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## Concept Book Summary



# Marketing Research

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## Chapter 1: A Decision-Making Perspective on Marketing Research

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### **A Decision-Making Perspective on Marketing Research**

*"Marketing research is not an immediate or an obvious path to finding solutions to all managerial problems."*

Pages: 1-18

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organization objectives. The **marketing concept** requires that **customer satisfaction** rather than **profit maximization** be the goal of an organization. [Note] In other words, the organization should be consumer oriented and should try to understand consumers' requirements and satisfy them quickly and efficiently, in ways that are beneficial to both the consumer and the organization. This means that any research organization should try to obtain information on consumer needs and gather marketing intelligence to help satisfy these needs efficiently.

**Marketing research** is a critical part of such a marketing intelligence system; it helps to improve management decision making by providing relevant, accurate, and timely (RAT) information. Every decision poses unique needs for information, and relevant strategies can be developed based on the information gathered through marketing research in action.

Too often, marketing research is considered narrowly as the gathering and analyzing of data for someone else to use. Firms can achieve and sustain a competitive advantage through the creative use of market information. Hence, marketing research is defined as an information input to decisions, not simply the evaluation of decisions that have been made. Market research alone, however, does not guarantee success; the intelligent use of market research is the key to business achievement. A competitive edge is more the result of how information is used than of who does or does not have the information. [Note]

Marketing decisions involve issues that range from fundamental shifts in the positioning of a business or the decision to enter a new market to narrow tactical questions of how best to stock a grocery shelf. The context for these decisions is the market planning process, which proceeds sequentially through four stages; situation analysis, strategy development, marketing program development, and implementation. This is a never-ending process, so the evaluation of past strategic decisions serves as an input to the situation assessment . . . During each stage, marketing research makes a major contribution to

clarifying and resolving issues and then choosing among decision alternatives.

Marketing research is not an immediate or an obvious path to finding solutions to all managerial problems. A manager who is faced with a particular problem should not instinctively resort to conducting a marketing research to find a solution to the problem. A manager should consider several factors before ordering marketing research. Sometimes it is best not to conduct marketing research. Hence, the primary decision to be made is whether or not market research is called for in a particular situation. Factors that influence this initial decision include the following.

- Relevance
- Type and Nature of Information Sought
- Timing
- Availability of Resources
- Cost-Benefit Analysis

Although research is conducted to generate information, managers do not readily use the information to solve their problems. The factors that influence a manager's decision to use research information are (1) research quality, (2) conformity to prior expectations, (3) clarity of presentation, (4) political acceptability within the firm, and (5) challenge to the status quo. [Note] Researchers and managers agree that the technical quality of research is the primary determination of research use. Also, managers are less inclined to utilize research that does not conform to prior notions or is not politically acceptable. [Note] Some researchers argue that the use of information is a function of the direct and indirect effects of environmental, organizational, informational, and individual factors. [Note] However, a researcher should not alter the findings to match a manager's prior notions. Further, managers in consumer organizations are less likely to use research findings than their counterparts in industrial firms. [Note] This is due to a greater exploratory objective in information collection, a greater degree of formalization of organizational structure, and a lesser degree of surprise in the information collection.

Ethics refers to moral principles or values that generally govern the conduct of an individual or group. Researchers have responsibilities to their profession, clients, and respondents, and must adhere to high ethical standards to ensure that both the function and the information are not brought into disrepute. The Marketing Research Association, Inc. (Chicago, Illinois) has instituted a code of ethics that serves as a guideline for marketing ethical decisions . . . The Council of American Survey Research Organization (CASRO) has also established a detailed code of marketing research ethics to which its members adhere. [Note] Normally, three parties are involved in a marketing research project: (1) the client who sponsors the project, (2) the supplier who designs and executes the research, and (3) the respondent who provides the information. The issue of ethics in marketing research involves all three players in a research project.

The increase in international trade and the emergence of global corporations resulting from increased globalization of business have had a major impact on all facets of business, including marketing research. The increase in global competition, coupled with the formation of regional trading blocs such as the European Community (EC) and the North American Free Trade Agreement (NAFTA), have spurred the growth of global corporations and the need for international marketing research. The need to collect information relating to international markets, and to monitor trends in these markets, as well as to conduct research to determine the appropriate strategies that will be most effective in international markets, are expanding rapidly.

The marketing research industry in the United States is increasingly growing into an international industry, with more than one-third of its revenues coming from foreign operations. The increase in the importance of global business has caused an increase in awareness of the problems related to international research. **International marketing research** can be defined as marketing research conducted either simultaneously or sequentially to facilitate marketing decisions in more than one country. [Note] As such, the basic functions of marketing research and the research process do not differ from domestic and multicountry research; however, the international marketing research process is much more complicated and the international marketing researcher faces problems that are different from those of a domestic researcher.

The task of marketing research is to find a sizable segment with homogenous tastes. The growing presence of an international market in the United States has been influenced by both domestic and foreign markets. In the domestic arena, ethnic groups range from Chinese to Turkish, each lending a piece of its culture to the U.S. market. Within each ethnic group, the product preference is diverse. These facts present a challenge to marketing research to find a homogenous group among the "melting pot" of international products. Complicating matters is the rise in foreign manufacturers selling their goods in the United States.

**Marketing Research in Practice**

*"With marketing the new priority, marketing research is the rallying cry."*

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In practice, a marketing research department's goal can be grouped into three major categories: programmatic, selective, or evaluative. [Note] **Programmatic research** is performed to develop marketing options through market segmentation, market opportunity analysis, or consumer attitude and product usage studies. **Selective research** is done to test different decision alternatives such as new product concept testing, advertising copy testing, pretest marketing, and test marketing. **Evaluative research** is carried out to evaluate performance of programs, including tracking advertising recall, corporate and brand image studies, and measuring customer satisfaction with the quality of the product and service. As the number of products and types of services introduced into the market increase, the need for marketing research explodes and the future of marketing research appears to be both promising and challenging. [Note]

With marketing the new priority, marketing research is the rallying cry. Companies are trying frantically to get their hands on information that identifies and explains the needs of powerful new consumer segments now being formed . . . Some companies are pinning their futures on product innovations, others are rejuvenating time-worn but proven brands, and still others are doing both. [Note]

Not only are the companies that always did marketing research doing a great deal more, the breadth of research activities also continues to expand.

- Senior management is looking for more support for its decisions; therefore, researchers are doing more acquisition and competitor studies, segmentation and market structure analyses, and basic strategic position assessments.
- Other functions, such as the legal department, now use marketing research evidence routinely. Corporate Affairs wants to know shareholders', bankers', analysts', and employees' attitudes toward the company. The service department continuously audits service delivery capability and customer satisfaction.
- Entire industries that used to be protected from the vagaries of competition and changing customer needs by regulatory statutes are learning to cope with a deregulated environment. Airlines, banks, and financial services groups are looking for ways to overcome product proliferation, advertising clutter, and high marketing costs brought on by more sophisticated customers and aggressive competitors.

An **information system** (IS) is a continuing and interacting structure of people, equipment, and procedures designed to gather, sort, analyze, evaluate, and distribute pertinent, timely, and accurate information to decision makers. While marketing research is concerned mainly with the actual content of the information and how it is to be generated, the information system is concerned with managing the flow of data from many different projects and secondary sources to the managers who will use it. This requires databases to organize and store the information and a **decision support system** (DSS) to retrieve data, transform it into usable information, and disseminate it to users.

Managers don't want data. They want, and need, decision-relevant information in accessible and preferably graphical form for (1) routine comparisons of current performance against past trends on each of the key measures of effectiveness, (2) periodic exception reports to assess which sales territories or accounts have not matched previous years' purchases, and (3) special analyses to evaluate the sales impact of particular marketing programs, and to predict what would happen if changes were made. In addition, different divisions would like to be linked to enable product managers, sales planners, market researchers, financial analysts, and production schedulers to share information.

The purpose of a **marketing decision support system** (MDSS) is to combine marketing data from diverse sources into a single database which line managers can enter interactively to quickly identify problems and obtain standard, periodic reports, as well as answers to analytical questions.

A good MDSS should have the following characteristics.

1. *Interactive*: The process of interaction with the MDSS should be simple and direct. With just a few commands the user should be able to obtain the results immediately. There should be no need for a programmer in between.
2. *Flexible*: A good MDSS should be flexible. It should be able to present the available data in either discrete or aggregate

form. It should satisfy the information needs of the managers in different hierarchical levels and functions.

3. *Discovery oriented*: The MDSS should not only assist managers in solving the existing problems but should also help them to probe for trends and ask new questions. The managers should be able to discover new patterns and be able to act on them using MDSS.

4. *User friendly*: The MDSS should be user friendly. It should be easy for the managers to learn and use the system. It should not take hours just to figure out what is going on. Most MDSS packages are menu driven and are easy to operate.

A typical MDSS is assembled from four components.

- Database
- Reports and Displays
- Analysis Capabilities
- Models

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## Chapter 3: **The Marketing Research Process**

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### **The Marketing Research Process**

*"The research process provides a systematic, planned approach to the research project and ensures that all aspects of the research project are consistent with each other."*

Pages: 41-59

How is the market research project conceived, planned, and executed? The answer, in part, is through a research process, consisting of stages or steps that guide the project from its conception through the final analysis, recommendation, and ultimate action. The **research process** provides a systematic, planned approach to the research project and ensures that all aspects of the research project are consistent with each other. It is especially important that the research design and implementation be consistent with the research purpose and objectives. Otherwise, the results will not help the client.

Research studies evolve through a series of steps, each representing the answer to a key question.

1. *Why should we do research?* This establishes the research purpose as seen by the management team that will be using the results. This step requires understanding the decisions to be made and the problems or opportunities to be diagnosed.
2. *What research should be done?* Here the management purpose is translated into objectives that tell the researchers exactly what questions need to be answered by the research study or project.
3. *Is it worth doing the research?* The decision has to be made here about whether the value of the information that will likely be obtained is going to be greater than the cost of collecting it.
4. *How should the research be designed to achieve the research objectives?* Design issues include the choice of research approach—reliance on secondary data versus conducting a survey or experiment—and the specifics of how to collect the data.
5. *What will we do with the research?* Once the data have been collected, how will it be analyzed, interpreted, and used to make recommendations for action?

The necessary steps are linked in a sequential process . . . Although the steps usually occur in this general order, we must emphasize that "early" decisions are always made by looking ahead to "later" decisions. The early decisions are constantly being modified to account for new insights and possibilities presented by later decisions. Also, the steps do not function in isolation. Rather, they are embedded in the ongoing planning process of the business, which culminates in the development of strategies, programs, and action. This planning process provides the purposes of the research. In turn, planning is supported by the information system, which (1) anticipates the type of information required by decision makers and (2) organized data that have been collected to ensure their availability when needed.

The development of a research purpose that links the research to decision making, and the formulation of research objectives that serve to guide the research are unquestionably the most important steps in the research process. If they are correct, the research stands a good chance of being both useful and appropriate. If they are bypassed or wrong, the research almost surely will be wasteful and irrelevant.

The basic functions of marketing research and the various stages in the research process do not differ between domestic and international research. The international marketing research (IMR) process, however, is much more complicated than the domestic research process. IMR is more complicated because of the necessity to ensure construct, measurement, sampling and analysis equivalence before any cross-cultural study is conducted. A thorough research of the proposed international market is very important before launching a new product or service. Although it is complex, it can be an extremely beneficial process. To avoid high-profile mistakes in international marketing research, there are some considerations to be made:

1. Profile your target customers and clients.
2. Interview target segments to assess how well they match your preconceived ideas.
3. Hire local researchers who know the costs and methods that are workable in local markets.
4. Use a variety of methods to get a well-rounded picture of these proposed markets, the best approach being a combination of qualitative and quantitative methods that provides picture references, strengths, beliefs, and anecdotes.
5. Look at the findings and analyze what must be done differently, abroad or internationally, in comparison with current domestic marketing activities. [Note]

Thus, while conducting IMR, one should be aware of the complicated cultural differences in differing regions of the world. This complication stems from operating in different and diverse environmental contexts, ranging from the technologically advanced and stable United States to mature Western European markets, to the fast-changing environments in newly industrialized countries such as Hong Kong and South Korea, to developing economies such as India and Brazil, to transforming economies such as the former Soviet Union and Eastern Europe, and to less developed countries on the African continent.

Problems may not always be couched in the same terms in different countries or cultural contexts. This may be due to differences in socioeconomic conditions, levels of economic development, or differences in any of the macroenvironmental factors.

Several academic scholars have identified and have pointed out the major reason for the failure of businesses and marketing research projects in a foreign environment. The result has been the **self-reference criterion** (SRC) adopted by researchers in defining the problem in a foreign country. SRC assumes that the environmental variables (cultural and others) that are prevalent in the researcher's domestic market are also applicable to the foreign country. This is a major cause for the failure of research projects, since defining the problems is the most crucial step in the marketing research process.

