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CHAPTER 1

INTRODUCTION TO MARKETING RESEARCH

LEARNING OBJECTIVES

In this chapter you will learn:

1-1 The relationship of marketing research to marketing, the marketing concept, and marketing strategy

1-2 How to define marketing research

1-3 The function and uses of marketing research

1-4 How to describe a marketing information system (MIS) and understand why marketing research occupies a place in an MIS

1-5 The job skills that are useful in marketing research

CHAPTER OUTLINE

Introduction to Marketing Research

Marketing Research is Part of Marketing

- The Philosophy of The Marketing Concept Guides Managers' Decisions
- Creating The "Right" Marketing Strategy

What is Marketing Research?

- Is it Marketing Research or *Market* Research?
- The Function of Marketing Research

What Are the Uses of Marketing Research?

- Identifying Market Opportunities and Problems
- Generating, Refining, and Evaluating Potential Marketing Actions
 - Selecting Target Markets

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- Product Research
- Pricing Research
- Promotion Research
- Distribution Research
- Monitoring Marketing Performance
- Improving Marketing as a Process
- Marketing Research is Sometimes Wrong

The Marketing Information System

- Components of an MIS
 - Internal Reports System
 - Marketing Intelligence System
 - Marketing Decision Support System (DSS)
 - Marketing Research System

Job Skills

KEY TERMS

Marketing

Crowdsourcing

Marketing concept

Marketing strategy

Marketing research

Market research

Function of marketing research

Basic research

Applied research

Marketing information system (MIS)

Internal reports system

Marketing intelligence system

Marketing decision support system (DSS)

Marketing research system

TEACHING SUGGESTIONS

1. The purpose of the first section in the chapter is to review marketing, the marketing concept, marketing strategy, and the environments that affect marketing activities. A way to test students is to have them role-play as marketing managers for a new brand version of a particular product. In the following examples, what would be the target market, salient marketing activities, positioning strategy, and environmental factors?
 - Launching a new brand of sparkling water fruit drink
 - Marketing an online apartment finder that assists college students in finding an apartment. The finder would search for apartments based on criteria, check on vacancies, and let the user place a refundable deposit to hold the apartment for 24 hours while he/she checked it out.
 - Being the new vice president of the ABC Interactive Television Programs Division
 - Positioning the iPhone against other similar products
2. The AMA definition makes clear that marketing research exists to create information to be used in marketing decisions. Product failures are good class examples of how marketing information should have been used to design products, packaging, or services. Students can often recall products or services that were disappointing or otherwise failures in their eyes. Class discussion can be stimulated with the question, “What product or service can you think of or have encountered that would have benefited from good marketing research?” On the flip side, students may relate products that they believe are especially successful, such as Amazon. This is a company most students can relate to. Although many stores now deliver directly to the home, Amazon has created Amazon lockers and other safeguards for the home delivery business. Does this influence a student’s purchase decision? Do students buy from Amazon instead of a local retailer because of these safeguards? The objective with successful product/service examples is the same.
3. The website for New Product Works (GfK Custom Research) is www.gfkamerica.com. As an exercise, tell students to visit the Web site to see what it is all about. Class discussion can focus on the marketing research aspects of the new product development process outlined and described there and this company’s services.
4. To drive home the importance of marketing research information in marketing decisions, ask students what type of restaurant they would build and operate right off campus. They will opt for one that is appropriate for college students—maybe a late night hangout or a takeout service. Then ask what type they would build if the location were beside a university in a distant state. They will most likely give the same answer. Now, move the location to a foreign university (say mainland China where all college students live in dorms, eat in dining halls, have free tuition, don’t drive cars, etc.). If possible, use a country that you are familiar with and that is quite different from your students’ situations. They will come to realize that they need information in order to make reasonable decisions about the restaurant.

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5. Hold a class brainstorming session on marketing opportunities. Select one of the examples below or use your own to generate several different directions in which these companies could go. Ask the class what marketing research information would be useful to evaluate the success potential of each opportunity.

What marketing opportunities are there for:

A zoo?

A family restaurant?

A pet food company?

The Active Learning exercises featured Knorr and Google. What are the marketing opportunities for those firms?

6. Perhaps using one of your own applied research experiences, such as a consultation, to illustrate the various characteristics of marketing research (applied rather than basic, sometimes inaccurate, and shaped by budget and time constraints). Note: if you use class projects where surveys are done for sponsors, you can bring one of these into the class and describe how it illustrates the characteristics. You may want to bring a recent copy of an academic marketing journal to class to provide some examples of basic research.

