Part 1

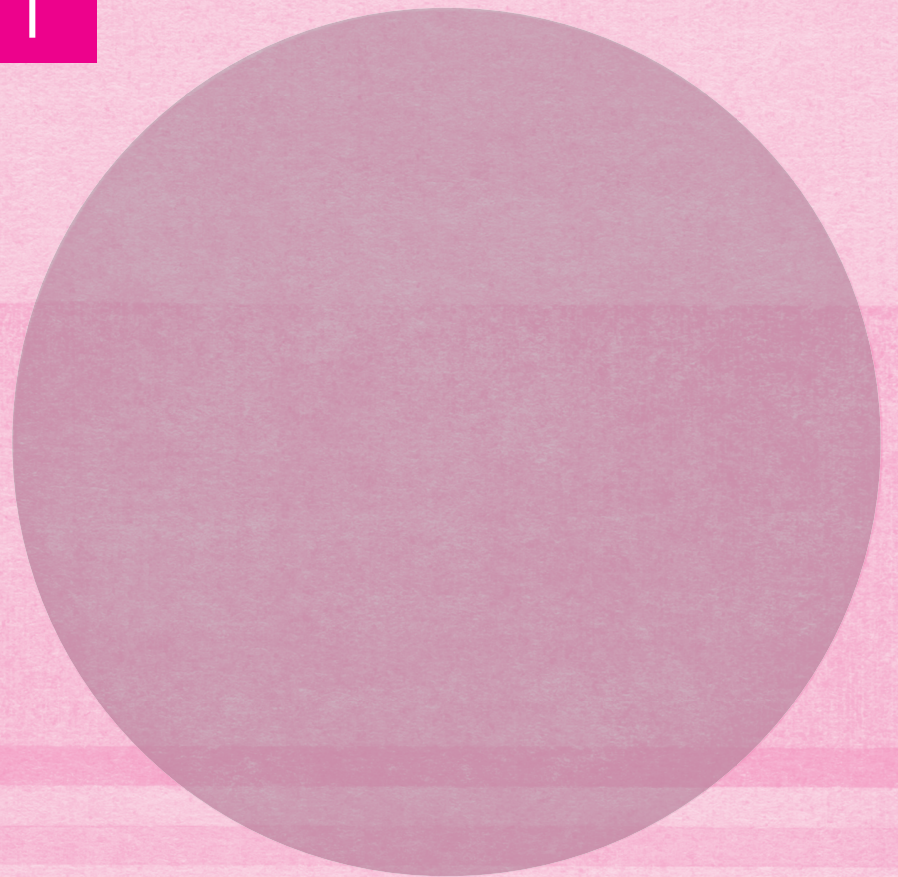## The Role and Value of Marketing Research Information

Marketing Research for Managerial Decision Making

Learning Objectives   After reading this chapter, you will be able to:

1. Describe the impact marketing research has on marketing decision making.
2. Demonstrate how marketing research fits into the marketing planning process.
3. Provide examples of marketing research studies.
4. Understand the scope and focus of the marketing research industry.
5. Recognize ethical issues associated with marketing research.
6. Discuss new skills and emerging trends in marketing research.

An Explosion of Data Collection Techniques

Could Twitter be a new tool for marketing researchers? Twitter is a "microblogging" service that enables users to post instant messages with a maximum of 140 characters, called "tweets." Consumers are the primary user group, but companies are increasingly finding several uses for Twitter. One of those uses is "inbound signaling," or the collection of information on Twitter for research purposes. In inbound signaling, organizations search Twitter for conversation threads about their company, brand, or product. These companies can use the search tool search.twitter.com or the desktop application TweetDeck to observe in real time what is being said about their brands, products, or industry. Some industry onlookers argue that there are too many random conversations and "meaningless chatter" to find anything of value. But increasingly, research tools are being developed as Twitter add-ons that use data-mining approaches to search through the clutter and find relevant information.[1] Max Goldberg, Founding Partner of The Radical Clarity Group, writes: "Twitter is a great tool for feedback and customer service [because it enables] companies to listen to conversations about their brands. Customer tweets can reward great customer service and highlight problems. The instantaneous nature of Twitter encourages companies to quickly try to resolve problems with their products or services."[2]

The Growing Complexity of Marketing Research

Technology is transforming marketing research dramatically. Internet-based tools, including Web-based surveys, interactive and social Web 2.0 tools like Facebook and Twitter, and mobile phones are radically remolding data collection. In 2008, more than 14 percent of research buyers said they had conducted surveys in virtual worlds such as Second Life—a trend that is expected to grow. Currently, 60 percent of research buyers report they are open to trying new research service providers, largely because they want to keep up with new research techniques, technology, and expertise.[3] Some new techniques, such as neuromarketing—which involves scanning the brains of research subjects while showing them ads, for instance—have not yet proven themselves, and may or may not eventually provide useful in sights to marketers.[4] Many new data collection tools, including Twitter, clickstream tracking, and GPS, pose serious questions in regard to consumer privacy. The current variety of available tools and techniques makes choosing a method for a particular research project increasingly challenging. Never before has the research landscape been more complex or more exciting for marketing researchers.

Despite the explosion of new marketing research tools and concepts, established tools such as hypothesis testing, construct definition, reliability, validity, sampling, and data analysis remain essential to evaluating the uses and value of new data collection approaches. Traditional data collection methods such as focus groups, mystery shopping, and computer-aided telephone interviewing (CATI) are still relevant and widely used tools. Companies increasingly are choosing hybrid research techniques involving multiple research methods to overcome the weaknesses inherent in single methodologies.

The American Marketing Association defines **marketing research** as the function that links an organization to its market through the gathering of information. This information facilitates the identification and definition of market-driven opportunities and problems, as well as the development and evaluation of marketing actions. Finally, it enables the monitoring of marketing performance and improved understanding of marketing as a business process.[5] Organizations use marketing research information to identify new product opportunities, develop advertising strategies, and implement new data-gathering methods to better understand customers.

Marketing research is a systematic process. Tasks in this process include designing methods for collecting information, managing the information collection process, analyzing and interpreting results, and communicating findings to decision makers. This chapter provides an overview of marketing research and its fundamental relationship to marketing. We first explain why firms use marketing research and give some examples of how marketing research can help companies make sound marketing decisions. Next we discuss who should use marketing research, and when.

The chapter provides a general description of the ways companies collect marketing research information. We present an overview of the marketing research industry in order to clarify the relationship between the providers and the users of marketing information. The chapter closes with a description of the role of ethics in marketing research, followed by an appendix on careers in marketing research.

