

CHAPTER 8

Marketing Research

Sections

8.1 Marketing-Research Data

8.2 Conducting Marketing Research



College
and Career
Readiness

Reading Prep

Before you begin reading this chapter, try to find a quiet place with no distractions. Make sure your chair is comfortable and the lighting is adequate.

Check Your Marketing IQ

Before you begin the chapter, see what you already know about marketing by taking the chapter pretest. The pretest is available at www.g-wlearning.com/marketing/.

DECA Emerging Leaders

Principles of Marketing Event

Career Cluster: Marketing

Instructional Area: Information Management

Performance Indicators

- Assess information needs.
- Demonstrate basic database applications.
- Obtain needed information efficiently.
- Store information for future use.

Purpose

Designed for first-year DECA members who are enrolled in introductory-level principles of marketing/business courses, the event measures students' proficiency in those knowledge and skills identified by career practitioners as common academic and technical content in marketing. This event consists of a 100-question, multiple-choice, business administration core exam and a business situation role-play with a business executive. Participants are not informed in advance of the performance indicators to be evaluated.

Procedure

1. The event will be presented to you through your reading of these instructions, including the Performance Indicators and Business Situation. You will have 10 minutes to review this information to determine how you will handle the business situation and demonstrate the performance indicators of this event. During the preparation period, you may make notes to use during the role-play situation.
2. You will have up to 10 minutes to interact with a judge and explain the designated concepts. You may have more than one judge.
3. You will be evaluated on how well you meet the performance indicators of this event.
4. Turn in all your notes and event materials when you have completed the role-play.

Business Situation

You are to assume the role of marketing employee at the national headquarters of Project Smile, a non-profit business dedicated to providing cleft lip and palate

repair to children whose families are unable to afford the corrective surgery. You are responsible for soliciting and acknowledging monetary donations from the general public. The **marketing manager (judge)** has invited you to a face-to-face meeting to measure your knowledge and understanding of an aspect of the business. The marketing manager (judge) wants to make sure you understand the role that the donor database plays in the business's ability to raise the necessary funds.

In the first part of your meeting, you will assess the information needs of the business as it relates to soliciting and acknowledging donations. In addition, you must explain how database management can facilitate the information needs of the business and how this produces accurate business records and provides for proper customer receipts. Your presentation should also address the additional performance indicators listed on the first page of this event. Following your explanation, the marketing manager (judge) will ask you to respond to additional questions.

The meeting will take place in the marketing manager's (judge's) office. The marketing manager (judge) will begin the meeting by greeting you and asking to hear your ideas on how proper operation of the donor database can help to raise the funds needed by the business. After you have provided your explanation and have answered the marketing manager's (judge's) questions, the marketing manager (judge) will conclude the meeting by thanking you for your presentation.

Critical Thinking

1. How will the marketing manager (judge) use the information obtained in the meeting?
2. What are you to do in the first part of your meeting?
3. What is the relationship between the performance indicators identified and your presentation with the marketing manager (judge)?
4. Match information in the role-play with each performance indicator.
5. What is one question the marketing manager (judge) may ask about information management at Project Smile? How will you respond?

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Section 8.1



What is the role of data in marketing research?

Marketing-Research Data

Learning Objectives

- LO 8.1-1 Identify two types of data gathered through marketing research.
- LO 8.1-2 Discuss trend research.
- LO 8.1-3 Explain the purpose of a marketing-information system.

Key Terms

marketing research
data
database
primary data
representative sampling
qualitative data
quantitative data
focus group

survey
variable
secondary data
marketing trend
social trend
marketing-information system (MkIS)
database marketing

LO
8.1-1

Marketing Research

Marketing research is gathering and analyzing information to help make sound marketing decisions. The information gained through marketing research is used by businesses to define target markets, learn about the needs and wants of customers, and understand what motivates people to buy. Research helps identify the competition, learn about new business opportunities, and answer many other important business questions. Information provided by marketing research is also known as *market intelligence* because it helps a business gain a competitive edge.

Marketing research is also called marketing-information management (MIM). *Marketing-information management (MIM)* is the marketing function that involves gathering and analyzing information about markets, customers, industry trends, new technology, and competing businesses. It also includes making sure the right people in an organization get the information needed to make business decisions.

After research is complete, the results are used in the marketing planning function. A marketing

plan should refer to the research that helped form the goals, strategies, and tactics described in the plan. Conducting marketing research helps businesses develop strategies to reach their target customers. The *marketing concept* focuses on



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The marketing function that involves gathering and analyzing information about markets, customers, industry trends, new technology, and competing businesses is marketing-information management (MIM). **Why is MIM important?**

satisfying customers as the means of achieving profit goals. Meeting the needs and wants of target-market customers leads to customer satisfaction. Logically, businesses that do a better job of meeting customer needs will sell more than their competitors.