You may want to reinforce the idea that marketing research projects, unlike the other components of MIS, are not continuous—they have a beginning and an end. This is why marketing research studies are often referred to as “projects.” Marketing research projects are launched only when there is a justifiable need for information that is not available from internal reports, intelligence, or the DSS.

7. Because it is a complicated and abstract concept, it is worthwhile to go over the components of an MIS. To make it more real, use a company example and ask students what they think would be involved with each component. Possible examples are: a hotel chain such as Marriott, a fast food chain such as Taco Bell, or a periodical such as *People* magazine. Ask students to provide examples for each component of an MIS. For instance, marketing intelligence might be a “clipping” service on relevant competitors, internal reports might be a salesperson’s reports and notes, marketing research might be an annual customer satisfaction survey, and so forth.
8. The DSS concept is intuitive to students who are computer literate. They should know about spreadsheet programs, database managers, word processors, and graphics programs. Some will have experience with integrated “office” packages. Ask students what computer hardware, software and analytical tools they think they will need to be good marketing decision makers.

ACTIVE LEARNING EXERCISES

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Take the Flavor Profiler Test

Take the Flavor Profiler test highlighted in Marketing Research Insight 1.2. You can take the test by searching “Knorr” and “Flavor Profiler” online. After you are finished with the test you will be placed into one of twelve categories.

What is your flavor profile? Are you a “Spicy Rebel”? A “Melty Indulger”? Perhaps an “Earthy Idealist”?

This can be a fun exercise for students to experience market research in a personal way. While the profile results will vary by student, a discussion about the categories and the selection process can be meaningful.

Do you agree with how you were categorized according to the Flavor Profiler?

Responses will vary by student but students should be able to identify aspects of the online quiz they felt work, or didn't work. Perhaps there were areas where many choices applied. Perhaps there were areas where none of the choices seemed right. When developing this marketing tools, it is important to look at a variety of issues that can be tracked with data, and often the less obvious issues can generate more valuable insight.

Look at the recipes that are provided to you based on your flavor profile. Do they look appealing to you? Do they give you an incentive to buy Knorr products to try out the recipes?

Responses will vary by students and should include what was, and what was not appealing. Another consideration is time. What is appealing right now may NOT be appealing at some point in the future. How do marketers work to eliminate this issue?

Do you agree with the premise of Knorr's campaign, “Love at First Taste,” that millennials will be more attracted to somebody who shares their flavor profile? Explain

Responses will vary here as well. Certainly, this has been successful for Knorr, as purchase intent by millennials increased. Knorr used data from dating sites to support the idea that food choices signal compatibility.

Use Google Alerts to Create Your Own Intelligence System

Thanks to the information age, Google Alert represents an efficient way for even small firms to maintain their own intelligence system.

The free trial recommended for students is an example of how a constant monitor will alert them to some news or “happening” on their topic. It works like a marketing intelligence system that watches everything on the Internet – news, blogs, videos, etc. – that pertains to the key work search topics.

ANSWERS TO END-OF-CHAPTER QUESTIONS

1-1. *What is marketing? What is the relationship of marketing research to marketing?*

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

The main role of marketing research is to provide the necessary information that enables managers to market ideas, goods, and services *properly*.

1-2. *Why is it important for decision makers to have philosophies? What is the marketing concept and what is its relationship to marketing research?*

A philosophy may be thought of as a system of values, or principles, by which you live. There are many different philosophies that managers may use to guide them in their daily decision making.

The marketing concept is *a business philosophy that holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target markets.*

1-3. *What factors go into developing the “right” marketing strategy? How might the “right” marketing strategy change over time?*

A marketing strategy consists of selecting a segment of the market as the company's target market and designing the proper "mix" of product/service, price, promotion, and distribution system to meet the wants and needs of the consumers within the target market.

Because we have adopted the marketing concept, we cannot use just any strategy. We have to develop the “right” strategy—the strategy that allows our firm to truly meet the wants and needs of the consumers within the market segment we have chosen. Think of the many questions we now must answer: What is the market, and how do we segment it? What are the wants and needs of each segment, and what is the size of each segment? Who are our competitors, and how are they already meeting the wants and needs of consumers? Which segment(s) should we target? Which product or service will best suit the target market? What is the best price? Which promotional method will be the most efficient? How should we distribute the product/service? All these questions must be answered to develop the “right” strategy. To make the right decisions, managers must have objective, accurate, and timely information.