Marketing research The function that links an organization to its market through the gathering of information.

Marketing Planning and Decision Making

Marketing managers make many marketing decisions. These decisions vary dramatically in both focus and complexity. For example, managers must decide which new markets to penetrate, which products to introduce, and which new business opportunities to pursue. Such broad decisions usually require consideration of a variety of alternative approaches.

Exhibit 1.1	Marketing Decision Making and Related Marketing Research Tasks

Marketing Planning Process	**Marketing Research Task**
Marketing Situation Analysis	**Situation Research Efforts**
Market analysis	Opportunity assessment
Market segmentation	Benefit and lifestyle studies
	Descriptive studies
Competition analysis	Importance-performance analysis
Marketing Strategy Design	**Program-Driven Research Efforts**
Target marketing	Target market analysis
Positioning	Perceptual mapping
New-product planning	Concept and product testing
	Test marketing
Marketing Program Development	**Program Development Research**
Product portfolio decisions	Customer satisfaction studies
	Service quality studies
Distribution decisions	Cycle time research
	Retailing research
	Logistic assessment
Pricing decisions	Demand analysis
	Sales forecasting
Integrated marketing communications	Promotional effectiveness studies
	Attitudinal research
	Sales tracking

Situation analysis To monitor the appropriateness of a firm's marketing strategy and to determine whether changes to the strategy are necessary.

Conversely, decisions regarding advertising effectiveness, product positioning, or sales tracking, while still very complex, are somewhat narrower in focus. Such decisions usually concentrate on a specific advertising campaign, a particular brand, or a specific market segment, as well as monitoring performance.

Regardless of the complexity or focus of the decision-making process, managers must have accurate information to make the right decisions. The entire marketing planning process is a series of decisions that must be made with high levels of confidence about the outcome. It is therefore not surprising that a sound marketing research process is the foundation of market planning.

Exhibit 1.1 lists some of the research-related tasks necessary for marketing decision making. While the list is by no means exhaustive, it does illustrate the relationship between market planning and marketing research. The following sections describe these relationships in more detail.

Exhibit 1.1

Marketing Situation Analysis

The purpose of a **situation analysis** is to monitor marketing programs and determine whether changes are necessary. A situation analysis includes three decision areas: market analysis, market segmentation, and competition analysis. When conducting a situation analysis, marketing research should:

1. Locate and identify new market opportunities for a company (opportunity assessment).
2. Identify groups of customers in a product/market who possess similar needs, characteristics, and preferences (benefit and lifestyle studies, descriptive studies).
3. Identify existing and potential competitors' strengths and weaknesses (importance-performance analysis).

Market Analysis

The research task related to market analysis is **opportunity assessment.** It involves collecting market information to forecast changes. Companies gather information relevant to macroenvironmental trends (political and regulatory, economic and social, and cultural and technological) and assess how those trends will influence the product market.

    The role of marketing research is to gather information on macroenvironmental variables, and then interpret the information in terms of strategic consequences to the firm. Marketing researchers use three common approaches in the collection of macroenvironmental information:

1. *Content analysis*, in which researchers analyze various trade publications, newspaper articles, academic literature, Web sites, or computer databases for information on trends in a given industry.
2. *In-depth interviews*, in which researchers conduct formal, structured interviews with experts in a given field.
3. *Formal rating procedures*, in which researchers use structured questionnaires to gather information on environmental occurrences.

These procedures will be discussed further in Chapters 7 and 8.

Market Segmentation

A major component of market segmentation research is **benefit and lifestyle studies** that examine similarities and differences in consumers' needs. Researchers use these studies to identify segments within the market for a particular company's products. The objective is to collect information about customer characteristics, product benefits, and brand preferences. This data, along with information on age, family size, income, and lifestyle is then compared to purchase patterns of particular products (cars, food, electronics, financial services) to develop market segmentation profiles.

Competitive Analysis

Competitive analysis involves **importance-performance analysis**—an approach for evaluating competitors' strategies, strengths, limitations, and future plans. Importance-performance analysis asks consumers to identify key attributes that drive their purchase behavior. These attributes might include price, product performance, product quality, accuracy of shipping and delivery, or convenience of store location. Consumers are then asked to rank the importance of the attributes.

    Following the importance rankings, researchers identify and evaluate competing firms. Highly ranked attributes are viewed as strengths, and lower ranked attributes are weaknesses. When competing firms are analyzed together, a company can see where its competitors are concentrating their marketing efforts and where they are falling below customer expectations.

Opportunity assessment Involves collecting information on product markets for the purpose of forecasting how they will change.

Benefit and lifestyle studies Examine similarities and differences in consumers' needs. Researchers use these studies to identify two or more segments within the market for a particular company's products.

Importance-performance analysis A research approach for evaluating competitors' strategies, strengths, limitations, and future plans.

Marketing Strategy Design

Information collected during a situation analysis is used to design a marketing strategy. At this stage of the planning process, companies identify target markets, develop positioning strategies for products and brands, test new products, and assess market potential.

Target Marketing/Market Segmentation

Target market analysis Information for identifying those people (or companies) that an organization wishes to serve.

Target market analysis provides useful information for identifying people (or companies) an organization wants to serve. In addition, it helps management determine the most efficient way of serving the targeted group. Target market analysis attempts to provide information on the following issues:

- New-product opportunities.
- Demographics, including attitudinal or behavioral characteristics.
- User profiles, usage patterns, and attitudes.
- The effectiveness of a firm's current marketing program.

Benefit and lifestyle studies, mentioned above, which examine similarities and differences in consumers' needs, are a major category of market segmentation.

Creating customer profiles and understanding behavioral characteristics are major focuses of any marketing research project. Determining why consumers behave as they do becomes the critical interaction between marketing research and program development. Chapter 5 will focus on this issue as well as selected marketing research approaches.

Positioning

Positioning A process in which a company seeks to establish a meaning or general definition of its product offering that is consistent with customers' needs and preferences.

Positioning, or *perceptual mapping*, is a process in which a company seeks to establish perceptions of its product offering that are consistent with customers' needs and preferences. Companies position their products by combining elements of the marketing mix in a manner that meets or exceeds the expectations of targeted customers.

The task of the marketing researcher is to provide an overview of the relationship between competitive product offerings based on a sample of respondents familiar with the product category being investigated. Consumers are asked to indicate how they view the similarities and dissimilarities among relevant product attributes for competing brands or, more directly, to indicate which brands are similar to each other.

