

UNIT
5

Marketing- Information Management

Chapters

- 11 **Marketing Research**
- 12 **Understanding the Customer**



PBL: Project- Based Learning

After reviewing the chapters in this unit, apply what you have learned in the PBL: Project-Based Learning activity at the end of the unit. Step into the role of a marketer and make real-world business decisions.

Developing a Vision

Customer demand and competition are driving factors in the marketplace. Consumer buying habits change daily. New competition for customer dollars makes a business work harder. A business must take an objective look at the market through the eyes of the buyer as well as the competition. Consumer preferences and competitive information are learned through marketing research.

Understanding the customer is the key to marketing success. This includes understanding the factors that influence consumer buying behavior and the various categories of consumer buying motives. Having this knowledge is essential for marketers so they can create the ideal marketing mix to help their company meet sales and profit goals.

Marketing Core Functions Covered in This Unit



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Functions of Marketing

- Marketing-information management
- Market planning
- Pricing

Marketing Matters

It makes sense that the best way to make a profit is through the marketing concept, or customer satisfaction. Meeting the needs and wants of target market customers leads to customer satisfaction. Logically, the businesses that do a better job of meeting those needs will sell more than the competition.

Research companies help businesses make decisions about the products that customers want. The Nielsen Company has been the leader in measuring and analyzing consumer behavior since the 1930s. Today, Nielsen surveys consumers around the world, collecting data on customer needs and motivations. This gives businesses a global perspective on consumer behavior.



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Sections

- 11.1 Marketing Research Data
- 11.2 Conducting Marketing Research

Reading Prep

College and Career Readiness



Before you begin reading this chapter, try to find a quiet place

with no distractions. Make sure your chair is comfortable and the lighting is adequate. This will help improve your concentration and allow you to focus on what you are reading.

Real-World Connection

Global Handwashing Partnership

Market research is important to the success of many different types of organizations. The Global Handwashing Partnership (GHP) is a coalition of international organizations that work to promote handwashing with soap as a regular personal hygiene habit to prevent diseases and infections that plague many countries. To increase awareness of this issue, GHP established Global Handwashing Day, which is celebrated annually on October 15.

To ensure the best possible success from its efforts, GHP actively conducts marketing research on hand hygiene annually. The research reports on key findings, such as the health and non-health impacts of hand hygiene, access to hand hygiene supplies, and hand hygiene behaviors in various settings. In addition, the research provides recommendations on best practices for hand hygiene.

In its recent research studies, GHP focused on the impact of the COVID-19 pandemic. From the start of the pandemic, handwashing using soap and water proved to be an effective practice to help prevent the spread of this illness. Key findings in the recent GHP marketing research highlighted opportunities to promote new hand hygiene habits. It also recognized social media as a useful tool in spreading the message about the importance of handwashing to prevent illness. The evidence of this new research reinforced what was already known about good hand hygiene and underscored the importance of conducting future market research in this area to improve public health for people around the world.

Critical Thinking

1. How are the marketing research studies conducted by GHP helpful?
2. Why are social media platforms useful in promoting hand hygiene?
3. Why do you think it is necessary for companies to conduct frequent marketing research studies?



October 15
GLOBAL

HANDWASHING

DAY

Essential Question

What is the role of data in marketing research?

Marketing Research Data

Learning Outcomes

- 11.1-1 Define *marketing research*.
- 11.1-2 Identify two types of data gathered through marketing research.
- 11.1-3 Discuss trend research.
- 11.1-4 Explain the purpose of a marketing-information system.

Key Terms

marketing research

data

database

primary data

representative sampling

qualitative data

quantitative data

focus group

survey

variable

secondary data

customer buzz

marketing trend

social trend

marketing-information system (MkIS)

database marketing

11.1-1 Marketing Research

Marketing research is the process of gathering and analyzing information to help make sound marketing decisions. The information gained through marketing research is used by businesses to define target markets, learn about the needs and wants of customers, and understand what motivates people to buy. Research helps identify the competition, recognize new business opportunities, and answer many other important business questions. Information provided by marketing research is also known as *market intelligence* because it helps a business make informative decisions in order to gain a competitive edge. After research is complete, the results are used in the market planning function.

Marketing research is also called *marketing-information management (MIM)*, which is the marketing function that involves gathering and analyzing information about markets, customers, industry trends, new technology, and competing



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Marketing-information management (MIM) involves gathering data about markets and customers. **Why is MIM important to businesses?**

businesses. It also includes making sure the right people in an organization get the information needed to make business decisions.

Conducting marketing research is important because it helps businesses develop strategies to reach their target customers. It can also help businesses understand how they are perceived by customers. For example, Starbucks launched the “My Starbucks Idea” platform in 2008 for customers to share their thoughts on how to improve the company’s product offerings. Starbucks used the marketing research to create new products, showing the value of customer input. Even though the platform closed after a successful decade, Starbucks still encourages customers to provide feedback through social media. The *marketing concept* focuses on satisfying customers as a way of achieving profit goals. Meeting the needs and wants of target market customers leads to customer satisfaction, which Starbucks achieves through its marketing research tactics. Logically, businesses such as Starbucks that do a better job of meeting customer needs will sell more than their competitors.

Businesses that properly conduct marketing research may avoid costly mistakes. For example, if a business launches a new product without accurate marketing research data, the product may not be what customers desire and ultimately fail in the marketplace. This will cost the business money, time, and potentially, the reputation of its brand.

11.1-2 Types of Marketing Research Data

Marketing research produces various data about customers, competitors, products, and the industry. **Data** are pieces of information gained through research. To be usable by businesses and marketers, the data must be organized. A **database** is an organized collection of data in digital form. Many businesses collect data and contact information about their current customers and store the information in a *customer database*. Some companies also develop databases specifically for information about potential customers.

A *marketing research database* contains the results of marketing research. There are two types of data collected through marketing research: primary and secondary.

Primary Data

Primary data are pieces of information collected directly by an individual or organization. To collect primary data, marketers conduct primary research. *Primary research* is conducted first-hand by a researcher. Large businesses often conduct primary research to collect their own data.



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Databases can be used to store information about current and potential customers. **What types of information about customers might be collected and stored?**

Businesses might also hire marketing research firms to conduct the research if they do not have in-house researchers or if the project is large. Marketing research is a big business. Some of the larger marketing research companies include The Nielsen Company, J.D. Power and Associates, and Gallup.