It is important to understand that today's strategy may not work tomorrow because, as we noted at the beginning of this text there is unprecedented change going on in the business environment. What new strategies will be needed in tomorrow's world? As environments

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change, business decisions must be revised on an ongoing basis to produce the right strategy for the new environment.

1-4. *Define marketing research. What is the difference between marketing research and market research?*

The textbook definition: Marketing research is the process of designing, gathering, analyzing, and reporting information that may be used to solve a specific marketing problem.

The AMA definition: Marketing research is the function that 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 the understanding of marketing as a process.

Market research refers to applying marketing research to a specific market area. One definition of market research is: The systematic gathering, recording, and analyzing of data with respect to a *particular market, where market refers to a specific customer group in a specific geographic area.*

1-5. *What is the difference between consumers and customers? Why might the link to consumers be more important today?*

The AMA definition states that the function of marketing research is to link the consumer to the marketer by providing information that can be used in making marketing decisions. Note that the AMA definition distinguishes between consumers and customers. The committee intended this differentiation between retail (or B2C) consumers and business (or B2B) customers. Some believe that having the link to the consumer by marketing research is more important today than ever. Having that link with consumers is crucial if firms are to provide them with the value they expect in the marketplace. Thanks to globalization, online shopping, and social media, consumers today have more choices, more information, and more power to speak to others in the market than ever before.

1-6. *Find two outside examples of how companies created new product lines as a result of identifying market opportunities or problems.*

Responses will vary by students. Some examples might include “to-go” breakfast foods, drink varieties at coffee shops, or wearable technology such as Fitbit etc.

1-7. *Name four major uses of marketing research and provide one example of each.*

The chapter describes four uses:

- Identify and define marketing opportunities and problems – how does the price of gasoline affect the sales of electric vehicles?
- Generate, refine, and evaluate marketing actions – are consumers willing to pay more

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- for organic food?
- Monitor marketing performance – tracking how many units of a product are sold, and what type of distributor is selling the most product.
 - Improve understanding of marketing as a process – research conducted for an industry instead of a company or product, such as the cellular phone service industry.

1-8. *You are responsible for the launch of a new product by your electronics firm. Describe questions that you will want answered through each of the following types of marketing research: (a) product research, (b) pricing research, (c) promotion research, and (d) distribution research.*

Students can provide examples from the text or come up with their own examples.

1-9. *List three product failures and explain the most important reason that they failed. Could these failures have been avoided with better research information?*

Responses will vary by student, but may include Life-Savers sodas, Colgate food entrees, and Frito-Lay lemonade, as indicated in the text. The marketing concept states that the key to business success lies in being more effective than competitors in creating, delivering, and communicating value to the chosen target market. Companies who focus on products and selling efforts tend to be less successful. New products require a plan to provide value based on consumer wants and needs.

1-10. *List the subsystems of a MIS and their overall functions. How do each of these subsystems contribute to the MIS?*

A marketing information system (MIS) is a structure consisting of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers, while a marketing decision support system (DSS) is defined as collected data that may be accessed and analyzed using tools and techniques that assist managers in decision making. Market research refers to the process of gathering, analyzing, and reporting information for decision-making purposes.

1-11. *What example can you give of a company that is using crowdsourcing to create a product? To develop advertising?*

Crowdsourcing is the practice of obtaining services or ideas by asking for assistance from large groups of people, generally online communities. The firm Cell Zones wanted to create soundproof booths for private cell phone use to create privacy in libraries, restaurants, and so on. Research would have shown that people use smartphones to text, not talk; therefore the need for privacy was less important for the consumer.

Chobani launched an advertising campaign that focused on online advertising instead of traditional media such as TV. Based on the success of the online advertising, Chobani extended and expanded the campaign.

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1-12. *Find three examples of articles that describe companies using marketing research in business publications such as The Wall Street Journal, Advertising Age, Business Week, Fortune, and Forbes. Your local public library should be a good source of business periodicals.*

Application question. This question requires students to find marketing research examples.

This is an exercise for students to use library or online resources to find marketing research examples. There is no “right” answer here.