One of the most frequent objectives of international marketing research is **foreign market opportunity analysis**. [Note] When a firm launches international activities, information can be accumulated to provide basic guidelines. The aim is not to conduct a painstaking and detailed analysis of the world, but to gather information on questions that will help management narrow the possibilities for international marketing activities. Possible questions an international marketing researcher might ask to achieve this objective include:

- Do opportunities exist in foreign markets for the firm's products and services?
- Which foreign markets warrant detailed investigation?
- What are the major economic, political, legal, and other environmental facts and trends in each of the potential countries?
- What mode of entry does the company plan to adopt to enter the foreign market?
- What is the market potential in these countries?
- Who are the firm's present and potential customers abroad?
- What is the nature of competition in the foreign markets?-> What kind of marketing strategy should the firm adopt?



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Chapter 4: **Research Design and Implementation**


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**Marketing Research Design and Implementation**

*"The usefulness of a research project depends on the overall quality of the research design and on the data collected and analyzed based on the design."*

Pages: 71-89

A **research design** is the detailed blueprint used to guide a research study toward its objectives.

The process of designing a research study involves many interrelated decisions. The most significant decision is the choice of **research approach**, because it determines how the information will be obtained. Typical questions at this stage are: Should we rely on secondary sources such as the Census? Which is more appropriate, an exploratory approach with group discussions or a survey? Is a mail, telephone, fax, or personal interview survey better for this problem?

All research approaches can be classified into one of three general categories of research: exploratory, descriptive, and causal. These categories differ significantly in terms of research purpose, research questions, the precision of the hypotheses that are formed, and the data collection methods that are used.

**Exploratory Research.** Exploratory research is used when one is seeking insights into the general nature of a problem, the possible decision alternatives, and relevant variables that need to be considered. Typically, there is little prior knowledge on which to build. The research methods are highly flexible, unstructured, and qualitative, for the researcher begins without firm preconceptions as to what will be found. The absence of structure permits a thorough pursuit of interesting ideas and clues about the problem situation.

**Descriptive Research.** Descriptive research embraces a large proportion of marketing research. The purpose is to provide an accurate snapshot of some aspect of the market environment.

**Causal Research.** When it is necessary to show that one variable causes or determines the values of other variables, a causal research approach must be used. Descriptive research is not sufficient, for all it can show is that two variables are related or associated. Of course, evidence of a relationship or an association is useful; otherwise, we would have no basis for even inferring that causality might be present. To go beyond this inference we must have reasonable proof that one variable preceded the other and that there were no other causal factors that could have accounted for the relationship.

The research designer has a wide variety of methods to consider, either singly or in combination. They can be grouped first according to whether they use secondary or primary sources of data. **Secondary data** are already available, because they were collected for some purpose other than solving the present problem. Included here are (1) the existing company information system; (2) databanks of other organizations, including government sources such as the Census Bureau or trade association studies and reports; and (3) syndicated data sources, such as consumer purchase panels, where one organization collects reasonable standardized data for use by client companies . . . **Primary data** are collected especially to address a specific research objective. A variety of methods, ranging from qualitative research to surveys to experiments, may be employed . . . Some methods are better suited to one category of research than another.

Once the research approach has been chosen, **research tactics** and **implementation** follow: the specifics of the measurements, the plan for choosing the sample, and the methods of analyses must be developed.

The first step is translate the research objective into information requirements and then into questions that can be answered by anticipated respondents . . . There are many ways to ask questions to obtain this kind of attitudinal information.

Once the individual questions have been decided, the measuring instrument has to be developed. Usually this instrument is a questionnaire, but it also may be a plan for observing behavior or recording data. The researcher designing an effective questionnaire must be concerned with how questions on sensitive topics such as income can be asked, what the order of the questions should be, and how misinterpretations can be avoided.

Most marketing research studies are limited to a sample or subgroup of the total population relevant to the research question, rather than a census of the entire group. The sampling plan describes how the subgroup is to be selected. One approach is to use probability sampling, in which all population members have a known probability of being in the sample. This choice is



indicated whenever it is important to be able to show how representative the sample is of the population. Other critical decisions at this stage are the size of the sample, as this has direct implications for the project budget, and the means of minimizing the effect on the results of sample members who cannot be reached or who refuse to cooperate.

At this stage of the design, most of the cost has yet to be expended, but the research is now completely specified and a reliable cost estimate should be available. Thus, a more detailed cost-benefit analysis should be possible to determine if the research should be conducted as designed or if it should be conducted at all.

The usefulness of a research project depends on the overall quality of the research design and on the data collected and analyzed based on the design. Several potential sources of error can affect the quality of the research process. The errors can influence the various stages of the research process and result in inaccurate or useless research findings.

Two common approaches to budgeting for a marketing research project are estimating the dollar costs associated with each research activity or determining the activities to be performed, in hours, and then applying standard cost estimates to these hours. The former approach typically is used when a marketing research project is relatively unusual or expensive. The latter approach is used for routine marketing research projects or when the researcher has considerable knowledge of research activity costs.

Regardless of the basic research design selected (exploratory, descriptive, or causal), researchers need to be familiar with and experienced in handling several issues or problems unique to the conduct of marketing research within and across countries and cultural groups. Three issues critical to international research design are (1) determining information requirements, (2) determining the unit of analysis, and (3) achieving equivalence of construct, measurement, sample and analysis. [Note]

Apart from these issues, other aspects of the research process, such as identifying sources of data, availability, and comparability of data from different countries, problems associated with primary data collection across countries, and so forth, add to the complexity of the international research process. Also, these issues add to the nonrandom error component of the research process.

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## Chapter 5: **Secondary Sources of Marketing Data**

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### **Using Secondary Data Sources for Domestic Marketing Research**

*"Secondary data can be used by researchers in many ways."*

Pages: 102-118

**Secondary data** are data that were collected by persons or agencies for purposes other than solving the problem at hand. They are one of the cheapest and easiest means of access to information. Hence, the first thing a researcher should do is search for secondary data available on the topic. The amount of secondary data available is overwhelming, and researchers have to locate and utilize the data that are relevant to their research. Most search procedures follow a distinctive pattern, which begins with the most available and least costly sources . . . Almost all information systems initially are based on routinely collected internal data, and expand through the inclusion of data from published and standardized sources.

Secondary data can be used by researchers in many ways.

1. Secondary data may actually provide enough information to resolve the problem being investigated.
2. Secondary data can be a valuable source of new ideas that can be explored later through primary research.
3. Examining available secondary data is a prerequisite to collecting primary data. It helps to define the problem and formulate hypotheses about its solution.
4. Secondary data is of use in the collection of primary data. Examining the methodology and techniques employed by other investigators in similar studies may be useful in planning the present one.
5. Secondary data also helps to define the population, select the sample in primary information collection, and define the parameters of primary research.

6. Secondary data can also serve as a reference base against which to compare the validity or accuracy of primary data. It may also be of value in establishing classifications that are compatible with past studies so that trends may be more readily analyzed.

The most significant benefits secondary data offer a researcher are savings in cost and time. Secondary data research involves just spending a few days in the library extracting the data and reporting them. This should involve very little time, effort, and money compared to primary research. Even if the data are bought from another source, it will turn out to be cheaper than collecting primary data, because the cost of data collection is shared by all those using the data.

A company's **internal records**, accounting and control systems, provide the most basic data on marketing inputs and the resulting outcomes. The principal virtues of these data are ready availability, reasonable accessibility on a continuing basis, and relevance to the organization's situation.

Data on *inputs*—marketing effort expended—can range from budgets and schedules of expenditures to salespeople's call reports describing the number of calls per day, who was visited, problems and applications discussed, and the results of the visit.

Extensive data on *outcomes* can be obtained from the billing records on shipments maintained in the accounting system. In many industries the resulting sales reports are the single most important items of data used by marketing managers, because they can be related (via exception reporting methods) to plans and budgets to determine whether performance is meeting expectations. Also, they may be compared with costs in order to assess profitability.

Published data are by far the most popular source of marketing information. Not only are the data readily available, often they are sufficient to answer the research question.

The major published sources are the various government publications (federal, state, provincial, and local), periodicals and journals, and publicly available reports from such private groups as foundations, publishers, trade associations, unions, and companies. Of all these sources, the most valuable data for the marketing researcher come from government census information and various registration requirements. The latter encompass births, deaths, marriages, income tax returns, unemployment records, export declarations, automobile registrations, and so on.

How should someone who is unfamiliar with a market or research topic proceed? In general, two basic rules are suggested to guide the search effort: (1) Start with the general and go to the specific, and (2) make use of all available expertise. [Note] The four main categories are authorities, general guides and indices, compilations, and directories.

Users of secondary sources rapidly develop a healthy skepticism. Unfortunately, there are many reasons why a forecast, historical statistic, or estimate may be found to be irrelevant or too inaccurate to be useful. Before such a judgment can be made, the researcher should have answers to the following questions:

1. *Who?* This question applies especially to the reputation of the collecting agency for honest and thorough work and the character of the sponsoring organization, which may influence the interpretation and reporting of the data. A related question is whether either organization has adequate resources to do a proper job. The problems do not end here, for the original data source (which provided the count, estimate, or other basis for the reported result) may have its own motives for biasing what it reports.
2. *Why?* Data that are collected to further the interests of a particular group are especially suspect. Media buyers, for example, soon learn to be wary of studies of media. It is easy to choose unconsciously those methods, questions, analysis procedures, and so forth, that favor the interests of the study sponsor, and it is unlikely that unfavorable results will be exposed to the public.
3. *How?* It is possible to appraise the quality of secondary data without knowledge of the methodology used to collect them. Therefore, one should immediately be suspicious of any source that does not describe the procedures used—including a copy of the questionnaire (if any), the nature and size of the sample, the response rate, the results of field validation efforts, and any other procedural decisions that could influence the results. The crucial question is whether any of these decisions could bias the results systematically.
4. *What?* Even if the available data are of acceptable quality, they may prove difficult to use or inadequate to the need. One irritating and prevalent problem is the classifications that are used. Wide variations in geographic, age, and income groupings

across studies are common.

5. *When?* There is nothing less interesting than last week's newspaper. Sooner or later, the pace of change in the world in general, and in markets in particular, renders all secondary data equally obsolete and uninteresting except to the historian. The rate of obsolescence varies with the type of data, but in all cases the researcher should know when the data were collected. There may be a substantial lag between the time of collection and the publication of the results.

6. *Consistency?* With all the possible pitfalls in secondary data, and the difficulty in identifying them fully, the best defense is to find another source that can be used as a basis for comparison. Ideally, the two sources should use different methodologies to arrive at the same kind of data. In the likely event that there is some disagreement between the two sets of data, the process of reconciliation should first identify the respective biases in order to narrow the differences and determine which set is the most credible.

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## Using Secondary Data Sources for International Marketing Research

*"Two major problems are associated with secondary data in international marketing research: the accuracy of the data and the comparability of data obtained from different countries."*

Pages: 122-124

Secondary data are a key source of information for conducting international marketing research. This is in part due to their ready availability, the high cost of collecting primary data versus the relatively low cost of secondary data, and the usefulness of secondary data in assessing whether specific problems need to be investigated, and if so, how. Further, secondary data sources are particularly valuable in assessing opportunities in countries with which management has little familiarity, and in product markets at an early stage of market development.

A wide variety of secondary data sources are available for international marketing research. These range from sources that provide general economic, social, and demographic data for almost all countries in the world, to sources that focus on specific industries worldwide.

A host of sources of macroeconomic data are to be found, ranging widely in the number of countries or regions covered. Many of these are based on or derived from United Nations and World Bank data. The Business International, Euromonitor, and Worldcasts divisions of Predicasts also publish annual information on macroeconomic variables.

The preceding macroeconomic data sources, with the exception of Euromonitor, relate to the general business environment. They therefore do not provide much indication as to market potential for specific industries. A number of sources of industry-specific data are available. They are United Nations *Yearbooks*, publications of the U.S. Department of Commerce, *The Economist*, and the *Worldcasts*.

Numerous other sources specific to individual countries or product markets are also to be found. The U.S. Department of Commerce, for example, publishes *International Marketing Handbook*, which provides profiles and special information about doing business in various countries. Information regarding regulations, customs, distribution channels, transportation, advertising and marketing research, credit, taxation, guidance for business travelers abroad, and so forth, are compiled in their "Overseas Business Reports." Governments or other bodies frequently publish national yearbooks or statistical data books. Various private sources also publish regional and country handbooks.

Two major problems are associated with secondary data in international marketing research: the accuracy of the data and the comparability of data obtained from different countries.

Different sources often report different values for the same macroeconomic factor, such as gross national product, per-capita income, or the number of television sets in use. This casts some doubt on the accuracy of the data. This may be due to different definitions followed for each of those statistics in different countries. The accuracy of data also varies from one country to another. Data from highly industrialized nations are likely to have a higher level of accuracy than data from developing countries, because of the difference in the sophistication of the procedures adopted. The level of literacy in a country also plays a role in the accuracy of the macroeconomic data collected in that country.