The information is then used to construct perceptual maps that transform the positioning data into a picture or graph that shows how brands are viewed relative to one another. Perceptual mapping reflects the criteria customers use to evaluate brands, typically representing major product features important to customers in selecting products or services.

New-Product Planning

Test marketing Information for decisions on product improvements and new-product introductions.

Research tasks related to new-product planning are *concept and product testing* or **test marketing**, which provide information for decisions on product improvements and new-product introductions. Product testing attempts to answer two fundamental questions: "How does a product perform for the customer?" and "How can a product be improved to exceed customer expectations?" In product tests, ideas are reshaped and redefined to identify those that not only meet but exceed market expectations.

Marketing Program Development

The information requirements for marketing program development involve all the components of the marketing mix: product, distribution, price, and promotion. Managers combine these components to form the total marketing effort for each market targeted. While at first this may appear to be an easy task, the success of the marketing program relies heavily on synergy. It is critical that the marketing mix not only contain the right elements but do so in the right amount, at the right time, and in the proper sequence. Ensuring that this synergy occurs is the responsibility of market researchers.

Product Portfolio Analysis

The total product line typically is the focal point of product portfolio analysis. Market researchers design studies that help product managers make decisions about reducing costs, altering marketing mixes, and changing or deleting product lines. Examples include customer satisfaction studies and service quality studies.

Customer satisfaction studies assess the strengths and weaknesses customers perceive in a firm's marketing mix. While these studies are usually designed to analyze the marketing mix collectively, many firms elect to focus on customer responses to one element at a time (e.g., satisfaction with pricing policy). Regardless of their scope, customer satisfaction studies measure customer attitudes. Research reveals that customers' attitudes are linked to purchase intentions, brand switching, perceptions of company image, and brand loyalty.[6] Attitude information enables management to make decisions regarding product or brand repositioning, new-product introductions, new market segments, and the deletion of unsuccessful products. Chapters 7 and 8 discuss the design of attitudinal research studies.

Distribution Decisions

Distribution decisions involve distributors and retailers that link producers with end users. The distribution channel used by a producer can influence a buyer's perception of the brand. For example, Rolex watches are distributed through a limited number of retailers that project a prestigious image consistent with the Rolex brand name. Three common types of distribution-related research studies are **cycle-time research**, retail store image, and supply chain efficiency.

Retailing research includes studies on a variety of topics. Because retailers often are independent businesses, many of the research methodologies we discuss are applicable to the retail environment. Yet, the information needs of retailers are unique. Market research studies peculiar to retailers include trade area analysis, store image studies, in-store traffic patterns, and location analysis.

Because retailing is a high-customer-contact activity, much retailing research focuses on database development through optical scanning procedures. Retailers can then determine the television programs their customers watch, the kinds of neighborhoods they live in, and the types of stores they prefer to patronize. Such information helps retailers select the kind of merchandise to stock and what factors may influence purchase decisions.

Traditional brick-and-mortar retailers with an online presence as well as purely online retailers collect a great deal of information on online customer behavior. The information includes when a Web site is visited, which pages are viewed and for how long, the products examined and ultimately purchased, shopping cart abandonment, as well as how the visitor

Customer satisfaction studies These studies assess the strengths and weaknesses that customers perceive in a firm's marketing mix.

Cycle-time research A research method that centers on reducing the time between the initial contact and final delivery (or installation) of the product.

Retailing research Studies on topics such as trade area analysis, store image/perception, in-store traffic patterns, and location analysis.

got to the Web site. This is a critical source of information for retailers and other businesses because more than 50 percent of the time customers go online to obtain information about products and services before they purchase them.

Pricing Decisions

Pricing decisions involve pricing new products, establishing price levels in test-market situations, and modifying prices for existing products. Marketing research provides answers to questions such as the following:

1. How large is the demand potential within the target market?
2. How sensitive is demand to changes in price levels? Are there identifiable segments that have different price sensitivities?
3. What nonprice factors are important to customers?
4. What are sales forecasts at various price levels?

Integrated Marketing Communications

Promotional decisions, or integrated marketing communications, are important influences on any company's sales. Billions of dollars are spent yearly on various promotional activities. Given the heavy level of expenditures on promotional activities, it is essential that companies know how to obtain optimum returns from their promotional budgets. Relatively recent forms of advertising media such as Google search, online video, and social media like Facebook all present special challenges to businesses that require reliable metrics to accurately gauge the return on advertising dollars spent. Market researchers must develop broadly acceptable metrics and then collect the data for those metrics.

Marketing research that examines the performance of a promotional program must consider the entire program. Using the appropriate methodology, estimating adequate sample sizes, and developing the proper measurement techniques are just three key areas of promotional research. Each of these areas is used when considering the three most common research tasks of integrated marketing communications: advertising effectiveness studies, attitudinal research, and sales tracking.

Executive Dashboards

Executive dashboard An intranet for a select group of managers who are decision makers in the company.

An **executive dashboard** is an intranet for a select group of managers who are the main decision makers in the company. Dashboards display the key metrics on which the company wants everyone to focus when making decisions. Their purpose is to give managers a snapshot of the current status of their business, including recent positive and negative trends, so they can react quickly. This on-screen display of metrics is similar to the driver's console in a car. Just as the automobile's dashboard provides all the critical information needed to operate the vehicle at a glance, a business intelligence dashboard serves a similar purpose whether managers are using it to make strategic decisions, run the daily operations of a team, or perform tasks that involve only their area of responsibility. Dashboards typically are used for displaying metrics defined by the organization, such as products sold by region, defects per thousand shipped, or student grades by faculty. These metrics often are displayed as key performance indicators (KPIs), and a typical dashboard brings several KPIs together across critical aspects of the business. Dashboards are a key component of information sharing and increase the likelihood of successful customer relationship management programs.

The Marketing Research Industry

The marketing research industry has experienced unparalleled growth in recent years. According to an *Advertising Age* study, revenues of U.S. research companies have grown substantially in recent years.[7] The growth in revenues of international research firms has been even more dramatic. Marketing research firms have attributed these revenue increases to post-sale customer satisfaction studies (one-third of research company revenues), retail-driven product scanning systems (also one-third of all revenues), database development for long-term brand management, and international research studies.

Types of Marketing Research Firms

Marketing research providers can be classified as either internal or external, custom or standardized, or brokers/facilitators. Internal research providers are typically organizational units that reside within a company. For example, IBM, Procter & Gamble, Kraft Foods, and Kodak all have internal marketing research departments. Kraft Foods and other firms enjoy many benefits by keeping the marketing research function internal. These benefits include research method consistency, shared information across the company, lower research costs, and ability to produce actionable research results.

