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Managing Marketing Information to Gain Customer Insights

Chapter 4

In the previous chapter, you learned about the complex and changing marketing environment. In this chapter, we continue our exploration of how marketers gain insights into consumers and the marketplace. We look at how companies develop and manage information about important marketplace elements—customers, competitors, products, and marketing programs. To succeed in today's marketplace, companies must know how to turn mountains of marketing information into fresh customer insights that will help them deliver greater value to customers.

We'll start this chapter with a story about ZIBA, a brand and product design consultancy that helps its clients to create new products that connect strongly with customers. ZIBA's designs don't start in a research lab. ZIBA's first step is to research consumers and get to know them—really get to know them. Then, based on the deep insights garnered from consumer research, ZIBA designs products that turn consumers' heads and open their wallets.

ZIBA is a brand and new-product design consultancy. In its own words, it "helps companies to create meaningful ideas, designs, and experiences that consumers crave." ZIBA knows that good product design begins with good marketing research. But it does much, much more than just gather facts about market demographics and consumer buying patterns. It digs in and really gets to know consumers. More than just gathering facts and figures, it develops deep customer and market insights. Driven by a self-described "almost unnatural obsession for understanding consumers," ZIBA innovates with soul. "ZIBA's process is about more than design," says a design analyst. "It's about creating something that will evoke emotion—even love."

The company's long odyssey into the hearts and hungers of consumers began in 1989 with—of all things—a squeegee. An entrepreneur hired the consultancy to craft a hip-looking tool for cleaning gunky shower stalls. Rather than pouring through market data or conducting the usual consumer surveys, ZIBA dispatched a small team of designers to plumb the mysteries of the American bathroom. It spent 10 days shadowing people as they went to their noxious task, photographing the ballet-like movements of window washers, and even studying silk screeners to glean the ergonomics of handling a squeegee-like device.

Such surveillance eventually led to a sculptured, cylindrical handle, about the size of a shampoo bottle, which held two removable, wave-shaped plastic blades. Dubbed the Cleret, the freestanding cleaning tool looked like no other squeegee that had come before. Elegantly simple in its design and effective in its performance, it landed in the Smithsonian's permanent design collection. It also claimed the Industrial Designers Society of America's best-designed new consumer product award (check it out at www.cleret.com/aboutus.html). Best of all, since the Cleret's launch, the start-up has sold $40 million worth of the thing. From that point on, every ZIBA design would grow out of its unique research approach of first decoding the consumer's mind in order to forge key customer insights.

At the heart of ZIBA's success is its Consumer Insights and Trends Group, an interesting mix of social anthropologists, cultural ethnographers, user-experience wizards, trend trackers, brand translators, and cool hunters, headed by creative director Steve McCallion. McCallion argues that it's not enough to study the average user and ask them what they want. "We're going for something deeper—to understand why people want what they want," he says. "Our ability to invent is solely dependent on our ability to capture that dynamic relationship between the brand and the culture that finds it relevant."

So when Sirius Satellite Radio enlisted ZIBA to fashion a handheld receiver (what would later become the Sirius S50 and the new Stiletto), McCallion and his consumer insights squad went in for a "deep dive" with customers, resulting in a "discovery, portability, personalization" positioning statement that drove the entire design process.

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So when Sirius Satellite Radio enlisted ZIBA to fashion a handheld receiver (what would later become the Sirius S50 and the new Stiletto), McCallion and his consumer insights squad went in for a deep dive, spreading out across Portland, Boston, and Nashville to spend some quality time with 44 Sirius subscribers. They toured people's CD collections, hung out with them at Saturday afternoon tailgating parties, studied how they accessorized their cars, and got them to riff on why music matters to them.
Then, back at Ziba’s studios, the team spent weeks harvesting raw data, photographs, and field notes, seeking deeper customer insights. McCaillon edited the material down to a design target—the “iPod fatigued”—and assembled more-focused profiles of Sirius users, such as the “intelligent fan” (dials into a wide range of sports and listens to the radio while attending Red Sox games) and the “business charismatic” (drives a BMW 5 Series and holds a platinum frequent-flier card).

Working from the profiles, McCaillon and the insights team crafted a perceptive positioning statement—“discovery, portability, personalization”—that drove the entire design process as Ziba tested and refined scores of prototypes. They knew the business charismatic was looking for a device that wouldn’t detract from a car’s interior, so they urged designers to give the S50 and the Stiletto a simple, accessible interface. The intelligent fan was keen on portability, and by storyboarding scenarios for the S50, the team discovered that many people wanted to use it to record programming and play it back later. They also pushed for a prominent media dial and a lustrous black finish, based on the conviction that both were powerfully reminiscent of “radio.”

“We all have memories of listening to the radio when we were kids,” says McCaillon. “We wanted to tap into those memories; they help you emotionally connect with the product.” Apparently, McCaillon and Ziba scored a hit—the S50 became one of the holiday season’s top sellers and took yet another Gold Idea Award, presented by the Industrial Designers Society of America.

Ziba has come a long way from contemplating shower stalls. Thanks to its innovative research approach, Ziba is now one of the nation’s hottest brand and design consultancies. It has fashioned everything from waffle makers for KitchenAid to winches for Oregon’s Warn Industries to a new community development for Portland’s South Waterfront. Today, Ziba’s clients include a who’s who list of Fortune 100 heavyweights such as P&G, Microsoft, FedEx, and Whirlpool as well as an assortment of small technology start-ups and service organizations. Ziba’s doing something right: Over the past several years, it’s walked off with a shelf full of Industrial Design Excellence Awards.

Ziba teaches its clients that successful new products don’t begin in their R&D labs. They begin with a deep understanding of customers and their emotional connections to the products they buy and use. “They’re terrific designers but it’s their ability to capture what your customers are about and then connect with them that’s truly fascinating,” says one client. Whether it’s a squeegee or a high-tech consumer communications device, at Ziba, innovative new products start with innovative consumer research that provides fresh customer and market insights.

As the Ziba story highlights, good products and marketing programs begin with good customer information. Companies also need an abundance of information on competitors, resellers, and other actors and marketplace forces. But more than just gathering information, marketers must use the information to gain powerful customer and market insights.

Marketing Information and Customer Insights (pp 99-102)

To create value for customers and to build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Companies use such customer insights to develop competitive advantage. "In today’s hypercompetitive
Objective Outline

OBJECTIVE 1 Explain the importance of information in gaining insights about the marketplace and customers.

Marketing Information and Customer Insights 99–102

OBJECTIVE 2 Define the marketing information system and discuss its parts.

Assessing Marketing Information Needs 102
Developing Marketing Information 102–105

OBJECTIVE 3 Outline the steps in the marketing research process.

Marketing Research 105–120

OBJECTIVE 4 Explain how companies analyze and use marketing information.

Analyzing and Using Marketing Information 120–122

OBJECTIVE 5 Discuss the special issues some marketing researchers face, including public policy and ethics issues.

Other Marketing Information Considerations 122–128

world," states a marketing expert, "the race for competitive advantage is really a race for customer and market insights." Such insights come from the good marketing information.3

Consider Apple's phenomenally successful iPod.4 The iPod wasn't the first digital music player but Apple was the first to get it right. Apple's research uncovered a key insight about how people want to consume digital music—they want to take all their music with them but they want personal music players to be unobtrusive. This insight led to two key design goals—make it as small as a deck of cards and build it to hold 1,000 songs. Add a dash of Apple's design and usability magic to this insight, and you have a recipe for a blockbuster. Apple's expanded iPod line now captures more than 75 percent market share.

However, although customer and market insights are important for building customer value and relationships, these insights can be very difficult to obtain. Customer needs and buying motives are often anything but obvious—consumers themselves usually can't tell you exactly what they need and why they buy. To gain good customer insights, marketers must effectively manage marketing information from a wide range of sources.

Today's marketers have ready access to plenty of marketing information. With the recent explosion of information technologies, companies can now generate information in great quantities. In fact, most marketing managers are overloaded with data and often overwhelmed by it. For example, Wal-Mart refreshes sales data from checkout scanners hourly, adding a billion rows of data a day, equivalent to about 96,000 DVD movies. That's a lot of data to analyze.5 Still, despite this data glut, marketers frequently complain that they lack enough information of the right kind. They don't need more information, they need better information.
Customer insights
Fresh understandings of customers and the marketplace derived from marketing information that become the basis for creating customer value and relationships.

Marketing information system (MIS)
People and procedures for assessing information needs, developing the needed information, and helping decision makers to use the information to generate and validate actionable customer and market insights.

And they need to make better use of the information they already have. Says another marketing information expert, “transforming today’s vast, ever-increasing volume of consumer information into actionable marketing insights ... is the number-one challenge for digital-age marketers.”

Thus, a company’s marketing research and information system must do more than simply generate lots of information. The real value of marketing research and marketing information lies in how it is used—in the customer insights that it provides. “The value of the market research department is not determined by the number of studies that it does,” says a marketing expert, “but by the business value of the insights that it produces and the decisions that it influences.” Says another expert, “Companies that gather, disseminate, and apply deep customer insights obtain powerful, profitable, sustainable competitive advantages for their brands.”

Based on such thinking, many companies are now restructuring and renaming their marketing research and information functions. They are creating “customer insights teams,” headed by a vice president of customer insights and made up of representatives from all of the firm’s functional areas. For example, the head of marketing research at Kraft Foods is called the director of consumer insights and strategy.

Customer insights groups collect customer and market information from a wide variety of sources—ranging from traditional marketing research studies to mingling with and observing consumers to monitoring consumer online conversations about the company and its products. Then, they use the marketing information to develop important customer insights from which the company can create more value for its customers. For example, Unilever’s customer insights group states its mission simply as “getting better at understanding our consumers and meeting their needs.”

In gathering and using customer insights, however, companies must be careful not to go too far and become customer controlled. The idea is not to give customers everything they request. Rather, it’s to understand customers to the core and give them what they need—to create value for customers as a means of capturing value for the firm in return.

Thus, companies must design effective marketing information systems that give managers the right information, in the right form, at the right time and help them to use this information to create customer value and stronger customer relationships. A marketing information system (MIS) consists of people and procedures for assessing informational needs, developing the needed information, and helping decision makers to use the information to generate and validate actionable customer and market insights.

Figure 4.1 shows that the MIS begins and ends with information users—marketing managers, internal and external partners, and others who need marketing information. First, it interacts with these information users to assess information needs. Next, it interacts with the
marketing environment to develop needed information through internal company databases, marketing intelligence activities, and marketing research. Finally, the MIS helps users to analyze and use the information to develop customer insights, make marketing decisions, and manage customer relationships.