Business statistics and income data vary from country to country because different countries have different tax structures and different levels of taxation. Hence, it may not be useful to compare these statistics across countries. Population censuses may

not only be inaccurate, they also may vary in frequency and the year in which they were collected. Although in United States they are collected once every 10 years, in Bolivia there was a 25-year gap between two censuses. So most population figures are based on estimates of growth that may not be accurate and comparable. Measurement units are not necessarily equivalent from country to country. For example, in Germany the expense incurred on buying a television would be classified as entertainment expense, whereas in the United States it would be classified as furniture expense.

Secondary data are particularly useful in evaluating country or market environments, whether in making initial market-entry decisions or in attempting to assess future trends and developments. They thus form an integral form of the international marketing research process. More specifically, three major uses of secondary data are in:

1. Selecting countries or markets that merit in-depth investigation
2. Making an initial estimate of demand potential in a given country or a set of countries
3. Monitoring environmental changes

Secondary data can be used systematically to screen market potential, risks, and likely costs of operating in different countries throughout the world. Two types of generalized procedures are used. The first procedure classifies countries on two dimensions: the degree of demographic and economic mobility, and the country's domestic stability and cohesion. The second procedure calculates multiple factor indices for different countries. For example, *Business International* publishes information each year on three indices showing (1) **market growth**, (2) **market intensity**, and (3) **market size**, for countries in Western and Eastern Europe, the Middle East, Latin America, Asia, Africa, and Australia. Customized models, which are geared to specific company objectives and industry characteristic, can also be developed using secondary data.

Once the appropriate countries and markets to be investigated in depth have been determined, the next step is to make an explicit evaluation of demand in those countries or markets. [Note] This is important when considering initial market entry, because of the high costs and uncertainty associated with entering new markets. Management has to make an initial estimate of demand potential, and also project future market trends.

Four types of data analyses are unique to demand estimation in an international context. The first and the most simplistic is lead-lag analysis. This uses time-series (yearly) data from a country to project sales in other countries. A second procedure is the use of surrogate indicators. This is similar to the use of general macroindicators, but develops the macroindicators relative to a specific industry or product market. An example of a surrogate indicator is the number of childbirths in the country as an indicator of the demand potential for diapers. A third technique, which relies on the use of cross-sectional data (data from different countries), is analogous to the use of barometric procedures in domestic sales forecasting. One assumes that if there is a direct relationship between the consumption of a product, service, or commodity and an indicator in one country, the same relationship will hold in other countries to estimate the demand. The fourth and most complex forecasting model is the econometric forecasting model. This model uses cross-sectional and time-series data on factors underlying sales for a given product market for a number of countries to estimate certain parameters. Later, these models can be used to project the market demand.

A third use of secondary data in an international context is to monitor environmental changes. Monitoring environmental changes requires surveillance of a number of key indicators. These should be carefully selected and tailored to the specific product or range of products with which management is concerned. Two types of indicators are required. The first monitors the general health and growth of a country and its economy and society; the second, those of a specific industry or product market. A variety of procedures can be used to analyze the impact of environmental factors on world trends or industrial countries, and on product markets, as well as the implications for market growth and appropriate marketing strategies. These range from simple trend projections or tracking studies and the use of leading indicators to the more complex scenario evaluation studies.

### **Standardized Sources of Marketing Data**

*"A number of services have evolved to measure consumer exposure to the various media and advertisements."*

Pages: 128-143

The use of standardized data sources has been revolutionized by so-called **single-source data** from scanner systems. This means that all data on product purchases and causal factors, such as media exposure, promotion influence, and consumer characteristics, come from the same households. These data are being made possible through advances in information technology whose full impact is only slowly being understood . . . It does not appear that single-source data will fully displace other standardized sources, but it will be used in conjunction with them to generate important new insights.

From store audits and warehouse withdrawal services, we can learn how much product is moving through the distribution channel. As this information is one step removed from the actual purchase transaction, we still don't know who bought, how frequently they bought, or whether the seeming stability of market shares reflects stable purchasing patterns or a great deal of switching back and forth between brands and stores in response to short-term promotional efforts. To answer these questions, we need detailed records of purchasing activity by the same people over an extended period of time. Here are two methods for collecting this data:

1. In the **home audit** approach the panel member agrees to permit an auditor to check the household stocks of certain product categories at regular intervals. A secondary condition is that the panel member save all used cartons, wrappers, and so on, so the auditor can record them.
2. In the **mail diary** method the panel member records the details of each purchase in certain categories and returns the completed diary by mail at regular intervals (biweekly or monthly).

Both types of panels are used extensively in Europe, whereas in the United States and Canada the mail dairy method is dominant. When comparisons have been possible, the tow methods have produced equally accurate market share and trend data. [Note]

The data from a panel can be analyzed as a series of snapshots—providing information on *aggregate* sales activity, brand shares, and shifts in buyer characteristics and types of retail outlets from one month to the next. However, just as a motion picture is more revealing than a snapshot, it is the ability to measure changes in the behavior of *Individuals* that is the real advantage of a panel. Knowledge of the sequence of purchases makes it possible to analyze:

- Heavy buyers and their associated characteristics
- Brand-switching rates and the extent of loyal buying (Evidence of stable purchase activity in the aggregate usually masks a great deal of individual movement.)
- Cumulative market penetration and repeat purchase rates for new products (The success of new products depends jointly on the proportion who have tried them once and then purchased them a second, third, or fourth time.)

In comparison with interview methods, although not with audits, the continuous purchase panel has the advantage of accuracy. Several studies have found that interview respondents will exaggerate their rate of purchasing (an effect that is most pronounced for infrequently purchased products) and dramatically oversimplify brand-switching behavior. Apparently, survey respondents tend to equate their most recent brand buying with the "normal" behavior—whether or not this is accurate.

The limitations all relate to the vulnerability of panels to various biases. The first problem encountered is **selection bias**, because of the high rates of refusal and the resulting lack of representativeness. It is estimated that panel recruitment rates may vary from as low as 10 to 15 percent when the initial contact is made by mail in the United States, to 50 percent or more for personal contacts made on behalf of panels in Great Britain.

Panels also are subject to a variety of **testing effects**. There is a definite tendency for new panel members to report unusual levels of purchasing because of the novelty of the reporting responsibility. This effect is so pronounced that the first month's results usually are discarded. Surprisingly, there is little evidence to suggest that there is any long-run conditioning behavior that would lead to great brand loyalty or price consciousness that would produce systematically biased data.

Another area in which there is a great deal of commercial information available for marketers relates to advertising and media. A number of services have evolved to measure consumer exposure to the various media and advertisements.

The Nielsen Television Index (NTI) is probably the best known of all the commercial services available in this category. As a system for estimating national television audiences, NTI produces a "rating" and corresponding share estimate. A **rating** is

the percent of all households that have at least one television set tuned to a program for at least 6 of every 15 minutes that the program is telecast. Share is the percent of households that have a television set that is tuned to a specific program at a specific time.

Arbitron, a subsidiary of Control Data, maintains both national and regional radio and TV panels. The panel members are chosen by randomly generated telephone numbers, to ensure that households with unlisted numbers are reached. Those household members who agree to participate when called are sent diaries in which they are asked to record their radio listening behavior over a short duration. Most radio markets are rated only once or twice a year; however, some larger ones are rated four times a year. The TV diary panel is supplemented with a sample of households that have agreed to attach an electronic meter to their television sets. Arbitron produces custom reports for clients. Typically, these are based on an interactive computer-based system called Arbitron Information on Demand (AID).

The Starch Readership Service measures the readership of advertisements in magazines and newspapers. [Note]

The Starch surveys employ the **recognition method** to access a particular ad's effectiveness. Four degrees of reading are recorded:

1. *Nonreader*: A person who does not remember having seen the advertisement in the issue.
2. *Noted*: A person who remembers seeing the advertisement in the issue.
3. *Associated*: A person who not only "noted" the advertisement, but who also saw or read some part of it that clearly indicated the brand or advertiser.
4. *Read Most*: A person who read 50 percent or more of the written material in the ad.

Because newspaper and magazine space cost data are also available, a "readers per dollar" variable can be calculated. The final summary report from Starch shows each ad's (one-half page or larger) overall readership percentages, readers per dollar, and rank when grouped by product category.

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## Chapter 7: **Marketing Research on the Internet**

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### **The Internet and Marketing Research Today**

*"Like any traditional information resource, the Internet has certain advantages and disadvantages."*

Pages: 163-176

The value of the Internet as a marketing research tool is argued by some people today. They think that quality information is hard to find and that the Internet is too slow. Although there is some truth to these statements, they need some qualification. Like any traditional information resource, the Internet has certain advantages and disadvantages. Some information can be searched well on the Internet when other information sources are not available at all. Besides this, the Internet is characterized by very dynamic technological developments, which in turn influence the information search process.

As the population of the Internet and on-line users increases, new research issues have arisen concerning the demographics and psychographics of the on-line user and the opportunities for a product or service. On-line focus groups are conducted entirely on-line—everything from recruitment and screening (which the recruiter does via e-mail) to moderation of the discussion itself. This method allows researchers to reach target segments more effectively.

As the on-line population increases, the demographics broaden, enabling remote global segments to be reached, something not possible via traditional methods. One of the limitations to on-line research is that the results cannot be projected to the general population because not everyone has access to a computer, modem, and on-line service.

Another difference between on-line and traditional qualitative research is that cyberspace is populated by trend leaders. Commonly targeted by marketers, advertisers, and product manufacturers, trend leaders are early adopters who try out new ideas, products, services, and technologies before these innovations reach popularity in the mass market.



Companies are increasingly collecting information from their Web site visitors. Especially for companies which sell over the Web, collecting information about potential customers who have Internet access is critical. This type of data collection can serve a number of purposes:

- Counting and describing Web site visitors in order to customize Web site content to suit their needs
- Collecting additional information for customer databases, which then may be used by product development, sales, marketing, or service departments
- Receiving questions or suggestions regarding the use of a product
- Receiving and answering complaints

Finding out information about competitor activities is an important task for businesses. The Internet is a prime tool for this task, since it reduces the time spent and may increase substantially the quality of the information collected. Both product and financial information are probably suited best for competitive tracking. Especially larger corporations display this information most often on their Websites. On the other hand, pricing information might not be amenable to tracking readily, since it is not too common for businesses to display product prices (unless they actually sell over the Internet). Competitive promotion and distribution information is probably the least suited to tracking via the Internet. Information about products or companies can be obtained using search engines on the Web . . . However, search engines have certain limitations and hence do not guarantee that all relevant information has been obtained. For this purpose, there are providers of custom search services, who search for information for a fee.

The time when one could keep up with the information on the World Wide Web is already ancient history. With the Web growing dramatically, it becomes impossible to track even a small and well-defined segment of the Web. Therefore, the market researcher has even more difficulty finding the information he or she seeks.

Intranets are internal company networks. While corporations are looking for ways and means of communicating to consumers through the World Wide Web, it is apparent that intranets are the building blocks for successful commercial activity. These internal networks start off as ways for employees to connect to company information. Intranets may also incorporate connections to the company's various suppliers. According to many industry experts, the advent of total commercial integration is fairly close—employees, suppliers, and customers will soon operate in a totally seamless environment. The advantage for an intranet user is that he or she can connect to the Internet easily, whereas Internet users cannot access intranets without appropriate security codes.

The utilization of intranets will aid in the communication and distribution of information inside large corporations. This is especially crucial for firms where information and know-how is mission-critical, such as management consultants or software developers. Once information is gathered, it is stored in internal databases so that it can be accessed from any company location in the world. By researching internal databases in the first place, the danger of duplicating information search procedures in separate locations is minimized and therefore the return on information is maximized.

There are a number of promising technologies on the horizon which all have a common objective: to increase the bandwidth of the Internet. The demand for high-speed connections is huge, since more and more large data files such as multimedia applications are sent over the Internet.

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## Chapter 8: **Information Collection: Qualitative and Observational Methods**

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### **Using Qualitative Methods for Information Collection**

*"The reality in the kitchen or supermarket differs drastically from that in most corporate offices."*

Pages: 184-202

The purpose of qualitative research is to find out what is in a consumer's mind. It is done in order to access and also get a rough idea about the person's perspective. It helps the researcher to become oriented to the range and complexity of consumer activity and concerns. Qualitative data are collected to know more about things that cannot be directly observed and measured. Feelings, thoughts, intentions, and behavior that took place in the past are a few examples of those things that can be obtained only through qualitative data collection methods. It is also used to identify likely methodological problems in the study, and to clarify certain issues that were not clear in the problem. Sometimes it may not be possible or desirable to obtain information from respondents by using fully structured or formal methods. Qualitative data collection methods are used in such situations. People may be unwilling to answer some questions when confronted with them directly. Questions that they

perceive as invasion of privacy, that they think will embarrass them, or that may have a negative impact on their ego or status will not be answered . . . Sometimes, accurate answers will not be forthcoming because they are part of the subconscious mind and cannot be tapped into directly. They are disguised from the outer world through the mechanism of ego defenses, such as rationalization . . . It has been shown that information of this sort can be better obtained from qualitative methods, such as focus-group discussions or projective techniques, than through a formal, structured-survey method of data collection.