Marketing research produces various data about customers, competitors, products, and the industry. **Data** are pieces of information gained through research. To be useable by businesses and marketers, the data must be organized. A **database** is an organized collection of data in digital form. Many businesses collect data and contact information about their current customers and store the information in a *customer database*. Some companies also develop databases specifically for information about potential customers.

A *marketing research database* contains the results of marketing research. There are two types of data collected through marketing research: primary and secondary.

Primary Data

Primary data are pieces of information collected directly by an individual or organization. To collect primary data, marketers conduct primary research. *Primary research* is conducted first-hand by a researcher. Large businesses often conduct primary research to collect their own data. Businesses might also hire marketing research firms to conduct the research if they do not have in-house researchers or if the project

is large. Marketing research is a big business. Some of the larger marketing research companies include The Nielsen Company, J.D. Power and Associates, Gallup, and Yankelovich.

Primary data is beneficial to researchers because it is information they have personally collected and evaluated. Researchers can design their data-collection methods to meet their needs. The research can be tailored to a specific target market. However, primary data is also the most expensive to collect because the costs of conducting a research study fall to the business or person performing it.

Primary research must be performed properly in order for the data to be accurate. For example, it is important to ensure that the right people are asked the right questions. A **representative sampling** is a group that includes a cross section of the entire population that is targeted. *Population* is the number of people who live within a defined area, such as a nation, geographic region, or market. The responses collected from a smaller group of people within the target market reflect those of the larger population. However, the sample size must be large enough for the results to be valid. The *sample size* is the number of people in the research sample. As an example, many national surveys use 1,000 people to get useful information about national attitudes and opinions. The people who choose samples and analyze results are statisticians and marketing researchers.

Primary data collected is categorized as either qualitative or quantitative, as shown in Figure 8-1.



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A representative sampling includes a cross section of the entire targeted population. **Why is sample size an important factor in a representative sampling?**

Differences between Qualitative and Quantitative Data

Senior Class Survey: Qualitative Data Questions	Senior Class Survey: Quantitative Data Questions
Why do you think it is important to be community-minded?	Do you participate in community activities?
How do you show your school spirit?	Do you attend school events and functions?
What is the next step for you after graduation? Why did you choose that path?	After graduation, are you: A. heading to college? B. entering the workforce? C. enlisting in the military?

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Figure 8-1 Qualitative and quantitative data are useful for different reasons.

Qualitative data provides insight into what people think about a topic. This comes from research questions that require judgment instead of simple “yes” or “no” answers. **Quantitative data** are facts and figures from which conclusions can be drawn. An example of quantitative data is the number of customers who answered questions after using a product. The most common ways to collect primary data are through observations, interviews, surveys, diaries, and experiments.

Observation

Using the observation method, a researcher watches people or situations and records facts. Designing marketing research to use the observation method is most appropriate when consumer behavior is the central research issue. The key to getting accurate information through observation is to make sure subjects do not know they are being observed. Their behaviors must be real and not influenced by the observer.

For example, a business may want to test its window displays. Using the observation method, a researcher could sit in front of the store and observe reactions to the displays. Data collected might include the number of people who:

- walked by;
- looked at the store windows;
- entered the store; or
- left with purchases.

Another form of observation many companies use is the secret shopper. A *secret shopper* is a person hired by a company to visit its place of business and observe the quality of service. Secret shoppers may also buy products to interact with and test the staff. The employees do not know which customers, if any, are secret shoppers. Secret shoppers report their experiences in writing to the business, including both good service and any problems.

When observation is used, objectivity is important. To have *objectivity* is to be free of personal feelings, prejudices, or interpretations.



Green Marketing

Lifestyles of Health and Sustainability

A prominent marketing trend that continues to grow is the preference for healthful and sustainable products. Lifestyles of Health and Sustainability (LOHAS) is a group of consumers that actively seek out goods and services that support healthy, eco-friendly, and sustainable lifestyles.

LOHAS consumers demand products that are not only high quality, but also have a low impact on the environment. They prefer organic, locally grown food, as well as organic or all-natural personal-care and household products. These consumers are very conscious of fuel and energy efficiency in the products they buy, such as vehicles, electronics, and appliances. The growth and strength of the LOHAS trend has influenced the products offered by businesses in every market.

The observer needs to accurately record data and remain unbiased. When enlisting the assistance of others, providing a standard checklist or form to each observer can help ensure that consistent data is recorded.