**Assessing Marketing Information Needs (p 102)**

The marketing information system primarily serves the company's marketing and other managers. However, it may also provide information to external partners, such as suppliers, resellers, or marketing services agencies. For example, Wal-Mart's RetailLink system gives key suppliers access to information on customer buying patterns and inventory levels. And Dell creates tailored Premium Pages for large customers, giving them access to product design, order status, and product support and service information. In designing an information system, the company must consider the needs of all of these users.

A good marketing information system balances the information users would like to have against what they really need and what is feasible to offer. The company begins by interviewing managers to find out what information they would like. Some managers will ask for whatever information they can get without thinking carefully about what they really need. Too much information can be as harmful as too little.

Other managers may omit things they ought to know, or they may not know to ask for some types of information they should have. For example, managers might need to know about surges in favorable or unfavorable consumer "word-of-Web" discussions about their brands on blogs or online social networks. Because they do not know about these discussions, they do not think to ask about them. The MIS must monitor the marketing environment in order to provide decision makers with information they should have in order to better understand customers and make key marketing decisions.

Sometimes the company cannot provide the needed information, either because it is not available or because of MIS limitations. For example, a brand manager might want to know how competitors will change their advertising budgets next year and how these changes will affect industry market shares. The information on planned budgets probably is not available. Even if it is, the company’s MIS may not be advanced enough to forecast resulting changes in market shares.

Finally, the costs of obtaining, analyzing, storing, and delivering information can mount quickly. The company must decide whether the value of insights gained from additional information is worth the costs of providing it, and both value and cost are often hard to assess. By itself, information has no worth; its value comes from its use. In many cases, additional information will do little to change or improve a manager’s decision, or the costs of the information may exceed the returns from improved customer insights and decision making. Marketers should not assume that additional information will always be worth obtaining. Rather, they should weigh carefully the costs of getting more information against the benefits resulting from it.

**Developing Marketing Information (pp 102-105)**

Marketers can obtain the needed information from internal data, marketing intelligence, and marketing research.

**Internal Data**

Many companies build extensive internal databases, electronic collections of consumer and market information obtained from data sources within the company network. Marketing managers can readily access and work with information in the database to identify marketing opportunities and problems, plan programs, and evaluate performance.
Information in the database can come from many sources. The marketing department furnishes information on customer transactions, demographics, psychographics, and buying behavior. The customer service department keeps records of customer satisfaction or service problems. The accounting department prepares financial statements and keeps detailed records of sales, costs, and cash flows. Operations reports on production schedules, shipments, and inventories. The sales force reports on reseller reactions and competitor activities, and marketing channel partners provide data on point-of-sale transactions. Harnessing such information can provide powerful customer insights and competitive advantage.

Here is an example of how one company uses its internal database to make better marketing decisions:

Pizza Hut's database contains detailed customer data on 40 million U.S. households, gleaned from phone orders, online orders, and point-of-sale transactions at its more than 7,500 restaurants around the nation. The company can slice and dice the data by favorite toppings, what you ordered last, and whether you buy a salad with your cheese and pepperoni pizza. It then uses all this data to enhance customer relationships. For example, based on extensive analysis of several years of purchase transactions, Pizza Hut designed a VIP (Very Into Pizza) program to retain its best customers. It invites these customers to join the VIP program for $14.95 and receive a free large pizza. Then, for every two pizzas ordered each month, VIP customers automatically earn a coupon for another free large pizza. Pizza Hut tracks VIP purchases and targets members with additional e-mail offers. In all, the campaign not only retained Pizza Hut's top customers but attracted new customers as well. The program also generated a lot of online buzz. Says one blogger, "So who is always on my mind when I feel like pizza? Who is sending me coupons and free things that make me want to get pizza rather than make dinner? You got it, Pizza Hut. They had me buy in and now they'll have my loyalty. They make it so easy that I wouldn't want to bother getting it anywhere else."

Internal databases usually can be accessed more quickly and cheaply than other information sources, but they also present some problems. Because internal information was often collected for other purposes, it may be incomplete or in the wrong form for making marketing decisions. For example, sales and cost data used by the accounting department for preparing financial statements must be adapted for use in evaluating the value of a specific customer segment, sales force, or channel performance. Data also ages quickly; keeping the database current requires a major effort. In addition, a large company produces mountains of information, which must be well integrated and readily accessible so that managers can find it easily and use it effectively. Managing that much data requires highly sophisticated equipment and techniques.

**Marketing Intelligence**

**Marketing intelligence** is the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketplace. The goal of marketing intelligence is to improve strategic decision making by understanding the consumer environment, assessing and tracking competitors' actions, and providing early warnings of opportunities and threats.

Marketing intelligence gathering has grown dramatically as more and more companies are now busily eavesdropping on the marketplace and snooping on their competitors. Techniques range from monitoring Internet buzz or observing consumers firsthand to quizzing the company's own employees, benchmarking competitors' products, researching the Internet, lurking around industry trade shows, and even rooting through rivals' trash bins.
Many companies routinely monitor consumers’ online chatter with the help of monitoring services such as Nielsen Online.

Good marketing intelligence can help marketers to gain insights into how consumers talk about and connect with their brands. Many companies send out teams of trained observers to mix and mingle with customers as they use and talk about the company’s products. Other companies routinely monitor consumers’ online chatter with the help of online monitoring services such as Nielsen Online or BrandIntel. For example, Ford employs marketing intelligence firm BrandIntel to monitor blogs and other Internet sites. Ford wants to know what people are saying about its products, their performance, and their looks. It also wants to know about any important issues—positive or negative—that might have consumers buzzing online about specific Ford models. For example, if BrandIntel discovers unanswered product questions or service complaints, it forwards them to Ford’s customer-service staff. When appropriate, the service staff can respond online, identifying themselves and asking if they can join the online discussions.

Companies also need to actively monitor competitors’ activities. Firms use competitive intelligence to gain early warnings of competitor moves and strategies, new-product launches, new or changing markets, and potential competitive strengths and weaknesses. A recent analysis by consulting firm PricewaterhouseCoopers found that companies employing competitive intelligence as a critical element in their strategic thinking grow 20 percent faster than those that do not.

Much competitor intelligence can be collected from people inside the company—executives, engineers and scientists, purchasing agents, and the sales force. The company can also obtain important intelligence information from suppliers, resellers, and key customers. Or it can get good information by observing competitors and monitoring their published information. It can buy and analyze competitors’ products, monitor their sales, check for new patents, and examine various types of physical evidence. For example, one company regularly checks out competitors’ parking lots—full lots might indicate plenty of work and prosperity; half-full lots might suggest hard times.

Some companies have even rifled their competitors’ garbage, which is legally considered abandoned property once it leaves the premises. In one classic garbage-snatching incident, Procter & Gamble admitted to “dumpster diving” at rival Unilever’s headquarters. Unilever’s dumpsters yielded a wealth of information about strategies for Unilever’s hair care brands. However, when news of the questionable tactics reached top P&G managers, they were shocked and immediately stopped the project. Although P&G claims it broke no laws, it noted that dumpster raids violated its business policies.

Competitors often reveal intelligence information through their annual reports, business publications, trade show exhibits, press releases, advertisements, and Web pages. The Web has become an invaluable source of competitive intelligence. Using Internet search engines, marketers can search specific competitor names, events, or trends and see what turns up. Moreover, most companies now place volumes of information on their Web sites, providing details to attract customers, partners, suppliers, investors, or franchisees. This can provide a wealth of useful information about competitors’ strategies, markets, new products, facilities, and other happenings.

Intelligence seekers can also pore through any of thousands of online databases. Some are free. For example, the U.S. Security and
organizational. And reporting of data relevant to a systematic design, marketing research actively markets the environment, marketing research involves gaining customer insights by scanning the market place happenings, marketers often need formal studies that provide customer and market insights for specific marketing situations and decisions. For example, Budweiser wants to know what appeals will be most effective in its Super Bowl advertising. Google wants to know how Web searchers will react to a proposed redesign of its site. Or Samsung wants to know how many and what kinds of people will buy its next-generation LCD televisions. In such situations, marketing intelligence will not provide the detailed information needed. Managers will need marketing research.

Marketing research is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization. Companies use marketing research in a wide variety of situations. For example, marketing research gives marketers insights into customer motivations, purchase behavior, and satisfaction. It can help them to assess market potential and market share or to measure the effectiveness of pricing, product, distribution, and promotion activities.

Some large companies have their own research departments that work with marketing managers on marketing research projects. This is how Procter & Gamble, GE, and many other corporate giants handle marketing research. In addition, these companies—like their smaller counterparts—frequently hire outside research specialists to consult with management on specific marketing problems and conduct marketing research studies. Sometimes firms simply purchase data collected by outside firms to aid in their decision making.

The marketing research process has four steps (see Figure 4.2): defining the problem and research objectives, developing the research plan, implementing the research plan, and interpreting and reporting the findings.

Defining the Problem and Research Objectives
Marketing managers and researchers must work closely together to define the problem and agree on research objectives. The manager best understands the decision for which information is needed; the researcher best understands marketing research and how to obtain

Marketing Research (pp 105-120)

In addition to marketing intelligence information about general consumer, competitor, and marketplace happenings, marketers often need formal studies that provide customer and market insights for specific marketing situations and decisions. For example, Unilever conducts widespread competitive intelligence training. Employees are taught not just how to collect intelligence information but also how to protect company information from competitors. According to a former Unilever staffer, “We were even warned that spies from competitors could be posing as drivers at the minicab company we used.” Unilever even performs random checks on internal security. Says the former staffer, “At one [internal marketing] conference, we were set up when an actor was employed to infiltrate the group. The idea was to see who spoke to him, how much they told him, and how long it took to realize that no one knew him. He ended up being there for a long time.”

The growing use of marketing intelligence raises a number of ethical issues. Although most of the preceding techniques are legal, and some are considered to be shrewdly competitive, some may involve questionable ethics. Clearly, companies should take advantage of publicly available information. However, they should not stoop to snoop. With all the legitimate intelligence sources now available, a company does not need to break the law or accepted codes of ethics to get good intelligence.
the information. Defining the problem and research objectives is often the hardest step in the research process. The manager may know that something is wrong, without knowing the specific causes.

After the problem has been defined carefully, the manager and researcher must set the research objectives. A marketing research project might have one of three types of objectives. The objective of exploratory research is to gather preliminary information that will help define the problem and suggest hypotheses. The objective of descriptive research is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product. The objective of causal research is to test hypotheses about cause-and-effect relationships. For example, would a 10 percent decrease in tuition at a private college result in an enrollment increase sufficient to offset the reduced tuition? Managers often start with exploratory research and later follow with descriptive or causal research.

The statement of the problem and research objectives guides the entire research process. The manager and researcher should put the statement in writing to be certain that they agree on the purpose and expected results of the research.

**Developing the Research Plan**

Once the research problems and objectives have been defined, researchers must determine the exact information needed, develop a plan for gathering it efficiently, and present the plan to management. The research plan outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather new data.