1-13. *In the following situations, what component of the marketing information system would a manager use to find the necessary information?*

a. *A manager of a hotel wants to learn about trends in travel.*

Marketing intelligence system shows everyday information about pertinent developments in the environment.

b. *A manager of an office furniture manufacturer wants to know how many units of three different products made by the company sold during each month for the past three years.*

Internal reports systems gather information generated within a firm, including orders, billing, receivables, inventory levels etc.

c. *A manager in a cosmetics company wants to estimate the contribution to return on investment earned by 10 different products in a product line.*

The marketing research system gathers information from all subsystems in the MIS system and is used for a specific situation facing the company, such as ROI.

d. *A manager in a food retail chain is considering producing a new type of health food. She would like to know if consumers are likely to purchase the new food, at which meal they would most likely eat the food, and how they would prefer the food to be packaged.*

A marketing decision support system is collected data that may be accessed and analyzed that will assist managers in decision making.

Results will vary greatly here based on students’ efforts and their career interests. Typical marketing decisions are: product development, price, promotion, distribution, market targeting, going global, and facing competition.

CASE SOLUTIONS

Case 1.1 Starbucks and Tea Sales

Case Objective

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This case illustrates how marketers need to understand the difference between products, specifically coffee and tea, and their value in the minds of consumers. There is a great deal that is unknown about the audience's preference for coffee or tea. Consequently, marketing research can assist by providing information.

Answers to Case Questions

1. *Based on the definition of marketing research, do you think that marketing research can help Starbucks increase its sales of tea? Explain.*

Because the purpose of marketing research is to "...link the consumer to the marketer by providing information that can be used in marketing decisions," this situation calls for marketing research information. One use of marketing research is to identify marketing opportunities.

2. *Which of the three uses for marketing research identified in the AMA definition might help Starbucks improve tea sales? Why?*

The role of market research as a process is used to define the size, location, and/or makeup of the market for a product or service. Starbucks would benefit from researching the makeup of the market for specialty tea and determine the size of that market. This would allow Starbucks to better forecast the demand for specialty tea.

3. *Marketing research is used in all areas of the marketing mix, including determining target markets and conducting research of products, pricing, promotion, and distribution. Which of these areas do you think would be most useful for Starbucks to use to increase tea sales? Explain.*

Starbucks might find it useful to consider the pricing and promotion aspects of marketing. If consumers typically value tea less than coffee products, the pricing structure needs to reflect that view. Additionally, Starbucks can use a promotional strategy to help educate consumers in the value of tea, allowing for a more competitive pricing strategy.

4. *In thinking about the components of a marketing information system, which components would you suggest that Starbucks use? Why?*

A MIS is a structure consisting of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. The role of the MIS is to determine decision makers' information needs, acquire the needed information, and distribute that information to the decision makers in a form and at a time when they can use it for decision. Starbucks can look at internal reports but would have better success when using a decision support system to access a wider variety of data. Because Starbucks is looking at marketing for specialty tea, marketing research studies conducted by a marketing research system would also help.

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Case 1.2 Integrated Case: Auto Concepts

Case Objective

This is the introduction to the integrated case that is used throughout the textbook. It describes how an automobile manufacturer that has built its reputation and profit on large automobiles senses a change in consumer sentiment as a result of environmental (global warming) and practical (high gasoline prices) factors. In addition to innovative new designs, the company may move to alternative fuel models. Whether or not prospective automobile buyers are willing to buy the new models is the issue.

Answers to Case Questions

1. *In the development of new automobile models, which of the following should Nick be primarily concerned with and why?*
 - a. *Engineering and production feasibility*
 - b. *The brand image of his division's parent U.S. automobile manufacturer*
 - c. *Technological innovation*
 - d. *Consumer references*

Nick will need all aspects of the MIS. Each component and its value to Nick at the present are listed below.

- Internal reports system – useful to see past sales patterns by model, by country, and within countries such as by major cities or regions.
- Marketing intelligence system – useful to gain an understanding of what competitors are doing, to learn about market trends, to see about global warming and/or gasoline issues and automobiles, and to understand consumer sentiments.
- Marketing decision support system – depending on its features, perhaps use the tools to do “what if” scenarios such as drops in market share with key or all models; might be useful in doing break-even analyses of possible new models
- Marketing research system – this is definitely a specific situation, and there will be a great need for marketing research on consumer attitudes toward global warming and alternative fuels as well as specific reactions to possible new automobile designs.

2. *Should Nick Thomas use marketing research?*

Yes, absolutely. This is a multi-million dollar investment that may take 3-5 years to implement. The marketing decision definitely needs general as well as specific information to be supplied by marketing research.