Interview

An *interview* is a formal meeting between two or more people to obtain certain information. Designing marketing research to use the interview method is most appropriate when the central research issue requires insight into the thoughts and opinions of people about a product or business. When interviews are conducted with a group of people, it is called a focus group. A **focus group** is a group of people brought together to discuss a specific topic. Focus groups usually consist of six to nine people. Participants are almost always paid for their time. A focus group is run by one person who asks questions and keeps the group on the topic. The activity of focus groups is often recorded on video. Participants may also be watched in real time by others from behind a one-way mirror. Focus groups are useful for gaining information based on how people in the group interact with each other.

One-on-one interviews can be used to gather the same type of information collected in a focus group. Depending on the topic, individual interviews might yield better information. Some respondents are more likely to give straightforward answers in a one-on-one interview rather than in a group of people.



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A focus group is brought together to discuss a specific topic. *How do you think a focus group might be useful when conducting marketing research?*

Survey

A **survey** is a set of questions posed to a group of people to determine how that group thinks, feels, or acts. Surveys are often used to obtain quantitative data. Designing marketing research to use the survey method is most appropriate when the central research issue involves gathering facts and figures about a group of consumers. A questionnaire is given to each person to answer individually, without discussion among others in the group. Data can be collected through an in-person survey, over the telephone, by mail, or electronically. Electronic survey methods are most common.

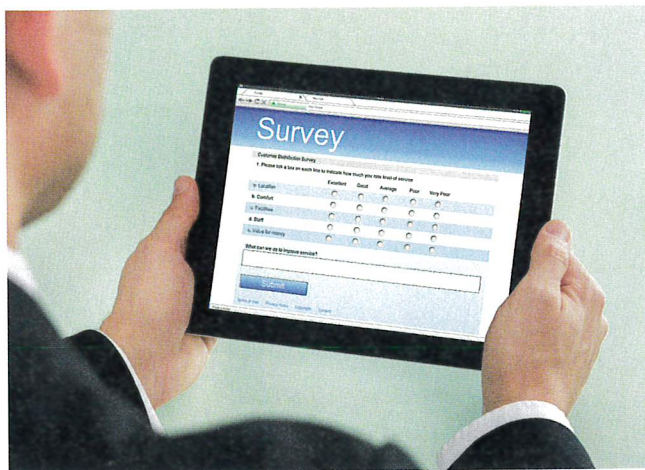


Case in Point

Global Public-Private Partnership for Handwashing

Market research is important to the success of many different types of organizations. The Global Public-Private Partnership for Handwashing (PPPHW) is a coalition of national and international organizations that work to promote handwashing with soap as a regular personal hygiene habit to prevent diseases and infections, such as diarrhea and cholera, that plague many third-world countries.

In order to ensure the best possible success of their efforts, the PPPHW actively conducts market research to learn about the habits and thoughts of people in a particular region. What do they consider to be dirty? How many people are aware of the benefits of handwashing compared to how many people actually practice handwashing? What are the standard handwashing practices in health care and food preparation? Having this information helps the PPPHW target their activities to have the greatest impact. For example, research in a remote area of Africa revealed that handwashing behavior was deterred by both limited water supply and lack of handwashing facilities. To address these obstacles, the PPPHW developed water-efficient and economical handwashing stations that could be installed almost anywhere. The PPPHW uses market research to improve public health and the standard of living for people around the world.



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A survey is used to determine how a group of people thinks, feels, or acts. *Why do you think surveys are more useful for obtaining quantitative, rather than qualitative, data?*

The success of a survey depends on identifying a representative sampling. Surveys conducted by professionals, such as political polls, use complex formulas and methods to identify an appropriate representative sampling. A business can use company data to identify groups that represent a subset of respondents, such as customers or employees.

A written survey is highly structured and contains multiple items for response. Some considerations before deciding to use a written survey include the following:

- What is the best method for getting information?
- Who is the target audience?
- How many people should receive the survey to get an adequate number of responses?
- How will a representative sampling be selected?

When writing a survey, it is important to develop questions in a format that encourages responses. See Figure 8-2 for suggestions.

When a survey is distributed, state its purpose, a plan for the responses, and a deadline for responses. Participants must understand their time is respected and that timely responses are important to the success of the survey. In some cases, an incentive can be used to increase the number of surveys returned. Common incentives include a gift, a copy of the final report, or some other motivational item.

Participants should be assured that the survey is anonymous and their contact information will

Creating a Survey

- **Create questions that are easy to answer.** Questions should have a choice of answers, such as yes/no, multiple choice, or agree/disagree/strongly agree/strongly disagree. These are known as *closed-ended questions*. They make it easy for the responder to give an answer and for the marketer to evaluate responses.
- **Write objective questions.** Questions should not lead respondents to a particular answer, as biased questions produce biased data.
- **Put the questions in a logical sequence.** Questions should be in sequence and, when possible, items should be grouped and have headings.
- **Keep the survey short.** A survey should be short. If there are too many questions, the respondent may not take the time to complete the survey.
- **Include space for comments.** The best information may come from unstructured responses.