Other firms choose to use external sources for marketing research. External sources, usually referred to as marketing research suppliers, perform all aspects of the research, including study design, questionnaire production, interviewing, data analysis, and report preparation. These firms operate on a fee basis and commonly submit a research proposal to be used by a client for evaluation and decision purposes. An example of a proposal is provided in the Marketing Research in Action at the end of Chapter 2.

Many companies use external research suppliers because the suppliers can be more objective and less subject to company politics and regulations than internal suppliers. Also, many external suppliers provide specialized talents that, for the same cost, internal suppliers could not provide. And finally, companies can choose external suppliers on a study-by-study basis and thus gain greater flexibility in scheduling studies as well as match specific project requirements to the talents of specialized research firms.

Marketing research firms also provide research that is customized or standardized. **Customized research firms** provide specialized, highly tailored services to the client. Many customized research firms concentrate their activities in one specific area such as brand-name testing, test marketing, or new-product development. For example, Namestormers assists companies in brand-name selection and recognition; Survey Sampling Inc. concentrates solely on sample development; and Uniscore conducts only studies that use retail scanner data. In contrast, **standardized research firms** provide more general services. These firms also follow an established, common approach in research design so the results of a study conducted for one client can be compared to norms from studies done for other clients. Examples of these firms are Burke Market Research, which conducts day-after advertising recall; AC Nielsen (separate from Nielsen Media Research), which conducts store audits for a variety of retail firms; and Arbitron Ratings, which provides primary data collection on television commercials.

Many standardized research firms also provide **syndicated business services**, which include purchase diary panels, audits, and advertising recall data made or developed from a common data pool or database. A prime example of a syndicated business service is a database established through retail optical scanner methods. This database, available from AC Nielsen, tracks the retail sales of thousands of brand-name products. The data can be customized for a variety of industries (for example, snack foods, over-the-counter drugs, or cars) to indicate purchase profiles and volume sales in a given industry.

Customized research firms Research firms that provide tailored services for clients.

Standardized research firms Research firms that provide general results following a standard format so that results of a study conducted for one client can be compared to norms.

Syndicated business services Services provided by standardized research firms that include data made or developed from a common data pool or database.

Changing Skills for a Changing Industry

Marketing research employees represent a vast diversity of cultures, technology, and personalities. As marketing research firms expand their geographic scope to Europe, Asia, and the Pacific Rim, the requirements for successfully executing marketing research projects will change dramatically. Many fundamental skill requirements will remain in place, but new and innovative practices will require a unique skill base that is more comprehensive than ever before.

In a survey of 100 marketing research executives, fundamental business skills were rated high for potential employees. Communication skills (verbal and written), interpersonal skills (ability to work with others), and statistical skills were the leading attributes in job aptitude.[8] More specifically, the top five skills executives hope to find in candidates for marketing research positions are (1) the ability to understand and interpret secondary data, (2) presentation skills, (3) foreign-language competency, (4) negotiation skills, and (5) computer proficiency.[9] Results of this survey indicate there has been a shift from analytical to execution skill requirements in the marketing research industry. In the future, analyzing existing databases, multicultural interaction, and negotiation are likely to be important characteristics of marketing researchers. Marketing research jobs are discussed further in the careers appendix at the end of this chapter.

◼️🟪 Ethics in Marketing Research Practices

Many opportunities exist for both ethical and unethical behaviors to occur in the research process. The major sources of ethical issues in marketing research are the interactions among the three key groups: (1) the research information providers; (2) the research information users; and (3) the respondents. Research providers face numerous potential ethical challenges and opportunities to go wrong. Some of those involve general business practices, while others involve conducting research that is below professional standards. Clients may behave unethically or deceptively also, as in all business relationships. Respondents may abuse the research relationship or be abused by it. For example, in recent years Internet marketing research is posing new questions regarding the potential for abuse of respondents with regard to privacy. We address each of these issues below. (See Exhibit 1.2, which lists typical questionable or unethical practices among the key groups.)

Exhibit 1.2

Ethical Questions in General Business Practices

Pricing issues, client confidentiality issues, and use of "black-box" methodologies are all potential ethical pitfalls for research providers.

First, the research firm may engage in unethical pricing. For example, after quoting a fixed overall price for a proposed research project, the researcher may tell the decision maker that variable-cost items such as travel expenses, monetary response incentives, or fees charged for computer time are extra, over and above the quoted price. Such "soft" costs can be easily used to pad the total project cost. Another unethical practice found all too often in marketing research is the selling of unnecessary or unwarranted research services. While it is perfectly acceptable to sell follow-up research that can aid the decision maker's company, selling nonessential services is unethical.

Research firms are required to maintain client confidentiality. This requirement can be a challenge for firms that specialize in industries (e.g. cars) and regularly collect data about various competitors and the industry in general. Occasionally, a new client may ask for a

Exhibit 1.2	Ethical Challenges in Marketing Research

Research Provider
General business practices
Padding expenses
Selling unnecessary services
Not maintaining client confidentiality
Selling branded "black box" methodology

Conducting research below professional standards
Research methodology will not answer research question
Doing research to prove predetermined conclusions
Cost-cutting in projects results in inconclusive findings
Interviewer "curbstoning"

Respondent abuse
Not providing promised incentives
Stating that interviews are shorter than they are
Not maintaining respondent confidentiality
Not obtaining respondent agreement before audio or videotaping or otherwise tracking behavior (other than public behavior)

Privacy invasion
Selling under the guise of conducting research (*sugging* or *frugging*)
Faking research sponsorship
Respondent deception (without debriefing)
Causing respondent distress

Internet issues
Providing insufficient information to Web site users about how their clickstream data is tracked and used
Sending unwanted follow-up e-mails to respondents
De-anonymizing data

Client/Research Buyer
Requesting proposals without intent to purchase
Deceptively promising future business
Overstating research findings

Unethical Activity by Respondent
Providing dishonest answers or faking behavior

Branded "black-box" methodologies Methodologies offered by research firms that are branded and do not provide information about how the methodology works.

study very similar to one recently conducted for another client. It may be tempting to simply share the previous results, but those results belong to another client.

A common practice among research firms is selling **branded "black-box" methodologies.** These branded techniques are quite varied and include proprietary scaling, sampling, sample correction, data collection methods, market segmentation, and specialized indexes (e.g. customer satisfaction, loyalty, or quality indexes). Some techniques that are branded do involve sufficient disclosure, so a methodology is not a black box just because it is branded. Methodologies are called *black-box methodologies* when they are proprietary and research firms will not fully disclose how the methodology works. While the desire to maintain a proprietary technique is understandable, without access to the inner workings of the technique, research buyers and others cannot assess its validity. Of course, no one forces clients to choose black-box methodologies. If clients are unable to get sufficient insight into the method's strengths and weaknesses prior to purchase, they can choose other suppliers.