Research objectives must be translated into specific information needs. For example, suppose Unilever decides to conduct research on how consumers would react to a proposed new premium cologne line sold under its Axe brand. The Axe line of body sprays, shower gels, and deodorants has grown rapidly in recent years to become the world's top male grooming brand. Axe targets 18- to 24-year-old males with a coolly seductive, adventurous, and unconventional positioning that promises to give them "an edge in the dating game." However, as younger consumers of Axe age, research suggests that many see themselves as outgrowing "inexpensive" body scents and switching to cologne. Creating a line of cologne fragrances for the Axe brand would be expensive but it might help to keep current customers as they mature. The proposed research might call for the following specific information:

- The demographic, economic, and lifestyle characteristics of current Axe users. (Maturing teen and young adult users might move readily to Axe cologne if it's priced right, carries a more mature scent, and is positioned to meet their changing lifestyles.)
- Characteristics and usage patterns of young male cologne users: What do they need and expect from their fragrances, where do they buy them, when and how do they use them, and what existing cologne brands and price points are
most popular? (The new Axe cologne will need strong, relevant positioning in the crowded men's fragrance market.)

- Retailer reactions to the proposed new product line: Would they stock it? Where would they display it? (Failure to get retailer support would hurt sales of the premium cologne.)

- Forecasts of sales of both the new and current Axe products. (Will the new cologne line create new sales or simply take sales from the current Axe products? Will the cologne increase Unilever's overall profits?)

Axe brand managers will need these and many other types of information to decide whether and how to introduce the new cologne product.

The research plan should be presented in a written proposal. A written proposal is especially important when the research project is large and complex or when an outside firm carries it out. The proposal should cover the management problems addressed and the research objectives, the information to be obtained, and the way the results will help management decision making. The proposal also should include research costs.

To meet the manager's information needs, the research plan can call for gathering secondary data, primary data, or both. **Secondary data** consist of information that already exists somewhere, having been collected for another purpose. **Primary data** consist of information collected for the specific purpose at hand.

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**Gathering Secondary Data**

Researchers usually start by gathering secondary data. The company's internal database provides a good starting point. However, the company can also tap into a wide assortment of external information sources, including commercial data services and government sources (see Table 4.1).

Companies can buy secondary data reports from outside suppliers. For example, ACNielsen sells buyer data from a consumer panel of more than 260,000 households in 27 countries worldwide, with measures of trial and repeat purchasing, brand loyalty, and buyer demographics. **Experian Consumer Research (Simmons)** sells information on more than 8,000 brands in 450 product categories, including detailed consumer profiles that assess everything from the products consumers buy and the brands they prefer to their lifestyles, attitudes, and media preferences. The MONITOR service by Yankelovich sells information on important social and lifestyle trends. These and other firms supply high-quality data to suit a wide variety of marketing information needs.

Using **commercial online databases**, marketing researchers can conduct their own searches of secondary data sources. General database services such as Dialog, ProQuest, and LexisNexis put an incredible wealth of information at the keyboards of marketing decision makers. Beyond commercial Web sites offering information for a fee, almost every industry association, government agency, business publication, and news medium offers free information to those tenacious enough to find their Web sites. There are so many Web sites offering data that finding the right ones can become an almost overwhelming task.

**Web search engines** can also be a big help in locating relevant secondary information sources. However, they can also be very frustrating and inefficient. For example, an Axe marketer googling “mens cologne” would come up with some 1,470,000 hits! Still, well-structured, well-designed Web searches can be a good starting point to any marketing research project. For example, the fourth hit in the “mens cologne” Google search list would take the Axe marketing to a shopping.yahoo.com page containing consumer reviews and price comparisons of hundreds of men's cologne brands.
TABLE 4.1 Selected External Information Sources

For business data:

ACNielsen Corporation (http://acnielsen.com) provides point-of-sale scanner data on sales, market share, and retail prices; data on household purchasing; and data on television audiences (a unit of VNU NV).

Experian Consumer Research (Simmons) (http://smrb.com) provides detailed analysis of consumer patterns in 400 product categories in selected markets.


IMS Health (http://imshealth.com) tracks drug sales, monitors performance of pharmaceutical sales representatives, and offers pharmaceutical market forecasts.

Arbitron (http://arbitron.com) provides local-market and Internet radio audience and advertising expenditure information, among other media and ad spending data.

J.D. Power and Associates (http://jdpower.com) provides information from independent consumer surveys of product and service quality, customer satisfaction, and buyer behavior.

Dun & Bradstreet (http://dnb.com) maintains a database containing information on more than 50 million individual companies around the globe.

comScore Networks (http://comscore.com) provides consumer behavior information and geodemographic analysis of Internet and digital media users around the world.

Thomson Dialog (www.dialog.com) offers access to more than 900 databases containing publications, reports, newsletters, and directories covering dozens of industries.

LexisNexis (http://lexisnexis.com) features articles from business, consumer, and marketing publications plus tracking of firms, industries, trends, and promotion techniques.

Factiva (http://factiva.com) specializes in in-depth financial, historical, and operational information on public and private companies.

Hoover's, Inc., (http://hoovers.com) provides business descriptions, financial overviews, and news about major companies around the world.

CNN (http://cnn.com) reports U.S. and global news and covers the markets and news-making companies in detail.

American Demographics (http://adage.com/americandemographics/) reports on demographic trends and their significance for businesses.

For government data:


Small Business Administration (http://sba.gov) features information and links for small business owners.


Stat-USA (http://stat-usa.gov), a Department of Commerce site, highlights statistics on U.S. business and international trade.

U.S. Census (www.census.gov) provides detailed statistics and trends about the U.S. population.

U.S. Patent and Trademark Office (http://uspto.gov) allows searches to determine who has filed for trademarks and patents.

For Internet data:

ClickZ (http://clickz.com) brings together a wealth of information about the Internet and its users, from consumers to e-commerce.

Interactive Advertising Bureau (http://iab.net) covers statistics about advertising on the Internet.

Jupiter Research (http://jupiterresearch.com) monitors Web traffic and ranks the most popular sites.

Secondary data can usually be obtained more quickly and at a lower cost than primary data. Also, secondary sources can sometimes provide data an individual company cannot collect on its own—information that either is not directly available or would be too expensive to collect. For example, it would be too expensive for Axe marketers to conduct a continuing retail store audit to find out about the market shares, prices, and displays of competitors' brands. But
it can buy the InfoScan service from Information Resources, Inc., which provides this information based on scanner and other data from 34,000 retail stores in markets around the nation.15

Secondary data can also present problems. The needed information may not exist—researchers can rarely obtain all the data they need from secondary sources. For example, Unilever will not find existing information about consumer reactions to a new cologne line that it has not yet placed on the market. Even when data can be found, the information might not be very usable. The researcher must evaluate secondary information carefully to make certain it is relevant (fits research project needs), accurate (reliably collected and reported), current (up-to-date enough for current decisions), and impartial (objectively collected and reported).

Primary Data Collection

Secondary data provide a good starting point for research and often help to define research problems and objectives. In most cases, however, the company must also collect primary data. Just as researchers must carefully evaluate the quality of secondary information, they also must take great care when collecting primary data. They need to make sure that it will be relevant, accurate, current, and unbiased. Table 4.2 shows that designing a plan for primary data collection calls for a number of decisions on research approaches, contact methods, sampling plan, and research instruments.

Research Approaches

Research approaches for gathering primary data include observation, surveys, and experiments. Here, we discuss each one in turn.

Observational Research. Observational research involves gathering primary data by observing relevant people, actions, and situations. For example, a bank might evaluate possible new branch locations by checking traffic patterns, neighborhood conditions, and the location of competing branches.

Researchers often observe consumer behavior to glean customer insights they can’t obtain by simply asking customers questions. For instance, Fisher-Price has set up an observation lab in which it can observe the reactions of little tots to new toys. The Fisher-Price Play Lab is a sunny, toy-strewn space where lucky kids get to test Fisher-Price prototypes, under the watchful eyes of designers who hope to learn what will get kids worked up into a new-toy frenzy. Others employ “Mindcams,” which allow a company to observe through the consumer’s eye in their natural environments. For example, Kimberly-Clark used camera-equipped “glasses” to observe behavior of consumers of their Huggies brand.16

A few years back, Kimberly-Clark saw sales of its Huggies baby wipes slip just as the company was preparing to launch a line of Huggies baby lotions and bath products. When traditional research didn’t yield any compelling customer insights, K-C’s marketers decided they could get more useful feedback just from watching customers’ daily lives. They came up with camera-equipped “glasses” to be worn by consumers at home, so that researchers could see what they saw. It didn’t take long to spot the problems—and the opportunities. Although women in focus groups talked about changing babies at a diaper table, the truth was they changed them on beds, floors, and on top of washing machines in awkward

<table>
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<th>Table 4.2 Planning Primary Data Collection</th>
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<tr>
<td>Research Approaches</td>
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<tr>
<td>Observation, Survey, Experiment</td>
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</table>
Part Two

Understanding the Marketplace and Consumers

Ethnographic research
A form of observational research that involves sending trained observers to watch and interact with consumers in their "natural habitat."

Survey research
Gathering primary data by asking people questions about their knowledge, attitudes, preferences, and buying behavior.

positions. The researchers could see they were struggling with wipe containers and lotions requiring two hands. So the company redesigned the wipe package with a push-button one-handed dispenser and designed lotion and shampoo bottles that can be grabbed and dispensed easily with one hand.

Observational research can obtain information that people are unwilling or unable to provide. In some cases, observation may be the only way to obtain the needed information. In contrast, some things simply cannot be observed, such as feelings, attitudes and motives, or private behavior. Long-term or infrequent behavior is also difficult to observe. Finally, observations can be very difficult to interpret. Because of these limitations, researchers often use observation along with other data collection methods.

A wide range of companies now use ethnographic research. Ethnographic research involves sending trained observers to watch and interact with consumers in their "natural habitat." Consider this example:

Mobile phone maker Nokia wants to add two billion new customers by the end of the decade. To do so, it has invested heavily in ethnographic research, focusing especially on emerging economies. Nokia deploys teams of anthropologists to study deeply the behavior of mobile-phone owners in vast markets such as China, Brazil, and India. By "living with the locals," from the shanty towns of Soweto to the bedrooms of Seoul's painfully tech-savvy teens, Nokia gleans subtle insights into nuances of each local culture. For example, it knows first-hand that 50 percent of the world's women keep their phones in their handbags (and miss 20 percent of their calls) and that most Asian early adopters who watch mobile TV ignore the mobile part and tune in from home.

