Principles of Marketing

Scandinavian edition

3RD EDITION

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PRINCIPLES OF MARKETING

SCANDINAVIAN EDITION

Distributing and using marketing information

As well as the marketing information that is readily available to the managers and others who make marketing decisions or deal with customers, non-routine information for special situations and on-the-spot decisions may be needed by marketing managers. For example, a sales manager having trouble with a large customer may want a summary of the account's sales and profitability over the past year. Or a retail store manager who has run out of a best-selling product may want to know the current inventory levels in the chain's other stores. The *company intranet* often provides ready access to research information, reports, shared work documents, contact information for employees and other stakeholders, and more.

Marketing research does not always create the whole picture

There are some important limitations with marketing research. Although the method chosen is often crucial to the results, there is no single method that will completely solve the limitations of marketing research.

Marketing research must start with an understanding and analysis of the marketing environment, i.e. macro environmental forces, societal trends and discussions going on, that can help the company to see opportunities and threats. If these are not taken into account, there is a significant risk that the results will be misleading. And that's also a lesson to think about in other contexts where marketing decisions are made: if the bigger context is not understood sufficiently, there is a significant risk that the wrong strategies will be applied.

Marketing research should normally serve a specific purpose, i.e. address a particular issue. Here, there is a lot to be said for the quantitative option. However, surveys are normally only sent to existing customers. And among those who answer, only a few might belong to the often most profitable segment, i.e. the average wealthy consumer who is happy with the company's offers and spend a lot – but unlikely to answer the surveys because of a lack of interest and time to do so. The really happy and really unhappy customers are more likely to answer, but they are not likely to be as profitable. This is called *selection bias* and may be a problem when the survey results are being used to make general statements about a consumer, and they may pave the way for decisions that are not based on solid foundations.

Quantitative data and analysis in general, and big data in particular, may, despite their advantages, lead to a strong focus on collecting, processing, and using information instead of really attempting to understand the environment, consumers, and the link between them. Big data doesn't really give the answer in trying to understand why many young consumers hesitate to consume traditional fast food from McDonald's, Burger King, KFC, etc. It may give important clues and reveal interesting and important links between, for example, demographic profile and consumption patterns. But other methods along with a thorough understanding of how the world is changing may be necessary to find answers to the bigger question of reluctance to consume traditional fast food.

If you run a small business...

Managers of small businesses and non-profit organizations often think that marketing research can only be conducted by experts in large companies with big research budgets.

People running small businesses are in need of market research, but may use the systematic methods in a more relaxed way.

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However, many of the marketing research techniques discussed in this chapter can be used by smaller organizations in a less formal manner and at little expense. Managers of small businesses and non-profit organizations can obtain good marketing insights simply by *observing* things around them and talking to their customers. They can conduct informal *surveys* using small convenience samples. Small organizations can also obtain most of the secondary data available to large businesses. And many associations, local media, chambers of commerce and government agencies provide special help to small organizations. For example, the European Small Business Alliance (www.esba-europe.org) offers free publications and gives advice on topics ranging from starting, financing and expanding a small business to ordering business cards. To keep costs of data collection low, students can be hired that may want to use the experience they gain in a project. Finally, small businesses can collect a considerable amount of information at very little cost online. They can scour competitor and customer websites and use Internet search engines to research specific companies and issues.

Although these informal research methods are less complex and less costly, they must still be conducted with care. Managers must think carefully about the objectives of the research, formulate questions in advance, recognize the biases introduced by smaller samples and less skilled researchers, and conduct the research systematically.[12]

International marketing research

International marketing researchers follow the same steps as domestic researchers. However, these researchers often face more, and different, problems. Whereas domestic researchers deal with fairly homogeneous markets within a single country and operating under the same political regime, international researchers deal with diverse markets in many different countries. These markets often vary greatly in their levels of economic development, cultures and customs, and buying patterns.

In many foreign markets, the international researcher may have a difficult time finding good secondary data. Some countries have almost no research services at all. Although

some of the largest international research services do operate in many countries, most research firms operate in only a handful of countries. Thus, even when secondary information is available, it must usually be obtained from many different sources on a country-by-country basis, making the information difficult to combine or compare. If you take a look at the major consultancy firms' reports and the contact information provided, you'll find that only major markets are represented. It underlines the problem and the divide that exists between countries with access to lots of solid market information and countries with few such opportunities.

Because of the scarcity of good secondary data, international researchers often have to collect their own primary data. For example, they may find it difficult simply to develop good samples. Researchers in developed countries can use current telephone directories, e-mail lists, and various sources of socio-economic data to construct samples. However, such information is largely lacking in many countries. Once the sample is drawn, a European researcher can usually reach most respondents easily by telephone, by mail, via social media networks such as LinkedIn, or in person. Reaching respondents is often not so easy in other parts of the world. Researchers in Mexico cannot rely on telephone, Internet and mail data collection; most data collection is door to door and concentrated in three or four of the largest cities. In some countries, e.g. Mexico and Kenya, few people have phones or personal computers but they access the Internet through the use of mobile phones.

