

1 The Purpose of Marketing Research

1.1 The Meaning and Purpose of Marketing Research

1.1.1 Why do businesses need accurate and up-to-date information?

To undertake marketing effectively, businesses need information – information about customer wants, market demand, competition, distribution channels etc. This information needs to be updated regularly because businesses operate in a dynamic environment, characterised by frequent:

- **Changes in technology** – enabling new products and new production processes (e.g. the growth of digital study products like this toolkit which are reducing demand for printed textbooks)
- **Changes in consumer tastes** – meaning that the demand for some products will decline, whilst others will grow more popular (e.g. increased demand for activity-related holidays at the expense of mass-market beach holidays)
- **Changes in the product ranges of competitors** – the introduction of new rival products, or changes in pricing policies can greatly influence the demand for a product (e.g. the introduction of the Microsoft X-Box – which has challenged Sony's PlayStation 2)
- **Changes in economic conditions** – an improvement or worsening of the economic climate will have an impact on incomes on a national or regional level. Different products may be affected differently e.g. luxuries v necessities etc

1.1.2 What is the purpose of marketing research?

Marketing research can help a business do one or more of the following:

1. **Gain a more detailed understanding of consumers' needs** – marketing research can help firms to discover consumers' opinions on a huge range of issues, e.g., views on products' prices, packaging, recent advertising campaigns
2. **Reduce the risk of product/business failure** – there is no guarantee that any new idea will be a commercial success, but accurate and up-to-date information on the market can help a business make informed decisions, hopefully leading to products that consumers want in sufficient numbers to achieve commercial success.
3. **Forecast future trends** – marketing research can not only provide information regarding the current state of the market but it can also be used to anticipate customer needs future customer needs. Firms can then make the necessary adjustments to their product portfolios and levels of output in order to remain successful.

1.1.3 What kind of information might a business need?

- **Who are our customers?** Are they young/old; male/female; local/national/international; how much do they earn?

- **How do customers make buying decisions in our market?** What information do they need? How long do they take to make their minds up? Do they compare products with alternative competitor products first/
- **How well are our products selling?** Are sales improving/declining/stable? Is the market growing/shrinking/stable; are we increasing our market share?
- **Have new products been introduced recently by competitors?** Are they cheaper/more expensive, what new features do they have, how are they being promoted, are they selling?
- **How can we respond successfully to changes in the marketplace?** Do we introduce new products or modify old ones? Should we launch existing products in new markets? Are these changes in line with our corporate objectives?

1.1.4 How much information does a business need?

Marketers often complain that they lack enough marketing information or, alternatively, enough of the right kind of information.

However, although market information is necessary for decision-making, it is important to understand that, in practice:

- Most marketing decisions are based on incomplete information. Why? Because:
- All possible information is not available
- It is not worth gathering information beyond a certain point (it takes too much time and/or cost)

1.1.5 How do businesses obtain the information they need?

The information needed by marketing managers comes from three main sources:

Internal Company Information – e.g. sales, orders, customer profiles, stocks, customer service reports

Marketing intelligence – this is a catch-all term to include all the everyday information about developments in the market that helps a business prepare and adjust its marketing plans. It can be obtained from many sources, including suppliers, customers and distributors. It is also possible to buy intelligence information from outside suppliers (e.g. Mintel, Dun and Bradstreet) who will produce commercial intelligence reports that can be sold profitably to any interested organisation.

Market Research – existing data from internal sources may not provide sufficient detail. Similarly, published reports from market intelligence organisations cannot always be relied upon to provide the up-to-date, relevant information required. In these circumstances, a business may need to commission specific studies in order to acquire the data required to support their marketing strategy.

1.1.6 What is marketing research?

Marketing research can be defined as follows:

The systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services

- **Systematic** – using an organised and clear method or system
- **Gathering** – knowing what you are looking for, and collecting appropriate information
- **Recording** – keeping clear and organised records of what you are trying to find out
- **Analysing** – ordering and making sense of your information in order to draw out relevant trends and conclusions
- **Problems relating to marketing** – finding out the answers to questions that help the business to better understand its customers and other details about the marketplace

1.1.7 What is the difference between market research and marketing research?

- **Market research** is the process of identifying primary and secondary information about the demand for a product.
- **Marketing research** is a broader process involving the market research, product testing, pricing, consumer reactions to promotion and an evaluation of the competition