Primary data is beneficial to researchers because it is information they have collected and evaluated personally. Researchers can design their data-collection methods to meet their needs. The research can be tailored to a specific target market. However, primary data is also the most expensive to collect because the costs of conducting a research study fall to the business or person performing it.

Primary research must be performed properly in order for the data to be accurate. For example, it is important to ensure that the right people are asked the right questions. A **representative sampling** is a group that includes a cross section of the entire population that is targeted. *Population* is the number of people who live within a defined area, such as a nation, geographic region, or market. The responses collected from a smaller group of people within the target market reflect those of the larger population. However, the sample size must be large enough for the results to be valid. The *sample size* is the number of people in the research sample. As an example, many national surveys use a sample size of 1,000 people to get useful information about national attitudes and opinions. The people who choose samples and analyze results are statisticians and marketing researchers.

Primary data collected are categorized as either qualitative or quantitative, as shown in

Figure 11-1. **Qualitative data** are bits of information that provide insight into what people think about a topic. These data come from research questions that require judgment instead of simple “yes” or “no” answers. **Quantitative data** are facts and figures from which conclusions can be drawn. Quantitative data can be counted, measured, and expressed using numbers. An example of quantitative data is the number of customers who used a product and gave it a high score. The most common ways to collect primary data are through observations, interviews, surveys, diaries, and experiments.

Observation

Using the observation method, a researcher watches people or situations and records facts. Designing marketing research to use the observation method is most appropriate when consumer behavior is the central research issue. The key to getting accurate information through observation is to make sure subjects do not know they are being observed. Their behaviors must be real and not influenced by the observer.

For example, a business may want to test its window displays. Using the observation method, a researcher could sit in front of the store and observe reactions to the displays. Data collected might include the number of people who:

- walked by
- looked at the store windows
- entered the store
- left with purchases

Another form of observation many companies use is the secret shopper. A *secret shopper* is a person hired by a company to visit its place of

Differences Between Qualitative and Quantitative Data

Senior Class Survey: Qualitative Data Questions	Senior Class Survey: Quantitative Data Questions
Why do you think it is important to be community-minded?	Do you participate in community activities?
How do you show your school spirit?	Do you attend school events and functions?
What is the next step for you after graduation? Why did you choose that path?	After graduation, are you: A. heading to college? B. entering the workforce? C. enlisting in the military?

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Figure 11-1 Qualitative and quantitative data are useful for different reasons.



Social Media

Content Marketing

Content marketing is the process of creating content consumers actively seek on their own. It places the focus on the content or information rather than the brand or the business. Customers are interested in information that helps their lives become easier or better, or makes them feel good. They may or may not be interested in the company, brand, or product. Rather, the interest lies in learning something or being entertained.

Content marketing is just one strategy businesses may use as part of their social media marketing campaign. It is not about the “hard sell” of a product. Its purpose is to provide content to gain the interest of the customer. The use of blogs, podcasts, and videos are examples of vehicles that can be used to educate or inform customers about a product. For example, a business may offer instructional videos on YouTube. The end goal is for customers to be impressed with the information they learned and look to the business for future purchases.

business and observe the quality of service. Secret shoppers may also buy products to interact with and test the staff. The employees do not know which customers, if any, are secret shoppers. Secret shoppers report their experiences in writing to the business, including good and bad customer service and any problems encountered.

When observation is used, objectivity is important. To have *objectivity* is to be unbiased, or free of personal feelings, prejudices, or interpretations. The observer needs to accurately record data and remain unbiased. When enlisting the assistance of others to collect data, providing a standard checklist or form to each observer can help ensure that consistent data are recorded.

Interview

An *interview* is a formal meeting between two or more people to obtain certain information. Designing marketing research to use the interview method is most appropriate when the central research issue requires insight into the thoughts and opinions of people about a product or business. When an interview is conducted with a group of people, it is called a focus group. A **focus group** is a group of people brought together to discuss a specific topic. Focus groups usually consist of six to nine people. Participants are almost always paid for their time. A focus group is run by one person who asks questions and keeps the group on topic. The activity of focus groups is often recorded on video. Participants may also be watched in real



A focus group is brought together to discuss a specific topic. **How do you think a focus group might be useful when conducting marketing research?**

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time by others behind a one-way mirror. Focus groups are useful for gaining information based on how people in the group interact with each other.

One-on-one interviews can be used to gather the same type of information collected in a focus group. Depending on the topic, individual interviews might yield better information. Some respondents are more likely to give straightforward answers in a one-on-one interview rather than in a group of people.

Survey

A **survey** is a set of questions posed to a group of people to determine how that group thinks, feels, or acts. Surveys are often used to obtain quantitative data. Using the survey method is most appropriate when the central research issue involves gathering facts and figures about a group of consumers. For example, Kaiser Permanente, a nonprofit health-care organization, regularly sends customer satisfaction surveys to its members to collect data on doctor performance, patient communication procedures, and office facilities. A questionnaire is given to each person to answer individually, without discussion among others in the group. Data can be collected through an in-person survey, over the telephone, by mail, or electronically. Electronic survey methods are most common.

The success of a survey depends on identifying a representative sampling. Surveys conducted by professionals, such as political polls, use complex formulas and methods to identify an appropriate representative sampling. A business can use company data to identify groups that represent a subset of the target market, such as customers or employees.

A written survey is highly structured and contains multiple items for response. Some considerations before deciding to use a written survey include the following.

- What is the best method for getting information?
- Who is the target audience?
- How many people should receive the survey to get an adequate number of responses?
- How will a representative sampling be selected?

When writing a survey, it is important to develop questions in a format that encourages responses. See Figure 11-2 for suggestions.

When a survey is distributed, state its purpose, a plan for the responses, and a deadline for responses. Participants must understand their time

Creating a Survey

- **Create questions that are easy to answer.** Questions should have a choice of answers, such as yes/no, multiple choice, or agree/disagree/strongly agree/strongly disagree. These are known as *closed-ended questions*. They make it easy for the responder to give an answer and for the marketer to evaluate responses.
- **Write objective questions.** Questions should not lead respondents to a particular answer because biased questions produce biased data.
- **Put the questions in a logical sequence.** Questions should be in sequence, and when possible, items should be grouped and have headings.
- **Keep the survey short.** A survey should be short. If there are too many questions, the respondent may not take the time to complete the survey.
- **Include space for comments.** The best information may come from unstructured responses.