Conducting Research Not Meeting Professional Standards

Research providers may occasionally conduct research that does not meet professional standards. For example, a client may insist that a research firm use a particular methodology even though the research firm feels the methodology will not answer the research question posed by the client. Fearful of losing the business entirely, a firm may go along with their client's wishes. Or a research provider may agree to do a study even though the firm

does not have the expertise to conduct the kind of study needed by the client. In this case, the client should be referred to another research provider.

Another unethical situation may arise because of client pressure to perform research to prove a predetermined conclusion. If researchers consciously manipulate the research methodology or reporting to present a biased picture just to please a client, they are engaging in unethical behavior.

One additional pressure that may result in unprofessional research efforts is cost cutting. A client may not provide a sufficient budget to do a research project that will provide useful information. For example, cost cuts could result in sample size reductions. As a result, the findings may have large margins of error ($+/-$ 25% for example). The provider should advise the client that the results are likely to provide unreliable results before engaging in the research.

Curbstoning Data collection personnel filling out surveys for fake respondents.

Interviewers working for research firms may also engage in unethical behavior. A practice of falsifying data known to many researchers and field interviewers is called *curbstoning,* or rocking-chair interviewing. **Curbstoning** occurs when the researcher's trained interviewers or observers, rather than conducting interviews or observing respondents' actions as directed in the study, will complete the interviews themselves or make up "observed" respondents' behaviors. Other data falsification practices include having friends and relatives fill out surveys, not using the designated sample of respondents but rather anyone who is conveniently available to complete the survey, or not following up on the established call-back procedures indicated in the research procedure. To minimize the likelihood of data falsification, research companies typically randomly verify 10 to 15 percent of the interviews through callbacks

Abuse of Respondents

In addition to unethical general business practices and research that is conducted below professional standards, abuse of respondents can be a problem. There are several potential ways to abuse respondents in marketing research. Research firms may not provide the promised incentive (contest awards, gifts, or money) to respondents for completing interviews or questionnaires. A second way to abuse respondents is to state that interviews are very short when in reality they may last an hour or more. Respondents are also abused if research firms use "fake" sponsors. Clients sometimes fear that identification of the sponsor will affect respondent answers to research questions. While a research firm does not have to reveal their client to respondents, it is nevertheless unethical to create fake sponsors for a study.

Subject debriefing Fully explaining to respondents any deception that was used during research.

Occasionally, it may be necessary to deceive consumers during a study. For example, an experimental study induced consumer variety seeking by having subjects read a "scientific study" claiming that changing hair products frequently improves hair health and cleanliness. At the end of any study involving deception, subjects must be **"debriefed"** and the deception must be explained. Importantly, in no case can respondents be psychologically or physically harmed. An egregious example of doing harm was a study of complaint handling in which a researcher sent letters to restaurant owners stating that he and his wife had been food poisoned at their establishment on their anniversary. Restaurant owners receiving the letters were deceived in a manner that caused them undue concern and anxiety.

Sugging/frugging Claiming that a survey is for research purposes and then asking for a sale or donation.

Researchers typically promise respondents anonymity to encourage cooperation and honesty in their responses. Respondents' confidentiality is breached if their names are shared with the sponsoring company for sales follow-up or if respondents' names and demographic data are given to other companies without their approval. In fact, some "research" is conducted for the purpose of collecting names. This practice, known as **sugging or frugging**, is completely unethical and has a negative impact on the entire industry because it leads to consumers turning down legitimate research inquiries because they do not want to be solicited.

Market researchers should not invade customer privacy. While public behavior may be audiotaped or videotaped without prior agreement, behavior in private, including during research interviews, may not be taped without respondent consent. This issue is even more complicated and controversial in online settings where consumer behavior is digitally tracked (for example, in clickstream analysis) and conversations about the company and its products are collected and analyzed. Are the online research methods that track consumers without their consent unethical even when the behavior being tracked is in some sense public and all identifiers are removed from the data stream? Do privacy policies posted at Web sites provide sufficient information to consumers that their behavior may be tracked? What about the use of "cookies," the digital identification files that are placed on individuals' computers by Web sites and used to collect information about behavior and interests so that advertising and content may be adjusted to consumer needs? While cookies are usually designed to maintain consumer privacy with respect to identity at least, they still nevertheless collect and utilize consumer data. Doubleclick, a business that serves ads to Web sites all over the internet, has received a great deal of scrutiny from privacy advocates over the years. Doubleclick uses cookies that collect information from Internet surfers across all the Web sites it serves and is thus able to assemble a great deal of information about individual (unidentified) consumers. How transparent should Web sites be about their clickstream tracking activities? *The Wall Street Journal*'s "All Things Digital" Web site posted the following notice:

> Some of the advertisers and Web analytics firms used on this site may place "tracking cookies" on your computer. We are telling you about them right up front, and we want you to know how to get rid of these tracking cookies if you like . . . This notice is intended to appear only the first time you visit the site on any computer.[10]

The Marketing Research Association (MRA) has developed guidelines for Internet marketing research issues. The MRA suggests that Web sites post a privacy policy to explain how data is used. Similarly, researchers must discontinue follow-up e-mails if requested to by respondents. Recently, researchers have shown that it is possible to *"de-anonymize"* information on the Internet by combining different publicly available records available at social networks.[11] The MRA guidelines prohibit market researchers from **de-anonymizing data**. MRA guidelines do allow clickstream tracking. But as with other public behavior, online actions may be observed but any identifying information must be removed from the data file.

De-anonymizing data Combining different publicly available information, usually unethically, to determine consumers' identities, especially on the Internet.

Unethical Activities of the Client/Research User

Opportunities for unethical behavior also confront the client or decision maker who requires research data. One such unethical behavior is decision makers requesting detailed research proposals from several competing research providers with no intention of actually selecting a firm to conduct the research. In this case, the "clients" solicit the proposals for the purpose of learning how to conduct the necessary marketing research themselves. They obtain first drafts of questionnaires, suggested sampling frames and sampling procedures, and knowledge on data collection procedures. Then, unethically, they may use the information to either perform the research project themselves or bargain for a better price among interested research companies.