Cultural differences between countries cause additional problems for international researchers. Language is the most obvious obstacle, which makes interpretation a severe problem. Translating a questionnaire from one language to another is anything but easy. Many idioms, phrases and statements mean different things in different cultures. For example, a Danish executive noted: 'Check this out by having a different translator put back into English what you've translated from English. You'll get the shock of your life. I remember an example in which "out of sight, out of mind" had become "invisible things are insane".'[13] Questionnaires must be prepared in one language and then translated into the languages of each country researched. Responses then must be translated back into the original language for analysis and interpretation. This adds to research costs and increases the risk of error. A researcher at a big Scandinavian university says that they invested a lot to include China in a survey – but the data received were not good enough. 'I don't know what we did wrong. We used professional translators, a local, Chinese company collected the data, and we did what we could to make sure all parts of the project were coherent. But somehow, something went wrong, and until this day I don't really know why.' Obviously, involving different countries is not only about translation.

Consumers in different countries also differ in their attitudes towards marketing research. People in one country may be very willing to respond; in other countries, non-response can be a major problem. Customs in some countries may prohibit people from talking with strangers. In certain cultures, research questions are often considered too personal. For example, in many Latin American countries people may feel embarrassed to talk with researchers about their choices of shampoo, deodorant or other personal care products – and that's difficult for researchers to deal with, since in general terms, Latin Americans are extrovert and outgoing. Similarly, in most Muslim countries, mixed-gender focus groups are taboo, as is recording female-only focus groups on camera. In some countries, illiteracy is an issue, something a person coming from a developed country may not think about. Even when respondents are *willing* to respond, they may not be *able* to because of high functional illiteracy rates.

Despite these problems, as global marketing grows, global companies have little choice but to conduct such international marketing research. Although the costs and problems associated with international research may be high, the costs of not doing it in terms of missed opportunities and mistakes might be even higher. Once recognized, many of the problems associated with international marketing research can be overcome or avoided.

Public policy and ethics in marketing research

Most marketing research benefits both the sponsoring company and its consumers. Through marketing research, companies learn more about consumers' needs, resulting in more satisfying products and services and stronger customer relationships. However, the misuse of marketing research can also harm or annoy consumers. Two major public policy and ethics issues in marketing research are intrusions on consumer privacy and the misuse of research findings.

Intrusions on consumer privacy

Many consumers feel positive about marketing research and believe that it serves a useful purpose. Some actually enjoy being interviewed and giving their opinions. However, others strongly resent or even mistrust marketing research. They worry that marketers are building huge databases full of personal information about customers. Or they fear that researchers might use sophisticated techniques to probe their deepest feelings, peek over their shoulders as we shop or eavesdrop on our conversations and then use any knowledge gained to manipulate our buying.

There are no easy answers when it comes to marketing research and privacy. For example, is it a good or bad thing that marketers track and analyse consumers' web clicks and target adverts to individuals based on their browsing behaviour?

Consumers have become more critical. Increasing consumer resentment has become a major problem for the marketing research industry, leading to lower survey response rates in recent years. Consumers may also have been taken in by previous 'research surveys' that actually turned out to be attempts to sell them something. Still other consumers confuse legitimate marketing research studies with promotional efforts and say 'no' before the interviewer can even begin. Just as companies face the challenge of unearthing valuable but potentially sensitive consumer data while also maintaining consumer trust, consumers wrestle with the trade-offs between personalization and privacy. The marketing research industry is considering several options for responding to this problem, e.g. establishing councils for 'Your opinion counts' and 'Respondent bill of rights'. But does it really help? We know from many contexts – dealing fairly with co-workers, taking environmental responsibility, and keeping up with local society's future needs – that in the end, if researchers provide value in exchange for information, customers may gladly provide it. For example, Amazon.com's customers do not mind if the firm builds a database of products they buy in order to provide future product recommendations. This saves time and provides value. Similarly, hotels.com and booking.com users gladly complete surveys rating hotels because they can view the overall ratings of others when making hotel booking decisions. The best approach is for researchers to ask only for the information they need, to use it responsibly to provide customer value, and to avoid sharing information without the customer's permission.

SUMMARY

To create value for customers and to build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Such insights come from good marketing information. The challenge is to transform today's vast volume of consumer information into actionable customer and market insights. A company's marketing research and information systems must do more than simply generate lots of information. The real value of marketing research and marketing information lies in how it is used in the customer insights that it provides.

