

# 24309 Marketing Research

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## Week 2: Research Questions and Data

### Ch 2 & 3

#### Marketing decisions

*The growing complexity around marketing research and making marketing decisions*

- Organisations increasingly confronted with challenges and opportunities □ that are the result of changing legal, political, cultural, technological and competitive issues
- Growing complexity around *marketing research* and *making marketing decisions* due to:
  - **Technological advances and growing internet usage** □ driving developments in marketing research (big data)
    - *Internet*
      - Rapid technological advances and growing use □ making the internet a driving force in many current and future developments in marketing research
      - Traditional researcher philosophies are being challenged as never before e.g growing emphasis on the collection, analysis and interpretation of existing data as a basis of marketing business decisions (i.e. through purchase data) □ enhancing their ability to understand shopping behaviour and better meet customer needs
  - **Growing emphasis on the collection, analysis and interpretation of existing data**
  - **Increased use of *gatekeeper technologies*: technologies, such as caller ID, that are used to prevent intrusive marketing practices (e.g. by telemarketers and scam artists)**
    - It essentially acts as a means of protecting privacy against intrusive marketing practices
    - Many internet users either block cookies or erase them in order to keep marketers from tracking their behaviour
  - **Widespread expansion of firms into global markets** □ opening up new **cultural, social and changing market considerations**
    - Forces marketers to not only introduce new data collection tasks but also data interpretation and information management activities
  - **Marketing research is being repositioned in businesses to play a more important role in strategy development**
    - Used increasingly to identify new business opportunities and to develop new product, service and delivery ideas
    - Critical component to more efficiently executing customer relationship management (CRM) and in developing competitive intelligence

#### Marketing research process

- Development and successful promotion of goods and services involves:
  - Understanding **consumer decisions**
  - **Careful planning** through a **sound marketing research process**
- After identifying a business decision problem and acknowledging the scope for more information □ marketing researchers can view all the activities involved in planning and securing that information as part of the research process
  - □ consequently, decision makers and researchers need to interact □ in initiating the first phase of the research process (defining the decision problem)
- Market research planning involves:
  - **Identifying a business decision problem**
  - **Determining the scope of marketing research**

### *Scope of marketing research*

- Determining the scope for marketing research consists of four interrelated tasks:
  1. **Define the decision problem**
  2. **Specifying the research question**
  3. **Defining the research objective**
  4. **Evaluating the likely benefit** of the expected information

### *Defining the decision problem*

**Decision problem:** a situation in which management has to decide on a course of action → that will help accomplish a specific objective

- i.e. what should we do now? Which is the best option?
- Inadequate decision problem is the leading cause of failure of marketing research projects
  - “The truly serious mistakes are made not as a result of wrong answers but because of asking the wrong questions” – Peter Drucker

Defining the decision problem includes 5 interrelated activities:

#### **1. Determine the decision makers purpose for the research**

- Determining the purpose of the research begins any thorough problem definition process
- The **decision maker holds the responsibility of assessing and deciding on the need for the services of a researcher and naming the decision problem**
  - As soon as the researcher comes into the situation □ they begin the research definition process by asking the decision maker to express reasons to validate the need for research
  - Researchers then develop insights into what the decision maker believes the problem to be □ shedding light on the circumstances around the issue
  - Researcher then asks questions □ clarity between problem symptoms and actual causes

#### **2. Understand the complete problem situation**

- Both the decision maker and the researcher must understand the complete problem situation □ easy to request, but often difficult to execute
  - Therefore perform a basic situation analysis of the surrounding circumstances of the problem
- **Situation analysis:** a process that focuses on the gathering of information □ to familiarise the researcher with the overall complexity of the decision area
  - Aim: identify the events and factors that have led to the current decision problem situation, any expected future consequences as well as enhance communication between the researcher and decision maker

#### **3. Identify measurable symptoms**

- As soon as the researcher understands the overall problem □ they must work with the decision maker to separate the root problems from the observable and measurable symptoms that may have been initially perceived as being the decision problem
  - E.g. managers frequently view declining sales or reduction in market share as problems. However, its actually the result of more micro issues such as poor advertising execution, lack of sales force motivation or poorly designed distribution networks

#### **4. Determine the unit of analysis**

- The researcher must be able to specify whether data should be collected about individuals, householders, organisations etc