The basic assumption behind qualitative methods is that an individual's organization of a relatively unstructured stimulus indicates the person's basic perception of the phenomenon and his or her reaction to it. [Note] The more unstructured and ambiguous a stimulus is, the more subjects can and will project their emotions, needs, motives, attitudes, and values. The structure of a stimulus is the degree of choice available to the subject. A highly structured stimulus leaves very little choice: The subject has unambiguous choice among clear alternatives. A stimulus of low structure has a wide range of alternative choices. If it is ambiguous, the subjects can "choose" their own interpretations.

Collectively, these methods are less structured and more intensive than standardized questionnaire-based interviews. There is a longer, more flexible relationship with this respondent, so the resulting data have more depth and greater richness of context—which also means a greater potential for new insights and perspectives. The numbers of respondents are small and only partially representative of any target population, making them preludes to, but not substitutes for, carefully structured, large-scale field studies. There are three major categories of acceptable uses of qualitative research methods:

### 1. Exploratory

- Defining problems in more detail.
- Suggesting hypotheses to be tested in subsequent research.
- Generating new product or service concepts, problem solutions, lists of product features, and so forth.
- Getting preliminary reactions to new product concepts.
- Pretesting structured questionnaires.

### 2. Orientation

- Learning the consumer's vantage point and vocabulary.
- Educating the researcher to an unfamiliar environment: needs, satisfactions, usage situations, and problems.

### 3. Clinical

- Gaining insights into topics that otherwise might be impossible to pursue with structured research methods.

Individual in-depth interviews are interviews that are conducted face to face with the respondent, in which the subject matter of the interview is explored in detail. There are two basic types of in-depth interviews. They are **nondirective** and **semistructured**, and their differences lie in the amount of guidance the interviewer provides.

In nondirective interviews the respondent is given maximum freedom to respond, within the bounds of topics of interest to the interviewer. Success depends on (1) establishing a relaxed and sympathetic relationship; (2) the ability to probe in order to clarify and elaborate on interesting responses, without biasing the content of the responses; and (3) the skill of guiding the discussion back to the topic outline when digressions are unfruitful, always pursuing reasons behind the comments and answers.

A focus-group discussion is the process of obtaining possible ideas or solutions to a marketing problem from a group of respondents by discussing it. The emphasis in this method is on the results of group interaction when focused on a series of topics a discussion leader introduces. Each participant in a group of five to nine or more persons is encouraged to express views on each topic, and to elaborate on or react to the views of the other participants. The objectives are similar to unstructured in-depth interviews, but the moderator plays a more passive role than an interviewer does.

The **focus-group discussion** offers participants more stimulation than an interview; presumably this makes new ideas and meaningful comments more likely. [Note] Among other advantages, it is claimed that discussions often provoke more spontaneity and candor than can be expected in an interview. Some proponents feel that the security of being in a crowd encourages some participants to speak out.

Focus groups can be classified into three types. **Exploratory focus groups** are commonly used at the exploratory phase of the market research process to aid in defining the problem precisely. They can also be viewed as pilot testing: Exploratory groups can be used to generate hypotheses for testing or concepts for future research.

**Clinical focus groups** involve qualitative research in its most scientific form. The research is conducted as a scientific endeavor, based on the premise that a person's true motivations and feelings are subconscious in nature. The moderator probes under the level of the consumer's consciousness. Obviously, clinical groups require a moderator with expertise in psychology and sociology. Their popularity is less because of the difficulty of validating findings from clinical groups and because unskilled operators sometimes attempt to conduct clinical groups.

The reality in the kitchen or supermarket differs drastically from that in most corporate offices. **Experiencing focus groups** allow the researcher to experience the emotional framework in which the product is being used. Thus an experiencing approach represents an opportunity to "experience" a "flesh-and-blood" consumer.

Most of the limitations of these qualitative methods stem from the susceptibility of the results in misuse, rather than their inherent shortcomings. There is a great temptation among many managers to accept small-sample exploratory results as sufficient for their purposes, because they are so compelling in their reality. The dangers of accepting the unstructured output of a focus group or a brief series of informal interviews are twofold. First, the results are not necessarily representative of what would be found in the population, and hence cannot be projected. Second, there is typically a great deal of ambiguity in the results. The flexibility that is the hallmark of these methods gives the moderator or interviewer great latitude in directing the questions; similarly, an analyst with a particular point of view may interpret the thoughts and comments selectively to support that view. In view of these pitfalls, these methods should be used strictly for insights into the reality of the consumer perspective and to suggest hypotheses for further research.

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## Observation Methods

*"There are strong arguments for considering the observation of ongoing behavior as an integral part of the research design."*

Pages: 203-207

Observational methods are limited to providing information on current behavior. Too often, this limitation becomes an excuse for not considering observational methods; because many researchers do not use these methods, they may not appreciate their considerable benefits. Nevertheless, there are strong arguments for considering the observation of ongoing behavior as an integral part of the research design. Some of these are the following:

- **Casual observation** is an important exploratory method. Managers continually monitor such variables as competitive prices and advertising activity, the length of lines of customers waiting for service, and the trade journals on executives desks, to help to identify problems and opportunities.
- **Systematic observation** can be a useful supplement to other methods. During a personal interview, the interviewer has the opportunity to note the type, condition, and size of the residence, the respondent's race, and the type of neighborhood with regard to mixed types and qualities of homes and apartments. Seldom is this data source adequately exploited in surveys.
- Observation may be the least expensive and most accurate method of collecting purely behavioral data such as in-store traffic patterns or traffic passing a certain point on a highway system. Thus, people's adherence to pedestrian safety rules before and after a safety campaign can be measured most easily by counting the number of people who cross against the light or outside the crosswalks.
- Sometimes observation is the only research alternative. This is the case with physiological phenomena or with young children who cannot articulate their preferences or motives.

**Direct observation** is frequently used to obtain insights into research behavior and related issues, such as packaging effectiveness. One firm used an observer disguised as a shopper, to watch grocery store shoppers approach a product category, to measure how long they spend in the display area, and to see whether they have difficulty finding the product; and whether the package is read, and if so, whether the information seemed hard to find. This kind of direct observation can be highly structured, with a detailed recording form prepared in advance, or very unstructured. When making an unstructured observation, the observer may be sent to mingle with customers in the store and look for activities that suggest service problems. This is a highly subjective task, because the observer must select a few things to note and record in varying amounts of detail. This inevitably will draw subjective inferences from the observed behavior.

**Contrived observation** can be thought of as behavioral projective tests; that is, the response of people placed in a contrived observation situation will reveal some aspects of their underlying beliefs, attitudes, and motives. Many direct-mail offers of new products or various kinds of books fall into this category, as do tests of variations in shelf space, product flavors, and display locations. The ethics of such offers can be very dubious, as in the example where a manufacturer decides to produce a product only after receiving an acceptable number of orders from a direct-mail advertisement.

A variant of this method uses buying teams, disguised as customers, to find out what happens during the normal interaction between the customer and the retailer, bank, service department, or complaint department. This method has provided useful insights into the discriminatory treatment of minorities by retailers, and the quality of public performance by employees of government agencies, banks, and airlines. One is hard pressed to think of other ways of finding out about the knowledgeability, helpfulness in meeting customers' needs, and efficiency of the staff. Clouding this picture are some serious, unresolved questions of ethics.

**Content analysis** is an observation technique used to analyze written material into meaningful units, using carefully applied rules. [Note] It is defined as the objective, systematic, and quantitative description of the manifest content of communication. It includes observation as well as analysis. The unit of analysis may be words, characters, themes, space and time measures, or topics. Analytical categories for classifying the units are developed, and the communication is broken down according to prescribed rules. Marketing research applications involves observing and analyzing the content or message of advertisements, newspaper articles, television and radio programs, and the like.

**Physical trace measures** involve recording the natural "residue" of behavior. These measures are rarely used, because they require a good deal of ingenuity and usually yield a very gross measure. When they work, however, they can be very useful. [Note]

**Humanistic inquiry** is a controversial research method that relies heavily on observation, but is now being used in marketing with increasing frequency. [Note] The humanistic approach advocates immersing the researcher in the system under study rather than as in the traditional scientific method, in which the researcher is a dispassionate observer. Throughout the immersion process, the humanistic researcher maintains two diaries, or logs. One is a theory-construction diary that records in detail the thoughts, premises, hypotheses, and revisions in the researcher's thinking. The second set of notes the researcher maintains in a methodological log. Detailed and time-sequenced notes are kept on the investigative techniques used during the inquiry, with special attention to biases and distortions a given technique may have introduced. To assess whether the interpretation is drawn in a logical and unprejudiced manner from the data gathered and the rationale employed, humanistic inquiry relies on the judgment of an outside auditor or auditors.

Some types of observation are beyond human capabilities. All physiological reactions fall into this category. Therefore, devices are available to measure changes in the rate of perspiration as a guide to emotional response to stimuli (the psychogalvanometer), and changes in the size of the pupils of subjects' eyes, which are presumed to indicate the degree of interest in the stimulus being viewed (the pupilometer). These devices can be used only in laboratory environments, and often yield ambiguous results.

Experience with **eye-movement recorders** has been more successful. This device records the experience of viewing pictures of advertisements, packages, signs, or shelf displays, at a rate of 30 readings per second. The recorded eye movements show when the subject starts to view a picture, the order in which the elements of the image were examined and reexamined, and the amount of viewing time given each element. One application is for testing the visual impact of alternative package designs.

**Voice-pitch analysis** examines changes in the relative vibration frequency of the human voice to measure emotion. [Note] In voice analysis, the normal or baseline pitch of an individual's speaking voice is charted by engaging the subject in an unemotional conversation. The greater the deviation from the baseline, the greater is said to be the emotional intensity of the person's reaction to a stimulus.

The vast majority of research studies use some form of questionnaire. Observation methods, despite their many advantages, have one crucial limitation: They cannot observe motives, attitudes, or intentions, which sharply reduces their diagnostic usefulness. To be sure, these cognitive factors are manifested in the observed behavior, but so are many other confounding factors.

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## Information from Respondents: Issues in Data Collection

*"The choice of data collection method is a critical point in the research process."*

Pages: 218-229

Measuring behavior usually involves four related concepts: what the respondents did or did not do; where the action takes place; the timing, including past, present, and future; and the frequency or persistence of behavior. In other words, it often means assessing *what, where, and how often*. Surveys can also be conducted to determine respondents' lifestyles. Groupings of the population by lifestyle can be used to identify an audience, constituency, target market, or other collections of interest to the sponsor. Social contact and interaction are often the focus of survey research or bear heavily on other issues relevant to the survey. So the family setting, memberships, social contacts, reference groups, and communications of respondents frequently are measured or assessed within the survey research process. Demographic factors often obtained through surveys include such variables as age, sex, marital status, education, employment, and income, among others. Personality reflects consistent, enduring patterns of behavior, and it is more deeply rooted than lifestyle. Personality can be measured using rating methods. Situational tests, projective techniques, and inventory schemes. Motivation and knowledge are also frequently measured using surveys.

The problem of getting meaningful results from the interview process stems from the need to satisfy reasonably the following conditions:

- Population has been defined correctly.
- Sample is representative of the population.
- Respondents selected to be interviewed are available and willing to cooperate.
- Respondents understand the questions.
- Respondents have the knowledge, opinions, attitudes, or facts required.
- Respondents are willing and able to respond.
- Interviewer understands and records the responses correctly.

These conditions often are not satisfied because of interviewer error, ambiguous interpretation of both questions and answers, and errors in formulating responses.

The choice of data collection method is a critical point in the research process. The decision is seldom easy, for there are many factors to be considered and many variations of the four basic **survey methods**: (1) personal interview, (2) telephone interview, (3) mail survey, and (4) fax survey.

Because each research problem will have a different ranking of importance, and no data collection method is consistently superior, few generalizations can be made. Much depends on the researcher's skill in adapting the methods to the circumstances. Overall, however, the telephone and the mail survey methods are the dominant methods for conducting surveys.

The way a researcher plans to draw a sample is related to the best way to collect the data. Certain kinds of sampling approaches make it easier or more difficult to use one or another data collection strategy. If one is sampling from a list, the information on the list matters. Obviously, if a list lacks either good mailing addresses or good telephone numbers, trying to collect data by mail, phone, or fax is complicated. Random-digit dialing has improved the potential of telephone data collection strategies by giving every household with a telephone a chance to be selected.