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Figure 11-2 A written survey is highly structured and contains multiple items for response.

is respected and that timely responses are important to the success of the survey. In some cases, an incentive can be used to increase the number of surveys returned. Common incentives include a gift, a copy of the final report, or some other motivational item.

Participants should be assured that the survey is anonymous and their contact information will not be used in any way. If a survey is conducted via e-mail, the document should be created in a way that can easily be returned. If an online survey tool is used, a hyperlink should be included for participants to easily click, access, and complete the survey. Online survey service providers have guidelines that should be followed.

Diary

A *diary* is a written record of the thoughts, activities, or plans of the writer during a given period of time. Market researchers use diaries in much the same way. Using the diary method is most appropriate when the central research issue



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A survey is used to determine how a group of people thinks, feels, or acts. **Why do you think surveys are more useful for obtaining quantitative rather than qualitative data?**

involves learning about the activities of consumers. Researchers typically use diaries to study how people use their time and spend their money. Diaries can use open-response format, forced-choice format, or a combination of both.

An *open-response format* allows respondents to write whatever they want about their experiences. It allows people to give more feedback. These types of diaries take a long time to analyze, which makes them a costly option for data collection.

A *forced-choice format* uses *closed-ended questions*, where only one answer can be chosen from several options, such as a multiple-choice test. This type of diary is easier to analyze than open-response, but it provides much less feedback. Diaries offer a number of advantages and disadvantages, as shown in Figure 11-3.

Experiment

An *experiment* is a procedure performed in a controlled environment to test or discover something. Using the experiment method is most appropriate when the central research issue involves testing a variable. A **variable** is something that changes or can be changed. In the experiment method, a researcher sets up two situations that differ in only one variable. Results from the two experiment situations can then be compared.

When testing window displays of a business, for example, a researcher might count the number

of people passing by and the number of people entering the store for a specific number of days. The store then changes the window display. The new window display is the variable. The researcher again counts the number of people passing by and the number of people entering the store. Analyzing this data might show if the number of people entering the store was influenced by the different window display.

Taste tests are common product experiments in which researchers may simultaneously use

Using Diaries in Marketing Research

Advantages	Disadvantages
<ul style="list-style-type: none"> • Ability to collect sensitive information that a participant may not provide in an interview • Greater reliability because participants are not asked to recall information • Supplements other research methods 	<ul style="list-style-type: none"> • Expensive method of research • Overly conscientious participants may write too much • Large dropout rate, about 40 percent, immediately after the initial interview • Inaccurate participant responses

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Figure 11-3 Using diaries as a research method has both advantages and disadvantages.

observation, survey, and experiment methods. Using a combination of methods in conjunction with each other can result in the most valid primary research data.

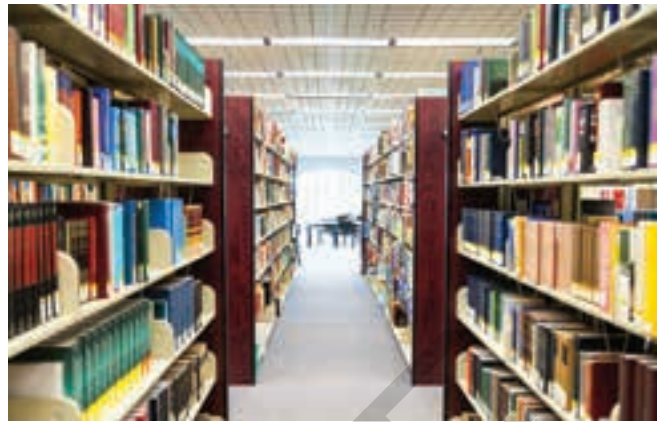
Secondary Data

Secondary data are information, statistics, or other types of data that already exist. Someone has already collected the information, but others can use it. For that reason, secondary data is usually easier to find and less expensive to obtain than primary data. However, for secondary data to be useful, it should relate to the research topic and be timely. In general, secondary data older than five years is not useful.

If the data already exists, there is no need to go through the time and expense of collecting primary data. To collect secondary data, marketers conduct secondary research. *Secondary research* is searching data already assembled and recorded by someone else. Resources for secondary data can include internal and external sources.

Internal sources of secondary data are reports, spreadsheets, and databases compiled within a business. Every business collects internal data in many forms that can be used for different purposes. The data include sales records, customer databases, financial statements, and marketing records. Internal business records are the best place to start when learning about current customers and their buying behaviors.

External sources of secondary data are any accessible sources outside of a business. There are many external sources available for reliable



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Secondary data include information, statistics, or other type of data that already exist. **What sources of secondary data have you used?**

secondary data. Examples include governmental sources, market research sources, academic sources, trade associations, and the Internet.

Governmental Sources

Federal, state, and local governments collect an enormous amount of data. Information can easily be found about the economy, industries, and the population. Some of the many governmental agencies that can be data resources are shown in Figure 11-4.

Market Research Sources

Many companies collect data that can be used by others for marketing research purposes. Some may be available at no or low cost on the research companies' websites. Research firms, such as

Federal Governmental Data Sources

Agency	Data Available
International Trade Administration	Data on US industries, exports, imports, and trade analysis
US Bureau of Economic Analysis	Economic data related to economic growth, regional economic development, inter-industry relationships, and the nation's position in the world economy
US Bureau of Labor Statistics	Measures and reports labor market activity, working conditions, and price changes in the US economy
US Census Bureau	Source of quality data about the nation's people and economy
US Department of Commerce	Data from all related bureaus, including economic, population, international trade, business development, and telecommunications information
US Federal Reserve	Innovative research on a broad range of topics in economics and finance

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Figure 11-4 Secondary research gathered from governmental sources is generally reliable.

Dun & Bradstreet, collect market data to sell to other businesses. Getting market research data through a research firm may be costly, but typically not as costly as independently conducting and analyzing primary research.

State and local chambers of commerce are also good sources for free secondary data. A *chamber of commerce* is a group of businesses whose main purpose is to encourage local business development. They can often provide current information about area businesses and the local economy.

Academic Sources

Universities, community colleges, and local libraries are great resources for secondary data. Colleges and their libraries can help marketers find databases and research done by the schools. Most universities also have small-business organizations on campus that provide secondary data. Local community libraries house books, business directories, magazines, journals, newsletters, newspapers, and other free resources.

Trade Associations

A *trade association* is an organization of people in a specific type of business or industry. The members of a trade association work together to help each other succeed. Information from a trade association may be free to anyone, or only to members. Depending on the source, sometimes it is available for a fee.