- Unit of analysis will provide direction in later activities (e.g. scale development and drawing appropriate samples of respondents)

## 5. Determine the relevant variables or constructs

- The researcher and decision maker jointly determine the specific variables, or *constructs*: *concepts or ideas about an object, an attribute or phenomenon* □ *that are worthy of measurement* □ *when solving a decision problem with marketing researcher*
- The focus is on identifying the different independent and dependent variables that make up the decision problem
- Examples:
  - **Brand awareness:** percentage of respondents having heard of a designated brand; awareness could be unaided or aided
  - **Intentions to purchase:** the number of people who are planning to buy the specified object within a designated time period
  - **Importance of factors:** and the way their influence a person's choice
  - **Demographic characteristics:** the age, gender, occupation status, income level etc of individuals

### *Specify the research question*

- As soon as the decision maker understands and ratifies the decision problem at hand, the researcher must redefine the decision problem in more specific terms □ i.e. into a research question or a set of research questions
- This step is the most critical □ the researcher develops scientific frameworks that are specifically geared towards a systematic problem solving approach
  - Decision problems are broken down into an overarching research question, or a series of specific research questions
  - Research questions are those **specific when, where, who, why, what and how statements about the problem areas that the research will attempt to investigate**
  - Research questions have to be **scientific** and **measurable** □ the researcher will break down a decision problem into an overarching research question or a series of more specific questions
    - Therefore, at this point, researcher becomes the more dominant player
- Example: RACV
  - The RACV in Victoria has employed you to determine:
    - Which *factors are most likely to persuade customers to switch* from RACV to AAMI for car insurance
    - How *satisfied current RACV customers are with these factors*
    - □ **What are some of the marketing research questions** that are relevant?
  - Research question examples:
    - Which factors do consumers consider important when deciding whether to commit to a particular car insurance policy?
    - How satisfied are customers with these factors at RACV?
    - How satisfied are customers with these factors at AAMI?
    - Are there any importance-satisfaction gaps at either RACV or AAMI?
    - Are RACV customers willing to switch?

### *Defining the research objective*

*Research objective: precise statements of what the research project will achieve*

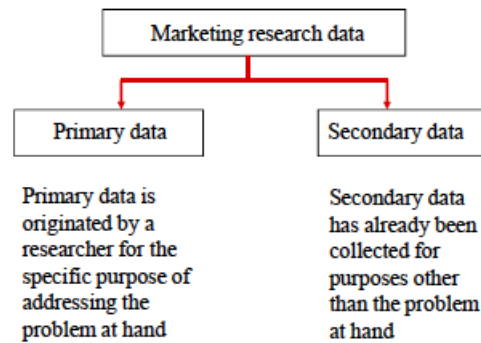
- A blueprint of the research project's activities

- The allow for a **specification of information** required to **assist in management's decision-making capabilities**
- Allows the researcher to **document concise, measurable and realistic events** □ that either increase or decrease the magnitude of marketing management's problems
- Some fundamental questions in defining research objectives:
  - Can complete data be collected at all?
  - Can the information tell me something I don't already know?
  - Will the information provide significant insights?
  - What benefits will be delivered from this information

#### *Evaluating the of the expected information*

1. Need for information
  - Can the *decision-making problem* be **resolved without any further research effort**?
  - Can the *research question(s)* be **answered immediately (without collecting data)**?
2. Nature of the decision
  - Both **strategic and tactical decisions** □ are **critical to a company's operations and bottom line profitability** objectives
  - Does the problem situation have strategic or tactical importance?
3. Availability of data
  - Does **adequate information** for addressing the defined decision problem **already exist**?
  - Does **new data need to be collected**?
  - There will be no need to collect new data if company and external data is available, or can be accessed or purchased from other companies
  - Advances in technology and cross-functional sharing of information provides great amount of operation data (e.g. sales, costs and profitability by products, brands, sales region, customer groups)
4. Time constraints
  - Decision makers may need information in real time but, in many cases, systematic research that is required to deliver high-quality information is time consuming
  - Is there enough time to conduct the research?
5. Resource requirements
  - i.e. availability of marketing resources including money, skills, staff and facilities
  - Is money budgeted for formalised research?
6. Cost vs benefits
  - MR should be conducted only when the expected value of the information > cost of obtaining it
  - **Costs of doing MR** can be estimated with some certainty, and mostly objective in nature
  - **Predetermining the managerial** value of the expected information remains subjective in nature
  - Guidelines for approximating the cost-benefit ratio
    - Focus on the important issues of the project
    - Never try to do too much □ what issues have greatest potential value?
    - Analyse all methods of collecting data □ alternative data sources and research designs that allow for detailed investigation at lower cost?
    - Subjectively assess the information
  - Key considerations: going forth with a research endeavour might prove inappropriate if:

- o If conducting the research may **give competitors the opportunity to formulate competitive responses**
- o If **research findings may not be implemented** (affordability, big change, staffing etc)
- o If **research design does not represent reality**
- o If **critical variables** of the study **cannot be properly defined or measured**
- o If **research is politically motivated** e.g. if CEO is bias
- o If **information is already available**
- o If there are **unsufficient time frames**
- o If there are **inadequate resources**



### Marketing research data

#### Scope of secondary data

**Secondary data:** data that have been previously collected and assembled for some research project other than the current situation

- Secondary data is **historical in nature and already assembled or published**
  - o There is an upward trend to use secondary data □ less expensive, accessible and valid
  - o E.g. customer volunteered information (aka customer knowledge) □ gathered from electronic customer councils, customer usability labs, email comments, chat sessions etc □ to create customer profiles □ that can be used to tailor interactions, segment customers and build strong customer relationships
- The essential goal of marketing research □ obtain information that enables management to make the best possible decisions
  - o So before the secondary research should be conducted, the researcher and management must:
    1. Identify and clarify the **information needs**
    2. Define the **research problem and questions**
    3. Specify the **research objectives** and confirm the **information value**
    4. Determine **whether secondary data can be used to answer the research questions**
- Secondary data is available in many different forms:
  - o E.g. existing research, data tables, full text, summary, statistics, broadcast video streams (TV ads or news reports), online and offline databases
- The researcher determines:
  - o **Whether useful secondary data already exists**
  - o The **relevance** of the data
  - o **How to obtain** the data
- Sources of secondary data:
  - o **Internal secondary data:**
    - Collected by a company for business purposes; or

- **Marketing activity reports on customer knowledge**
  - Customer knowledge info is provided by customers outside the marketing function
  - Eg. Customers may provide data of this type to engineers, logical support personnel or IT for issues relating to product improvement
- *External secondary data:*
  - Data collected by **outside agencies** such as the government, trade associations, reports, industry whitepapers, magazines, audits, consumer panels and marketing research firms
  - Data contained in **online databases or available through computer facilitating agencies** or vendors
  - **Government documents:** ABS reports and census data, CIA factbook
  - □ The major challenge associated with external data sources lies in finding and securing the appropriate source for extracting the data

#### *The role of secondary data in marketing research*

- Traditional view
  - Used to be 'non-original'
  - Main functions of secondary data research were to provide historical background for a current primary research endeavour and to create trend analysis
  - It was the filler, attachment or appendix of primary research
- Modern view
  - Increased emphasis on business and competitive intelligence, target marketing, marketing segmentation, strategic performance analysis, customer relationship management programs and availability of information from offline and online databases □ secondary data becoming more important
  - Used to examine a wide variety of marketing and business problems □ because of the speed and cost effectiveness of obtaining the data

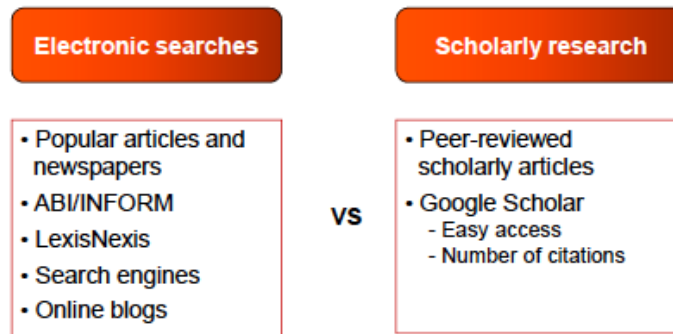
#### *Secondary data and customer relationship management (CRM)*