The marketing process starts with a complete understanding of the marketplace and consumer needs and wants. Thus, the company needs sound information in order to produce superior value and satisfaction for customers. The company also requires information on competitors, resellers and other actors and forces in the marketplace. Increasingly, marketers are viewing infor-

mation not only as an input for making better decisions but also as an important strategic asset and marketing tool.

The *marketing information system (mis)* consists of people and procedures for assessing information needs, developing the needed information, and helping decision-makers to use the information to generate and validate actionable customer and market insights. A well-designed information system begins and ends with users.

The mis first *assesses information needs,* primarily to serve the company's marketing manager and other managers. Then, the mis *develops information* from internal databases, marketing intelligence activities and marketing research. *Internal databases* provide information on the company's own operations and departments. Such data can be obtained quickly and cheaply but often needs to be adapted for marketing decisions. *Marketing intelligence* activities supply everyday information about developments in the external marketing environment. *Market research* consists of collecting information relevant to a specific marketing problem faced by the company. Lastly, the mis helps users to analyse and use the information to develop customer insights, make marketing decisions and manage customer relationships.

The first step in the marketing research process involves *defining the problem and setting the research objectives,* which may be exploratory, descriptive or causal research. The second step consists of *developing a research plan* for collecting data from primary and secondary sources. The third step calls for *implementing the marketing research plan* by gathering, processing and analysing the information. The fourth step consists of *interpreting and reporting the findings*. Additional information analysis helps marketing managers apply the information and provides them with sophisticated statistical procedures and models from which to develop more rigorous findings.

Both *internal* and *external* secondary data sources often provide information more quickly and at a lower cost than primary data sources, and they can sometimes yield information that a company cannot collect by itself. However, the required information might not exist in secondary sources. Researchers must also evaluate secondary information to ensure that it is *relevant, accurate, current* and *impartial*. Primary research must also be evaluated for these features. Each primary data collection method *observational, survey* and *experimental* – has its own advantages and disadvantages. Similarly, each of the various research contact methods, mail, telephone, personal interview and online also has its own advantages and drawbacks.

Information gathered in internal databases and through marketing intelligence and marketing research usually requires more analysis. This may include advanced statistical analysis or the application of analytical models that will help marketers make better decisions. To analyse individual customer data, many companies have now acquired or developed special software and analysis techniques called *customer relationship management (crm)* that integrate, analyse and apply the extensive customer data contained in their databases.

The mis must make the information available to the managers and others who make marketing decisions or deal with customers. In some cases, this means providing regular reports and updates; in other cases it means making non-routine information available for special situations and on-the-spot decisions. Today's marketing managers can gain direct access to the information system at any time and from virtually any location.

Marketing research can also be conducted effectively by small businesses and non-profit organizations with limited budgets by applying methods in a less formal manner. International marketing researchers follow the same steps as domestic researchers but often face more, and different, problems. All organizations need to act responsibly with regard to major public policy and ethical issues surrounding marketing research, including issues of intrusions on consumer privacy and misuse of research findings.

KEY TERMS

Causal research
Customer insights
Customer relationship management (crm)
Descriptive research
Ethnographic research
Experimental research

Exploratory research
Focus group interviewing
Internal databases
Marketing information system (mis)
Marketing intelligence
Marketing research

Observational research
Online marketing research
Primary data

Sample
Secondary data
Survey research

DISCUSSING THE CONCEPTS

1. Discuss the real value of marketing research and marketing information and how that value is attained.
2. Which information is more valuable to marketing managers – information from internal databases, from marketing intelligence or from marketing research? How do these information sources differ?
3. Explain the differences between primary and secondary data. When is each appropriate and how are they collected?
4. What are the advantages and disadvantages of web-based survey research over traditional survey research?
5. How does customer relationship management (CRM) help companies develop customer insights and deliver superior customer value? What might the drawbacks of CRM be?
6. Refer to a small organization you know. Suggest a few marketing information problems and how these can be solved in the light of the insights you have gained from this chapter.
7. What are the similarities and differences when conducting research in another country versus the domestic market?

APPLYING THE CONCEPTS

1. Visit a free online web survey site of your own choice. Using the tools at the site, design a five-question survey on the entertainment opportunities in your area. Send the survey to ten friends and look at the results. What did you think about the online survey method? The results will not be statistically significant but you will learn something from applying this research process.
2. Assume you are interested in opening a children's retail clothing store specializing in upmarket children's fashions for all children up to the age of 10. You are unsure whether there is enough demand in your area for this to be profitable. In a small group, discuss what information you need before making this decision and decide on which secondary sources can provide that information. Furthermore, assume you plan to conduct a survey to better estimate demand for this product and describe the best primary data collection method for your needs.
3. One source of competitive marketing intelligence is a company's website. Visit Apple's and Sony's websites and, in addition, the homepage of your university/business school to search for information that might be useful to competitors. Write a brief report of what you found.

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