One of the biggest discoveries came from researchers studying how people in poor rural areas overcome some of the barriers to communication they face in their daily lives. Surprisingly, although usually considered a one-owner item, mobile phones in these areas are often used by entire families or even villages because of the cost. Based on this finding, Nokia designed its 1200 and 1208 phones, which make shared use the top priority. The affordable phones offer many useful and durable features and are robust enough to accommodate many different people using them. For example, they contain a long-life battery and multiple phone books so each member of a family or village can keep his or her own contacts and numbers separately from others.

Observational and ethnographic research often yield the kinds of details that just don't emerge from traditional research questionnaires or focus groups. Whereas traditional quantitative research approaches seek to test known hypotheses and obtain answers to well-defined product or strategy questions, observational research can generate fresh customer and market insights. "The beauty of ethnography," says a research expert, is that it "allows companies to zero in on their customers' unarticulated desires." Agrees another researcher, "Classic market research doesn't go far enough. It can't grasp what people can't imagine or articulate. Think of the Henry Ford quote: 'If I had asked people what they wanted, they would have said faster horses.'"

Survey Research. Survey research, the most widely used method for primary data collection, is the approach best suited for gathering descriptive information. A company that wants to know about people's knowledge, attitudes, preferences, or buying behavior can often find out by asking them directly.
Experimental research
Gathering primary data by selecting matched groups of subjects, giving them different treatments, controlling related factors, and checking for differences in group responses.

Chapter 4 | Managing Marketing Information to Gain Customer Insights

The major advantage of survey research is its flexibility—it can be used to obtain many different kinds of information in many different situations. Surveys addressing almost any marketing question or decision can be conducted by phone or mail, in person, or on the Web. However, survey research also presents some problems. Sometimes people are unable to answer survey questions because they cannot remember or have never thought about what they do and why. People may be unwilling to respond to unknown interviewers or about things they consider private. Respondents may answer survey questions even when they do not know the answer in order to appear smarter or more informed. Or they may try to help the interviewer by giving pleasing answers. Finally, busy people may not take the time, or they might resent the intrusion into their privacy.

Experimental Research. Whereas observation is best suited for exploratory research and surveys for descriptive research, experimental research is best suited for gathering causal information. Experiments involve selecting matched groups of subjects, giving them different treatments, controlling unrelated factors, and checking for differences in group responses. Thus, experimental research tries to explain cause-and-effect relationships.

For example, before adding a new sandwich to its menu, McDonald’s might use experiments to test the effects on sales of two different prices it might charge. It could introduce the new sandwich at one price in one city and at another price in another city. If the cities are similar, and if all other marketing efforts for the sandwich are the same, then differences in sales in the two cities could be related to the price charged.

Contact Methods
Information can be collected by mail, telephone, personal interview, or online. Table 4.3 shows the strengths and weaknesses of each of these contact methods.

Mail, Telephone, and Personal Interviewing. Mail questionnaires can be used to collect large amounts of information at a low cost per respondent. Respondents may give more honest answers to more personal questions on a mail questionnaire than to an unknown interviewer in person or over the phone. Also, no interviewer is involved to bias the respondent’s answers.

However, mail questionnaires are not very flexible—all respondents answer the same questions in a fixed order. Mail surveys usually take longer to complete, and the response rate—the number of people returning completed questionnaires—is often very low. Finally, the researcher often has little control over the mail questionnaire sample. Even with a good mailing list, it is hard to control whom at the mailing address fills out the questionnaire.

Telephone interviewing is one of the best methods for gathering information quickly, and it provides greater flexibility than mail questionnaires. Interviewers can explain difficult questions and, depending on the answers they receive, skip some questions or probe on

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<tr>
<th>TABLE 4.3</th>
<th>Strengths and Weaknesses of Contact Methods</th>
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<tbody>
<tr>
<td><strong>Flexibility</strong></td>
<td><strong>Mail</strong></td>
</tr>
<tr>
<td>Quantity of data that can be collected</td>
<td>Good</td>
</tr>
<tr>
<td>Control of interviewer effects</td>
<td>Excellent</td>
</tr>
<tr>
<td>Control of sample</td>
<td>Fair</td>
</tr>
<tr>
<td>Speed of data collection</td>
<td>Poor</td>
</tr>
<tr>
<td>Response rate</td>
<td>Poor</td>
</tr>
<tr>
<td>Cost</td>
<td>Good</td>
</tr>
</tbody>
</table>

Focus group interviewing

Personal interviewing that involves inviting six to ten people to gather for a few hours with a trained interviewer to talk about a product, service, or organization. The interviewer “focuses” the group discussion on important issues.

others. Response rates tend to be higher than with mail questionnaires, and interviewers can ask to speak to respondents with the desired characteristics or even by name.

However, with telephone interviewing, the cost per respondent is higher than with mail questionnaires. Also, people may not want to discuss personal questions with an interviewer. The method introduces interviewer bias—the way interviewers talk, how they ask questions, and other differences may affect respondents’ answers. Different interviewers may interpret and record responses differently, and under time pressures some interviewers might even cheat by recording answers without asking questions. Finally, in this age of do-not-call lists and promotion-harassed consumers, potential survey respondents are increasingly hanging up on telephone interviewers rather than talking with them.

**Personal interviewing** takes two forms—individual and group interviewing. **Individual interviewing** involves talking with people in their homes or offices, on the street, or in shopping malls. Such interviewing is flexible. Trained interviewers can guide interviews, explain difficult questions, and explore issues as the situation requires. They can show subjects actual products, advertisements, or packages and observe reactions and behavior. However, individual personal interviews may cost three to four times as much as telephone interviews.

**Group interviewing** consists of inviting six to ten people to meet with a trained moderator to talk about a product, service, or organization. Participants normally are paid a small sum for attending. The moderator encourages free and easy discussion, hoping that group interactions will bring out actual feelings and thoughts. At the same time, the moderator “focuses” the discussion—hence the name **focus group interviewing**.

Researchers and marketers watch the focus group discussions from behind one-way glass and comments are recorded in writing or on video for later study. Today, focus group researchers can even use videoconferencing and Internet technology to connect marketers in distant locations with live focus group action. Using cameras and two-way sound systems, marketing executives in a far-off boardroom can look in and listen, using remote controls to zoom in on faces and pan the focus group at will.

Along with observational research, focus group interviewing has become one of the major qualitative marketing research tools for gaining fresh insights into consumer thoughts and feelings. However, focus group studies present some challenges. They usually employ small samples to keep time and costs down, and it may be hard to generalize from the results. Moreover, consumers in focus groups are not always open and honest about their real feelings, behavior, and intentions in front of other people.

Thus, although focus groups are still widely used, many researchers are tinkering with focus group design. For example, Cammie Dunaway, chief marketing officer at Yahoo!, prefers “immersion groups”—four or five people with whom Yahoo!’s product designers talk informally, without a focus group moderator present. That way, rather than just seeing videos of consumers reacting to a moderator, Yahoo! staffers can work directly with select customers to design new products and programs. “The outcome is richer if [consumers] feel included in our process, not just observed,” says Dunaway.

Other researchers are combining focus groups with hypnosis in an effort to get deeper, more vivid insights. Consider this example:

Volvo equals safety. In focus group after focus group, participants said the same thing.

But to check these findings, Volvo called in a hypnotist. Members of Volvo focus groups were asked to test-drive a car. Immediately afterwards, they were hypnotized and asked their true feelings about the brand. It wasn’t pretty: Many revealed that Volvo also equals being middle-aged. That idea “for some people was suffocating,” says a Volvo researcher. “Hypnosis helped get past the clichés. We needed the conversation taken to a deeper, more emotional place.”

Still other researchers are changing the environments in which they conduct focus groups. To help consumers relax and to elicit more authentic responses, they use settings that are more comfortable and more relevant to the products being researched. For example, to get a better understanding of how women shave their legs, Schick Canada
created the “Slow Sip” sessions designed to be like a simple get-together with girlfriends.

In these Slow Sip sessions, participants gathered round at a local café to sip coffee or tea and munch on snacks together. The structure was loose, and the congenial setting helped the women to open up and share personal shaving and moisturizing stories on a subject that might have been sensitive in a more formal setting. The Slow Sip sessions produced a number of new customer insights. For example, researchers discovered that the message for their Schick Quattro for Women razor—that Quattro has four-blade technology—was too technical. Women don’t care about the engineering behind a razor, they care about shaving results. As a result, Schick Canada repositioned the Quattro as offering a smooth, long-lasting shave. As a side benefit, participants enjoyed the sessions so much that they wanted to stick around for more. They became a kind of ongoing advisory board for Schick’s marketers and “brand ambassadors” for Schick’s products.21

**Online Marketing Research.** The growth of the Internet has had a dramatic impact on the conduct of marketing research. Increasingly, researchers are collecting primary data through **online marketing research**—Internet surveys, online panels, experiments, and online focus groups. By one estimate, global online research spending reached an estimated $4.4 billion in 2008, triple the amount spent in 2005. An estimated one-quarter to one-third of all research will be conducted online by 2010.22

Online research can take many forms. A company can use the Web as a survey medium. It can include a questionnaire on its Web site and offer incentives for completing it. It can use e-mail, Web links, or Web pop-ups to invite people to answer questions and possibly win a prize. It can create online panels that provide regular feedback or conduct live discussions or online focus groups. Beyond surveys, researchers can conduct experiments on the Web. They can experiment with different prices, use different headlines, or offer different product features on different Web sites or at different times to learn the relative effectiveness of their offers. Or they can set up virtual shopping environments and use them to test new products and marketing programs. Finally, a company can learn about the behavior of online customers by following their click streams as they visit the Web site and move to other sites.

The Internet is especially well suited to **quantitative research**—conducting marketing surveys and collecting data. Two-thirds of all Americans now have access to the Web, making it a fertile channel for reaching a broad cross section of consumers. As response rates for traditional survey approaches decline and costs increase, the Web is quickly replacing mail and the telephone as the dominant data collection methodology. One industry analyst estimates that consumer packaged-goods firms may now invest as much as two-thirds of their total quantitative survey budgets online. And Internet surveys now command nearly 80 percent of all online research spending.23

Web-based survey research offers some real advantages over traditional phone and mail approaches. The most obvious advantages are speed and low costs. “Faster. Cheaper. It boils down to that,” concludes a marketing research executive.24 By going online, researchers can quickly and easily distribute Internet surveys to thousands of respondents simultaneously via e-mail or by posting them on selected Web sites. Responses can be almost instantaneous, and because respondents themselves enter the information, researchers can tabulate, review, and share research data as they arrive.