Some information can also appear on association websites. For example, the National Grocers Association posts results from various surveys on its website. Businesses can compare themselves to others of similar size and location by using trade association data. Again, membership may be required.

Industry publications, also called *trade journals*, are magazines or newsletters focusing on a specific industry. Many trade associations publish trade journals. The journals usually cover a wide range of topics that are of interest to those within the industry. One example of a trade journal is *Women's Wear Daily*, which is published online each day for the fashion industry.

Internet

Using various Internet search engines can add a great deal of efficiency to the marketing research process. Information can be learned about the

competition, including their marketing mixes and promotions, by viewing competitors' websites. Internet sources used for research purposes should be verified. Open-source websites and business websites ending in .com or .net may or may not have credible information. More trustworthy sites tend to be those ending in .gov or .edu.

Businesses may also use the Internet to track and measure customer buzz. **Customer buzz** is word-of-mouth communication that consumers post online about their experience with a company's products or customer service. By regularly monitoring customer buzz on websites, blogs, or social media, businesses can better understand how customers feel about their products and level of service. This allows businesses to make adjustments when necessary. Businesses may also be able to respond directly to negative reviews posted by dissatisfied customers. Quick responses can possibly prevent the loss of future business.

11.1-3 Trend Research

A major goal of marketing research is to identify business opportunities that support growth. One way to do this is to look for new trends. In general, a *trend* is an emerging pattern of change. Trends develop over a long period of time, tend to be long lasting, and affect large numbers of people. They are different from fads. A *fad* is something that is very popular for a short time and dies out quickly. Examples of fads include selfie sticks, fidget spinners, and various fad diets or hairstyles.



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A fad is something that is very popular for only a short time, such as fidget spinners. **What fads have you seen come and go?**

A **marketing trend** is a pattern of change in consumer behavior that leads to changes in the marketing mix. Trend research often combines research on customers, competition, and potential opportunities. Trend research can be conducted first-hand by the business itself or by marketing firms that specialize in researching and predicting trends. The information collected is important to businesses because it helps them adjust product, price, place, and promotion to meet new trends. For example, research shows consumers desire more healthy menu options at restaurants. KFC responded to this trend by forming a partnership with Beyond Meat, a plant-based meat production company. Through this partnership, KFC developed its product line called Beyond Fried Chicken. This plant-based option was the first of its kind offered at a national chicken chain in the United States.

There are many types of trends that can be seen in society. However, marketers are particularly interested in social, demographic, and product trends. Successful marketers notice trends early and help their company offer products or change their business model to meet new wants or needs.

Social Trends

Social trends are the patterns of change in society as a whole. Social trends often lead to changes in consumer behavior or to changes in business operations. One of the major social trends of the 21st century is the availability and integration of technology into our daily lives. This led to the development of smartphone apps that are used every day by millions of consumers for scheduling, shopping, tracking health, reading books, listening to music, and many other tasks. Due to the COVID-19 pandemic, many people changed how they prefer to work, shop, and play. Businesses are adjusting to these changes by now allowing their employees to work from anywhere.

Demographic Trends

Demographics are the qualities of a specific group of people, including their age, gender, and income. *Demographic trends* are changes in the size of different segments of the population. Marketers are interested in demographic trends because they often bring changes in product preferences. Businesses looking to grow are interested in recent demographic trends.

One trend is the increase in the population over age 65. As the Baby Boomer generation ages,

this group of people has more time and money, but possible health concerns. Travel, health care, and financial services companies are finding new, stable markets for their products and services in this demographic.

Product Trends

Product trends are changes in current product features or new products being developed. Marketers must know product trends to meet customer needs. For example, smart devices are trending in home technology. Consumers are buying more products that can be controlled through app or voice commands, such as speaker platforms, appliances, thermostats, and security systems.

11.1-4 Marketing-Information System (MkIS)

Researchers analyze raw data to draw conclusions and help make informed decisions. A **marketing-information system (MkIS)** is the organized system of gathering, sorting, analyzing, evaluating, distributing, and storing information for marketing purposes. Examples of these activities are shown in Figure 11-5. Data are constantly gathered and updated from both internal and external sources. The system provides marketing intelligence so decisions can be made and problems solved.

Some marketing-information systems are complex, while others are simple, such as a database. Each business decides which system best meets its needs. Company records, competitor information, and customer databases are often part of an MkIS.

Database marketing consists of gathering, storing, and using customer data for the purpose of marketing directly to customers. Database marketing makes customer relationship management (CRM) easier and more effective. CRM databases can help build stronger customer relationships by allowing companies to monitor certain activities and target customers. For example, some companies store credit card purchase information in their MkIS. This information helps target customers based on products they have already purchased. In doing this, customers feel like the company knows them and what they want or need.

Marketing-Information System Activities

Activity	Examples
Gather	Input customer contact information, customer purchases, and primary product research data
Sort	Sort data by customer zip codes, products purchased, and date purchased
Analyze	Study data to find patterns related to when and where a product was purchased
Evaluate	Based on data analysis, conclude whether marketing efforts need to be increased in certain regions of the country during holiday season
Distribute	Send all MkIS data and reports to mid-level and top-level managers for decision-making purposes
Store	Store all data for future planning, decision making, and comparison

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Figure 11-5 A marketing-information system (MkIS) is the organized system of gathering, sorting, analyzing, evaluating, and distributing information for marketing purposes.

Section 11.1 Review

Check Your Understanding

1. What is marketing-information management (MIM)? (11.1-1)
2. What are the benefits of using primary data and secondary data? (11.1-2)
3. Identify and describe methods of collecting primary data. (11.1-2)
4. How are trends different from fads? (11.1-3)
5. How is a marketing-information system (MkIS) used in customer relationship management? (11.1-4)

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write definitions for all the following terms and add them to your personal glossary.

customer buzz
data
database
database marketing
focus group

marketing-information
system (MkIS)
marketing research
marketing trend
primary data
qualitative data

quantitative data
representative sampling
secondary data
social trend
survey
variable

Essential Question

Why is accuracy important for marketing research?

Conducting Marketing Research

Learning Outcomes

- 11.2-1** Identify steps in the marketing research process.
- 11.2-2** Describe reasons why marketing research may be unreliable.
- 11.2-3** Explain the role of ethical behavior in marketing research.