Unfortunately, another common behavior among unethical decision makers at firms requiring marketing research information is promising a prospective research provider a long-term relationship or additional projects in order to obtain a very low price on the initial research project. Then, after the researcher completes the initial project, the client forgets about the long-term promises.

Clients may also be tempted to overstate results of a marketing research project. They may claim, for instance, that consumers prefer the taste of their product when in actual testing, the difference between products was statistically insignificant, even if slightly higher for the sponsoring firm's products.

Unethical Activities by the Respondent

The primary unethical practice of respondents or subjects in any research endeavor is providing dishonest answers or faking behavior. The general expectation in the research environment is that when a subject has freely consented to participate, she or he will provide truthful responses.

Research respondents frequently provide untrue answers when they must answer questions related to their income or to their indulgence in certain sensitive types of behavior such as alcohol consumption or substance abuse.

Consumers may have the prospect of earning money by participating in marketing research surveys and focus groups. To be able to participate in more surveys or groups, would-be respondents may lie to try to match the characteristics that screeners are seeking. For example, potential participants may say they are married when they are not, or may say they own a Toyota, even though they do not. But the reason marketing researchers pay focus group or survey participants is that their research requires them to talk to a specific type of participant. Lying by respondents to make money from participating in marketing research is unethical. Worse than that from the researcher's point of view, it undermines the validity of the research.

Marketing Research Codes of Ethics

Marketing researchers must be proactive in their efforts to ensure an ethical environment, and the first step in being proactive is to develop a code of ethics. Many marketing research companies have established internal company codes of ethics derived from the ethical codes formulated by larger institutions that govern today's marketing research industry. The Code of Ethics for the American Marketing Association applies to all marketing functions,

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Marketing Research Dashboard

Research and Data Privacy: The Challenge

Are there ethical dimensions to GPS as a research tool? Acme Rent-A-Car of New Haven, Connecticut, placed GPS units on all its rental cars. Thus, the rent-a-car company knows *every-place* a customer goes. Not only do they know where you stop, but how fast you drive on the way there. Acme began sending their customers speeding tickets based on GPS tracking. Eventually, a customer sued alleging that Acme was violating a driver's privacy. Thus far, the courts have ruled in the customer's favor.

Insurance companies also are using GPS technology. What can they find out? They can learn whether you drive at night or on interstate highways, both of which are more dangerous, whether and how often you exceed the speed limit or run stop signs, or whether you stop at a bar on the way home and how long you stay there. Thus, not only can they research driving behavior much better than they could in the past, but they are also able to address issues related to pricing. For example, GPS systems used by Progressive Insurance have resulted in drastically reduced rates for some customers and substantially increased rates for others. Drive less, as shown by the GPS, and you pay less. Drive within the speed limit, and you pay less. Just fair isn't it? But some consumer advocates argue that this is a violation of people's right to privacy.

Sources: Annette Cardwell, "Building a Better Speed Trap," *Smartbusiness.com*, December/January 2002, p. 28; Ira Carnahan, "Insurance by the Minute," *Forbes*, December 11, 2000, p. 86; Will Wade, "Insurance Rates Driven by GPS," *Wired*, October 3, 2003.

including research, and can be viewed at **www.marketingpower.com.** ESOMAR, the world organization for enabling better research into markets, consumers, and societies, publishes a marketing research code of ethics on their Web site at **www.esomar.org.** The Marketing Research Society summarizes the central principles in ESOMAR's code as follows:[12]

1. Market researchers will conform to all relevant national and international laws.
2. Market researchers will behave ethically and will not do anything which might damage the reputation of market research.
3. Market researchers will take special care when carrying out research among children and other vulnerable groups of the population.
4. Respondents' cooperation is voluntary and must be based on adequate, and not misleading, information about the general purpose and nature of the project when their agreement to participate is being obtained and all such statements must be honored.
5. The rights of respondents as private individuals will be respected by market researchers and they will not be harmed or disadvantaged as the result of cooperating in a market research project.
6. Market researchers will never allow personal data they collect in a market research project to be used for any purpose other than market research.
7. Market researchers will ensure that projects and activities are designed, carried out, reported and documented accurately, transparently, objectively and to appropriate quality.
8. Market researchers will conform to the accepted principles of fair competition.

Emerging Trends

The general consensus in the marketing research industry is that five major trends are becoming evident: (1) increased emphasis on secondary data collection methods; (2) movement toward technology-related data management (optical scanning data, database technology, customer relationship management); (3) expanded use of digital technology for information acquisition and retrieval; (4) a broader international client base; and (5) movement beyond data analysis toward a data interpretation/information management environment.

The organization of this book is consistent with these trends. Part 1 (Chapters 1 and 2) explores marketing research information and technology from the client's perspective, including how to evaluate marketing research projects. Part 2 (Chapters 3–5) provides an innovative overview of the emerging role of secondary data, with emphasis on technology-driven approaches for the design and development of research projects. The chapters in Part 2 also discuss traditional marketing research project design issues (survey methods and research designs) as well as collection and interpretation of qualitative data. Practical examples illustrating how qualitative data is used today in industry facilitate the discussion. While these methods are fundamental to the marketing research process, recent developments such as online data collection have changed the focus of these issues.

Part 3 of the book (Chapters 6–8) covers sampling, attitude measurement and scaling, and questionnaire design. The impact of growing online data collection on these issues is explained. Part 4 (Chapters 9–13) prepares the reader for management, categorization, and analysis of marketing research data, both qualitative and quantitative. A chapter on analyzing qualitative data explains the basic approaches to carrying out this type of analysis. Computer applications of statistical packages give readers a hands-on guide to analyzing quantitative data. Part 4 concludes by showing how to effectively present marketing research findings.

Continuing Case Study THE SANTA FE GRILL MEXICAN RESTAURANT

To illustrate marketing research principles and concepts in this text, we have prepared a case study that will be used throughout most of the chapters in the book. The case study is about the Santa Fe Grill Mexican Restaurant, which was started 18 months ago by two former business students at the University of Nebraska, Lincoln. They had been roommates in college and both had an entrepreneurial desire. After graduating they wanted to start a business instead of working for someone else. The two owners use research to start their business and to make it prosper. The *Marketing Research in Action* that concludes this chapter provides more details about this continuing case. Exercises relating to the continuing case about the Santa Fe Grill are included in each chapter either in the body of the chapter or in the *Marketing*

Research in Action feature. For example, Chapter 3 has a secondary data assignment. When sampling is discussed in Chapter 6, different sampling approaches are evaluated and we point out sample size issues for the Santa Fe Grill as well as why the research company recommended exit interviews. Similarly, the questionnaire used to collect primary data for this continuing case is in Chapter 8 to illustrate measurement and questionnaire design principles. In all the data analysis chapters we use the continuing case study data to illustrate statistical software and the various statistical techniques for analyzing data. The focus on a single case study of a typical business research problem will enable you to more easily understand the benefits and pitfalls of using research to improve business decision making.