Online research usually costs much less than research conducted through mail, phone, or personal interviews. Using the Internet eliminates most of the postage, phone, interviewer, and data-handling costs associated with the other approaches. As a result, Internet surveys typically cost 15 to 20 percent less than mail surveys and 30 percent less than phone surveys. Moreover, sample size has little impact on costs. Once the questionnaire is set up, there’s little difference in cost between 10 and 10,000 respondents on the Web.
Beyond their speed and cost advantages, Web-based surveys also tend to be more interactive and engaging, easier to complete, and less intrusive than traditional phone or mail surveys. As a result, they usually garner higher response rates. The Internet is an excellent medium for reaching the hard-to-reach—the often-elusive teen, single, affluent, and well-educated audiences. It's also good for reaching working mothers and other people who lead busy lives. Such people are well represented online, and they can respond in their own space and at their own convenience.

Whereas marketing researchers have rushed to use the Internet for quantitative surveys and data collection, they are now also adopting qualitative Web-based research approaches—such as online focus groups or depth interviews. Many marketers have learned that the Internet can provide a fast, low-cost way to gain qualitative customer insights. For example, Anheuser-Busch uses the Web—both formally and informally—as a research “test-lab” for advertising ideas.

Anheuser-Busch is increasingly using the Web to spread and fine-tune its advertising. The Web allows it to test-drive edgy material that, in years past, would never have seen the light of day for fear of causing offense on TV. Witness the strange life of “Swear Jar,” a commercial that portrays an effort to clean up office language by fining staffers 25 cent per profanity. The twist: the cash goes toward buying Bud Light—and the wholesome plan backfires spectacularly. Although the language was too raw for TV, A-B tested it out on the Internet. Someone sent it to YouTube, where it got more than 2.5 million hits, despite never appearing on television. “The digital space . . . can be an incubator for ideas,” says an Anheuser-Busch media executive.

Using the Web to gauge fervor for offbeat ads promises broader and quicker insight than the traditional way—peeking through a one-way window as a test group watches new TV commercials. “The Web gives instant credibility or thumbs-down,” says the executive.

The primary qualitative Web-based research approach is online focus groups. Such focus groups offer many advantages over traditional focus groups. Participants can log in from anywhere—all they need is a laptop and a Web connection. Thus, the Internet works well for bringing together people from different parts of the country or world, especially those in higher-income groups who can’t spare the time to travel to a central site. Also, researchers can conduct and monitor online focus groups from just about anywhere, eliminating travel, lodging, and facility costs. Finally, although online focus groups require some advance scheduling, results are almost immediate.

Online focus groups can take any of several formats. Most occur in real time, in the form of online chat room discussions in which participants and a moderator sit around a virtual table exchanging comments. Alternatively, researchers might set up an online message board on which respondents interact over the course of several days or a few weeks. Participants log in daily and comment on focus group topics. The focus group moderator monitors the online interactions and redirects the discussion as required to keep the group on track. This ongoing message board format gives participants a chance to reflect on their responses, talk to others, and check out products in the real world as the group progresses. It also gives researchers the opportunity to make ongoing adjustments as the discussion unfolds. As a result, this online approach can produce much more data and deeper insights than single-session, in-person focus groups.

Although low in cost and easy to administer, online focus groups can lack the real-world dynamics of more personal approaches. The online world is devoid of the eye contact, body language, and direct personal interactions found in traditional focus group research. And the Internet format—running, typed commentary and online “emoticons” (punctuation marks that express emotion, such as :-) to signify happiness)—greatly restricts respondent expressiveness. The impersonal nature of the Internet can prevent people from interacting with each other in a normal way and getting excited about a concept.
To overcome these shortcomings, some researchers are now adding real-time audio and video to their online focus groups. For example, online research firm Channel M2 "puts the human touch back into online research" by assembling focus group participants in people-friendly "virtual interview rooms." Participants are recruited using traditional methods and then sent a Web camera so that both their verbal and nonverbal reactions can be recorded. Participants are then provided instructions via e-mail, including a link to the Channel M2 online interviewing room and a toll-free teleconference number to call. At the appointed time, when they click on the link and phone in, participants sign on and see the Channel M2 interview room, complete with live video of the other participants, text chat, screen or slide sharing, and a whiteboard. Once the focus group is underway, questions and answers occur in "real time" in a remarkably lively setting. Participants comment spontaneously—verbally, via text messaging, or both. Researchers can "sit in" on the focus group from anywhere, seeing and hearing every respondent. Or they can review a recorded version at a later date.

Although the use of online marketing research is growing rapidly, both quantitative and qualitative Web-based research does have drawbacks. For one, restricted Internet access can make it difficult to get a broad cross section of respondents—about 30 percent of all U.S. adults still lack Web access. However, with Internet penetration growing, this is less of a problem. Another major problem is controlling who's in the online sample. Without seeing respondents, it's difficult to know who they really are. Finally, online surveys can be dry and lacking in dynamics compared with other, more-personal approaches.

To overcome such sample and context problems, many online research firms use opt-in communities and respondent panels. For example, online research firm Greenfield Online provides access to 12 million opt-in panel members in more than 40 countries. Advances in technology—such as the integration of animation, streaming audio and video, and virtual environments—also help to overcome online research dynamics limitations. In another recent development, many companies are developing their own custom social networks and using them to gain customer inputs and insights (see Real Marketing 4.1).

Perhaps the most explosive issue facing online researchers concerns consumer privacy. Some fear that unethical researchers will use the e-mail addresses and confidential responses gathered through surveys to sell products after the research is completed. They are concerned about the use of technologies that collect personal information online without the respondents' consent. Failure to address such privacy issues could result in angry, less-cooperative consumers and increased government intervention. Despite these concerns, most industry insiders predict healthy growth for online marketing research.

**Sampling Plan**

Marketing researchers usually draw conclusions about large groups of consumers by studying a small sample of the total consumer population. A *sample* is a segment of the population selected for marketing research to represent the population as a whole. Ideally, the sample should be representative so that the researcher can make accurate estimates of the thoughts and behaviors of the larger population.
Custom Social Networks:
Del Monte Unleashes Dog-Lover Insights

When Del Monte Foods—maker of such well-known dog food brands as Kibbles n Bits, Gravy Train, and Milk-Bone—was considering a new breakfast treat for dogs, it sent out a note to an online community of dog owners, called “I Love My Dog,” asking them what they most wanted to feed their pets in the morning. The consensus answer was something with a bacon-and-egg taste. The result: Del Monte introduced Snausages Breakfast Bites, born out of insights that a dedicated segment of dog owners love to share holiday events and mealtimes with their pets. The Snausages Breakfast Bites are flavored like bacon and eggs and contain an extra dose of vitamins and minerals, which the dog owners said was also important to them.

The “I Love My Dog” online community isn’t some random chat room or yet another Web site for dog enthusiasts—it’s a custom social network created by Del Monte working with research firm MarketTools. Its 400 members were handpicked to join the private social network, which the company uses to help create products, test marketing campaigns, and stir up buzz. “The idea is to develop a relationship ... create ad hoc surveys and get feedback,” says Del Monte Senior Customer Insights Manager Gala Amoroso. “If one of the brand managers has a new product idea or a different positioning, instead of

Designing the sample requires three decisions. First, who is to be surveyed (what sampling unit)? The answer to this question is not always obvious. For example, to study the decision-making process for a family automobile purchase, should the researcher interview the husband, wife, other family members, dealership salespeople, or all of these? The researcher must determine what information is needed and who is most likely to have it.

Second, how many people should be surveyed (what sample size)? Large samples give more reliable results than small samples. However, larger samples usually cost more, and it is not necessary to sample the entire target market or even a large portion to get reliable results. If well chosen, samples of less than 1 percent of a population can often give good reliability.

Third, how should the people in the sample be chosen (what sampling procedure)?

Table 4.4 describes different kinds of samples. Using probability samples, each population member has a known chance of being included in the sample, and researchers can calculate confidence limits for sampling error. But when probability sampling costs too much or takes too much time, marketing researchers often take nonprobability samples, even though their sampling error cannot be measured. These varied ways of drawing samples have different costs and time limitations as well as different accuracy and statistical properties. Which method is best depends on the needs of the research project.
just internal brainstorming within the company and before putting real research dollars behind it, we’ll float it with the [online] community.”

Such online networks are now rapidly spreading to companies ranging from Coca-Cola and P&G to Walt Disney’s ABC Television Studios. They are often cheaper and more effective than phone surveys or traditional focus groups because companies can draw on the participants in a much broader and deeper way than they could in an offline setting.

Del Monte found that traditional market research techniques simply weren’t providing enough depth of customer understanding. Traditional qualitative methods (such as ethnographies and focus groups) were either too time-consuming or too shallow. Surveys and other quantitative methods, although helpful in answering specific questions, did not allow for interactive exploration. In contrast, the custom dog-lover network lets Del Monte continuously observe and interact with important customers to obtain authentic, in-depth insights.

The “I Love My Dog” site and other custom networks bear a resemblance to other online social networking sites, where members create profile pages and post to discussion boards. Companies use them to administer polls, chat in real time with consumers, and even ask members to go to the store to try out specific products. The rapid back-and-forth between the company and the online community can help to substantially shorten the product-development cycle, a process that typically takes a year or more from the time a company comes up with a product idea until the item arrives in stores.

For Sausages Breakfast Bites, that process took only six months. During that time, Del Monte contacted “I Love My Dog” members dozens of times, both as a group and individually. The company has also tapped network members for prelaunch insights into other products, including its Pup-Peroni treat that recently landed on store shelves. “It is not just a focus group that you see for three hours; you are developing a relationship with these pet parents,” says Amoroso.

As with any social-networking site, these private networks face the constant risk of member boredom and, ultimately, member dropout. There can be a fair amount of turnover on the private networks, and to keep members around, the companies that set them up have to constantly add games and other features, along with incentives such as coupons, giveaways, and sneak peeks at new products. Properly tended, however, networks such as “I Love My Dog” help remove some of the guesswork for marketers by letting brands know exactly to whom they are talking and giving them more control over the discussions.


### TABLE 4.4 Types of Samples

**Probability Sample**

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<thead>
<tr>
<th>Sample Type</th>
<th>Selection Method</th>
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<tbody>
<tr>
<td>Simple random sample</td>
<td>Every member of the population has a known and equal chance of selection.</td>
</tr>
<tr>
<td>Stratified random sample</td>
<td>The population is divided into mutually exclusive groups (such as age groups), and random samples are drawn from each group.</td>
</tr>
<tr>
<td>Cluster (area) sample</td>
<td>The population is divided into mutually exclusive groups (such as blocks), and the researcher draws a sample of the groups to interview.</td>
</tr>
</tbody>
</table>

**Nonprobability Sample**

<table>
<thead>
<tr>
<th>Sample Type</th>
<th>Selection Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience sample</td>
<td>The researcher selects the easiest population members from which to obtain information.</td>
</tr>
<tr>
<td>Judgment sample</td>
<td>The researcher uses his or her judgment to select population members who are good prospects for accurate information.</td>
</tr>
<tr>
<td>Quota sample</td>
<td>The researcher finds and interviews a prescribed number of people in each of several categories.</td>
</tr>
</tbody>
</table>
Research Instruments

In collecting primary data, marketing researchers have a choice of two main research instruments—the questionnaire and mechanical devices.