- CRM programs help companies **learn about customers' needs and behaviours** □ **in order to develop stronger relationships with customers**
  - Combines **technology and human insights** to better understand customer behaviour and the value of customers to the organisation
- For CRM to be effective, an organisation must first *determine its information needs and what it intends to do with the information*. For example:
  - Financial institutions keep track of customers life cycle stages in order to determine the right time to market appropriate financial products like mortgages etc
  - Pizza hut maintains detailed customer information and past purchase behaviour to help in cross selling food products
- □ companies using CRM programs carefully examine the **different ways customer information comes into the business, where and how the data is stored, and how data is currently being used**
  - e.g. Myer may interact with customers through email campaigns, websites, stores, call centres
  - CRM then links these different sources of secondary data and data flow between operational units (e.g. sales, inventory) and analytical software systems □ sort through the data for customer patterns
  - Trained marketing specialists then go through the data and look for trends or patterns

#### *Secondary data research tasks*

- **Secondary data often is the starting point in defining the research that needs to be conducted**
  - Provide *historical background* + reveals *existing information*

- o Analyse existing 'growing' and 'stored' data
- Secondary information is **becoming more widely available and technology is enabling greater refinement** and categorisation for electronic searches
- Literature reviews: reasons for:
  - o **Clarify and define the research problem and research questions**
  - o **Suggest research hypotheses** to investigate
  - o **Identification** of **scales** and constructs required for the study
  - o **Identification** of well-established and **successful research methodologies** to study the problem at hand
- Electronic search sources



Secondary data	Primary data
High availability of data with advances in internet and related search technologies and existing published and accessible sources	Primary data acquisition may take months due to designing and testing questionnaires, data collection and analysis
Costs associated with many secondary data sources are minimal	Primary data acquisition requires moderate to substantial investment depending on the scope and magnitude of the research

- Planning for external secondary data
  - o The problem is not finding out whether information exists; it is finding out where the information resides
  - o Most secondary information is not categorised in any particular form.
  - o *The GO-CART approach*
    - Establish **goals**
    - Develop **objectives**
    - Define specific information **characteristics**
    - Outline specific research **activities**
    - Establish **reliability**
    - Document using **tabulation** mechanisms

#### *Limitations of secondary data*

- Prior data manipulation: render data unfit for present purpose
- Data relevance:
  - o The time period of the collection
  - o The categories of definitions

- o The unit of measures
- Data accuracy (trustworthiness)
  - o Consistency across sources
  - o Source credibility, appropriateness of methodology and source bias

#### *Internal secondary data*

- Internal secondary data collection plays a significant support role for:
  - o **Sales presentations**
  - o **Decision-making** functions
  - o Cases where **documentation for necessary primary research activities is required**
- Can be used to analyse:
  - o Product performance
  - o Customer satisfaction
  - o Distribution effectiveness
  - o Target market strategies
- Can be useful for planning:
  - o New product introductions
  - o Product deletions
  - o Promotional strategies
  - o Competitive intelligence
  - o Customer service tactics

## Tutorial 2:

### 1. Discuss the role of marketing research to determine Macpac's brand position

- Anchored in the rugged New Zealand environment and world-renowned adventurous spirit
  - o Reputation for innovative design, as well as manufacturing and employment practices that produce high performance, quality quality outdoors gear
  - o No marketing research to determine brand position □ which is the New Zealand environment

### 2. What research objectives might Macpac have established to create innovative products?

- Information needed for market research:
  - o Competitors □ ultimately to find gap in the market = innovation
  - o How often customers use the business's products

### 3. What is the role of marketing research at different stages of product design and development?

- Determine market wants and needs
  - Results in a lot of data being received
- Create prototype
  - Test the prototype □ ensuring its safe, works etc
  - Get people to try to product □ the people should be 'expert' users, or people that use the product □ then you can receive feedback

## Textbook questions:

### 1. What secondary data sources might Costco Australia use to help determine its future warehouse locations

- ABS and census □ demographics of the area
  - Average income per household
    - Look at this over time □ because incomes increase and decrease
  - Google maps □ to determine where competitors are, where there is a gap, where it is most populated etc
- 2. Do you think Costco's management has made the right decision to expand its operations in Australia by locating in Sydney and Canberra? Conduct a feasibility study using available secondary data sources**
- Population is more dense in Sydney and Canberra
    - High population in Sydney
    - Canberra has high incomes
    - Logistical proximity between Sydney and Canberra
- 3. Explore the feasibility of Costco.com. Do you think having an online storefront will cannibalise its physical operations in Australia**
- Logical issues
  - Whether competitors are doing it successfully
  - Percentage of consumption having it online