The reading and writing skills of the population and its motivation to cooperate are two salient considerations in choosing a mode of data collection. Self-administered approaches to data collection place more of a burden on the respondent's reading and writing skills than do interviewer procedures. Respondents who are not very well educated, whose reading and writing skills in English are less than facile (but who can speak English), people who do not see well, and people who are somewhat ill or tire easily will find an interviewer-administered survey easier than filling out a self-administered form. Another problem for mail surveys is getting people to return a completed questionnaire. People who are particularly interested in the research problem tend to be most likely to return questionnaires. [Note]

Generally speaking, if one is going to have a self-administered questionnaire, one must reconcile oneself to closed-end questions—that is, questions that can be answered by simply checking a box or circling the proper response from a set provided by the researcher. Second, and more important, self-administered open answers often do not produce useful data.

With no interviewer present to probe incomplete answers for clarity and to meet consistent question objectives, the answers will not be comparable across respondents, and they will be difficult to code.

Researchers have argued persuasively that one or another of the strategies should have an advantage when dealing with sensitive topics. Self-administered procedures are thought to be best, because the respondent does not have to admit directly to an interviewer a socially undesirable or negatively valued characteristic or behavior. Others have argued that telephone procedures lend an air of impersonality to the interview process that should help people report negative events or behaviors. Moreover, random-digit dialing at least provides the option of having a virtually anonymous survey procedure, because the interviewer need not know the name or location of the respondent. Still others argue that personal interviews are the best way to ask sensitive questions, because interviewers have an opportunity to build rapport and establish the kind of trust that is needed for respondents to report potentially sensitive information.

Misrepresentation of the data collection process stems from two principal sources. The first is the representation of a marketing activity other than research, as research. The second is the abuse of respondents' rights during the data collection process under the rationale of providing better-quality research.

Both the misrepresentation of research and the abuse of respondents' rights during the legitimate research interviewing process involve consumer deception. This has two implications. From a business perspective, if public willingness to cooperate with the research process is adversely affected, the long-term statistical reliability of marketing research is jeopardized. From a social perspective, consumer deception violates basic business ethics. The responsibility of business to society rests on a fundamental concern for the advancement of professional business practices. Marketing research depends on mutual trust and honesty between the business community and society. Deception undermines the trust by using people as mere instruments to accomplish unstated purposes.

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## Chapter 10: **Attitude Measurement**

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### **Attitude Measurement in Marketing Research**

*"Despite years of experience with these applications, the design of the rating scale is usually an ad-hoc judgment based on the researcher's preferences and past experiences in similar situations."*

Pages: 273-283

**Attitudes** are mental states used by individuals to structure the way they perceive their environment and guide the way they respond to it. There is general acceptance that there are three related components that form an attitude: a cognitive or knowledge component, a liking or affective component, and an intentions or actions component. Each component provides a different insight into a person's attitude.

The **cognitive or knowledge component** represents a person's information about an object. This information includes awareness of the existence of the object, beliefs about the characteristics or attributes of the object, and judgments about the relative importance of each of the attributes.

The **affective or liking component** summarizes a person's overall feelings toward an object, situation, or person, on a scale of *like-dislike* or *favorable-unfavorable*. When there are several alternatives to choose among, liking is expressed in terms of preference for one alternative over another. Preferences can be measured by asking which is "most preferred" or the "first choice," which is the "second choice," and so forth. Affective judgments also can be made about the attributes of an object.

The **intention or action component** refers to a person's expectations of future behavior toward an object . . . Intentions usually are limited to a distinct time period that depends on buying habits and planning horizons. The great advantage of an intentions question is that it incorporates information about a respondent's ability or willingness to pay for the object, or otherwise take action. One may prefer Aspen over all other ski areas in the Rockies but have no intention of going next year because of the cost.

**Measurement** can be defined as a standardized process of assigning numbers or other symbols to certain characteristics of the objects of interest, according to some prespecified rules. Measurement often deals with numbers, because mathematical and statistical analyses can be performed only on numbers, and they can be communicated throughout the world in the same form without any translation problems. For a measurement process to be a standardized process of assignment, two characteristics are necessary. First, there must be one-to-one correspondence between the symbol and the characteristic in the object that is being measured. Second, the rules for assignment must be invariant over time and the objects being measured.



**Scaling** is the process of creating a continuum on which objects are located according to the amount of the measured characteristic they possess. An illustration of a scale that is often used in research is the dichotomous scale for sex. The object with male (or female) characteristics is assigned a number 1 and the object with the opposite characteristics is assigned the number 0. This scale meets the requirements of the measurement process in that the assignment is one to one and it is invariant with respect to time and object. Measurement and scaling are basic tools used in the scientific method and are used in almost every marketing research situation.

The assignment of numbers is made according to rules that should correspond to the properties of whatever is being measured. The rule may be very simple as when a bus route is given a number to distinguish it from other routes. Here the only property is identity, and any comparisons of numbers are meaningless. This is a **nominal scale**. At the other extreme is the **ratio scale**, which has very rigorous properties. In between the extremes are **ordinal scales** and **interval scales**.

Single-item scales are those that have only one item to measure a construct. Under the single-item scales, the itemized-category scale is the most widely used by marketing researchers. In some situations, comparative scales, rank-order scales, or constant-sum scales have advantages.

Attitude rating scales are widely used to test the effectiveness of advertising copy or compare the performance of new product concepts and segment markets. Despite years of experience with these applications, the design of the rating scale is usually an ad-hoc judgment based on the researcher's preferences and past experiences in similar situations. The various decisions that a researcher has to make regarding the form and structure of the scale while designing a scale are described briefly below:

1. *Number of scale categories.* Theoretically, the number of rating-scale categories can vary from two to infinity. A continuous rating scale has infinite categories, whereas the number of categories in a discontinuous scale depends on several factors, such as the capabilities of the scales, the format of the interview, and the nature of the object. [Note] For example, if the survey is done by telephone, the number of categories that a scale can have is very limited, because the memory of the respondent is limited.
2. *Types of poles used in the scale.* All rating scales have verbal descriptors or adjectives that serve as end points or anchors. The scale can have a single pole or two poles. An example of a two-pole scale is "sweet . . . not sweet," and an example of a scale with a single pole is the Stapel scale . . . The advantage of the single-pole scale over the scale with double poles is ease of construction, as one need not look for adjectives to achieve bipolarity. The disadvantage is that we do not know what each category represents in a single-pole scale.
3. *Strength of the anchors.*
4. *Labeling of the categories.*
5. *Balance of the scale.*

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## Chapter 11: Designing the Questionnaire

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### Designing a Marketing Research Questionnaire

*"The basic guidelines for sequencing a questionnaire to make it interesting and logical to both interviewer and respondent are straightforward."*

Pages: 303-323

A good questionnaire accomplishes the research's objectives. Surveys must be custom-built to the specification of given research purposes, and they are much more than a collection of unambiguous questions. A number of constraints are imposed on the development of an appropriate questionnaire. For example, the number, form, and ordering of the specific questions are partly determined by the data collection method. The respondent's willingness and ability to answer . . . also influences the final questionnaire format. The wording and sequence of questions can facilitate recall and motivate more accurate responses.

Although each questionnaire must be designed with the specific research objectives in mind, there is a sequence of logical steps that every researcher must follow to develop a good questionnaire:

1. Plan what to measure.
2. Formulate questions to obtain the needed information.
3. Decide on the order and wording of questions and on the layout of the questionnaire.
4. Using a small sample, test the questionnaire for omissions and ambiguity.
5. Correct the problems (and pretest again, if necessary).

The most difficult step is specifying exactly what information is to be collected from each respondent. Poor judgment and lack of thought at this stage may mean that the results are not relevant to the research purpose or that they are incomplete. Both problems are expensive, and may seriously diminish the value of the study.

Before specific questions can be phrased, a decision has to be made as to the degree of freedom to be given respondents in answering the question. The alternatives are (1) open-ended with no classification, where the interviewer tries to record the response verbatim; (2) open-ended, where the interviewer uses precoded classifications to record the response; or (3) the closed, or structured, format, in which a question or supplementary card presents the responses the respondent may consider. [Note]

The choice between open- and closed-response questions is not necessarily an either/or distinction. Open-response questions can be used in conjunction with closed-response questions to provide additional information. Using an open-response question to follow up a closed-response question is called a *probe*. Probes can efficiently combine some advantages of both open and closed questions. They can be used for specific prechosen questions or to obtain additional information from only a subset of people who respond to previous questions in a certain way. A common example of the latter is to ask respondents who choose "none of the above" a follow-up question to expand on their answer.

There are two general purposes for the use of probes in a questionnaire. The first is to pinpoint questions that were particularly difficult for respondents. Adequate pretesting of questions reduces this need to use probes. The second purpose is to aid researcher interpretation of respondent answers. Answers to open-response follow-ups can provide valuable guidance in the analysis of closed-response questions.

The wording of particular questions can have a large impact on how a respondent interprets them. Even small changes in wording can shift respondent answers, but it is difficult to know in advance whether or not a wording change will have such an effect. Our knowledge of how to phrase questions that are free from ambiguity and bias is such that it is easier to discuss what not to do than it is to give the prescriptions. Hence, the following guidelines are of greatest value in critically evaluating and improving an existing question.

1. *Is the vocabulary simple, direct, and familiar to all respondents?*
2. *Do any words have vague or ambiguous meanings?*
3. *Are any questions "double-barreled"?* There are questions in which a respondent can agree with one part of the question but not the other, or cannot answer at all without accepting a particular assumption.
4. *Are any questions leading or loaded?*
5. *Are the instructions potentially confusing?*
6. *Is the question applicable to all respondents?*
7. *Split-ballot technique.* Whenever there is doubt as to the appropriate wording, it is desirable to test several alternatives.
8. *Are the questions of an appropriate length?*

The order, or sequence, of questions will be determined initially by the need to gain and maintain the respondent's

cooperation and make the questionnaire as easy as possible for the interviewer to administer. Once these considerations are satisfied, attention must be given to the problem of **order bias**—the possibility that prior questions will influence answers to subsequent questions.

The basic guidelines for sequencing a questionnaire to make it interesting and logical to both interviewer and respondent are straightforward.

1. Open the interview with an easy and nonthreatening question.
2. The questionnaire should flow smoothly and logically from one topic to the next.
3. For most topics it is better to proceed from broad, general questions to the more specific.
4. Sensitive or difficult questions dealing with income status, ability, and so forth, should not be placed at the beginning of the questionnaire.

The purpose of a **pretest** is to ensure that the questionnaire meets the researcher's expectations in terms of the information that will be obtained. First drafts of questionnaires tend to be too long, often lack important variables, and are subject to all the hazards of ambiguous, ill-defined, loaded, or double-barreled questions. The objective of the questionnaire pretest is to identify and correct these deficiencies.

The issue of question format is an important one when constructing a questionnaire for cross-cultural or cross-national research. [Note] The researcher may lack experience with purchasing behavior or relevant determinants of response in another country or cultural context. Use of open-ended questions may thus be desirable in a number of situations. Since they do not impose any structure or response categories, open-ended questions avoid the imposition of cultural bias by the researcher. Furthermore, they do not require familiarity with all the respondents' possible responses.

In addition, differences in levels of literacy may affect the appropriateness of using open-ended questions as opposed to closed questions. Since open-ended questions require the respondent to answer on his or her own terms, they also require a moderate level of sophistication and comprehension of the topic on the part of the respondent; otherwise, responses will not be meaningful. Open-ended questions will therefore have to be used with care in cross-cultural and cross-national research, in order to ensure that bias does not occur as a result of differences in level of education.

When conducting cross-national research, the wording of questions has to be changed according to the country in which the questionnaire is being administered. Certain categories, such as sex and age, are the same in all countries or cultures, and hence, equivalent questions can be posed. Somewhat greater difficulties may be encountered with regard to other categories, such as income, education, occupation, or the dwelling unit, since these are not always exactly comparable from one culture or country to another. In addition to the fact that in some countries men may have several wives, marital status can present problems, depending on how the question is put. The growing number of cohabitating couples, especially those who are divorced, creates a particular problem in this regard. What is included in the category of income may vary from country to country, and incomes vary considerably within countries.

The most significant problems in drawing up questions in multicountry research are likely to occur in relation to attitudinal, psychographic, and lifestyle data. Here, as has already been pointed out, it is not always clear that comparable or equivalent attitudinal or personality constructs—such as aggressiveness, respect for authority, and honor—are relevant in all countries and cultures. Even where similar constructs exist, it is far from clear whether they are most effectively tapped by the same question or attitude statement.

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## Chapter 12: Experimentation

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### Experimental Research

*"Experimentation is a powerful tool in the search for unambiguous relationships that we hope may be used to make valid predictions about the effects of marketing decision, and to develop basic theories."*

Pages: 335-358

Experimental research involves decision making on three major issues:

1. What type of experimental design should be used?
2. Should the experiment be performed in a "laboratory" setting or in the "field"?
3. What are the internal and external threats to the validity of the experiment, and how can we control for the various threats to the experiment's internal and external validity?