Key Terms

hypothesis

raw data

data mining

descriptive statistics

table

graph

chart

agile marketing research

reliability

validity

order bias

marketing research ethics

stereotyping

11.2-1 Marketing Research Process

Marketers collect many types of research data. This may include data about new opportunities, potential customers, trends, competition, pricing, or other areas that can help a business make product and promotion decisions. Data can be gathered in both formal and informal ways. Both methods can help businesses understand what customers really want and need.

Informal Research

Informal research may take place with little or no planning. For example, the owner of a gift shop might walk around the store and talk with customers. The owner can learn what customers think of the store's products and services. If sales are down, the owner may start asking customers questions about the products and what they are buying instead.

Formal Research

Formal research involves a strategy and requires planning. For example, a business may develop and distribute a survey to current customers or hold a focus group to test a new product. The formal research process follows eight steps and is very similar to the scientific method of research.

1. Define the problem.
2. Conduct background research.
3. State a hypothesis.
4. Develop a research plan.
5. Collect the data.
6. Analyze the data.
7. Draw conclusions and make recommendations.
8. Follow up.

Define the Problem

Before research begins, a written statement should be created that precisely identifies and defines the problem. Then the problem or situation should be examined. Part of this process is to review material already on hand about the problem. Talking to



You Do the Math

Margin of Error

The *margin of error* is an allowance permitted to account for changes in circumstances or miscalculations. Margin of error is commonly seen in surveys used in marketing research. For example, a marketing research survey may compare the percentage of consumers favoring one brand of pasta sauce over another. These surveys almost always state a margin of error, such as ± 3 percent. In this case, the margin of error means the stated percentages may be 3 percent too high or too low.

Solve the following problems.

1. A market survey revealed that 45.6 percent of American households will purchase a new television in the next year. The survey has a margin

of error of ± 8 percent. When estimating how many televisions will be sold, what is the *lowest* percentage of households that can be assumed to make this purchase within the next year?

2. A business calculated its weekly expenses as \$12,054 with a margin of error of ± 2.5 percent. What is the *maximum* amount the weekly expenses should be?
3. A hotel chain conducted a survey of families planning to take a vacation over the upcoming holiday weekend. The survey results state that 73.6 percent will drive at least 500 miles. The margin of error is ± 4.6 percent. Allowing for the margin of error, what is the range of percentages of families that will drive at least 500 miles?

people in the company may reveal others who experienced a similar problem or situation that has been resolved. Using the company CRM system may also provide the answer or solution needed. In situations such as these, the problem may be solved before any further research begins.

If the problem cannot be solved using existing data, the next step is to develop a research question that will be the focus of study. There are three methods of questioning that can be used when designing marketing research studies. They are exploratory, descriptive, and causal questioning methods.

Exploratory research questions are often open-ended and used when limited information is available or when the topic is complex. Examples of exploratory research questions include:

- What factors influence consumer buying behavior when purchasing educational products?
- How does cultural background affect online spending habits?

Descriptive research questions are usually quantitative in nature and designed to collect data on a specific variable in a given situation. They typically involve demographic data, sales figures, production totals, and satisfaction ratings. Examples of descriptive research questions include:

- How many times do teenagers consume fast food each month?
- How satisfied are parents of young children with the quality of public parks that are available in the community?

Causal research questions help determine if one variable causes another variable to change in a given situation. These research questions can help companies explore what might happen if they change an aspect of their business model. Causal research questions are typically quantitative and experimental in nature. Examples of causal research questions include:

- What is the effect of a reward program on customer purchases at a grocery store?
- Is the enthusiasm level of a customer service representative related to buyer satisfaction?

Determining the right question to solve the defined problem is crucial to the success of a marketing research study. This will help researchers collect relevant data and keep the study on track to solve the problem.

Conduct Background Research

It is important to learn as much as possible about the problem that has been defined. Personal interviews with current and potential customers can be helpful. Research should be gathered through multiple sources to gain information about the competition and industry, as well as to understand the marketing challenge.

State a Hypothesis

A **hypothesis** is a statement that can be tested and proved to be either true or false. A hypothesis is always stated in the positive. For example, if you

are marketing clothing, the hypothesis might be: “Customers buy Superstar-brand clothes because Superstar clothing makes them feel trendy.” It is a good idea to test the hypothesis before creating a marketing plan based on it. Research will either confirm or disprove a hypothesis. Plans can then be changed if the hypothesis does not test well.

Develop a Research Plan

A research plan is necessary to test the hypothesis and produce a desired outcome. A plan must be in place to accommodate the need for quantitative data, qualitative data, or both. If primary research is to be used, research instruments must be chosen and designed. When the situation requires outside research firms, budgets must be developed to accommodate the costs. Some situations require secondary research. If secondary research will be used, the type of data needed and where it can be found should be identified.

Collect the Data

Depending on the research plan, the actual data collection may be done by internal marketing employees or by hiring an external firm. This step will require training for the people who are doing the research. If it is primary research, the people gathering the information must understand how to approach the interviewees and how to use the research instrument. If it is secondary research, training will be necessary to help the researchers understand where they should go for information and how to collect it.

Analyze the Data

Research that has not yet been analyzed is called **raw data**. Raw data, by itself, is useless. Analyzing data makes it useful. This involves studying the data for patterns, organizing the information into graphs and charts, and making comparisons with previous studies. Analysis may be done manually or by using a software program. **Data mining** is searching through large amounts of digital data to find useful patterns or trends. All data must be analyzed and explained to help make sound business decisions.

Often, data is analyzed using descriptive statistics. **Descriptive statistics** are measures or calculations that summarize information collected from raw data. For example, averaging customer satisfaction ratings gathered from a survey or deter-

mining the percentage of survey respondents who fall within a specific age range are ways of developing descriptive statistics. Descriptive statistics help marketers analyze data to draw conclusions about the hypothesis.

After the data is analyzed, it may be presented in various formats. The format chosen will depend on the type of information to be presented and on the needs of those receiving the information.

- A **table** is a visual that displays information in columns and rows and is often used to compare data.
- A **graph** depicts information through the use of lines, bars, or other symbols. Examples are circle graphs, line graphs, and bar graphs.
- A **chart** is a diagram that shows a process or hierarchy. A *flowchart* is a type of chart that depicts steps in a process.

For some businesses, a map or drawing may be more appropriate. Some data may also require that photographs be included.