Each chapter in the book concludes with a feature called *Marketing Research in Action.* The goal of the examples and illustrations in the *Marketing Research in Action* features is to facilitate the understanding of chapter topics and especially to provide the reader with a "how-to" approach for marketing research methods.

MARKETING RESEARCH IN ACTION
Continuing Case: The Santa Fe Grill

The Santa Fe Grill Mexican restaurant was started 18 months ago by two former business students at the University of Nebraska, Lincoln. They had been roommates in college and both had an entrepreneurial inclination. After graduating they wanted to start a business instead of working for someone else. The students worked in restaurants while attending college, both as waiters and one as an assistant manager, and felt they had the knowledge and experience necessary to start their own business.

During their senior year they prepared a business plan in their entrepreneurship class for a new Mexican restaurant concept. They initially intended to start the restaurant in Lincoln, Nebraska. After a demographic analysis of that market, however, they decided that Lincoln did not match their target demographics as well as they initially thought it would.

After researching the demographic and competitive profile of several markets, they decided Dallas, Texas, would be the best place to start their business. In examining the markets, they were looking for a town that would best fit their target market of singles and families in the age range of 18 to 50. The population of Dallas was almost 5.5 million people, of which about 50 percent were between the ages of 25 and 60. This indicated there were a lot of individuals in their target market in the Dallas area. They also found that about 55 percent of the population earn between $35,000 and $75,000 a year, which indicated the market would have enough income to eat out regularly. Finally, 56 percent of the population was married and many of them had children at home, which was consistent with their target market. More detailed demographic information for the area is shown in the accompanying table.

The Mexican restaurant concept was that the menu would be based upon the freshest ingredients, complemented by a festive atmosphere, friendly service, and cutting-edge advertising and marketing strategies. The key would be to prepare and serve the freshest "made-from-scratch" Mexican foods possible. Everything would be prepared fresh every single day. The atmosphere would be fun, festive, open, brightly lit and bustling with activity. Service of course would be excellent. Their target market would be mostly families with children, between the ages of 18 to 49. Their marketing programs would be ahead of the pack, with the advertising designed to provide an appealing, slightly off-center, unrefined positioning in the market.

The Santa Fe Grill was not successful as quickly as the owners anticipated. To improve the restaurant operations, the owners needed to understand what aspects of the restaurant drive customer satisfaction and loyalty, and where they were falling short in the minds of the customers. So they decided to conduct a survey. The restaurant was located on an outparcel on the east side near the main entrance of the Cumberland Mall. The mall has 75+ stores in it and is considered very successful for the area. A marketing research company was located in the mall so they decided to use a mall intercept approach to collect data. Another Mexican restaurant that had been in business longer and appeared to be more successful was also on an outparcel at the same mall, but its location was on the west side of the mall.

In their research their goal was to complete interviews with 250 individuals who had recently eaten at the Santa Fe Grill and 150 individuals who had recently eaten at the other Mexican restaurant, Jose's Southwestern Café. Over a period of two weeks, a total of 405 interviews were completed—152 for Jose's and 253 for the Santa Fe Grill. The owners believe the survey will help them to identify the restaurant's strengths and weaknesses,

enable them to compare their restaurant to a nearby competitor, and develop a plan to improve the restaurant's operations.

Selected Demographics for Geographic Area (10-mile radius of Santa Fe Grill)

Households by Type	Number	Percent
Total households	452,000	100%
Family households	267,000	59%
With children under 18 years	137,000	30%
Nonfamily households	185,000	41%
Householder living alone	148,850	33%
Householder 65 years and over	29,570	7%
Households with individuals under 18 years	157,850	35%
Households with individuals 65 years and over	74,250	16%
Average household size	2.6 people	
Average family size	3.4 people	

Gender and Age	Number	Percent
Male	599,000	51%
Female	589,000	49%
Total	1,188,000	
Under 20 years	98,800	29%
20 to 34 years	342,000	29%
35 to 44 years	184,000	16%
45 to 54 years	132,500	11%
55 to 59 years	44,250	4%
60 years and over	13,000	11%
Median Age (years)	32	
18 years and over	873,000	74%

Hands-On Exercise

1.   Based on your understanding of Chapter 1, and specifically using Exhibit 1.1, what type(s) of research program(s) should the owners of the Santa Fe Grill consider?
2.   Is a research project actually needed? If yes, what kind of project? What areas should the research focus on? Is the best approach a survey of customers?

◗ Summary

Describe the impact marketing research has on marketing decision making.

Marketing research is the set of activities central to all marketing-related decisions regardless of the complexity or focus of the decision. Marketing research is responsible for providing managers with accurate, relevant, and timely information so that they can make marketing decisions with a high degree of confidence. Within the context of strategic planning, marketing research is responsible for the tasks, methods, and procedures a firm will use to implement and direct its strategic plan.

Demonstrate how marketing research fits into the marketing planning process.

The key to successful planning is accurate information—information related to marketing strategy, marketing program development, distribution, and integrated marketing communication. The primary responsibility of any marketing research project is to design a study that provides the most accurate information possible to develop a marketing plan.

Provide examples of marketing research studies.

The scope of marketing research activities extends far beyond examination of customer characteristics. The major categories of marketing research tasks include, but are not limited to: (1) situation research efforts (which include opportunity assessment, benefit and lifestyle studies, descriptive studies, and importance-performance analysis); (2) marketing strategy design (which includes target market analysis, positioning or perceptual mapping, concept and product testing, and test marketing); and (3) marketing program development research (which includes customer satisfaction studies, cycle time research, retailing research, demand analysis and sales forecasting).

Understand the scope and focus of the marketing research industry.

Generally, marketing research projects can be conducted either internally by an in-house marketing research staff or externally by independent or facilitating marketing research firms. External research suppliers are normally classified as custom or standardized, or as brokers or facilitators.

Recognize ethical issues associated with marketing research.

Ethical decision making is a challenge in all industries, including marketing research. Ethical issues in marketing research occur for the research information user, the research information provider, and the selected respondents. Specific unethical practices among research providers include unethical general business practices, conducting research below professional standards, respondent abuse, and issues specific to the Internet such as violation of privacy. Unethical behavior by clients includes requesting research proposals with no intent to follow through, promising more business that never materializes to secure low-cost research services, and exaggerating research findings. Respondents can be unethical when they provide dishonest answers or fake behavior.