Questionnaires. The questionnaire is by far the most common instrument, whether administered in person, by phone, or online. Questionnaires are very flexible—there are many ways to ask questions. Closed-end questions include all the possible answers, and subjects make choices among them. Examples include multiple-choice questions and scale questions. Open-end questions allow respondents to answer in their own words. In a survey of airline users, Southwest might simply ask, “What is your opinion of Southwest Airlines?” Or it might ask people to complete a sentence: “When I choose an airline, the most important consideration is . . . .” These and other kinds of open-end questions often reveal more than closed-end questions because they do not limit respondents’ answers.

Open-end questions are especially useful in exploratory research, when the researcher is trying to find out what people think but not measuring how many people think in a certain way. Closed-end questions, on the other hand, provide answers that are easier to interpret and tabulate.

Researchers should also use care in the wording and ordering of questions. They should use simple, direct, unbiased wording. Questions should be arranged in a logical order. The first question should create interest if possible, and difficult or personal questions should be asked last so that respondents do not become defensive. A carelessly prepared questionnaire usually contains many errors (see Table 4.5).

Mechanical Instruments. Although questionnaires are the most common research instrument, researchers also use mechanical instruments to monitor consumer behavior. Nielsen Media Research attaches people meters to television sets in selected homes to record who watches which programs. Retailers use checkout scanners to record shoppers’ purchases.

Other mechanical devices measure subjects’ physical responses. For example, advertisers use eye cameras to study viewers’ eye movements while watching ads—at what points their eyes focus first and how long they linger on any given ad component. IBM’s BlueEyes technology interprets human facial reactions by tracking pupil, eyebrow, and mouth movements. BlueEyes offers a host of potential marketing uses, such as marketing machines that “know how you feel” and react accordingly. An elderly man squints at a bank’s ATM screen and the font size doubles almost instantly. A woman at a shopping center kiosk smiles at a travel ad, prompting the device to print out a travel discount coupon.

Still other researchers are applying “neuromarketing,” measuring brain activity to learn how consumers feel and respond. Marketing scientists using MRI scans have learned that

TABLE 4.5 A “Questionable Questionnaire”

Suppose that a summer camp director has prepared the following questionnaire to use in interviewing the parents of prospective campers. How would you assess each question?

1. What is your income to the nearest hundred dollars? People don’t usually know their income to the nearest hundred dollars, nor do they want to reveal their income that closely. Moreover, a researcher should never open a questionnaire with such a personal question.

2. Are you a strong or weak supporter of overnight summer camping for your children? What do “strong” and “weak” mean?

3. Do your children behave themselves well at a summer camp? Yes ( ) No ( ) “Behave” is a relative term. Furthermore, are yes and no the best response options for this question? Besides, will people answer this honestly and objectively? Why ask the question in the first place?

4. How many camps mailed or e-mailed information to you last year? This year? Who can remember this?

5. What are the most salient and determinant attributes in your evaluation of summer camps? What are salient and determinant attributes? Don’t use big words on me!

6. Do you think it is right to deprive your child of the opportunity to grow into a mature person through the experience of summer camping? A loaded question. Given the bias, how can any parent answer yes?
"Strong brands trigger activity in parts of the brain associated with self-identification, positive emotions, and rewards." According to one observer, it "turns out the Nike's swoosh is more than just a feel-good brand logo. It actually lights up your brain." Similarly, when researchers strapped electrode-loaded caps on the noggins of test subjects during last year's Super Bowl to measure advertising engagement, they learned that brain activity soared for some ads but lagged for others. Here's an example of neuromarketing at work:

Thirty-four bathroom-cleanser users recently went to a research lab to watch "Prison Visitor," the much-awarded TV spot for Unilever's Vim line of home cleaners, positioned as a product that "deals with the toughest dirt." The ad shows a young girl visiting her distraught mother, who appears to be behind a prison glass but is revealed to be scrubbing a grimy shower. Researchers wanted a "clean read" on the ad, so they tested consumers in places where the ad never aired and where the product wasn't yet available. Participants reacted strongly to a "hands on glass" sequence, particularly during a dramatic "I love you, Momma!" "I love you too, baby!" exchange. However, the scenes showing the product demonstration and brand message evoked a much weaker response. In all, the ad stirred up very strong, mostly negative emotions. Follow-up interviews showed that consumers actually hated the ad. How did researchers measure viewers' response to such emotionally charged advertising? Easy. Each participant in the study was asked how they felt about the ad. Oh, and even more telling, there were six electrodes attached to each person's head. Welcome to the world of neuromarketing, which peers into consumers' minds by measuring brain activity to discover how consumers respond to brands and marketing.

Although neuromarketing techniques can measure consumer involvement and emotional responses minute by minute, such brain responses can be difficult to interpret. Thus, neuromarketing is usually used in combination with other research approaches to gain a more complete picture of what goes on inside consumers' heads.

Implementing the Research Plan

The researcher next puts the marketing research plan into action. This involves collecting, processing, and analyzing the information. Data collection can be carried out by the company's marketing research staff or by outside firms. The data collection phase of the marketing research process is generally the most expensive and the most subject to error. Researchers should watch closely to make sure that the plan is implemented correctly. They must guard against problems with contacting respondents, with respondents who refuse to cooperate or who give biased answers, and with interviewers who make mistakes or take shortcuts.

Researchers must also process and analyze the collected data to isolate important information and findings. They need to check data for accuracy and completeness and code it for analysis. The researchers then tabulate the results and compute statistical measures.

Interpreting and Reporting the Findings

The market researcher must now interpret the findings, draw conclusions, and report them to management. The researcher should not try to overwhelm managers with numbers and fancy statistical techniques. Rather, the researcher should present important findings and insights that are useful in the major decisions faced by management.
However, interpretation should not be left only to the researchers. They are often experts in research design and statistics, but the marketing manager knows more about the problem and the decisions that must be made. The best research means little if the manager blindly accepts faulty interpretations from the researcher. Similarly, managers may be biased—they might tend to accept research results that show what they expected and to reject those that they did not expect or hope for. In many cases, findings can be interpreted in different ways, and discussions between researchers and managers will help point to the best interpretations. Thus, managers and researchers must work together closely when interpreting research results, and both must share responsibility for the research process and resulting decisions.

### Analyzing and Using Marketing Information (pp 120-122)

Information gathered in internal databases and through marketing intelligence and marketing research usually requires additional analysis. And managers may need help applying the information to gain customer and market insights that will improve their marketing decisions. This help may include advanced statistical analysis to learn more about the relationships within a set of data. Information analysis might also involve the application of analytical models that will help marketers make better decisions.

Once the information has been processed and analyzed, it must be made available to the right decision makers at the right time. In the following sections, we look deeper into analyzing and using marketing information.

**Customer Relationship Management (CRM)**

The question of how best to analyze and use individual customer data presents special problems. Most companies are awash in information about their customers. In fact, smart companies capture information at every possible customer touchpoint. These touchpoints include customer purchases, sales force contacts, service and support calls, website visits, satisfaction surveys, credit and payment interactions, market research studies—every contact between the customer and the company.

The trouble is that this information is usually scattered widely across the organization. It is buried deep in the separate databases and records of different company departments. To overcome such problems, many companies are now turning to customer relationship management (CRM) to manage detailed information about individual customers and carefully manage customer touchpoints in order to maximize customer loyalty.

CRM first burst onto the scene in the early 2000s. Many companies rushed in, implementing overly ambitious CRM programs that produced disappointing results and many failures. More recently, however, companies are moving ahead more cautiously and implementing CRM systems that really work. By 2012, U.S. companies will spend an estimated $6.6 billion on CRM systems from companies such as Oracle, Microsoft, Salesforce.com, and SAS.

CRM consists of sophisticated software and analytical tools that integrate customer information from all sources, analyze it in depth, and apply the results to build stronger customer relationships. CRM integrates everything that a company’s sales, service, and marketing teams know about individual customers to provide a 360-degree view of the customer relationship.

CRM analysts develop data warehouses and use sophisticated data mining techniques to unearth the riches hidden in customer data. A data warehouse is a companywide electronic database of finely detailed customer information that needs to be sifted through for gems. The purpose of a data warehouse is not just to gather information, but to pull it together into a central, accessible location. Then, once the data warehouse brings the data together, the company uses high-powered data mining techniques to sift through the mounds of data and dig out interesting findings about customers.
These findings often lead to marketing opportunities. For example, Wal-Mart’s huge database provides deep insights for marketing decisions. A few years ago, as Hurricane Ivan roared toward the Florida coast, reports one observer, the giant retailer “knew exactly what to rush onto the shelves of stores in the hurricane’s path—strawberry Pop Tarts. By mining years of sales data from just prior to other hurricanes, [Wal-Mart] figured out that shoppers would stock up on Pop Tarts—which don’t require refrigeration or cooking.”

By using CRM to understand customers better, companies can provide higher levels of customer service and develop deeper customer relationships. They can use CRM to pinpoint high-value customers, target them more effectively, cross-sell the company’s products, and create offers tailored to specific customer requirements.

For example, Harrah’s Entertainment, the world’s largest casino operator, uses CRM to manage day-to-day relationships with important customers at its Harrah’s, Caesars, Horseshoe, Bally’s, Flamingo, and Showboat casinos around the world. During the past decade, Harrah’s Total Rewards Program has become the model for good CRM and customer-loyalty management. More than 80 percent of Harrah’s customers worldwide—40 million in all—use a Harrah’s Total Rewards card. Information from every swipe of every card at each of Harrah’s 40 casinos zips off to a central computer in Memphis, Tennessee, creating a vast customer database. Harrah’s carefully mines this mother lode of information to gain insights into customer characteristics and behavior. It then uses these insights to manage day-to-day customer relationships. In fact, Harrah’s now processes customer information in real time, from the moment customers swipe their rewards cards, creating the ideal link between data and the customer experience.

Based on up-to-the-minute customer information, casino personnel know which customers should be rewarded with free show tickets, dinner vouchers, or room upgrades. Says Harrah’s chief information officer, “A person might walk up to you while you’re playing and offer you $5 to play more slots, or a free meal, or maybe just wish you a happy birthday.” Compared with nonmembers, Total Rewards customers visit the company’s casinos more frequently, stay longer, and spend a lot more of their dollars in Harrah’s rather than in rival casinos. Through smart CRM, Harrah’s has hit the customer-loyalty jackpot. In just the past five years, the entertainment giant’s sales have nearly tripled while profits have more than doubled.