Draw Conclusions and Make Recommendations

Research conclusions are based on data analysis. For example, the previously stated hypothesis, “Customers buy Superstar-brand clothes because Superstar clothing makes them feel trendy,” will be confirmed or disproved by the analyzed data. If disproved, the process typically starts over with a different hypothesis.

If the research confirms the hypothesis, the business may decide to move forward with



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Once marketing research conclusions are reached, the results are shared with others in the company. **Why do you think others in a company need to know the results of marketing research?**

marketing the clothing line using that concept. However, more research may be needed. For example, the company may want to know if feeling trendy is the *most important* reason customers buy the Superstar brand. If not, then basing a decision to market the clothing line on that hypothesis might not be a good decision.

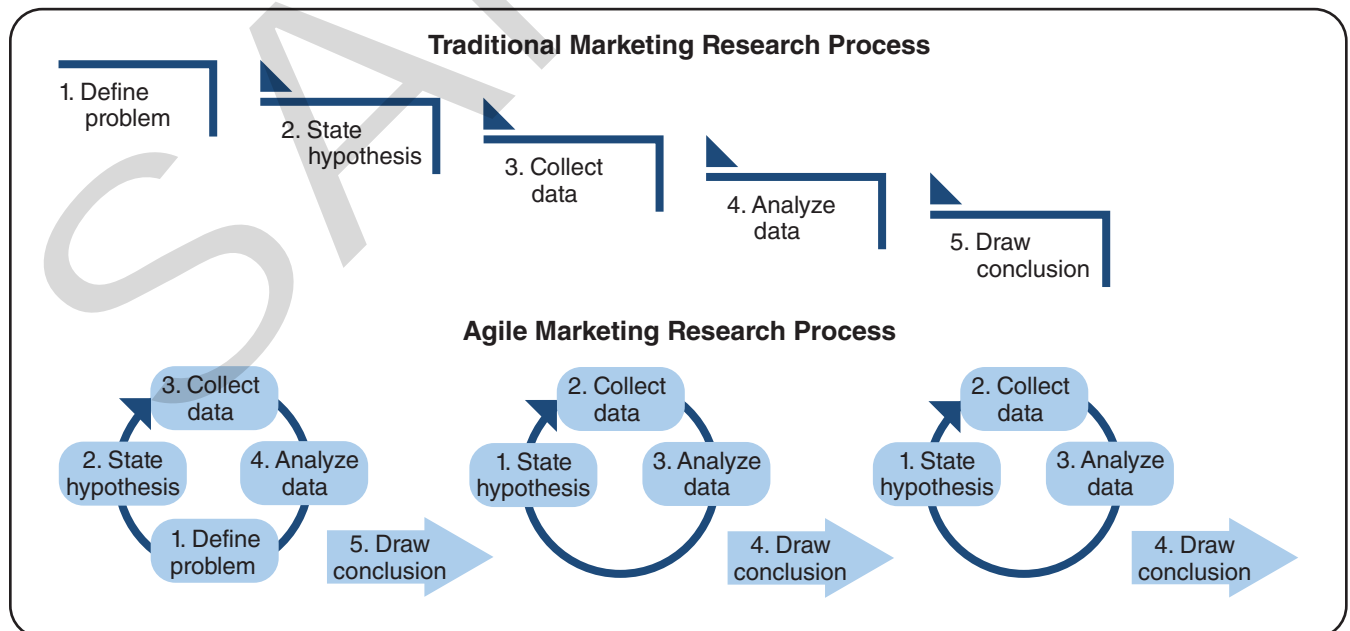
Once research conclusions are reached, making a business recommendation is the next step. The results of marketing research are often shared with others in the company. Therefore, marketing researchers usually compile the results, conclusions, and recommendations in a formal report.

Follow Up

The final step in the marketing research process is to follow up to determine if the recommendations from the research were implemented. If they were implemented, the researcher should collect feedback on the results to determine if the goals were met. If the results were not successful, it should be determined what went wrong and how specific items can be corrected or adjusted. If the recommendations were not implemented, the researcher should be given feedback to learn why they were not used.

Agile Marketing Research

Due to advancements in technology and artificial intelligence, market researchers are able to speed up the time it takes to complete the marketing research process. Background information, research design, data collection, and data analysis can all be performed electronically in a condensed amount of time. When using the traditional marketing research process, a step-by-step procedure is followed to arrive at a conclusion, as shown in Figure 11-6. From start to finish, this process can be time consuming. **Agile marketing research** is the use of advanced technology to quickly conduct marketing research using cyclical iterations. Technology gives marketers the ability to perform multiple cycles of research, called iterations, to test new hypotheses as they arise. Conclusions are drawn after each cycle. As new hypotheses are tested, they build on the previous set of research findings, providing more insightful conclusions along the way. This approach allows researchers to quickly make adjustments to their research plan at any time during the process. Agile marketing research helps companies find more accurate answers to their market research questions, while also saving money and time.



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Figure 11-6 Traditional marketing research takes longer than agile marketing research, which gives marketers the ability to test several hypotheses throughout the process.

11.2-2 Reliability of Marketing Research

The results of any research are only as good as the research process. Flaws within the marketing research process create limitations on the data collected. Sometimes, the results of marketing research can be misleading. If research is conducted incorrectly, the results are flawed. Research results that are wrong lead to poor business decisions.

The reliability of marketing research affects the marketing decisions a business makes. **Reliability** is the quality of providing consistent and dependable measurement and results. Marketing research may be unreliable for a number of reasons, including problems with the research sample, data collection methods, data analysis, or reporting errors. When the research process is followed properly, marketing research results should be reliable.

Research Sample

A number of errors may come from the research sample. For example, the sample size may be too small. The sample may include people who are not in the target market. The wrong target market may have been used, leading to a sample design error. Additionally, if people selected to be in the sample do not respond to the survey or if errors in technology prevent them from responding, a nonresponse error may occur. A poor research sample design or high numbers of nonresponse occurrences may cause the data collected to be incorrect.

Data Collection

Validity is the quality of being logical and factually sound. The wording of questions used in marketing research can compromise the validity of the data collected. To ensure the validity of data, research questions should be structured to address the intended marketing research topic. When questions do not stay on topic, use vague or misleading language, or make assumptions, they may produce invalid or inaccurate data. Validity may also be jeopardized due to interviewer error. This occurs when an interviewer's personality or casual conversation with survey or focus group respondents affects their answers.

Order bias is the skewing of results caused by the order in which questions are placed in a survey. For example, respondents tend to select the first few answers from a list and overlook the rest. Order bias happens if answer choices for questions are not rotated among all surveys given. Any of these factors can influence how a person answers survey questions, resulting in response errors.