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Figure 8-2 A written survey is highly structured and contains multiple items for response.

not be used in any way. If a survey is conducted via email, the document should be created in a way that can easily be returned. If an online survey tool is used, a hyperlink should be included for participants to easily click, access, and complete the survey. Each online survey service provider has guidelines that should be followed.

Diary

A *diary* is a written record of the thoughts, activities, or plans of the writer during a given period of time. Market researchers use diaries in much the same way. Designing marketing research to use the diary method is most appropriate when the central research issue involves learning about the activities of consumers. Researchers typically use diaries to study how people use their time and spend their money. Diaries can use open-response format, forced-choice format, or a combination of both.

An *open-response format* allows respondents to write whatever they want about their experiences. It allows people to give more feedback. Open-response format diaries take a long time to analyze, which makes them a costly option for data collection.

A *forced-choice format* is more like a multiple-choice test, where only one answer can be chosen from several options. This type of diary is easier to

Using Diaries in Market Research	
Advantages	Disadvantages
• Ability to collect sensitive information that a participant may not provide in an interview • Greater reliability because participants are not asked to recall information • Supplements other research methods	• Expensive method of research • Overly conscientious participants may write too much • Large dropout rate, about 40 percent, immediately after the initial interview • Inaccurate participant responses

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Figure 8-3 Using diaries as a research method has both advantages and disadvantages.

analyze than open-response, but provides much less feedback. Diaries offer a number of advantages and disadvantages, as shown in Figure 8-3.

Experiment

An *experiment* is a procedure performed in a controlled environment in order to test or discover something. Designing marketing research to use the experiment method is most appropriate when the central research issue involves testing a variable. A **variable** is something that changes or can be changed. In the experiment method, a researcher sets up two situations that differ in only one variable. Results from the two experiment situations can then be compared.

When testing window displays of a business, for example, a researcher might count the number of people passing by and how many people enter the store for a specific number of days. The store then changes the window display. The new window display is the variable. The researcher again counts the number of people passing by and how many people enter the store. Analyzing this data might show if the number of people entering the store was influenced by the different window display.

Taste tests are common product experiments in which researchers may simultaneously use observation, survey, and experiment methods. Using a combination of methods in conjunction with each other can result in the most valid primary research data.

Secondary Data

Secondary data are information, statistics, or other type of data that already exists. Someone has already collected the information, but others can use it. For that reason, secondary data is usually easier to find and less expensive to obtain than primary data. However, for secondary data to be

useful, it should relate to the research topic and be timely. In general, secondary data older than five years is not useful.

If the data already exists, there is no need to go through the time and expense of collecting primary data. To collect secondary data, marketers conduct secondary research. *Secondary research* is searching data already assembled and recorded by someone else. Resources for secondary data can include internal and external sources.

Internal sources of secondary data are reports, spreadsheets, and databases compiled within a business. Every business collects internal data in many forms that can be used for different purposes. The data include sales records, customer databases, financial statements, and marketing records. Internal business records are the best place to start when learning about current customers and their buying behaviors.

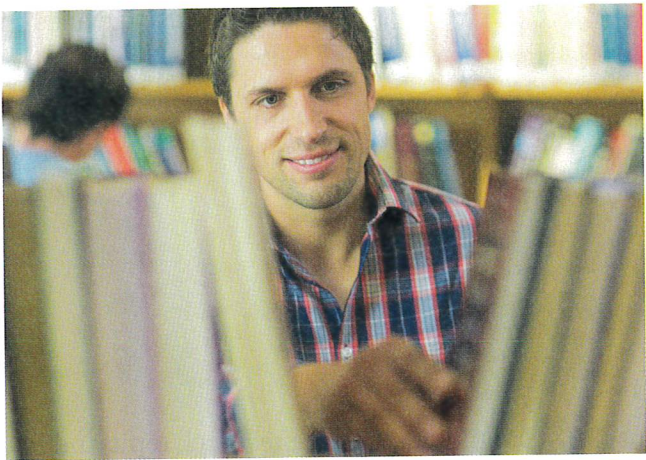
External sources of secondary data are any accessible source of secondary data outside of a business. There are many external sources available for reliable secondary data. Examples include governmental sources, market-research sources, academic sources, trade associations, and the Internet.