CRM benefits don’t come without cost or risk, either in collecting the original customer data or in maintaining and mining it. The most common CRM mistake is to view CRM only as a technology and software solution. But technology alone cannot build profitable customer relationships. “CRM is not a technology solution—you can’t achieve . . . improved customer relationships by simply slapping in some software,” says a CRM expert. Instead, CRM is just one part of an effective overall customer relationship management strategy. “Focus on the R,” advises the expert. “Remember, a relationship is what CRM is all about.”

When it works, the benefits of CRM can far outweigh the costs and risks. Based on a study by SAP, customers using its mySAP CRM software reported an average 10 percent increase in customer retention and a 30 percent increase in sales leads. Overall, 90 percent
of the companies surveyed increased in value from use of the software and reported an attractive return on investment. The study’s conclusion: “CRM pays off.”

**Distributing and Using Marketing Information**

Marketing information has no value until it is used to gain customer insights and make better marketing decisions. Thus, the marketing information system must make the information readily available to the managers and others who make marketing decisions or deal with customers. In some cases, this means providing managers with regular performance reports, intelligence updates, and reports on the results of research studies.

But marketing managers may also need nonroutine information for special situations and on-the-spot decisions. For example, a sales manager having trouble with a large customer may want a summary of the account’s sales and profitability over the past year. Or a retail store manager who has run out of a best-selling product may want to know the current inventory levels in the chain’s other stores. Increasingly, therefore, information distribution involves entering information into databases and making it available in a timely, user-friendly way.

Many firms use a company intranet to facilitate this process. The intranet provides ready access to research information, reports, shared work documents, contact information for employees and other stakeholders, and more. For example, iGo, a catalog and Web retailer, integrates incoming customer service calls with up-to-date database information about customers’ Web purchases and e-mail inquiries. By accessing this information on the intranet while speaking with the customer, iGo’s service representatives can get a well-rounded picture of each customer’s purchasing history and previous contacts with the company.

In addition, companies are increasingly allowing key customers and value-network members to access account, product, and other data on demand through extranets. Suppliers, customers, resellers, and select other network members may access a company’s extranet to update their accounts, arrange purchases, and check orders against inventories to improve customer service. For example, Wal-Mart’s RetailLink extranet system provides suppliers with a two-year history of every product’s daily sales in every Wal-Mart store worldwide, letting them track when and where their products are selling and current inventory levels. And Target’s PartnersOnline extranet lets its supplier/partners review current sales, inventory, delivery, and forecasting data. Such information sharing helps Target, its suppliers, and its customers by elevating the performance of the supply chain.

Thanks to modern technology, today’s marketing managers can gain direct access to the information system at any time and from virtually any location. They can tap into the system while working at a home office, from a hotel room, or from the local Starbucks through a wireless network—anyplace where they can turn on a laptop and link up. Such systems allow managers to get the information they need directly and quickly and to tailor it to their own needs. From just about anywhere, they can obtain information from company or outside databases, analyze it using statistical software, prepare reports and presentations, and communicate directly with others in the network.

**Other Marketing Information Considerations** (pp 122–128)

This section discusses marketing information in two special contexts: marketing research in small businesses and nonprofit organizations and international marketing research. Finally, we look at public policy and ethics issues in marketing research.

**Marketing Research in Small Businesses and Nonprofit Organizations**

Just like larger firms, small organizations need market information and the customer and market insights that it can provide. Start-up businesses need information about their potential customers, industries, competitors, unfilled needs, and reactions to new market offers.
Existing small businesses must track changes in customer needs and wants, reactions to new products, and changes in the competitive environment.

Managers of small businesses and nonprofit organizations often think that marketing research can be done only by experts in large companies with big research budgets. True, large-scale research studies are beyond the budgets of most small businesses. However, many of the marketing research techniques discussed in this chapter also can be used by smaller organizations in a less formal manner and at little or no expense. Consider how one small-business owner conducted market research on a shoestring before even opening his doors:

After a string of bad experiences with his local dry cleaner, Robert Byerly decided to open his own dry-cleaning business. But before jumping in, he conducted plenty of market research. He needed a key customer insight: How would he make his cleaners stand out? To start, Byerley spent an entire week in the library and online, researching the dry-cleaning industry. To get input from potential customers, a marketing firm, Byerley held focus groups on the store’s name, look, and brochure. He also took clothes to the 15 best competing cleaners in town and had focus group members critique their work. Based on his research, he made a list of features for his new business. First on his list: quality. His business would stand behind everything it did. Not on the list: cheap prices. Creating the perfect dry-cleaning establishment simply didn’t fit with a discount operation.

With his research complete, Byerley opened Bibbentuckers, a high-end dry cleaner positioned on high-quality service and convenience. It featured a bank-like drive-through area with curbside delivery. A computerized bar code system read customer cleaning preferences and tracked clothes all the way through the cleaning process. Byerley added other differentiators, such as decorative awnings, refreshments, and TV screens. "I wanted a place ... that paired five-star service and quality with an establishment that didn’t look like a dry cleaner," he says. The market research yielded results. Today, Bibbentuckers is a thriving three-store operation.

"Too [few] small-business owners have a ... marketing mind-set," says a small-business consultant. "You have to think like Procter & Gamble. What would they do before launching a new product? They would find out who their customer is and who their competition is."

Managers of small businesses and nonprofit organizations can obtain good marketing insights simply by observing things around them and talking with their customers. They can conduct informal surveys using small convenience samples. Small organizations can also obtain most of the secondary data available to large businesses. And many associations, local media, chambers of commerce, and government agencies provide special help to small organizations. For example, the U.S. Small Business Administration offers dozens of free publications and a Web site (www.sbaonline.sba.gov) that give advice on topics ranging from starting, financing, and expanding a small business to ordering business cards. Other excellent Web resources for small businesses include the U.S. Census Bureau (www.census.gov) and the Bureau of Economic Analysis (www.bea.gov). Finally, small businesses can collect a considerable amount of information at very little cost on the Internet. They can scour competitor and customer Web sites and use Internet search engines to research specific companies and issues.
In summary, secondary data collection, observation, surveys, and experiments can all be used effectively by small organizations with small budgets. However, although these informal research methods are less complex and less costly, they still must be conducted with care. Managers must think carefully about the objectives of the research, formulate questions in advance, recognize the biases introduced by smaller samples and less skilled researchers, and conduct the research systematically.1

International Marketing Research

International marketing research has grown tremendously over the past decade. In 1995, the top 25 global marketing research organizations had total combined revenues of $5.7 billion, with 45 percent of these revenues coming from outside companies’ home countries. By 2006, total revenues for these organizations had grown to $15.5 billion, and the out-of-home-country share had grown to more than 55 percent.2

International marketing researchers follow the same steps as domestic researchers, from defining the research problem and developing a research plan to interpreting and reporting the results. However, these researchers often face more and different problems. Whereas domestic researchers deal with fairly homogenous markets within a single country, international researchers deal with diverse markets in many different countries. These markets often vary greatly in their levels of economic development, cultures and customs, and buying patterns.

In many foreign markets, the international researcher may have a difficult time finding good secondary data. Whereas U.S. marketing researchers can obtain reliable secondary data from dozens of domestic research services, many countries have almost no research services at all. Some of the largest international research services do operate in many countries. For example, ACNielsen Corporation (owned by The Nielsen Company, the world’s largest marketing research company) has offices in more than 100 countries, from Schaumburg, Illinois, to Hong Kong to Nicosia, Cyprus.3 However, most research firms operate in only a relative handful of countries. Thus, even when secondary information is available, it usually must be obtained from many different sources on a country-by-country basis, making the information difficult to combine or compare.

Because of the scarcity of good secondary data, international researchers often must collect their own primary data. For example, they may find it difficult simply to develop good samples. U.S. researchers can use current telephone directories, e-mail lists, census tract data, and any of several sources of socioeconomic data to construct samples. However, such information is largely lacking in many countries.

Once the sample is drawn, the U.S. researcher usually can reach most respondents easily by telephone, by mail, on the Internet, or in person. Reaching respondents is often not so easy in other parts of the world. Researchers in Mexico cannot rely on telephone, Internet, and mail data collection—most data collection is door to door and concentrated in three or four of the largest cities. In some countries, few people have phones or personal computers. For example, whereas there are 605 main telephone lines, 680 cell phone subscribers, and 762 PCs per thousand people in the United States, there are only 189 phone lines, 460 cell phone subscribers, and 136 PCs per thousand in Mexico. In Kenya, the numbers drop to 8 phone lines, 135 cell

△ Some of the largest research services firms have large international organizations. ACNielsen has offices in more than 100 countries, here Germany and Japan.
phone subscribers, and 9 PCs per thousand people. In some countries, the postal system is notoriously unreliable. In Brazil, for instance, an estimated 30 percent of the mail is never delivered. In many developing countries, poor roads and transportation systems make certain areas hard to reach, making personal interviews difficult and expensive.

Cultural differences from country to country cause additional problems for international researchers. Language is the most obvious obstacle. For example, questionnaires must be prepared in one language and then translated into the languages of each country researched. Responses then must be translated back into the original language for analysis and interpretation. This adds to research costs and increases the risks of error.

Translating a questionnaire from one language to another is anything but easy. Many idioms, phrases, and statements mean different things in different cultures. For example, a Danish executive noted, “Check this out by having a different translator put back into English what you’ve translated from English. You’ll get the shock of your life. I remember [an example in which] ‘out of sight, out of mind’ had become ‘invisible things are insane.’”

Consumers in different countries also vary in their attitudes toward marketing research. People in one country may be very willing to respond; in other countries, non-response can be a major problem. Customs in some countries may prohibit people from talking with strangers. In certain cultures, research questions often are considered too personal. For example, in many Latin American countries, people may feel embarrassed to talk with researchers about their choices of shampoo, deodorant, or other personal care products. Similarly, in most Muslim countries, mixed-gender focus groups are taboo, as is videotaping female-only focus groups. Even when respondents are willing to respond, they may not be able to because of high functional illiteracy rates.

Despite these problems, as global marketing grows, global companies have little choice but to conduct such international marketing research. Although the costs and problems associated with international research may be high, the costs of not doing it—in terms of missed opportunities and mistakes—might be even higher. Once recognized, many of the problems associated with international marketing research can be overcome or avoided.

Public Policy and Ethics in Marketing Research

Most marketing research benefits both the sponsoring company and its consumers. Through marketing research, companies learn more about consumers’ needs, resulting in more satisfying products and services and stronger customer relationships. However, the misuse of marketing research can also harm or annoy consumers. Two major public policy and ethics issues in marketing research are intrusions on consumer privacy and the misuse of research findings.

Intrusions on Consumer Privacy

Many consumers feel positive about marketing research and believe that it serves a useful purpose. Some actually enjoy being interviewed and giving their opinions. However, others strongly resent or even mistrust marketing research. They worry that marketers are building huge databases full of personal information about customers. Or they fear that researchers might use sophisticated techniques to probe our deepest feelings, peek over our shoulders as we shop, or eavesdrop on our conversations and then use this knowledge to manipulate our buying.