Discuss new skills and emerging trends in marketing research.

Just as the dynamic business environment causes firms to modify and change practices, so does this changing environment dictate change to the marketing research industry. Specifically, technological changes will affect how marketing research will be conducted in the future. Necessary skills required to adapt to these changes include (1) the ability to understand and interpret secondary data, (2) presentation skills, (3) foreign-language competency, (4) negotiation skills, and (5) computer proficiency.

◗ Key Terms and Concepts

◖ Review Questions

1. Provide three examples of how marketing research helps marketing personnel make sound managerial decisions.
2. What improvements in market planning can be attributed to the results obtained from customer satisfaction studies?
3. Discuss the importance of target market analysis. How does it affect the development of market planning for a particular company?
4. What are the advantages and disadvantages for companies maintaining an internal marketing research department? What advantages and disadvantages can be attributed to the hiring of an external marketing research supplier?
5. As the marketing research industry expands, what skills will future executives need to possess? How do these skills differ from those currently needed to function successfully in the marketing research field?
6. Identify the three major groups of people involved in the marketing research process, and then give an example of an unethical behavior sometimes practiced by each group.
7. Sometimes respondents claim they are something they are not (e.g. a Toyota owner or a married person) so that they will be selected to participate in a focus group. Sometimes respondents do not accurately reflect their personal income. Is it always unethical for a respondent to lie on a survey? Why or why not?

◖ Discussion Questions

1. **EXPERIENCE THE INTERNET.** Go online to one of your favorite search engines (Yahoo!, Google, etc.) and enter the following search term: marketing research. From the results, access a directory of marketing research firms. Select a particular firm and comment on the types of marketing research studies it performs.
2. **EXPERIENCE THE INTERNET.** Using the Yahoo! search engine, specifically the Get Local section, select the closest major city in your area and search for the number of marketing research firms there. Select a research firm, e-mail that company, and ask to have any job descriptions for positions in that company e-mailed back to you. Once you obtain the descriptions, discuss the particular qualities needed to perform each job.
3. You have been hired by McDonald's to lead a mystery shopper team. The goal of your research is to improve the service quality at the McDonald's restaurant in your area. What attributes of service quality will you attempt to measure? What customer or employee behaviors will you closely monitor?
4. Contact a local business and interview the owner/manager about the types of marketing research performed for that business. Determine whether the business has its own marketing research department, or if it hires an outside agency. Also, determine whether the company takes a one-shot approach to particular problems or is systematic over a long period of time.
5. **EXPERIENCE THE INTERNET.** As the Internet continues to grow as a medium for conducting various types of marketing research studies, there is growing concern about ethical issues. Identify and discuss three ethical issues pertinent to research conducted using the Internet.

   Now go to the Internet and validate your ethical concerns. Using any search engine go to the Internet Fraud home page, at **www.fraud.org/ifw.htm.** Click on the other links and browse the information. What unethical practices are plaguing the Net?

Careers in Marketing Research with a Look at Federal Express

Career opportunities in marketing research vary by industry, company, and size of company. Different positions exist in consumer products companies, industrial goods companies, internal marketing research departments, and professional marketing research firms. Marketing research tasks range from the very simple, such as tabulation of questionnaires, to the very complex, such as sophisticated data analysis. Exhibit A-1 lists some common job titles and the functions as well as compensation ranges for marketing research positions.

Exhibit A.1 — Marketing Research Career Outline

Position*	Duties	Compensation Range (Annual, in Thousands)
Account executive research director	Responsible for entire research program of the company. Works as go-between for the company and client. Employs personnel and supervises research department. Presents research findings to company and/or clients.	$60 to $90
Information technician statistician	Acts as expert consultant on application of statistical techniques for specific research problems. Many times responsible for research design and data analysis.	$40 to $70
Research analyst	Plans research project and executes project assignments. Works with analyst in preparing questionnaire. Makes analysis, prepares report, schedules project events, and sets budget.	$35 to $65
Assistant research analyst	Works under research analyst supervision. Assists in development of questionnaire, pretest, preliminary analysis.	$30 to $45
Project coordinator Project director Field manager Fieldwork director	Hires, trains, and supervises field interviewers. Provides work schedules and is responsible for data accuracy.	$25 to $35
Librarian	Builds and maintains a library of primary and secondary data sources to meet the requirements of the research department.	$35 to $45
Clerical and tabulation assistant	Handles and processes statistical data. Supervises day-to-day office work.	$22 to $35

*Positions are general categories and not all companies have all of the positions.

Most successful marketing research people are intelligent and creative; they also possess problem-solving, critical-thinking, communication, and negotiation skills. Marketing researchers must be able to function under strict time constraints and feel comfortable with working with large volumes of data. Federal Express, for example, normally seeks individuals with strong analytical and computer skills to fill its research positions. Candidates should have an undergraduate degree in business, marketing, or information systems. Having an MBA will usually give an applicant a competitive advantage.

As is the case with many companies, the normal entry-level position in the marketing research area at Federal Express is the assistant research analyst. While learning details of the company and the industry, these individuals receive on-the-job training from a research analyst. The normal career path includes advancement to information technician and then research director and/or account executive.

Marketing research at Federal Express is somewhat unusual in that it is housed in the information technology division. This is evidence that, while the research function is integrated throughout the company, it has taken on a high-tech orientation. Marketing research at FedEx operates in three general areas:

1. Database development and enhancement. This function is to establish relationships with current FedEx customers and use this information for the planning of new products.
2. Cycle-time research. Providing more information for the efficient shipping of packages, tracking of shipments, automatic replenishment of customers' inventories, and enhanced electronic data interchange.
3. Market intelligence system. Primarily a logistical database and research effort to provide increased customer service to catalog retailers, direct marketing firms, and electronic commerce organizations.

The entire research function is led by a vice president of research and information technology, to whom four functional units report directly. These four units are responsible for the marketing decision support system operation, sales tracking, new business development, and special project administration.

If you are interested in pursuing a career in marketing research, a good way to start is to visit **www.careers-in-marketing.com/mr.htm.**

Exercise

1. Go to the home Web page for Federal Express, and identify the requirements that FedEx is seeking in marketing research personnel. Write a brief description of these requirements, and report your finding to the class.
2. If you were seeking a marketing research position at FedEx, how would you prepare yourself through training and education for such a position? Put together a one-year plan for yourself identifying the college courses, special activities, interests, and related work experience you would engage in to obtain a marketing research position at FedEx.