1.1.8 How is marketing research carried out?

1. **Define the problem and the research objectives** – it is important that the problem or issues under investigation are clearly defined. Too broad a definition will result in a lot of unnecessary information: too narrow a definition may mean that further research will have to be undertaken. Research objectives should be **SMART** (i.e. Specific, Measurable, Achievable, Relevant and Time specific). This will reduce the risk of confusion or misunderstanding as the research is being conducted, and will make it easier to evaluate the research findings.
2. **Develop the research plan** – the next step is to decide on the most effective way to obtain the necessary information. This will involve a number of activities, including:
 - Choosing which **sources of data** will be used? - Primary, secondary or both?
 - If primary data needs to be collected, deciding what is the most appropriate **approach to the research**, e.g. a series of focus groups or a large-scale survey.
 - Choosing the type of **research instruments** to be used – questionnaires are commonly used in surveys but a number of mechanical devices can also be employed, e.g. galvanometers are used to measure the emotions or interest created in response to a specific advertisement, and audiometers are sometimes attached to television sets to record when it is on and what channels it is tuned in to.
 - Constructing a **sampling plan** – i.e. who is to be surveyed (the sampling frame), how many people should be surveyed (the sample size), how should they be chosen (the sample procedure)
 - Deciding how **respondents will be contacted** – by post, telephone or in person.
 - Setting the **budget** and **deadlines** for the completion of the research

Collect the information – this is likely to be the most expensive stage of the research and most prone to error. Improvements in telecommunications and the increasing use of computers have helped to reduce the number of errors and made it easier to record and store information. However, researchers still need to be aware of the problems caused by biased or dishonest interviewers and respondents, and also how to deal with chosen respondents who cannot be contacted or refuse to take part.

1. **Analyse the information** – this involves turning the mass of data collected into meaningful information upon which decisions can be made. Data will be collated and statistical techniques applied, e.g., identifying the ‘average’ or most common response, or the range of views.
2. **Present the findings** – the precise format of the presentation and the level of detail required will need to be agreed in advance, as both will depend on the needs and wishes of those who commissioned the research.

1.2 Uses of Marketing Research

1.2.1 What kind of information can be obtained using marketing research?

Marketing decisions are made under conditions of **uncertainty** and **risk**.

For example:

- Will a new product sell as well as hoped?
- What will happen to customer demand if product prices are increased or reduced?
- How much (if anything) should be invested in a marketing campaign?
- What are the chances that an advertising campaign will reach the intended audience – and how will they respond if it does?

Marketing research aims to reduce uncertainty and risk by providing information about the variables involved in the decision and the possible outcomes of marketing decisions and actions.

A wide variety of information used to support marketing decisions can be obtained from market research:

Information about the market:

- Analysis of the market potential for existing products e.g. market size, growth, changing sales trends
- Forecasting future demand for existing products
- Assessing the potential for new products
- Study of market trends
- Analysis of competitor behaviour and performance
- Analysis of market shares

Information about products:

- Likely customer acceptance/rejection of new products

- Comparison of existing products in the market, e.g., price, features, costs, distribution
- Forecasting new uses for existing products
- Technologies that may threaten existing products
- New product development

Information about promotion in the market:

- Effectiveness of advertising
- Effectiveness of sales force (personal selling)
- Extent and effectiveness of sales promotional activities
- Competitor promotional strategies

Information about distribution in the market:

- Use and effectiveness of distribution channels
- Opportunities to sell direct
- Cost of transport and warehousing products
- Level and quality of after-sales service

Information about pricing in the market:

- What happens to demand following changes in price (a concept known as “elasticity” of demand”
- Analysis of the impact of changes in prices on revenues, costs and profits
- Customer perceptions of pricing

1.3 Quantitative and Qualitative Research

One way of looking at market research is to consider the nature of the information that has been obtained. In this context, the main distinction that is made is between **quantitative research** and **qualitative research**.

Note: both quantitative and qualitative research can be done using primary and/or secondary sources. We cover primary and secondary sources in Section 3 of this toolkit.

1.3.1 What is quantitative research?

Quantitative research gathers statistically valid, numerically measurable data.

Typical quantitative research will relate to market size, market share and market growth. At the heart of all quantitative research is the **statistical sample**. This is usually gathered by survey.

Quantitative research is concerned with finding out ‘hard’, factual data. The data gathered is said to be **statistically valid**. This type of research focuses on measuring aspects of a market and expressing these characteristics in numerical terms.

Quantitative information is usually obtained by surveys using large samples. Great care has to be taken in selecting the sample and also in the design of the sample questionnaire and the quality of the analysis of the data collected.

Typical examples of quantitative information might include:

- The percentage of married women in the UK who work full-time
- The number of families in the North West who live in rented accommodation
- The percentage of the UK population who are over 60

Quantitative research answers questions such as:

- How many?
- How much?
- What percentage?
- How often?

We cover the main research methods for quantitative research in Section 3.

1.3.2 What is qualitative research?

Qualitative research is concerned with finding out 'soft' information, such as people's opinions, attitudes, beliefs and motivations.

The main purpose of quantitative research is to **understand consumer behaviour and perceptions**.

Typical examples of qualitative information might include:

- The reasons why a customer might choose one brand of washing powder over another.
- The views of customers regarding a range of potential logo designs on the packaging of a new product

Generally, qualitative information is gathered using techniques that are designed to encourage a more detailed response from the interviewee. Such techniques include in-depth **interviewing** and **focus groups** taken from relatively small samples. Such techniques allow the researcher to explore a topic in greater depth and gain a better understanding of the respondent's personality and personal circumstances.

Focus groups and interviews are covered in more depth in section 3.