Employability Skills

Protocol

Protocol is a set of customs and rules that explains appropriate conduct or procedures in formal situations. *Business protocol* refers to the customs and rules found in the professional world. Many aspects of business protocol are not in written format and therefore must be learned from experience.



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Secondary data are information, statistics, or other type of data that already exist. *What sources of secondary data have you used?*

Governmental Sources

Federal, state, and local governments collect an enormous amount of data. Information can easily be found about the economy, industries, and the population. Some of the many governmental agencies that can be data resources are shown in Figure 8-4.

Market-Research Sources

Many companies collect data that can be used by others for marketing-research purposes. Some may be available at no or low cost on the

companies’ websites. Research firms, such as Dun & Bradstreet, collect market data to sell to other businesses. Getting market-research data through a research firm may be costly, but typically not as costly as independently conducting and analyzing primary research.

State and local chambers of commerce are also good sources for free secondary data. A *chamber of commerce* is a group of businesses whose main purpose is to encourage local business development. They can often provide current information about other area businesses and the local economy.

Academic Sources

Universities, community colleges, and local libraries are great resources for secondary data. Colleges and their libraries can help marketers find databases and research done by the schools. Most universities also have small-business organizations on campus that provide secondary data. Local community libraries house books, business directories, magazines, journals, newsletters, newspapers, and other free resources.

Trade Associations

A *trade association* is an organization of people in a specific type of business or industry. The members of a trade association work together to help each other succeed. Information from a trade

Federal Governmental Data Sources	
Agency	Data Available
FedWorld	Online locator service for a comprehensive inventory of information disseminated by the US federal government
International Trade Administration	Data about US industries, exports, imports, and trade analysis
US Bureau of Economic Analysis	Economic data related to economic growth, regional economic development, inter-industry relationships, and the nation’s position in the world economy
US Bureau of Labor Statistics	Measures and reports labor market activity, working conditions, and price changes in the US economy
US Census Bureau	Source of quality data about the nation’s people and economy
US Department of Commerce	Data from all related bureaus, including economic, population, international trade, business development, and telecommunications information
US Federal Reserve	Innovative research on a broad range of topics in economics and finance

Figure 8-4 Secondary research gathered from governmental sources is generally reliable.

association may be free to anyone, or may be free only to members. Depending on the source, sometimes it is available for a fee.

Some information can also appear on association websites. For example, the National Grocers Association posts results from various surveys on its website. Businesses can compare themselves to others of similar size and location by using trade association data.

Industry publications, also called *trade journals*, are magazines or newsletters focusing on a specific industry. Many trade associations publish trade journals. The journals usually cover a wide range of topics that are of interest to those within the industry. One example of a trade journal is the National Retail Federation (NRF) publication, *STORES Magazine*.

Internet

Using various Internet search engines can add a great deal of efficiency to the marketing-research process. Information can be learned about the competition, their marketing mixes, and promotions by viewing competitors' websites. Internet sources used for research purposes should be verified. Open-source websites and business websites ending in .com or .net may or may not have correct information. More trustworthy sites tend to be those ending in .gov or .edu.

L0
8.1-2

Trend Research

A major goal of marketing research is to identify business opportunities that support growth. One way to do this is to look for new trends. In general, a *trend* is an emerging pattern of change. Trends tend to be long lasting.

A **marketing trend** is a pattern of change in consumer behavior that leads to changes in the marketing mix. Trend research often combines research on customers, competition, and possible opportunities. This information is important to businesses because it helps them adjust product, price, place, and promotion to meet new trends.

A number of marketing firms specialize in researching and predicting trends. Faith Popcorn and her company, BrainReserve, is one of the best-known trend researchers. BrainReserve has successfully predicted some major trends before they happened. For example, it predicted the fast

growth of social media and consumer demand for fresh, locally grown foods.

Trends develop over a long period of time and affect large numbers of people. They are different from fads. A *fad* is something that is very popular for a short time and dies out quickly. Examples of fads include selfie sticks, planking, and various fad diets.

There are many types of trends that can be seen in society. However, marketers are particularly interested in social, demographic, and product trends. Successful marketers notice trends early and help their businesses offer products to meet new wants or needs.

Social Trends

Social trends are the patterns of change in society as a whole. Social trends often lead to changes in consumer behavior. One of the major social trends of the 21st century is the availability and integration of technology into our daily lives. This led to development of smartphone apps that are used every day by millions of consumers for scheduling, shopping, health tracking, reading books, listening to music, and many other tasks.

Demographic Trends

Demographics are the qualities of a specific group of people, such as age, gender, and income. *Demographic trends* are changes in the size of different segments of the population. Marketers are interested in demographic trends because they often bring



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A fad is something that is very popular for a short time and dies out quickly, such as selfie sticks. **What fads have you seen come and go?**

changes in product preferences. Businesses looking to grow are interested in recent demographic trends.

