



HOW TO DO MARKETING RESEARCH

PAUL N HAGUE and PETER JACKSON

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◀ PREFACE ▶

Market research is a craft. Of course, the practitioner must understand the theory of the subject, but it is by actually *doing* that the market researcher gets better. And like all crafts, it takes time to become adept. It is, perhaps, no coincidence that job advertisements for market researchers frequently specify a minimum of two years' experience. Employers believe that this is a reasonable period to have 'served time'.

The aim of this book is to shorten the time it takes for the market researcher to become skilled. It is long on hints and wrinkles, and short on theory. It is a *workbook*, not a bible – the sort of book one would expect to see on a market researcher's desk as daily use is made of the checklists and specimen forms that are contained within it.

As we sat down to write this book, our minds were targeted on the people new to market research. However, in the process of writing, we found it very beneficial going over the old ground, reminding ourselves of the basic principles which sometimes get forgotten and are sometimes taken for granted. We hope, therefore, that skilled practitioners in market research will also find our book beneficial.

The core of our philosophy is that good market research is about asking the right questions of the right people. Not much more, not much less. We hope that this straightforward approach to market research is helpful to the new and experienced practitioner alike.

Paul Hague
Peter Jackson
Summer 1990

◀ CHAPTER 1 ▶

PLANNING A MARKET RESEARCH PROJECT

In this chapter, we show how to plan a market research project. We start by considering the need for market research in the context of business decision-making. Next, we show how to plan a research exercise. Finally, we consider the resources needed to carry out a project.

This chapter applies equally to both consumer and business-to-business market research, and only a few differences between the two types of research are highlighted.

Market research and decision-making

Market research is the process of collecting, analysing and interpreting marketing information. Before discussing how to carry out market research, we should think about why marketing information is needed in a business.

Market research is the process of collecting, analysing and interpreting marketing information.

Running a business means taking decisions – all the time. Some of these decisions are trivial, with short-term consequences, and nothing very dreadful will happen if we get them wrong. Others, however, affect the long-term prospects or survival of the business. Whatever the scale or nature of the decision, a common thread is the need for information.

Imagine you are walking in the mountains. You reach a fork and have to decide whether to go left or right. Your decision will be made on the basis of the best information available to you at the time: what you have

passed on your way to the fork, which of the alternatives looks the most trodden, what you can see ahead, and so on. You might, of course, make a poor decision and end at a precipice. In retrospect, you would realise that your misfortune occurred because you lacked sufficient information. A map might have provided this.

Market research is one of the business 'maps' that guide the decision-maker.

So it is in business. Information is needed to increase your chances of making the best decisions and market research is one of the business 'maps' that guide the decision-maker. Of course, this does not *guarantee* that you will always arrive at your targeted destination. The 'map' may lack the detail you need or it could be out of date.

Obviously, market research is concerned with decisions in the marketing function rather than in production, personnel or financial management. Because marketing is so central to any business, the consequences of marketing decisions inevitably spill over and affect other functions. Furthermore, the techniques used in market research can be applied in other areas such as personnel management – a topic outside the scope of this book.

1. What sorts of decision are marketing managers concerned with?

Some common decision areas where market research can help are as follows:

Opportunities

- What product should we offer?
- How should we formulate the product?
- How much should we charge?
- Which group of consumers are we going to supply?
- How will we get the product to our customers?
- How will we persuade consumers to buy our product rather than a competitor's?

Evaluation

- Can we increase sales of our product?
- Can we charge more for our product?
- Can we supply a different group of consumers?
- Should we change the way we get the product to customers?
- Should we change the way the product is offered?

Problem-solving

- How can we increase the profit made from a product?
- How can we reverse a trend of falling sales?
- How can we increase our customers' satisfaction with our products and service?

Each decision area involves making choices between alternatives and information is needed to assess the consequences. Many decisions are made on the basis of guesses or hunches, using information of a sort. The chances of making the best choice – the one that maximises future profits – are improved by having reliable information to hand.

