

Third Edition

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# Market Research and Analysis



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# Market Research and Analysis

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**1989 Third Edition**

**IRWIN**

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***To my family, teachers, and friends***

# Preface

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The third edition of this book represents a refinement of the approach taken in the first two editions. The book is based on the premises that (a) research is useful, (b) research skills can be learned, and (c) not everyone reading this book does so voluntarily. Consequently the book attempts to convey some of the fun as well as the agony involved in doing and using marketing research, while still providing a fairly complete coverage of technical issues. Some basic features of the book are:

1. While there are descriptive sections, the basic writing style is instructive rather than encyclopedic. The reason for this is the assumption that most people need to follow a learning process in understanding marketing research which is more than just memorization of facts.
2. The author feels that the best way to learn the nuances of research is by doing some. He has found that a simple project (define a problem, make up a questionnaire, go get 150 respondents, analyze the data, and write a report) is the best learning experience in the course. Next to that, analysis of results seems to be the best way to increase understanding. For that reason, the analysis chapters contain studies already analyzed so the reader can see how inferences can be drawn from actual results.
3. A common data base involving 940 female heads of households' responses to a 1975 survey about usage of and attitudes toward foods is used throughout much of the book as an ongoing case example. This provides readers with the opportunity to view a large survey as it is analyzed by several methods and to compare the methods in a concrete situation.
4. The "fancy" analytical techniques are discussed mainly in words in the chapters. Mathematics are generally banished to appendixes. (How's that for market segmentation?)
5. Sample computer output from the SPSS and SAS programs is reproduced in the appendixes to the analysis chapters. This allows practice in interpreting essential results from actual output.

6. The target reader is a user rather than a producer of marketing research. Still, in order to be a good user, one must know enough about the subject to ask good questions. Therefore, the book will try to explain how or at least why many of the basic procedures are used.
7. The writing style will be, at times, light. This is based on the assumptions that (a) some readers may not be passionately interested in the subject and need to be kept awake, (b) it is dangerous for an author to take himself too seriously, and (c) this book should help introduce the subject but cannot possibly say everything relevant about it.

***The major changes from the second edition include:***

1. A study concerned with durable ownership and life styles is added to illustrate the techniques. Sample outputs (from both SPSSX and SAS) are included in the instructor's manual which can be copied to provide additional hands-on experience in interpreting output.
2. Chapter 8, which deals with supplier services, has been completely redone.
3. The discussion of factor analysis in Chapter 14 has been restructured (and hopefully made simpler).
4. Somewhat greater attention has been paid to qualitative procedures.
5. Via appendixes, a few useful technical issues such as testing for the equality of regression coefficients have been added.

In addition, the entire volume has been tightened, and painful though it was, some sections were actually removed.

The author would like to thank many people for their assistance and encouragement on the revision including Gary Gaeth of the University of Iowa and David Schmittlein of the University of Pennsylvania, as well as the faculty members at Columbia and his family. Unfortunately, the blame for any shortcomings is not as easily conveyed.

Special thanks are due my wife, Kris, without whose efforts at editing, typing, drawing figures, etc., this book would not have been completed.

***Donald R. Lehmann***

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***Part 1***

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# ***Basic Concepts***

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## Chapter 1

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# *The Role of Marketing Research*

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The term *marketing research* means different things to different people. For this book, the following definition is used:

Marketing research is the collection, processing, and analysis of information on topics relevant to marketing. It begins with problem definition and ends with a report and action recommendations.

This is purposely a broad definition and is intended to include the large variety of things done under the name of marketing research. One thing this definition excludes are marketing/sales gimmicks which masquerade as marketing research (e.g., the old opening gambits of many encyclopedia or real estate salespersons, see McDaniel, Verille, and Madden, 1985).

An expanded version of this definition was adopted by the American Marketing Association in 1987:

Marketing Research is the function which 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 collection information; manages and implements the data collection process; analyzes the results; and communicates the findings and their implications.

In order to understand what marketing research is about, it is useful to understand where it comes from. Set in a business environment, marketing



research is practically oriented. Aligned as it is with marketing, producing results which “sell” (are accepted) is very important. Yet, in juxtaposition with this pragmatic framework is the connotation of research—scientific, scholarly, logical pursuit of truth. As will be seen, this juxtaposition leads to perpetual conflict between the demands of expediency and truth seeking.

As an applied field, marketing research has been a large importer of methodologies and concepts from other fields. These “benefactors” have included the following:

*Psychology and sociology*, from which most of the theories about how consumers think and process information have been drawn. Particularly relevant is the field of social psychology.

*Microeconomics*, from which utility theory and related concepts have been appropriated.

*Statistics*, from which most of the analytical procedures have been borrowed.

*Experimental design*, from which the fundamental concepts of testing and research design have largely been drawn.

As would be expected in such a hybrid field, the terminology also is drawn from separate areas, and learning the jargon can be a nontrivial barrier to understanding the subject (as the reader may already be aware).

The term *research* encompasses widely disparate approaches to gaining and analyzing information. Some of the major contrasts are as follows:

*Orientation*. This can range from tightly focused research (e.g., what would be the effect on sales of a 10 percent price cut) to very general, scholarly styled investigations (e.g., finding out what our customers think about when they use our product).

*Formality*. While most people associate research with studies which are structured with budgets, time schedules, and computerized analysis, both introspection and informal contacts with customers or salespersons are excellent ways to gain information.

*Amount of data collection*. Again, a common stereotype of marketing research is that it involves extensive data collection, usually in the form of either an experiment or a survey. Not only are there many other kinds of data collection, but much of marketing research involves analysis of data which is already available.

*Complexity of analysis*. Research can include nothing more complicated than counts of the responses to a single question (i.e., how many people bought blue shirts) or “fancy” multivariate statistical procedures which simultaneously examine several variables in a variety of ways.

Marketing research and analysis is thus something of a hodgepodge of different approaches and heritages.