One trend is the increase in the population over age 65. As the Baby Boomer generation ages, this group of people has time, money, and possible health concerns. Travel, health care, and financial services companies are finding new, stable markets for their products and services in this demographic.

Product Trends

Product trends are changes in current product features or new products being developed. Marketers must know product trends to meet customer needs. For example, the trend in electronic devices is toward interactive, wearable designs. This means consumers are buying more Bluetooth products that can be worn as wristbands or watches.

LO
8.1-3

Marketing-Information System (MkIS)

Researchers analyze raw data to draw conclusions and help make informed decisions. A **marketing-information system (MkIS)** is the organized system of gathering, sorting, analyzing, evaluating, distributing, and storing information for marketing purposes. Examples of these activities are shown in Figure 8-5. Data are constantly gathered and updated from both internal and external sources. The system provides marketing

Marketing-Information System Activities

Activity	Examples
Gather	Input customer contact information, customer purchases, and primary product research data
Sort	Sort data by customer zip codes, products purchased, and purchase months
Analyze	Determine how many customers bought the products during each month by zip code
Evaluate	Update current product and marketing mixes based on analysis; shift budgets to increase personalized marketing efforts
Distribute	Send all MkIS data and reports to mid-level managers and above for decision-making purposes
Store	Store all data for future planning, decision-making, and comparison

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Figure 8-5 A marketing-information system (MkIS) is the organized system of gathering, sorting, analyzing, evaluating, and distributing information for marketing purposes.

intelligence so decisions can be made and problems solved.

Some marketing-information systems are complex, while others are simple, such as a database. Each business decides which system best meets their needs. Company records, competitor information, and customer databases are part of many MkIS.

Database marketing consists of gathering, storing, and using customer data for marketing



Social Media

Content Marketing

Content marketing is the process of creating online material that generates interest in content or information rather than the brand or the business. Customers are interested in information that helps their lives become easier, better, or makes them feel good. They may or may not be interested in the company, brand, or product. Rather, the interest may be to learn something or be entertained.

Content marketing is just one strategy used in social-media marketing where the focus is on content. It is not about the “hard sell” of a product, but for providing content to gain the interest of the customer. The use of blogs, podcasts, and videos are examples of vehicles that can be used to educate or inform customers about a product. The end goal is for customers to be impressed with the information they learned and look to the business for future purchases.

directly to customers based on their histories. Database marketing makes customer relationship management (CRM) easier and more effective. CRM databases can help build stronger customer relationships by allowing companies to monitor certain activities and target customers.

For example, some companies store credit card purchase information in their MkIS. This information helps target customers based on products they have already purchased. In doing this, customers feel like the company knows them and what they want or need.

Section 8.1 Review

Check Your Understanding

1. What is marketing-information management (MIM)?
2. What are the benefits of using primary data and secondary data?
3. What is sample size?
4. How are trends different from fads?
5. How is a marketing-information system (MkIS) used in customer relationship management?

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

data
database
database marketing
focus group
marketing-information system (MkIS)
marketing research
marketing trend
primary data

qualitative data
quantitative data
representative sampling
secondary data
social trend
survey
variable

Section 8.2



Why is accuracy important for marketing research?

Conducting Marketing Research

Learning Objectives

LO 8.2-1 Identify steps in the marketing-research process.

LO 8.2-2 Describe reasons why marketing research may be unreliable.

Key Terms

hypothesis
raw data
data mining
table
graph

chart
reliability
validity
order bias

LO
8.2-1

Marketing-Research Process

Marketers collect many types of research data. This may include data about new opportunities, potential customers, trends, competition, pricing, or other areas that can help a business make product and promotion decisions. Data can be gathered in both formal and informal ways. Both methods can help businesses understand what customers really want and need.

Informal research may take place with little or no planning. For example, the owner of a gift shop might walk around her store and talk with customers. She can learn what customers think of the store's products and services. If she notices that sales are down, the owner may start asking customers questions about the products and what they are buying instead.

Formal research involves a strategy and requires planning. For example, a business may develop and distribute a survey to current clients or hold a focus group to test a new product. The

formal research process follows eight steps and is very similar to the scientific method of research.

1. Define the problem.
2. Conduct background research.
3. State a hypothesis.
4. Develop a research plan.
5. Collect the data.
6. Analyze the data.
7. Draw conclusions and make recommendations.
8. Follow up.

Define the Problem

All research begins by identifying the problem and defining it. The first step is to ask the questions for which answers are needed. For example, questions might include the following:

- How is the competition promoting its products?
- What goods or services will make the business more competitive?
- What are the demographics of the best customers?



