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# *State of the Art* **MARKETING RESEARCH**

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**Second Edition**

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*Part One   Data Collection and  
Research Systems*

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# I *What Is State of the Art Marketing Research?*

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## What's in This Chapter

This chapter addresses two important issues: the need for research as a marketing strategy and the changes in the marketing research profession occurring because of improved computer technology.

Successful organizations view information as a critical corporate resource. Marketing research provides one component of the organization's overall information asset base. This book will discuss the importance of marketing research, define the major tasks and activities within the marketing research discipline, and illustrate the electronic technologies that have revolutionized the marketing research profession.

Marketing research is undergoing a technological revolution. While the 1970s and 1980s saw advances and improvements in research methods, the phenomenal growth of electronic technologies beginning in the late 1980s did more than just change methods; these technologies revolutionized the whole field of marketing.

New methods allow us not only to find out more about consumer attitudes, behaviors, and desires today, but to predict who tomorrow's consumers will be, what goods and services they will want, and how they will want to buy them. A study by Whirlpool Corp. is an excellent illustration of this point. It shows how top corporations are combining traditional research methods and consumer information with new technologies and thinking.

The technologies of voice-activated control and synthetic speech response are readily available for household appliances. Marketing research conducted by Whirlpool, however, found that customers in their target market did not see a need for voice-activated control and synthetic speech, so management decided not to actively market these products.

The acceptance of these technologies may increase dramatically in the future. A new generation of consumers, more accustomed to computers and synthetic toys, will soon become Whirlpool's new target market. Emphasis on meeting the needs of disabled and visually impaired consumers may also increase interest in voice activation. Consequently, Whirlpool continues to monitor consumer interest in and acceptance of these technologies. The company will be prepared when the market indicates a readiness for the technology. Whirlpool Corp. is examining the past, measuring the present, and planning for the future. This is the job of marketing and marketing research as a part of the larger role of deciding the future directions of the corporation.

The Whirlpool example illustrates a dramatic change in management thinking among American companies. Until very recently, most companies demonstrated a production orientation, as opposed to a customer orientation. They introduced new products when producing them was feasible, not when the market indicated a need or desire for the product. Marketing research has played a critical role in the transformation of management thinking to reflect the viewpoints of the customer.

## **The Need for Research As a Marketing Strategy**

In the past, many companies have viewed marketing research as an activity somewhat removed from the "action" of sales and marketing. Marketing research measured the potential of proposed new products (often after the design had been completed and prototypes produced), measured results, solved "problems" of marketing, sometimes helped in planning, and occasionally pointed an unwelcome finger at those who had created "mistakes" that drained profits or created losses. The point is marketing research spent most of its time looking backward or at the present. Seldom was it asked to look into the future and work as a team with others to plan for more profitable years ahead.

This book assumes a larger, more strategic role for marketing research in the future. It should be a working part of the marketing function, contributing its knowledge and skill to every phase of mar-

keting. George Santayana once said, “Those who cannot remember the past are condemned to repeat it.”<sup>1</sup> His words are often repeated and just as often ignored by those who do not use the full strength of marketing research.

*American Demographics*, in a feature article written by the editorial staff, makes the same point:

There is more than one way to miss a market. That’s what many businesses discovered in the 1980s. During a decade when knowing the customer became increasingly important, many companies—and even whole industries—failed to understand their markets. Some companies ignored core customers in favor of the fringe; others ignored important market shifts. Many failed to recognize when a market had peaked; some launched products with no target in sight. Others knew their market but failed to reach it.<sup>2</sup>

Take a look at just half of what *American Demographics* calls “Ten Blunders of the 1980s”:

1. Coke “ignored the baby boom.” The company changed the formula of its flagship brand to attract teenagers who like a sweeter taste. They ignored the strength of the 21- to 29-year olds, who grew up with old Coke, were deeply attached to it, and rebelled when it was taken away.
2. “Women grew up but the fashion industry did not notice.” The industry pushed short skirts in 1987 but failed. Almost three-quarters of baby-boom women were working outside the home. They could not and would not wear these skirts. The result was a dreadful time for the fashion industry.
3. “World Fairs were most important in the days of mass markets, media innocence, and slow travel. . . . Now with so many of us becoming world travelers and television watchers, we do not feel the need to go to a fair for education or even enjoyment.” Seventeen percent of all Americans have seen a foreign country. And most Americans have visited at least 20 states.

Was there a need for another World Fair? Apparently not. The Knoxville World Fair in 1982 drew only about half the crowd that went to the Chicago fair in 1893. Better research, planning, and forecasting might have prevented this disaster.

4. Because of the instant popularity and subsequent rapid decline of Cabbage Patch Kids, Coleco’s sales blossomed and then

dropped precipitously. After incurring large losses, the company was sold.

Could better research and planning have prevented this business disaster? Of course. Intelligent people planned this product. But marketers to the ever-changing children's market placed too much faith in a single product. They needed better research and certainly better planning.

5. Burger King still is seeking a new image. Advertising and promotion of recent years have made burger buyers think of Burger King only as number 2, always behind McDonald's. What can be done? Herb the Nerd in television spots did not help to create a more favorable image.

What next for Burger King? Well, better research, better planning, and new advertising messages must do the job.