Let us think about just one decision area: *How can I increase the profit made from a product?* This is a very common problem and in principle there are three strategies to pursue, either singly or in combination:

- Sell more of the product
- Charge more
- Reduce the cost of providing the product

There is a fourth option, however, and that is to change the method of accounting to show a better profit, but this has no market research implications.

In deciding whether or how to pursue any of these options, information is needed. This information may already be available from past research; alternatively, it may be necessary to carry out an exercise to collect it. Returning to our example decision area, the information needed to take a decision on increasing a product's profitability may be as follows:

Sell More

- Size of the total market in which we sell
- Our existing share of the market
- Availability of our product (retail distribution levels)
- Consumer awareness of our product
- Attitudes to our product

Charge more

- Competitors' pricing compared with ours

- Consumers' perception and 'valuation' of our product compared with competitors
- Effect of price increases on propensity to buy and so sales volumes
- Effect of price increases on availability/retail distribution

Cut costs

- Whether product reformulation is perceived by consumers
- And what effect does any such perception have on their valuation of the product?

All businesses face marketing problems. Write down *one* such problem in your own organisation (or imagine one) using the worksheet in Figure 1.1. Then, in the spaces given, list all the information you can think of (some of which you may already have) that seems relevant to making a decision to solve this problem. For now, think of the problem fairly generally and not just in the context of your own organisation. With only a bit of thought, you should be able to fill all the lines allotted for writing in the information.

Next, against each item of information, indicate whether your present



Statement of the problem			
<hr/>			
<hr/>			
<hr/>			
Information needed	Present level of knowledge		
	High	Medium	Low
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Figure 1.1 *Worksheet: a marketing problem*

level of knowledge is: *high* – you are confident that the information you have available is complete and accurate enough; *medium* – you know something but it is incomplete or of doubtful accuracy; or, finally, *low* – you know nothing.

To help you think of the information relevant to a marketing problem, the following list outlines areas commonly covered in market research studies:

The market

- Total market size
- Who the consumers are (profiles of consumers)
- Consumers' needs and requirements
- Market segmentation by area, consumer grouping, needs or requirements
- Trends – a growing or declining market?

Types of information commonly provided through market research.

The market's structure

- The major players – domestic manufacturers, importers
- Branding
- Shares held by major players/brands
- How the market is serviced – distribution networks
- Major distributors and retailers
- Trends – who is growing, declining and why?

The suppliers and brands

- How the suppliers operate in the market
- Why they are successful (or not)
- Consumers' attitudes to (image of) suppliers and brands

The product

- Types of products sold within the market
- How the products are differentiated
- Relationship of products to market segmentation
- Level of product innovation
- Product life cycles – how long they last
- How the product meets consumers' needs
- Consumers' satisfaction with products
- The need to develop/change the product

New product development

- Unsatisfied needs and wants that could be met by a new product
- Acceptance of new product at concept, prototype or finished formulation stage
- Packaging of the new product
- How it should be presented to its market

Pricing

- Current pricing structures
- Past trends
- Consumers' attitude and sensitivity to pricing
- Consumers' price expectations for a product
- Anticipated changes in purchasing following price changes

Distribution/retailing

- Stocking policies
- Order frequencies
- Distribution levels achieved
- Delivery expectations
- Attitudes to suppliers, their products and service
- Marketing and merchandising policies

Sales methods

- Consumers' attitudes to the methods used
- Evaluation of different methods
- Relating market potential to sales organisation
- Sales organisation and market structure

Advertising

- Evaluation of advertising campaigns
- Audiences reached by advertising media
- Testing new advertising before/after use
- Relationship between advertising and product/brand perceptions

Having looked through this list of areas covered by market research, you should now return to thinking about the information needs of your own company – are there any other needs where you think market research information could help to improve decision-making?

This section has shown you the wide range of information that you *could* require to address marketing problems. Do remember, however, that

The process of obtaining information is to help you to arrive at a decision.