You Do the Math

Margin of Error

The *margin of error* is an allowance permitted to account for changes in circumstances or miscalculations. Margin of error is commonly seen in surveys used in marketing research. For example, a marketing-research survey may compare the percentage of consumers favoring one brand of pasta sauce over another. These surveys almost always state a margin of error, such as ± 3 percent. In this case, the margin of error means the stated percentages may be 3 percent too high or too low.

Solve the following problems.

1. A market survey revealed that 45.6 percent of American households will purchase a new television in the next year. The survey has a margin of error of ± 8 percent. When estimating how many televisions will be sold, what is the *lowest* percentage of households that can be assumed to make this purchase within the next year?
2. A business calculated its weekly expenses as \$12,054 with a margin of error of ± 2.5 percent. What is the *maximum* the weekly expenses should be?
3. A hotel chain conducted a survey of families planning to take a vacation over the upcoming holiday weekend. The survey results state that 73.6 percent will drive at least 500 miles. The margin of error is ± 4.6 percent. Allowing for the margin of error, what is the range of percentages of families that will drive at least 500 miles?

A written statement should be created that precisely defines the problem before research begins. Then, the problem or situation can be analyzed.

Part of the analyzing process is to review material that is already on hand about the problem. Talking to other people within the company may reveal others who have experience with a similar problem or situation. Using the company CRM system may provide the answer or solution needed. In some situations, the problem may be solved before any further research begins.

Conduct Background Research

It is important to learn as much as possible about the problem that has been defined. Personal interviews with current and potential customers can be helpful. Research should be gathered through multiple sources in order to gain information about the competition and industry, as well as to understand the marketing challenge.

State a Hypothesis

A **hypothesis** is a statement that can be tested and proved to be either true or false. A hypothesis is always stated in the positive. For example, if you

are marketing clothing, the hypothesis might be: "Customers buy Superstar-brand clothes because Superstar clothing makes them feel trendy." It is a good idea to test the hypothesis before creating a marketing plan based on it. Research will either confirm or disprove a hypothesis. Plans can then be changed if the hypothesis does not test well.

Develop a Research Plan

A research plan is necessary to test the hypothesis and produce a desired outcome. A plan must be in place to accommodate the requirement of quantitative data, qualitative data, or both. If primary research is to be used, research instruments must be chosen and designed. When the situation requires outside research firms, budgets must be developed to accommodate the costs. Some situations require secondary research. If secondary research will be used, the type of data needed and where it can be found should be identified.

Collect the Data

Depending on the research plan, the actual data collection may be done by internal marketing employees or by hiring an external firm. This step will require training for the people who are doing the research. If it is primary research, the people

Section 8.2 Review

Check Your Understanding

1. What is the difference between informal research and formal research?
2. How does all research begin?
3. What is involved in the process of analyzing and presenting data?
4. What is one of the dangers of flawed marketing research?
5. Identify reasons that marketing research may be unreliable.

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

chart
data mining
graph
hypothesis
order bias

raw data
reliability
table
validity

Chapter Summary

Section 8.1 Marketing-Research Data

LO 8.1-1 Identify two types of data gathered through marketing research.

Two types of data collected through marketing research are primary and secondary data. Primary data are collected directly by an individual or organization. Secondary data are information, statistics, or other data collected for other reasons.

LO 8.1-2 Discuss trend research.

A marketing trend is a pattern of change in consumer behavior that leads to changes in the marketing mix. Trend research often combines research on customers, competition, and possible opportunities. Marketers are interested in identifying social, demographic, and product trends to offer products to meet new wants or needs.

LO 8.1-3 Explain the purpose of a marketing-information system.

A marketing-information system (MkIS) is the organized system of gathering, sorting, analyzing, evaluating, distributing, and storing information for marketing purposes. Database marketing using MkIS data makes customer relationship management (CRM) easier and more effective.

Section 8.2 Conducting Marketing Research

LO 8.2-1 Identify steps in the marketing research process.

The formal marketing research process consists of eight steps. They are: define the problem; conduct background research; state a hypothesis; develop a research plan; collect the data; analyze the data; draw conclusions and make recommendations; and follow up.

LO 8.2-2 Describe reasons why marketing research may be unreliable.

The results of any research are only as good as the research process. Marketing research may be unreliable for a number of reasons, including problems with the research sample, question structure, data analysis, or reporting errors.

Check Your Marketing IQ

Now that you have completed the chapter, see what you have learned about marketing by taking the chapter posttest. The posttest is available at www.g-wlearning.com/marketing/.