These and many other stories show the need for better, wider, and more thorough research. They also highlight the need for marketing research to be more aware of and thoughtful about the implications of social and demographic changes.

Now let us consider what good marketing planning—the means of avoiding disasters like the ones above—entails. Here is a simplified list:

1. Determine the basic goals of the company. Where have we departed from these goals in the past?
2. Decide which products (goods or services) best lead to these goals.
3. Decide the minimum market share we need in these products to produce a satisfactory profit and return on investment.
4. Determine a pricing strategy that would best lead to this profit and return on investment.
5. Forecast probable demand for several years.
6. Decide on the best distribution channels to produce continuous satisfactory sales and profits.
7. Decide on the best promotional strategy to produce these sales and profits.
8. Anticipate problems that may arise as these decisions are implemented.

Although this list oversimplifies the tasks facing companies in the 1990s, it illustrates a point: A wise firm can use marketing research in

all these activities. Certainly, the firm should consult research staff in determining its basic goals and selecting products to help it achieve these goals. Marketing research has always been concerned with market share, pricing strategy, and forecasting probable market demand. Hardly anything a company does in its marketing efforts would not benefit from intelligent and thoughtful research.

Obviously, marketing research has a role in all of the key decisions that affect the direction any organization takes. Without good, timely, and relevant research, companies are hindered from moving ahead.

## What Is Marketing Research?

Philip Kotler has defined marketing research as “the systematic design, collection, analysis, and reporting of data and findings relevant to a specific situation facing the company.”<sup>3</sup> The American Marketing Association (AMA) offers a much broader and more comprehensive definition, one that indicates the changing role of research in modern marketing:

[Marketing research] links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues; designs the method for collecting information; manages and implements the data collection process; analyzes the results; and communicates the findings and their implications.<sup>4</sup>

Another way of defining marketing research might be to state that it is a continuing participant in all areas of marketing, providing timely and accurate information about specific and general marketing problems, viewing past experience, the present situation, and the probable future so that marketing managers can make sound decisions.

Each of these definitions shows the increasing role of research in all phases of marketing. Research becomes a part of a team that guides the marketing efforts of the organization.

Kotler’s statement that marketing research should work on specific marketing situations facing a company is partly true, but marketing research in the broader role that we foresee will study more than specific problems or specific situations. If we view it as a means

of *avoiding* problems, its broader role in the corporation, as defined above, becomes clear. It is a research, fact-finding, forecasting function that all phases of marketing and other functions will use as required for greater sales and profits.

Other departments and functions that can and should use marketing research include product development, engineering, and traffic, among others. Even top management will require accurate information about markets, products, and competitive activity.

Recent changes in marketing at the Campbell Soup Co. represent the type of new thinking that is affecting the role of research. Campbell once represented mass marketing in its true sense: products and sales methods were the same for every region. Now Campbell uses different products, advertising, promotion, and sales methods for different regions of the country. At least it is experimenting cautiously with such differences.

Because of new information about specific markets that is being made available through advanced research methods, it is possible to begin changing from mass marketing, which depended on national advertising and identical products for all regions and customers. The new market and media research technologies are helping companies to come to grips with local variations in competition, distribution, and consumer attitudes.

## The Role of Computers in Marketing Research

Before we look at the role of computers, it's important to realize that traditional research methods can never be fully replaced by technology. In addition to collecting objective information about customers and markets, research requires marketers to find out *why* customers do what they do. Research must collect highly subjective information. It looks forward and measures changing tastes and changing ways of life, and it tries to determine how a manufacturer or distributor can understand and take advantage of these changes. Here, traditional marketing research methods still dominate. Tools such as questionnaires, focus groups, telephone interviews, mall intercepts, and store observations are still the way to go. While computers can aid in recording, categorizing, and presenting the results, they offer little help in evaluating personal opinions and beliefs that influence consumer behavior.

Peter Drucker, a leading management thinker, touches upon the applications—and limitations—of technology in research. He says



that business information “has progressed beyond the data stage. Data were what early marketing consumer technologies delivered in the 1960s and 1970s.” Now, he continues, research-based data and information in the 1990s will seek to answer “why” questions. Though computers can help, certainly, it is dangerous to become so entranced with technology that desires, wishes, dreams, objections, misconceptions, and changing buying habits of consumers are lost in a sea of numbers and charts.

Despite this reservation, computers have become essential for the research studies and analyses that are conducted in today’s business firms.

## **Applications of Computer Technology**

The computer now permeates the entire process of data collection. Here are some marketing research applications for which technology has quickly become indispensable. These are just some of the many marketing applications for which technology can save time and money.

### *Demographic Data Application*

Working with databases, the user of a desktop system can conduct the following analysis:

1. Identify the growing metropolitan areas where marketing efforts can yield the best sales and profits.
2. Match these areas with the company’s records to see whether profitable areas are being missed.
3. Inform marketing executives where increased sales effort will yield increased profits.

### *Scanners*

Scanners are becoming almost universal in supermarkets, drugstores, and mass merchandise stores. Scanning gives the store and its central office an immediate record of sales by product and dollar volume. The avalanche of data stemming from scanners at checkout counters can be used to get a better feel for exactly what a price cut, coupon blitz, or store display actually does for sales and profits. But there has been progress beyond this. Procter & Gamble has linked its computer system to the systems of some of its customers, thereby simplifying the