survey covering a large geographic area with few responses from any one area. However, if the survey is limited to a small geographic area, the effect of the average demographic may not be a valid representation of the respondent(s) in question.