Data Analysis

Raw data is neither right nor wrong. When analysis is performed incorrectly, however, errors occur. An *error* is a mistake, usually unintentional, that can cause misinterpretation or misunderstanding. For example, simple math errors are common. Sometimes, the usefulness of marketing research depends on the person explaining the results. A person familiar with the business, customers, and market might explain research results better than one who is unfamiliar. In addition to using marketing research results, some researchers also factor in their *gut feeling* or instincts when making decisions.

Reporting Errors

The most common reporting error in marketing research is misrepresenting the research results. This means that reported results are incomplete or inaccurate. If a report format is too simple, for example, crucial data may be left out. A reporting error could be as simple as poor grammar and sentence structure. Or, it could be as complex as choosing poor visuals to show research results. Even the best research and analysis practices cannot survive reporting errors.

11.2-3 Marketing Research Ethics

Marketing research ethics are moral guidelines that encourage companies to conduct research studies in a manner that keeps consumers safe and protects the validity of the results. Throughout the marketing research process, it is important for all participants involved to behave ethically.

Ethical violations that occur during the marketing research process usually fall in one of the following categories.

- *Participant treatment.* When conducting marketing research, participants should provide their consent beforehand and be treated with respect. Participants should be informed up front whether their identities will remain anonymous and their responses will be kept confidential. This practice will help research participants feel safe and encourage them to provide accurate and truthful responses. It is also good practice to offer an appropriate incentive for their participation in the study.
 - *Data privacy.* Market researchers should never misuse customer information. Unlawfully sharing or selling customer information without consent should be avoided. In today's technological age, it is important that customer information is protected. Data pulled from social media platforms, mobile devices, and other types of technology using artificial intelligence should be gathered and used ethically.
 - *Stereotyping and bias.* Throughout the study, market researchers should do their best to avoid stereotyping and bias, whether it occurs consciously or unconsciously. **Stereotyping** is a belief or generalization about a group of people with a given set of characteristics. Researchers should not let their own culture and experiences influence the collection of data. They also should not let their own desires for the outcome of the study affect their data analysis. This may cause inaccurate research results.
 - *Deceptive practices.* Market researchers need to be open and honest during the research process. They should clearly outline the goals and objectives of the study to the participants before beginning and should not collect data for any other purpose. Participants should never be asked to donate money and should be allowed to withdraw from the study at any point. Also, market researchers should never misrepresent the results of a study.
- When ethical guidelines are not followed, consumer privacy may be jeopardized. Companies may receive negative publicity for their behavior and be at risk for breaking the law. Conducting marketing research ethically will protect both consumers and the company's reputation.

Section 11.2 Review

Check Your Understanding

1. What is the difference between informal research and formal research? (11.2-1)
2. Discuss three methods of questioning that can be used when designing marketing research studies. (11.2-1)
3. Explain the benefit of using agile marketing research for a company. (11.2-1)
4. Identify reasons that marketing research may be unreliable. (11.2-2)
5. Define marketing research ethics. (11.2-3)

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write definitions for all the following terms and add them to your personal glossary.

agile marketing research
chart
data mining
descriptive statistics
graph

hypothesis
marketing research ethics
order bias
raw data
reliability

stereotyping
table
validity

Chapter 11 Review and Assessment

Chapter Summary

Section 11.1 Marketing Research Data

11.1-1 Define *marketing research*.

Marketing research is the process of gathering and analyzing information to help make sound marketing decisions. The information gained through marketing research is used by businesses to define target markets, learn about the needs and wants of customers, and understand what motivates people to buy.

11.1-2 Identify two types of data gathered through marketing research.

Two types of data collected through marketing research are primary and secondary data. Primary data are collected directly by an individual or organization. Secondary data are information, statistics, or other types of data that already exist.

11.1-3 Discuss trend research.

A marketing trend is a pattern of change in consumer behavior that leads to changes in the marketing mix. Trend research often combines research on customers, competition, and potential opportunities. Marketers are interested in identifying social, demographic, and product trends to offer products to meet new wants or needs.

11.1-4 Explain the purpose of a marketing-information system.

A marketing-information system (MkIS) is the organized system of gathering, sorting, analyzing, evaluating, distributing, and storing information for marketing purposes. Database marketing using MkIS data makes customer relationship management (CRM) easier and more effective.

Section 11.2 Conducting Marketing Research

11.2-1 Identify steps in the marketing research process.

The formal marketing research process consists of eight steps: define the problem; conduct background research; state a hypothesis; develop a research plan; collect the data; analyze the data; draw conclusions and make recommendations; and follow up.

11.2-2 Describe reasons why marketing research may be unreliable.

The results of any research are only as good as the research process. Marketing research may be unreliable for a number of reasons, including problems with the research sample, data collection methods, data analysis, or reporting errors.

11.2-3 Explain the role of ethical behavior in marketing research.

Marketing research ethics are moral guidelines that encourage companies to conduct research studies in a manner that keeps consumers safe and protects the validity of the results. Market researchers should strive to behave ethically by treating participants with respect, protecting customer privacy, limiting stereotyping and bias, and avoiding deceptive practices.

Review Your Knowledge

1. Describe how businesses use marketing research data. (11.1-1)
2. What is the difference between primary and secondary data? (11.1-2)
3. List external sources available for reliable secondary data. Provide an example of each. (11.1-2)
4. Discuss the use of trend research. (11.1-3)
5. What is the purpose of a marketing-information system (MkIS)? (11.1-4)
6. List and describe the steps in the marketing research process. (11.2-1)
7. How is data mining used in the marketing research process? (11.2-1)
8. How do marketers draw conclusions from marketing research data? (11.2-1)
9. Define order bias and explain how it can be prevented. (11.2-2)
10. Recall ways a market researcher can behave ethically when conducting a marketing research study. (11.2-3)

Apply Your Knowledge

1. Businesses that properly conduct marketing research may avoid costly mistakes. Provide a real-world example that illustrates when a company made a costly mistake due to a lack of market research or flawed market research. (11.1-1)
2. Describe the difference between qualitative and quantitative data. Explain how each type of data would benefit a marketing research study you plan to conduct to determine the student body's opinion of cafeteria lunches served at your school. (11.1-2)
3. If you were a market researcher for Nike, determine where you would search for secondary data about your products and target market. (11.1-2)
4. Provide an example of a recent social trend that has affected your behavior as a consumer. Describe how it affected your behavior and why. (11.1-3)