Experimental designs can be broadly categorized into two groups, classical designs and statistical designs. The basic difference between these two types of experimental designs is that classical designs consider the impact of only one treatment level of an independent variable at a time. On the other hand, statistical designs allow for examining the impact of different treatment levels of an independent variable and also the impact of two or more independent variables. [Note]

Experimental research can also be broadly divided into two main categories: laboratory experiments and field experiments. The first, laboratory experiments, as the name suggests, are experiments in which the experimental treatment is introduced in an artificial or laboratory setting. In this type of research study, the variance of all or nearly all of the possible influential independent variables not pertinent to the immediate problem of the investigation is kept to a minimum. This is done by isolating the research in a physical situation apart from the routine of ordinary living and by manipulating one or more independent variables under rigorously specified, operationalized, and controlled conditions.

The second, field experiments, are conducted in the "field." A field experiment is a research study in a realistic situation in which one or more independent variables are manipulated by the experimenter under carefully controlled conditions as the situation will permit. [Note] . . . A **field experiment** is the experimental treatment or intervention introduced in a completely natural setting. The respondents usually are not aware that an experiment is being conducted; thus, the respondent tends to be *natural*.

To design and analyze an experiment, it is necessary that everyone involved in it have a clear idea in advance of exactly what is to be studied, how the data are to be collected, and at least a qualitative understanding of how these data are to be analyzed. An outline of the recommended procedure is as follows:

1. *Recognition of and statement of the problem.* This may seem to be a rather obvious point, but in practice it is often not simple to realize that a problem requiring experimentation exists, nor is it simple to develop a clear and generally accepted statement of this problem. A clear statement of the problem often contributes substantially to a better understanding of the phenomena and the final solution of the problem.
2. *Choice of factors and levels.* The experimenter must choose the factors to be varied in the experiment, the ranges over which these factors will be varied, and the specific levels at which runs will be made. Thought must be given to how these factors are to be controlled at the desired levels and how they are to be measured.
3. *Selection of the response variable.* In selecting the response variable, the experimenter should be certain that this variable really provides useful information about the process under study.
4. *Choice of experimental design.* If the first three steps are done correctly, this step is relatively easy. Choice of design involves the consideration of sample size (number of replicates), the selection of a suitable run order for the experimental trials, and the determination of whether or not blocking or other randomization restrictions are involved.
5. *Performing the experiment.* When running the experiment, it is vital to monitor the process carefully to ensure that everything is being done according to plan. Errors in experimental procedure at this stage will usually destroy experimental validity.
6. *Date analysis.* Statistical methods should be used to analyze the data so that results and conclusions are objective rather than judgmental in nature. If the experiment has been designed correctly and if it has been performed according to the design, then the statistical methods required are not elaborate.
7. *Conclusion and recommendations.* Once the data have been analyzed, the experimenter must draw practical conclusions about the results and recommend a course of action. Graphical methods are often useful in this stage, particularly in

presenting the results to others. Follow-up runs and confirmation testing should also be performed to validate the conclusions from the experiment.

Experimentation is a powerful tool in the search for unambiguous relationships that we hope may be used to make valid predictions about the effects of marketing decisions, and to develop basic theories. The laboratory experiment is the preferred method because of its internal validity; however, because of the acute external validity problems in the laboratory setting, managers are reluctant to rely on it. Unfortunately, the field experiment is beset by a number of problems whose net effect has been to limit the vast majority of marketing experiments to short-run comparisons across stores, home placements of product variations, and so forth. Relatively few large-scale experiments with social programs, marketing programs, or advertising campaigns are conducted in any given year.

Cost and time pressures are the first hurdle. Even "simple" in-store tests require additional efforts to gain cooperation; to properly place the display, price, or promotion; to measure the uncontrolled variables; and then to audit the resulting sales differences. The measurement costs alone are often substantial. When large interventions, such as comparing alternative advertising themes in multiple geographic areas, are contemplated, management may be very wary that the costs will exceed the benefits. These costs are likely to be considerable if any amount of reinterviewing or special manipulation of advertising, product, or other controllable variable is required.

Still another cost is security. A field experiment naturally involves exposing a marketing program in the marketplace, so it is difficult to hide from competitors, who are in contact with their own field sales force, store personnel, research suppliers, and trade sources.

Implementation problems abound in the conduct of experiments. First, it may not be easy to gain cooperation within the organization. Regional managers resist proposals to experiment with varying the size and call frequency of a sales force. They do not want to subject their market area to a reduced sales effort. Administrators of social programs may resist efforts to assign people randomly to treatments. They want to decide the assignments according to who can benefit most from the service and which service is most suitable. A second problem to which experiments involving market areas are especially susceptible is *contamination*, because of an inability to confine the treatment to the designated experimental area. Buyers from one geographic area may visit an adjacent area or receive media messages that overflow from that area. It is seldom possible to partition geographic market areas so that the sales measurements and treatments exactly coincide.

A final category of the problems that limit the acceptance and usage of field experiments is uncertain persistency of results. For an experimental result to be useful, it must hold long enough to be acted on to advantage. The two factors most damaging to an assumption of persistency are high rates of technological, economic, or social change in the market environment, and aggressive competitive behavior. During the experiment the competition may elect to monitor the test independently and learn as much as possible—or take unusual action, such as a special consumer promotion, to confound the results. Similarly, when the test is expanded to a regional or national market, the competitors may either do nothing or retaliate.

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## Chapter 13: **Sampling Fundamentals**

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### **Sampling Fundamentals in Marketing Research**

*"Execution of a research project always introduces some error in the study."*

Pages: 363-364

Marketing research often involves the estimation of a characteristic of some population of interest. For instance, the average level of usage of a park by community residents might be of interest; or information might be needed on the attitudes of a student body toward a proposed intramural facility. In either case, it would be unlikely that all members of the population would be surveyed. Contacting the entire population—that is, the entire census list—simply would not be worthwhile from a cost-benefit viewpoint. It would be both costly and, in nearly all cases, unnecessary, since a sample usually is sufficiently reliable. Further, it often would be less accurate, since nonsampling errors, such as nonresponse, cheating, and data coding errors, are more difficult to control. A **population** can be defined as the set of all objects that possess some common set of characteristics with respect to a marketing research problem.

A researcher typically is interested in the characteristics of a population. For example, if the proportion of people in a city watching a television show has to be determined, then the information can be obtained by asking every household in that city. If all the respondents in a population are asked to provide information, such a survey is called a **census**. The proportion of television viewers generated from a census is known as the **parameter**. On the other hand, a subset of all the households may

be chosen and the relevant information could be obtained from that. Information obtained from a subset of the households is known as the **statistic** (from sample). Researchers then attempt to make an inference about the population parameter with the knowledge of the relevant sample statistic. A critical assumption in the process of inference is that the sample chosen is representative of the population. Estimation procedures and hypotheses tests are the types of inferences that link sample statistics and the corresponding population parameters.

A census is appropriate if the population size itself is quite small. For example, a researcher may be interested in contacting all the firms in the petroleum industry to obtain information on the use of a particular software. A census also is conducted if information is needed from every individual or object in the population. For example, if the researcher is interested in determining the number of foreign students enrolled in a university, it is necessary to get information from all the departments in the university because of possible variations within each department. Further, if the cost of making an incorrect decision is high or if sampling errors are high, then a census may be more appropriate than a sample.

Sampling may be useful if the population size is large and if both the cost and time associated with obtaining information from the population is high. Further, the opportunity to make a quick decision may be lost if a large population must be surveyed. Also, with sampling, in a given time period, more time can be spent on each interview (personal), thereby increasing the response quality. Additionally, it is easy to manage surveys of smaller samples and still exercise quality control in the interview process.

Sampling may be sufficient in many instances. For example, if a company is interested in obtaining reactions to installing a check-cashing operation within the premises, a sample of employees may be adequate. If the population being dealt with is homogeneous, then sampling is fine. Finally, if taking a census is not possible, then sampling is the only alternative.

Execution of a research project always introduces some error in the study . . . The total error in a research study is the difference between the true value (in the population) of the variable of interest and the observed value (in the sample). The total error in the study has two major components: sampling and nonsampling errors. If the difference in value (error) between the population parameter and the sample statistic is only because of sampling, then the error is known as **sampling error**. If a population is surveyed and error is observed, this error is known as a **nonsampling error**. Nonsampling errors can be observed in both a census and a sample. [Note] Some of the common sources of nonsampling errors include measurement error, data-recording error, data analysis error, and nonresponse error.

Because of their nature, sampling errors can be minimized by increasing the sample size. However, as sample size increases, the quality control of the research study may become more difficult. Consequently, nonsampling errors can increase (e.g., the number of nonresponses can go up), thereby setting up a classic trade-off between sampling and nonsampling errors. Since nonsampling errors can occur from various sources, it is difficult to identify and control them. Therefore, more attention should be given to reducing them.

Pages: 387-387

The first step in the sampling process is to define the target population. The target population has to be defined in such a manner that it contains information on sampling elements, sampling units, and the area of coverage. In order to define the target population, certain simple rules of thumb should be adopted, such as looking to the research objectives, reproducibility, and convenience.

The next step is to determine the sampling frame. The sampling frame is usually a convenient list of population members that is used to obtain a sample. A number of biases will result if the sampling frame is not representative of the population. Hence, care should be taken to choose an appropriate list. There is extensive use of telephone directories as a basis for generating lists, but problems such as changed residences, unlisted numbers, and so forth, introduce biases in the sample.

Next, the mechanism for selecting the sample needs to be determined. There are essentially two different methodologies for sample selection. In probability sampling, probability theory is used to determine the appropriate sample. Simple random sampling, cluster sampling, stratified sampling, systematic sampling, and multistage designs are among the various available choices in probability sampling.

Nonprobability sampling methods, such as judgmental sampling, snowball sampling, and quota sampling, are appropriate in the right context, even though they can be biased and lack precise estimates of sampling variation. Shopping center sampling is used widely, in part because it is relatively inexpensive. Biases in shopping center samples can be reduced by adjusting the samples to reflect shopping center characteristics, the location of the shoppers within the shopping center, the time period of the interviewing, and the frequency of shopping.



The fourth consideration in the process is determining the sample size.

The final consideration is nonresponse bias. Nonresponse bias can be reduced by improving the research design to reduce refusals and by using call-backs. Sometimes the best approach is to estimate the amount of bias and adjust the interpretation accordingly.

Sampling in international research poses some special problems. The absence of reliable sampling lists brings in a number of biases into the study. Moreover, adopting the same sampling method in different countries may not yield the best results. Even if one adopts the same sampling procedure across all countries, sampling equivalence will not necessarily be achieved.

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## Chapter 14: Sample Size and Statistical Theory

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### Sample Size and Statistical Theory

*"Too often, information tends to be evaluated absolutely (it is intellectually comfortable to be "certain"). Instead, it should be judged with respect to its use."*

Pages: 392-406

A practical question in marketing research often involves determining sample size. A survey cannot be planned or implemented without knowing the sample size. Further, the sample size decision is related directly to research cost, and therefore must be justified.

The size of a sample can be determined either by using statistical techniques or through some ad hoc methods. Ad hoc methods are used when a person knows from experience what sample size to adopt or when there are some constraints, such as budgetary constraints, that dictate the sample size.

One approach is to use some rules of thumb . . . The sample should be large enough so that when it is divided into groups, each group will have a minimum sample size of 100 or more. [Note]

In almost every study, a comparison between groups provides useful information and is often the motivating reason for the study. It is therefore necessary to consider the smallest group and to make sure that it is of sufficient size to provide the needed reliability.

In addition to considering comparisons between major groups, the analysis might consider subgroups. For example, there might be an interest in breaking down the group of frequent park users by age, and comparing the usage by teenagers, young adults, middle-aged persons, and senior citizens . . . For such minor breakdowns the minimum sample size in each subgroup should be 20 to 50. [Note] The assumption is that less accuracy is needed for the subgroups. Suppose that the smallest subgroup of frequent park users, the senior citizens, is about 1 percent of the population and it is desired to have 20 in each subgroup. Under simple random sampling, a sample size of about 2,000 might be recommended in this case.

If one of the groups or subgroups of the population is a relatively small percentage of the population, then it is sensible to use **disproportionate sampling**. Suppose that only 10 percent of the population watches educational television, and the opinions of this group are to be compared with those of others in the population. If telephone interviewing is involved, people might be contacted randomly until 100 people who do not watch educational television are identified. The interviewing then would continue, but all respondents would be screened, and only those who watch educational television would be interviewed. The result would be a sample of 200, half of whom watch educational television.

Often there is a strict **budget constraint**. A museum director might be able to spare only \$500 for a study, and no more. If data analysis will require \$100 and a respondent interview is \$5, then the maximum affordable sample size is 80. The question then becomes whether a sample size of 80 is worthwhile, or is the study should be changed or simply not conducted.

Another approach is to find similar studies and use their sample sizes as a guide. The studies should be comparable in terms of the number of groups into which the sample is divided for comparison purposes. They also should have achieved a satisfactory level of reliability.