Review Your Knowledge

1. Describe how businesses use marketing-research data.
2. What is the difference between primary and secondary data?
3. Identify and describe methods of collecting primary data.
4. List external sources available for reliable secondary data. Provide an example of each.
5. Discuss the use of trend research.
6. What does a marketing-information system (MkIS) provide?
7. List and describe the steps in the marketing-research process.
8. How is data mining used in the marketing-research process?
9. How do marketers draw conclusions from marketing-research data?
10. Summarize reasons why marketing research may be unreliable.

Apply Your Knowledge

1. You identified a company for which you are creating a marketing plan. Explain why you will need primary or secondary data to market products for the company you have selected.
2. Describe the difference between qualitative and quantitative data. Explain how each type of data would benefit your marketing plan.
3. Where would you search for secondary data about the products you are marketing for your selected business?
4. Which methods would you use to conduct informal research about customers for your product?
5. Assume you determined primary data is needed to help the development team create a relevant product for the business. Analyze each method of conducting primary marketing research: observations, interviews, surveys, diaries, and experiments. How can each method help your company gain a competitive edge? Evaluate the design of the marketing-research methods and decide which is appropriate for the research problems or issues related to the product or business you are marketing.
6. What kind of research do you think your competitors are conducting? Explain why you think so.
7. Explain the nature and scope of the marketing-information management function that will be implemented to support your marketing plan.
8. Assume your company is creating a new customer database. Identify the types of data that should be included and monitored to help make marketing decisions.
9. What product trends will you have to address in your marketing plan?
10. What steps could you take to ensure your research is reliable?

Apply Your Math Skills

Sophia is a marketing manager for a company that produces breakfast cereal. She is getting ready to conduct a marketing-research project. Apply your math skills to solve the following problems.

1. Sophia is preparing a survey about breakfast cereal preferences. She will need at least 35 responses. She knows from previous surveys to expect a response rate of 2 percent. How many people must she survey in order to ensure 35 responses?
2. Sophia is going to conduct four focus groups to generate feedback about the taste of a new breakfast cereal. She has received a list of 32 people who participate in the focus groups from a marketing-research firm. How many people will participate in each focus group?
3. Half the focus groups were given a breakfast cereal marketed as *all natural* and *made with whole grains*. In these groups, 75 percent of the participants said they would buy the cereal. The other half were given the same cereal marketed as being *great tasting* and *a cereal your children will love*. In this group, 50 percent of the participants said they would buy the cereal. What is the total number of participants who said they would buy the cereal?

Communication Skills



College and Career Readiness

Reading Imagery is descriptive language that indicates how something looks, feels, smells, sounds, or tastes. After you read this chapter, find an example of how the author used imagery to appeal to the five senses. Analyze the presentation of the material.

Why did you think this appealed to the senses? How did this explanation create imagery? Describe how it influenced your mood.

Writing To become career-ready, it will be important to learn how to communicate clearly and effectively using reason. Write several paragraphs that clearly communicate your opinion on the importance of marketing

research. Consider your audience as you prepare the information.

Listening When a person speaks literally, he or she means exactly what the words indicate. Ask a classmate to verbally summarize one of the topics presented in this chapter. Listen carefully to the statements he or she makes. Did your classmate speak literally?

Internet Research

Demographics Marketers are interested in demographic trends because they often bring changes in consumer preferences. Visit the website of the US Census Bureau American Fact-Finder to find demographic information specific to your state. What useful demographic information is provided? Explain how this information could be helpful in identifying the preferences of a market.

Effective Surveys Using the Internet, conduct a search for the phrase *how to write effective survey questions*. Research types of questions that are the most effective for gathering data. What question-writing tips did you come across? Summarize the information you learned in one to two paragraphs.

Limitations of Market Research The results of market research are only as good as the research itself. Conduct an Internet search for *limitations of market research*. Read several articles on the topic. Based on the information you have read, write a brief summary of how the limitations of market research can impact your research plans.

Teamwork

Work with your team to develop a checklist that could be used to observe reactions of people passing by a retail window display. The checklist should provide information for the observers so that each observes, interprets, and communicates the same data. The observation technique is successful only when the same criteria are used by everyone on the research team.

Portfolio Development



College
and Career
Readiness

File Structure After you have chosen a file format for your documents, determine a strategy for storing and organizing the materials. The file structure for storing digital documents is similar to storing hard copy documents.

First, you need a place to store each item. Ask your instructor where to save your documents. This could be on the school's network or a flash drive of your own. Next, decide how to organize related files into categories. For example, *Certificates* might be the name of a folder with subfolders for *Community Service Certificates* and *School Certificates*. The names for folders and files should be descriptive but not too long.

1. Decide on the file structure for your documents.
2. Create folders and subfolders on the school's network drive or flash drive on which you will save your files.