There are no easy answers when it comes to marketing research and privacy. For example, is it a good or bad thing that marketers track and analyze consumers’ Web clicks and target ads to individuals based on their browsing behavior? (See Real Marketing 4.2.) Should we applaud or resent the fact that ConAgra, the giant food company known for its Butterball turkeys and Healthy Choice meals, listens in on consumer Web discussions to learn all it can about diet trends and reactions to its brands?

On the one hand, most online chatter is public information, and listening in helps ConAgra to improve its products and bring more value to customers. On the other hand, although it tracks only public forums, the company does not inform consumers or obtain participants' formal consent. Many consumers would find it disconcerting to learn that ConAgra and other companies are tuning in on their online conversations.
Tracking Consumers on the Web: Smart Targeting or a Little Creepy?

On the Internet today, everybody knows who you are. In fact, legions of Internet companies also know your gender, your age, the neighborhood you live in, what you like to buy, and that you spent, say, three hours and 43 seconds on a Web site for pet lovers on a rainy day in January. All that data streams through myriad computer networks, where it’s sorted, cataloged, analyzed, and then used to deliver ads aimed squarely at you, potentially anywhere you travel on the Web. It’s called behavioral targeting—tracking consumers’ online browsing behavior and using it to target ads to them.

Targeting ads on the Web is nothing new. Sites such as Google and Yahoo! routinely do “contextual targeting”—placing ads related to keyword searches alongside the search results. Most of Google’s more than $10 billion in revenues come from search-related advertising. But consider this revealing fact: Internet users spend a mere 5 percent of their time actually searching. The rest of the time, they’re trolling the vast expanse of Internet space. To fill that space more effectively, online advertisers are now deploying a new breed of supersmart, supertargeted display ads geared to individual Web-browsing behavior.

What you do when you aren’t searching—the other 95 percent of the time you spend online—is pure gold to advertisers. Ad companies such as Yahoo!, Microsoft's MSN, and AOL are busy mining that gold, helping advertisers to target ads based on just about everything you do on the Internet. Yahoo!, the Web’s most visited destination, has an estimated 131 million monthly unique visitors to its sites. By dropping "cookies" onto every Web browser that calls up one of its sites, Yahoo! has amassed a staggering amount of data about its users.

Yahoo!’s head of research and data, Usama Fayyad, rides herd on the 12 terabytes of user information that flow into Yahoo!’s servers every day, more than the entire inventory of the Library of Congress. Fittingly, Fayyad is a former rocket scientist whose résumé includes a seven-year stint at NASA’s Jet Propulsion Lab. He’s an intense numbers guy who went on to found two data-mining companies, one of which he sold to Yahoo!. Fayyad and his group crunch all that online user data, blend it with information about what people do on Yahoo!’s search engine, and feed it into models that predict consumer behavior. This has led Fayyad to an important conclusion: What you do on the Web reveals far more about you than what you type into a search box.

Interestingly, however, many consumers don’t seem to mind. Occasionally, the monitoring of discussion groups itself becomes a topic of online conversation. In one online car forum, a discussion of BuzzMetrics (a Nielsen company that specializes in tracking consumer-generated media, including online exchanges) and its research for General Motors produced no objections—just disbelief that the carmaker could listen to their conversations and still produce such unappealing products. Consumers often moan that companies do not listen to them. Perhaps the monitoring of discussion groups can provide an answer to that problem.

Consumers may also have been taken in by previous “research surveys” that actually turned out to be attempts to sell them something. Still other consumers confuse legitimate marketing research studies with promotional efforts and say “no” before the interviewer can even begin. Most, however, simply resent the intrusion. They dislike mail, telephone, or Web surveys that are too long or too personal or that Interrupt them at inconvenient times.

Increasing consumer resentment has become a major problem for the marketing research industry, leading to lower survey response rates in recent years. Just as companies...
Armed with this mass of data, Yahoo!
often sells ad space based not on a site’s
content but on an individual consumer’s
online behavior. Say you spent time at
Yahoo! Autos sizing up cars based on fuel
efficiency, then clicked over to Yahoo!’s
Green Center to read about alternative
fuels, then looked at cars on eBay (which
has a partnership with Yahoo!). Fayyad can
probably predict your next move. In fact, he
says he can tell with 75 percent certainty
which of the 300,000 monthly visitors to
Yahoo! Autos will actually purchase a car
within the next three months. And the next
time you visit Yahoo! Sports or Finance,
you’ll likely see ads for hybrid cars.

Also moving quickly into online display
advertising are a special breed of behavioral
targeting advertising agencies, such as Tacoda
(http://tacoda.com) and Revenue Science
(http://revenuescience.com). To get an even
broader view of what consumers are thinking
and doing online, such agencies track con-
sumer behavior across multiple Web sites.
These companies “are, in effect, taking the
trail of crumbs people leave behind as they
move around the Internet, and then analyzing
them to anticipate people’s next steps,” says
the analyst. This lets them merge audience
data from one group of sites with ad place-
ments on another. So if you surf home lawn
and garden sites, don’t be surprised to see ads
for Scotts lawn products the next time you
visit Weather.com. Or if you seek car-buying
advice at sites such as Edmunds.com or
nadauguides.com, expect to see some ads for
the very types of cars you researched the next
time you visit your favorite ESPN site to catch
up on the latest sports scores.

But what about consumer privacy?
Yup. As you’ve no doubt already considered,
that’s the downside and the biggest danger
to the rapidly expanding world of behavioral
targeting. As the practice becomes
more common, it faces growing consumer
backlash. One observer calls it “the dark art
of behavioral ad targeting”—eavesdropping
on consumers without their knowledge or
consent. “When you start to get into the
details, it’s scarier than you might suspect,”
says the director of a consumer privacy
rights group. “We’re recording preferences,
hopes, worries, and fears.” A coalition of
privacy groups has already asked the
Federal Trade Commission to consider a
“Do Not Track” list (akin to telephone
Do-Not-Call lists) to let consumers opt out of
behavioral ad targeting.

Some companies are addressing such privacy
issues on their own. For example, AOL
recently launched a campaign to educate
consumers about online behavioral targeting
and promises improved technology for opting
out of personalized ads. “We want to make the
opt-out process as simple and transparent as
possible,” says AOL’s chief privacy officer.
Google has pledged to make the data it collects
anonymous for 18 months and to expire
cookie files after two years. Ask.com has
gone even further, pledging to make Web searches
and cookies anonymous after 18 months and
to give users the option of deleting their search
histories using a tool called AskEraser.

Despite privacy concerns, proponents
claim that behavioral targeting benefits
more than abuses consumers. “What we have here is
person-centric marketing,” says the CEO of
Tacoda. “That’s been the holy grail of brand
advertisers for a long, long time.” Behavioral
ad targeting takes information from users’ Web
browsing behavior and feeds back ads that are
more relevant to their needs and interests.

Although the practice may seem sinister
to some consumers, advertisers like what
they see so far. According to one survey, more
than half of marketers already use behavioral
targeting and another third plan to start this
year. U.S. companies spent $350 million on
behavioral targeting last year and will spend
an estimated $1.65 billion annually by 2009.
According to one research firm, dollars spent
on behavioral targeting yield a 37 percent
return on investment.

Still, it won’t be easy to maintain consumer
trust while at the same time walking the fine
line between personalization and privacy. And
as more and more companies enter the behav-
ioral targeting ad space, the chances of the
tactic getting a bad name grow. “We have
something new and powerful,” says Tacoda’s
CEO, “and there are likely to be people who
abuse it.” Abusive or beneficial, it’ll be a hard
sell to consumers. As one analyst observes,
following consumers online and stalking them
with ads just “feels a little creepy.”


face the challenge of unearthng valuable but potentially sensitive consumer data while
also maintaining consumer trust, consumers wrestle with the trade-offs between personal-
zation and privacy. Although many consumers willingly exchange personal information
for free services, easy credit, discounts, upgrades, points, and all sorts of rewards, they also
worry about the growth in online identity theft. One study found that 62 percent of con-
sumers express concern over personal privacy when buying online, an increase of 47 per-
cent over a year earlier. So it’s no surprise that they are now less than willing to reveal
personal information on Web sites.

The marketing research industry is considering several options for responding to this
problem. **One example is the Council for Marketing and Opinion Research’s “Your
Opinion Counts” and “Respondent Bill of Rights” initiatives to educate consumers about
the benefits of marketing research and to distinguish it from telephone selling and database
building. The industry also has considered adopting broad standards, perhaps based on the
International Chamber of Commerce’s International Code of Marketing and Social Research
Practice. This code outlines researchers’ responsibilities to respondents and to the general
public. For example, it says that researchers should make their names and addresses available**
of the first companies to post privacy policies on its Web site. Its online Internet privacy statement tells customers in clear terms what information American Express collects and how it uses it, how it safeguards the information, and how it uses the information to market to its customers (with instructions on how to opt out).\(^5\)

In the end, if researchers provide value in exchange for information, customers will gladly provide it. For example, Amazon.com’s customers do not mind if the firm builds a database of products they buy in order to provide future product recommendations. This saves time and provides value. Similarly, Bizrate users gladly complete surveys rating online seller sites because they can view the overall ratings of others when making purchase decisions. The best approach is for researchers to ask only for the information they need, to use it responsibly to provide customer value, and to avoid sharing information without the customer’s permission.

**Misuse of Research Findings**

Research studies can be powerful persuasion tools; companies often use study results as claims in their advertising and promotion. Today, however, many research studies appear to be little more than vehicles for pitching the sponsor’s products. In fact, in some cases, the research surveys appear to have been designed just to produce the intended effect. Few advertisers openly rig their research designs or blatantly misrepresent the findings; most abuses tend to be subtle “stretches.”

For example, the choice or wording in a survey can greatly affect the conclusions reached. One Black Flag survey asked: “A roach disk . . . poisons a roach slowly. The dying roach returns to the nest and after it dies is eaten by other roaches. In turn these roaches become poisoned and die. How effective do you think this type of product would be in killing roaches?” Not surprisingly, 79 percent said effective.\(^6\)

Recognizing that surveys can be abused, several associations—including the American Marketing Association, Marketing Research Association, and the Council of American Survey Research Organizations (CASRO)—have developed codes of research ethics and standards of conduct. For example, the CASRO Code of Standards and Ethics for Survey Research outlines researcher responsibilities to respondents, including confidentiality, privacy, and avoidance of harassment. It also outlines major responsibilities in reporting results to clients and the public.\(^7\) In the end, however, unethical or inappropriate actions cannot simply be regulated away. Each company must accept responsibility for policing the conduct and reporting of its own marketing research to protect consumers’ best interests and its own.