5. Assume that you started an online business selling organic skincare products and you need to create a new customer database. Identify the types of data that should be included and monitored to help you make marketing decisions and build strong customer relationships through CRM. (11.1-4)
6. Using the scenario in the previous question, define a potential problem your business might face for which a marketing research study might offer some valuable insight. (11.2-1)
7. Using a local business of your choice, construct a research question using each of the following methods: exploratory, descriptive, and causal. (11.2-1)
8. Assume that you are marketing a truck manufactured by Toyota. Develop a hypothesis statement for a research study you will conduct. (11.2-1)
9. Think of a time when you have taken a survey. Did the wording or order of the questions affect your responses? Explain your answer. (11.2-2)
10. Using the Internet, find a real-world example of a company that violated ethical marketing research practices. Describe the situation and the outcome. (11.2-3)

Apply Your Math Skills

You are a marketing manager for a company that produces breakfast cereal. You are getting ready to conduct a marketing research project. Apply your math skills to solve the following problems.

1. You are preparing a survey about breakfast cereal preferences. You will need at least 35 responses. You know from previous surveys to expect a response rate of 2 percent. How many people must you survey to ensure you receive 35 responses?
2. You are going to conduct four focus groups to generate feedback about the taste of a new breakfast cereal. You have received a list of 32 people who can participate in the focus groups from a marketing research firm. If split equally among the four groups, how many people will participate in each focus group?

3. Half the focus groups were given a breakfast cereal marketed as *all natural* and *made with whole grains*. In these groups, 75 percent of the participants said they would buy the cereal. The other half were given the same cereal marketed as being *great tasting* and *a cereal your children will love*. In this group, 50 percent of the participants said they would buy the cereal. What is the total number of participants who said they would buy the cereal?

Communication Skills

College and Career Readiness



Reading It is important for a business to monitor customer buzz by continuously reading customer reviews, blogs, and social media posts. Pick a familiar full-service or fast-food restaurant and search for

examples of its customer buzz using the Internet. A good place to begin your search is the Yelp website. Carefully read the customer reviews. If you were the restaurant's marketing manager, how would you describe the overall customer tone or opinion toward the restaurant? Describe how you will use the information collected from monitoring customer buzz to make the restaurant more profitable.

Writing To become career-ready, it will be important to learn how to communicate clearly and effectively using reason and logic. Write several paragraphs that clearly communicate your opinion on the importance of marketing research. As you prepare the information, assume that your audience will be local small business owners.

Listening Collaborating in business requires listening skills. Partner with a classmate and select a well-known company. Individually investigate the methods it used to conduct a recent marketing research study. After conducting separate research, each of you should verbally summarize your opinion about the marketing research methods used by the company to gather data about the defined problem. Listen carefully to the statements your partner makes. Do you agree with your partner's assessment? Explain your thoughts in one paragraph.

Internet Research

Demographics Marketers are interested in demographic trends because they often cause changes in consumer preferences. Visit the website of the US Census Bureau. Using the search tool, enter your zip code to find demographic information specific to your area. What useful demographic information is provided? Explain how this information could be helpful in identifying the preferences of a market.

Effective Surveys Using the Internet, conduct a search for the phrase *how to write effective survey questions*. Research types of questions that are the most effective for gathering data. What question writing tips did you find? Summarize the information you learned in one to two paragraphs.

Marketing Research Technology Advancements in technology continue to modernize the way companies conduct marketing research. Conduct an Internet search for *technologies used in marketing research*. Read several current articles on the topic. Based on the information you have read, write a brief summary of how technology is impacting marketing research.

Teamwork

Work with your team to develop a checklist that could be used to observe reactions of people passing by a retail window display. The checklist should provide information for the observers so that each observes, interprets, and communicates the same data. The observation technique is successful only when the same criteria are used by everyone on the research team.

DECA Emerging Leaders

Principles of Marketing Event

Career Cluster: Marketing

Instructional Area: Information Management

Performance Indicators

- Assess information needs.
- Demonstrate basic database applications.
- Obtain needed information efficiently.
- Store information for future use.

Purpose

Designed for first-year DECA members who are enrolled in introductory-level principles of marketing/business courses, the event measures students' proficiency in the knowledge and skills identified by career practitioners as common academic and technical content in marketing. This event consists of a 100-question, multiple-choice, business administration core exam and an event situation role-play with a business executive. Participants are not informed in advance of the performance indicators to be evaluated.

Participant Instructions

- The event will be presented to you through your reading of these instructions. Four performance indicators specific to the event situation are included. You will have 10 minutes to review this information to determine how you will handle the event situation and demonstrate the performance indicators. During the preparation period, you may make notes to use during the role-play situation.
- You will have up to 10 minutes to interact with a judge and explain the designated concepts. You may have more than one judge.
- You will be evaluated on how well you meet the performance indicators of this event.
- Turn in all your notes and event materials when you have completed the role-play.

Event Situation

You are to assume the role of marketing employee at the national headquarters of Project Smile, a

nonprofit business dedicated to providing cleft lip and palate repair to children whose families are unable to afford the corrective surgery. You are responsible for soliciting and acknowledging monetary donations from the general public. The **marketing manager (judge)** has invited you to a face-to-face meeting to measure your knowledge and understanding of an aspect of the business. The marketing manager (judge) wants to make sure you understand the role that the donor database plays in the business's ability to raise the necessary funds.

In the first part of your meeting, you will assess the information needs of the business as it relates to soliciting and acknowledging donations. In addition, you must explain how database management can facilitate the information needs of the business and how this produces accurate business records and provides for proper customer receipts. Following your explanation, the marketing manager (judge) will ask you to respond to additional questions.

The meeting will take place in the marketing manager's (judge's) office. The marketing manager (judge) will begin the meeting by greeting you and asking to hear your ideas on how proper operation of the donor database can help to raise the funds needed by the business. After you have provided your explanation and have answered the marketing manager's (judge's) questions, the meeting will be concluded.

Critical Thinking

1. Match information in the role-play with each performance indicator.
2. What is the relationship between the performance indicators identified and your presentation with the marketing manager (judge)?
3. What are you to do in the first part of your meeting?
4. How will the marketing manager (judge) use the information obtained in the meeting?
5. What is one question the marketing manager (judge) may ask about information management at Project Smile? How will you respond?

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