Sample size really depends on four factors. The first is the number of groups and subgroups within the sample that will be analyzed. The second is the value of the information in the study in general, and the accuracy required of the results in

particular. At one extreme, the research need not be conducted if the study is of little importance. The third factor is the costs of the sample. A cost-benefit analysis must be considered. A larger sample size can be justified if sampling costs are low than if sampling costs are high. The final factor is the variability of the population. If all members of the population have identical opinions on an issue, a sample of one is satisfactory. As the variability within the population increases, the sample size also will need to be larger.

In **stratified sampling** the population is divided into subgroups or strata and a sample is taken from each. Stratified sampling is worthwhile when one or both of the following are true:

1. The population standard deviation differs by strata.
2. The interview cost differs by strata.

Suppose we wanted to estimate the usage of electricity to heat swimming pools. The population of swimming pools might be stratified into commercial pools at hotels and clubs and private home swimming pools. The latter might have a small variation, and thus would require a smaller sample. If, however, the home-pool owners were less costly to interview, that would allow more of them to be interviewed than if the two groups involved the same interview cost.

If other sampling designs are employed, the logic used to generate the optimal sample size will still hold; however, the formula can get complicated. For example, in an area design, the first step might be to select communities at random. Then the procedure could be to select census tracts, then blocks, and finally households.

Sometimes a researcher may want to take a modest sample, look at the results, and then decide if more information, in the form of a larger sample, is needed. Such a procedure is termed **sequential sampling**. For example, if a new industrial product is being evaluated, a small probability sample of potential users might be contacted. Suppose it is found that their average annual usage level at a 95 percent confidence level is between 10 and 30 units, and it is known that for the product to be economically viable the average has to be 50 units. This is sufficient information for a decision to drop the product. If, however, the interval estimate from the original sample is from 45 to 65, the information is inadequate for making that decision, and an additional sample might be obtained. The combined samples then would provide a smaller interval estimate. If the resulting interval is still inadequate, the sample size could be increased a third time. Of course, although sequential sampling does provide the potential of sharply reducing costs, it can result in increased costs and a delayed decision.

The concept of sequential sampling is useful because it reminds the researcher that the goal of marketing research is providing information to help in decision making. The quality of the information must be evaluated in the decision-making context. Too often, information tends to be evaluated absolutely (it is intellectually comfortable to be "certain"). Instead, it should be judged with respect to its use.

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## Chapter 15: Fundamentals of Data Analysis

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### Fundamentals of Data Analysis

*"Although data analysis can be a powerful aid to gaining useful knowledge, it cannot rescue a badly conceived marketing research study."*

Pages: 422-437

An understanding of the principles of data analysis is useful for several reasons. First, it can lead the researcher to information and insights that otherwise would not be available. Second, it can help avoid erroneous judgments and conclusions. Third, it can provide a background to help interpret and understand analysis conducted by others. Finally, a knowledge of the power of data analysis techniques can constructively influence research objectives and research design.

Although data analysis can be a powerful aid to gaining useful knowledge, it cannot rescue a badly conceived marketing research study. If the research purpose is not well conceived, if the research questions are irrelevant, or if the hypothesis is nonviable or uninteresting, the research will require an abundance of good fortune to be useful. Further, data analysis rarely can compensate for a bad question, an inadequate sampling procedure, or sloppy fieldwork.

Data analysis has the potential to ruin a well-designed study. Inappropriate or misused data analysis can suggest judgments and conclusions that are at best unclear and incomplete, and at worst erroneous. Thus, it can lead to decisions inferior to those

that would have been made without the benefit of the research. One important reason for studying data analysis, therefore, is to avoid the pitfalls associated with it.

The raw data obtained from . . . questionnaires must undergo preliminary preparation before they can be analyzed using statistical techniques. The quality of the results obtained from the statistical techniques and their subsequent interpretation depend to a great degree on how well the data were prepared and converted into a form suitable for analysis. The major data preparation techniques include (1) data editing, (2) coding, and (3) statistically adjusting the data (if required).

Usually the first step in data analysis, after data preparation, is to analyze each question or measure by itself. This is done by tabulating the data. Tabulation consists simply of counting the number of cases that fall into the various categories. Other than aiding in "data cleaning" aspects, such as identifying the degree of omissions, ambiguities, and errors in the responses, the primary use of tabulation is in (1) determining the empirical distribution (frequency distribution) of the variable in question and (2) calculating the descriptive (summary) statistics, particularly the mean or percentages.

Next, the data are subjected to cross-tabulations to assess if any association is present between two (typically) nominal variables. If the variables are measured as interval or ratio, they are transformed to nominally scaled variables for the purpose of cross-tabulation . . . For analyzing relationships between two or more variables, *multivariate analysis* . . . can be performed.

The appropriate statistical analysis technique for studying the relationships among and between nominal variables is termed **cross-tabulation**. It also is called cross-tabs, cross-classification, and **contingency table analysis**. In cross-tabulation, the sample is divided into subgroups in order to learn how the dependent variable varies from subgroup to subgroup. Cross-tabulation tables require fewer assumptions to construct, and they serve as the basis of several statistical techniques such as chi-square and log-linear analysis. Percentages are computed on each cell basis or by rows or columns. When the computations are by rows or columns, cross-tabulation tables usually are referred to as contingency tables, because the percentages are basically contingent on the row or column totals.

Cross-tabulation is the analysis of association between two variables that are nominally scaled. Of course, any interval-scaled variable can be used to define groups and therefore form a nominally scaled variable . . . Most marketing research studies go no further than cross-tabulation, and even those studies that do use more sophisticated analytical methods still use cross-tabulation as an important component. Hence, along with the data-preparation techniques, understanding, developing, and interpreting cross-tabulation are the fundamental needs of data analysis. [Note]

Data analysis is not an end in itself. Its purpose is to produce information that will help to address the problem at hand. Several factors influence the selection of the appropriate technique for data analysis. These include: (1) type of data, (2) research design, and (3) assumptions underlying the test statistic and related considerations. [Note]

The entire gamut of statistical techniques can be broadly classified as univariate and multivariate techniques, based on the nature of the problem. **Univariate techniques** are appropriate when there is a single measurement of each of the  $n$  sample objects, or when there are several measurements of each of the  $n$  observations but each variable is analyzed in isolation. On the other hand, **multivariate techniques** are appropriate for analyzing data when there are two or more measurements of each observation and the variables are to be analyzed simultaneously.

Univariate techniques can be further classified based on the type of data—whether they are **nonmetric** or **metric**. As mentioned earlier, nonmetric data are measured on a nominal or ordinal scale, whereas metric data are measured on an interval or ratio scale. Nonparametric statistical tests can be used to analyze nonmetric data. Nonparametric tests do not require any assumptions regarding the distribution of data.

For both nonmetric and metric data, the next level of classification involves determining whether a single sample or multiple samples are involved. Further, the case of multiple samples, the appropriate statistical test depends on whether the samples are independent or dependent.

**Multivariate statistical techniques** can be broadly defined as "a collection of procedures for analyzing the association between two or more sets of measurements that were made on each object in one or more samples of objects." If only two sets of measurements are involved, the data typically are referred to as **bivariate**. [Note] The multivariate techniques can be classified based on the following logic.

- Can the data be partitioned into dependent and independent variable sets? If so, classify according to the number of

variables in each set. If not, classify the technique as an interdependence technique.

- In the case of interdependence techniques, classification is done based on the principal focus of the analysis. Is the focus on the object (person/thing/event) or is it on the variable?

Based on the first factor, the multivariate techniques can be broadly classified as **dependence techniques** or **interdependence techniques**. Dependence techniques are appropriate when one or more variables can be identified as dependent variables and the remaining as independent variables. The appropriate choice of dependence techniques further depends on whether there are one or more dependent variables involved in the analysis.

In interdependence techniques, the variables are not classified as dependent or independent; rather, the whole set of interdependent relationships is examined. The interdependence techniques can be further classified as focusing on variables or objects; that is, as variable interdependence or interobject similarity techniques.

## Chapter 16: **Presenting the Results**

### **Presenting Marketing Research Results**

*"Each piece of the presentation should fit into the whole, just as individual pieces fit into a jigsaw puzzle."*

Pages: 610-622

Effective communication between research users and research professionals is extremely important to the research process. The formal presentation usually plays a key role in the communication effort. Generally, presentations are made twice during the research process. First, there is the research proposal presentation . . . when the client must decide to accept, change, or reject it. Second, there is the presentation of the research results, when decisions associated with the research purpose are addressed and the advisability of conducting further research often is considered.

Presentations can be written, oral, or both . . . Here are some guidelines that apply to both types of presentations. In general, a presenter should:

1. Communicate to a specific audience.
2. Structure the presentation.
3. Create audience interest.
4. Be specific and visual.
5. Address validity and reliability issues.

The first step is to know the audience, its background, and its objectives. Most effective presentations seem like conversations, or memos to a particular person as opposed to an amorphous group. The key to obtaining that feeling is to identify the audience members as precisely as possible.

Audience identification affects presentation decisions such as selecting the material to be included and the level of presentation. Excessive detail or material presented at too low a level can be boring or seem patronizing. However, the audience can become irritated or lost when material perceived as relevant is excluded or the material is presented at too high a level. In an oral presentation, the presenter can ask audience members whether they already know some of the material.

Each piece of the presentation should fit into the whole, just as individual pieces fit into a jigsaw puzzle. The audience should not be muttering, "What on earth is this person talking about?" or "How does this material fit in?" or "I'm lost." The solution is to provide a well-defined structure . . . The structure should include an introduction, a body, and a summary. Further, each of the major sections should be structured similarly. The precept is to tell the audience what you are going to say, say it, and then tell them what you said. Sometimes you want to withhold the conclusion, to create interest. In that case the audience could be told, "The objective here will be to come to a recommendation as to whether this new product should go into test market and, if so, with what type of pricing strategy." Further, use nontechnical definitions as much as possible to present the

report in simple language.

The audience should be motivated to read or listen to the presentation's major parts and to the individual elements of each section. Those in the audience should know why the presentation is relevant to them and why each section was included. A section that cannot hold interest probably should be excluded or relegated to appendix status.

The research purpose and objectives are good vehicles to provide motivation. The research purpose should specify decisions to be made and should relate to the research questions. A presentation that focuses on those research questions and their associated hypotheses will naturally be tied to relevant decisions and hold audience interest. In contrast, a presentation that attempts to report on **all** the questions that were included in the survey and in the cross-tabulations often will be long, uninteresting, and of little value.

As the analysis proceeds and the presentation is being prepared, the researcher should be on the lookout for results that are exceptionally persuasive, relevant, interesting, and unusual. Sometimes the deviant respondent with the strange answers can provide the most insight if his or her responses are pursued and not discarded.

Avoid talking or writing in the abstract. If different members of the audience have different or vague understandings of important concepts, there is a potential problem. Terms that are ambiguous or not well known should be defined and illustrated or else omitted.

The most interesting presentations usually use specific stories, anecdotes, studies, or incidents to make points. They will be much more interesting and graphic than a generalization, however accurate and scientific.

Try to identify those design issues that will affect interpretation and raise them in the context of the interpretation.

The presentation should include some indication of the reliability of the results. At a minimum, it always should be clear what sample size was involved. The key results should be supported by more precise information in the form of interval estimates or a hypothesis test. The hypothesis test basically indicates, given the sample size, what probability exists that the results were merely an accident of sampling. If the probability (or significance level) of the latter is not low, then the results probably would not be repeated. Do not imply more precision than is warranted.

It is important to work with the client or at least be available to clarify or interpret the research results when the findings are implemented. This continued relationship not only helps researchers to evaluate the project's usefulness, it gives them a sense of confidence about the quality of their work. Since most marketing research projects are obtained through word-of-mouth referrals, not through advertising, it is important to satisfy the client. It may be useful for the researcher to sit with the client and get feedback on various aspects of the research project.

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## Chapter 17: **Traditional Applications of Marketing Research: Product, Price, Distribution, and Promotion**

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### **Traditional Applications of Marketing Research: Product, Price, Distribution and Promotion**

*"Companies spend more time and resources on advertising research than on sales promotion research because of the greater risk and uncertainty in advertising research."*

Pages: 628-656

New products development is critical to the life of most organizations as they adapt to their changing environment. Since, by definition, new products contain unfamiliar aspects for the organization, there will be uncertainty associated with them. Thus, it is not surprising that a large proportion of marketing research is for the purpose of reducing the uncertainty associated with new products.

New-product research can be divided into four stages . . . The first stage is generating new-product concepts; the second is evaluating and developing those concepts; the third is evaluating and developing the actual products; finally, the product is tested in a marketing program.

There are two types of concept generation research. The first might be termed **need identification research**. The emphasis in need research is on identifying unfilled needs in the market. The second is termed **concept identification**. Here, an effort is

made to determine concepts that might fill an identified need.

Product evaluation and development, or product testing, is very similar to concept testing, in terms of both the objectives and the techniques. The aim is still to predict market response to determine whether or not the product should be carried forward.

Test marketing has two primary functions. The first is to gain information and experience with the marketing program before making a total commitment to it. The second is to predict the program's outcome when it is applied to the total market.

There are really two types of test markets: the sell-in test market and the controlled-distribution scanner market. **Sell-in test markets** are cities in which the product is sold just as it would be in a national launch. In particular, the product has to gain distribution space. **Controlled-distribution scanner markets** are cities for which distribution is prearranged and the purchase of a panel of customers are monitored using scanner data.

Research may be used to evaluate alternative price approaches for new products before launch or for proposed changes in products already on the market. As in the case of test marketing, the question of "reality" applies, and it has been found that the sales response to products at different prices in actual stores produces far more discriminating results than the sales response in an artificial store.

Decisions regarding price ranges for new products have to be made early in the development stage. A product concept cannot be tested fully, for example, without indicating its price, so when the product is ready to be introduced, a decision must be made about its specific price. Decisions on price changes—*Should we change the price, and, if so, in which way and by how much?*—will then need to be made over the product's life cycle.

Either of two general pricing strategies can be followed. The first is a skimming strategy, in which the objective is to generate as much profit as possible in the present period. The other is a share-penetration strategy, whose objective is to capture an increasingly larger market share by offering a lower price. Pricing research for the two different approaches differs substantially in terms of the information sought.

Traditionally, the distribution decisions in marketing strategy involve the number and location of salespersons, retail outlets, warehouses, and the size of discounts to be offered. The discount to be offered to the members in the channel of distribution usually is determined by what is being offered by existing or similar products, and also whether the firm wants to follow a "push" or a "pull" strategy. Marketing research, however, plays an important role in the number and location in decisions about numbers and locations.

The decisions for the promotion part of a marketing strategy can be divided into (1) advertising and (2) sales promotion. Sales promotion affects the company in the short term, whereas advertising decisions have long term effects. Companies spend more time and resources on advertising research than on sales promotion research because of the greater risk and uncertainty in advertising research.

Most promotion research companies concentrate on advertising because advertising decisions are more costly and risky than sales promotion decisions. Advertising research typically involves generating information for making decisions in the awareness, recognition, preference, and purchasing stages. Most often, advertising research decisions are about advertising copy. Marketing research helps to determine how effective the advertisement will be.

There are three major types of sales promotion: consumer promotions, retailer promotions, and trade promotions . . . In general, the consumer, or end user, is the ultimate target of all sales promotion activities. In consumer promotion, manufacturers offer promotions directly to consumers, whereas retail promotions involve promotions by retailers to consumers. Trade promotions involve manufacturers offering promotions to retailers or other trade entities. Trade entities can also promote to each other. For example, a distributor can offer a steep temporary price cut to retailers in order to sell excess inventory. We call these **trade promotions**, since the recipient of the promotion is a marketing intermediary.

The most commonly researched sales promotions are coupons, trade allowances, and retailer promotions. Even among retailer promotions, only recently have researchers begun to distinguish among price cuts, displays, and features, and even now, those are often subsumed under one "promotion" or "deal offer" variable.

Unfortunately, much of the research on sales promotion has concentrated on only a few types or has considered promotion only more generically. For example, couponing by far is the most researched form of consumer promotion. In one sense this is appropriate, since coupons are clearly the most important consumer promotion for packaged-goods marketers. [Note]



With scanner data so easily and widely available, most of the information requirements for decisions on sales promotions can be readily acquired. Both Nielsen and IRI have installed scanner-based information-collecting systems (both store and panel) in the major markets of the country, so researchers will have a wealth of information to rely on. They also have a number of ready-to-use expert systems . . . which provide information such as sales and market share in that store in the week there was a promotion, so managers can easily find out whether the promotion was effective.

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Chapter 18: **Contemporary Applications of Marketing Research: Competitive Advantage, Brand Equity, Customer Satisfaction, and Total Quality Management**

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## Contemporary Applications of Marketing Research

*"It is important to develop approaches that place a value on a brand."*

Pages: 665-686

There has been a shift of focus in marketing, from delivering goods and services to consumers (satisfying their needs) to achieving a competitive advantage. Companies are embracing new tools, techniques, and strategies in order to remain competitive. This has resulted in a new agenda for marketing research in the nineties.

Assessing competitive advantage can be done in a number of ways. The methods can be broadly classified as market-based assessment and process-based assessment. **Market-based assessment** is direct comparison with a few target competitors, whereas **process-based assessment** is a comparison of the methods employed by the competitors in achieving their distinctive advantage.

**Brand equity** is defined as a set of assets and liabilities linked to a brand that add to or subtract from the value of a product or service to a company and/or its customers. [Note] The assets or liabilities that underlie brand equity must be linked to the name and/or symbol of the brand. The assets and liabilities on which brand equity is based will differ from context to context. However, they can be usefully grouped into five categories:

1. Brand loyalty
2. Name awareness
3. Perceived quality
4. Brand associations in addition to perceived quality
5. Other proprietary brand assets: patents, trademarks, channel relationships, etc.

An appraisal of the brand based on the five dimensions involves addressing and obtaining answers to the questions that follow. Marketing research can help to provide answers to these questions.

It is important to develop approaches that place a value on a brand, for several reasons. First, since brands are bought and sold, a value must be assessed by both buyers and sellers. Which approach makes the most sense? Second, investments to enhance brand equity need to be justified, as there always are competing uses for funds. A bottom-line justification is that the investment will enhance the value of the brand. Thus, some "feel" for how a brand should be valued may help managers address such decisions. Third, the valuation question provides additional insight into the brand-equity concept.

At least four general approaches have been proposed to assess the value of brand equity. One is based on the excess price that the name can command in the marketplace. The second looks at how much it would cost to replace the brand with a new one. The third is based on the stock price. The fourth focuses on a brand's earning power.

In recent years American business has become increasingly committed to the idea of **customer satisfaction** and **product/service quality**. The measurement of customer satisfaction and its link to product/service attributes is the vehicle for developing a market-driven quality approach. [Note]

Customer satisfaction research has been around for a long time, but it has become a fixture at most large corporations only in

recent years. The growth in the popularity of customer satisfaction research is, of course, a corollary to the quality movement in American business. The idea that the customer defines quality should not be new to marketers. However, its recognition in the Baldrige criteria has given this idea a credibility that was previously lacking.

Satisfaction research, like advertising tracking research, should be conducted at planned intervals so as to track satisfaction over time. Thus, satisfaction research can be put in the context of an interrupted, time-series, quasi-experimental design. Over time, management will do various things to improve customer satisfaction, take measurements following these changes, and evaluate the results to see if the changes that were implemented had a positive effect on customer satisfaction.

This approach requires a sequential research design that uses the results from each research phase to build and enhance the value of subsequent efforts. During this process, it is imperative to study customers who were lost, to determine why they left. This issue must be addressed early in the system design.

A useful step is to provide management with a framework for understanding, analyzing, and evaluating the status of customer satisfaction in the firm. A sequential design provides some level of comfort, because it allows for the luxury of making critical decisions after you have sufficient data to reduce the risk of error inherent in establishing a customer satisfaction system.

With foreign competition steadily eating away the profitability and the market shares of American companies, more and more of them are adopting **total quality management (TQM)** to become more competitive. [Note] TQM is a process of managing complex changes in the organization with the aim of improving quality.

The first things on which a TQM company should decide are the guiding principles behind its data choices. Why these data, and not those data? As usual, the best rationale usually refers back to the bedrock of customer satisfaction. There should be a clear link between the kinds of data collected and maintained and the quality values of the company. [Note] If short-term financial measurements drive the company, measures such as market value to book value and price-to-earnings multiples will dominate management reports and meetings. If, on the other, quality lies at the center of business strategy and planning, a larger share of the measurement and reporting will focus on quality issues. When companies are truly committed to quality values, many data issues resolve themselves. [Note]

The power of measurements is clearly visible in applications of **quality function deployment (QFD)**, a Japanese import used to make product designs better reflect customer requirements. In QFD, a multifunctional team measures and analyzes in great detail both customer attitudes and product attributes. Marketing research plays a crucial role at this stage of the process. Then the team creates a visual matrix in order to find ways to modify product attributes (engineering characteristics) so as to improve the product on the customer-based measures of product performance. Along the way, the team must develop a series of measures of several different types.

Marketing research is an invaluable part of QFD. Customer attributes are obtained through conjoint analysis or through other forms of survey research. Customer evaluations of competing products are also obtained through survey research. Hence, a thorough knowledge of marketing research is required.

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#### Chapter 19: **Emerging Applications of Marketing Research: Database Marketing, E-Commerce, and Relationship Marketing**

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### **Emerging Applications of Marketing Research: Database Marketing and Relationship Marketing**

*"A database provides the means for research to support decisions."*

Pages: 689-705

The power of database technology ties these three characteristics together. The database collects and analyzes customer information; it is able to target specific benefits to specific customers and it provides the means for accurately measuring results. With the advent of customer lists, direct marketing came into prominence.

A **database** is a customer list to which has been added information about the characteristics and the transactions of these customers. Businesses use it to cultivate customers and develop statistical profiles of prospects most like their present customers—as they seek new customers.

A marketing database can collect and manipulate information on customers, their individual characteristics and, most important, their response characteristics. With a database, marketers can use past actions by customers to predict their future preferences or profile prospective customers for effective market segmentation. With a database, marketers can project additional sales—through cross-selling and repeat purchases. At the same time, by collecting information and learning more about current customers' tastes and preferences, marketers can effectively target new customers with the same characteristics and even predict the lifetime value of these newly acquired customers. In this way, the organization cannot just replace customers lost through attrition but can grow.

A database should attempt to create:

- A unique identifier such as an ID or match code
- Name and title of individual and/or organization
- Mailing address, including ZIP Code
- Telephone number
- Source of order, inquiry, or referral
- Date and purchase details of first transaction
- Recency/frequency/monetary transaction history by date, dollar amounts (cumulative) of purchase, and products (lines) purchased
- Credit history and rating (scoring)
- Relevant demographic data for consumer buyers, such as age, gender, marital status, family data, education, income, occupation, length of residence at address given, geodemographic cluster information, and similar data of value
- Relevant organization data for industrial buyers, such as standard industrial classification (SIC), size, revenues, number of employees, length of time in business, perhaps information about the area of the organization's economic or social location, and even information about the personality of individual buyers within the organization [Note]

There are many ways to gather consumer data. You may use such direct means as surveys, questionnaires, and application forms, but you may also get information from secondary sources, such as credit-reporting bureaus and published directories.

When you fill out an application for a rebate or a specially discounted or even free book or other item, you may wonder why some of the questions seem to be rather strange as far as the rebate or items are concerned. The firm is collecting personal data not normally available in any other medium. (Now you know!)

If you apply for a free subscription to a trade publication you generally must respond to a rather lengthy set of questions, but that, too, provides data not usually available otherwise.

You may use conventional advertising media to induce customers and prospective customers to call and write. One way to do this is to use a special form of inquiry advertising. And more than a few other companies are publishing free newsletters for customers today, encouraging letters from readers as an effective means of generating data for their databases.

The last time you signed onto the Internet, someone could have watched what you did, what you said, or what you bought and then shared the information with a curious marketer who wanted to know. Powerful computers and high-tech scanners now enable marketers to monitor closely how, where, and when you spend your money. These electronic transactions speak much louder than words because they reflect actual behavior. It no longer matters what consumers say they do; marketers can now track what they really do.

Most firms want to have a customer database and a prospect database. The customer database can categorize customers as active or inactive customers and inquiries.

- *Active customers:* How recently have they purchased? How frequently have they purchased? How much did they spend? What are their product or service preferences? Identifying your most active customers can help you concentrate your resources on the most profitable segment of your customer list.
- *Inactive customers:* How long have prior customers been inactive? How long had they been active? What was their buying pattern while active? What offers have they received since? This information can help you design promotions that re-activate your inactive customers.
- *Inquiries:* From what media source did inquiries come? What was the nature and seriousness of the inquiry? Do you have any demographic or psychographic information on inquirers?

Database enhancement can substantially increase the amount and quality of information you hold on each customer or prospect.

- In its simplest form, an enhancement might be the addition of age (from a driver's license record) or telephone number (from a directory record). Other possibilities include past transactions; demographic and psychographic data; credit experience, if pertinent; people on the move, evidenced by an address change; significant characteristics of a business; and a multiple of customer behavior and transaction data.
- By overlaying multiple databases, you can eliminate duplication between and among the lists and identify "hotline names" (those who responded most recently) and "multi-buyers" (those who appear on more than one response list).
- Negative screening, such as a credit check, can be used to remove a record from a solicitation database.

The relationship marketing process incorporates three key elements:

1. Identifying and building a database of current and potential consumers, which records and cross-references a wide range of demographic, lifestyle, and purchase information
2. Delivering differential messages to these people through established and new media channels based on the consumers' characteristics and preferences
3. Tracking each relationship to monitor the cost of acquiring the consumer and the lifetime value of his or her purchases

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