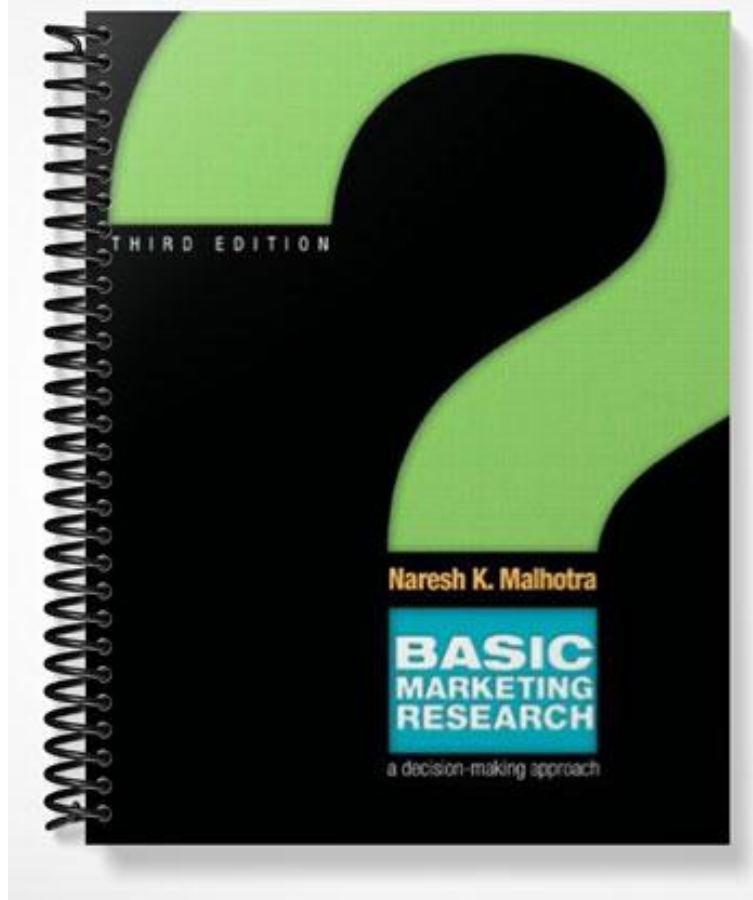


# SOLUTIONS MANUAL



THIRD EDITION

Naresh K. Malhotra

**BASIC  
MARKETING  
RESEARCH**

a decision-making approach

## **CHAPTER 2**

# **DEFINING THE MARKETING RESEARCH PROBLEM AND DEVELOPING AN APPROACH**

### **OPENING QUESTIONS**

1. What is a marketing research problem, and why is it important to define it correctly?
2. What tasks are involved in problem definition?
3. How do environmental factors affect the definition of the research problem, and what are these factors?
4. What is the distinction between the management decision problem and the marketing research problem?
5. How should the marketing research problem be defined?
6. What are the various components of the approach to the problem?
7. Why are defining the problem and developing an approach more complex processes in international marketing research?
8. How can technology help define the problem and develop an approach?
9. What ethical issues and conflicts arise in defining the problem and developing the approach?

### **AUTHOR'S NOTES: CHAPTER FOCUS**

This chapter provides an appreciation of the importance and complexities involved in defining the marketing research problem, and provides an overview of the process and components of an approach to a marketing research problem. The problem definition process is described. The tasks involved in problem definition are discussed. The factors affecting the environmental context of the problem are identified. The distinction and the relationship between the management decision problem and the marketing research problem are emphasized. The appropriate formulation of the marketing research problem is explained. Furthermore, the process of developing an approach is described. The components of an approach—analytical framework and models, research questions and hypotheses, and specification of the information needed—are identified and explained.

This chapter is different from competing texts in that an entire chapter is devoted to the problems of defining the marketing research problem and the development of an approach to the problem. One half of an entire chapter is devoted to defining the marketing research problem. The discussion in other texts is relatively brief. The material on the errors involved in problem definition and the appropriate way of defining the problem is unique. The discussion of the development of an approach to the problem in other texts is relatively brief or even missing in many. Much of the material presented in this chapter is unique.

This chapter could be taught by focusing on the Opening questions sequentially. Greater emphasis could be placed on discussion with decision makers and industry experts (Opening Question 2) and the environmental context of the problem (Opening Question 3). The distinction between the management decision problem and the marketing research problem, as well as the definition

of the marketing research problem (Opening Question 4) should also be emphasized. The analytical framework and models, and research questions and hypotheses should be explained (Opening Question 6). Discussions of TQM (Opening Question 7), the difficulties in international marketing research (Opening Question 8), technology (Opening Question 9) and ethical concerns of defining the marketing research problem and developing an approach can also be interesting and beneficial to students (Opening Question 10). The Internet and software, such as the programs described in the book, or any similar programs, could be demonstrated in the class (Opening Question 11). The concept maps (Figures 2.10 and 2.11) are a good way of summarizing the problem definition and approach development processes.

## **CHAPTER OUTLINE**

1. Overview
2. The Importance of Defining the Problem
3. The Process of Defining the Problem and Developing an Approach
4. Tasks Involved
  - i. Discussion with Decision Makers
  - ii. Interviews with Industry Experts
  - iii. Secondary Data Analysis
  - iv. Qualitative Research
5. Environmental Context of the Problem
  - i. Past Information and Forecasts
  - ii. Resources and Constraints
  - iii. Objectives of the Decision Maker
  - iv. Buyer Behavior
  - v. Legal Environment
  - vi. Economic Environment
  - vii. Marketing and Technological Skills
6. Management Decision Problem and Marketing Research Problem
7. Defining the Marketing Research Problem
8. Components of the Approach
  - i. Analytical Framework and Models
  - ii. Research Questions and Hypotheses
  - iii. Specification of Information Needed
9. Summary Illustration Using the Opening Vignette
10. International Marketing Research
11. Technology and Marketing Research
12. Ethics in Marketing Research
13. Summary
14. Key Terms and Concepts
15. Acronyms

## **TEACHING SUGGESTIONS**

## **Opening Question 1**

- \* Explain the rationale behind the problem definition process -

Begin by noting that a clearly defined problem serves as a guideline to the researcher in designing and conducting research properly. Thus, it helps the researcher in answering the question: what is to be done? In absence of a well defined problem, the data collected may be worthless to the decision maker. Stress that a clearly laid down research problem leads to goal directed research, which will meet the objectives of the decision maker instead of haphazard research, which often provides incomplete information. The following example may prove instructive here.

- \* Discuss the process of formulating the problem -

Emphasize that formulating the problem is a sequential process. The first step involves discussion with the decision maker. Stress to the students that the researcher needs to understand the nature of both the problem and the decision which management faces in order to determine the underlying information needs. Sometimes discussions with industry experts, analysis of secondary data, and preliminary research are required to identify the factors that must be considered for the proper identification of the decision problem. The final step is to translate the decision problem into a research problem.

*Figure 2.3 can be used as a guideline to the problem definition process.*

## **Opening Question 2**

- \* Describe the importance of the decision maker to the researcher -

Explain that the researcher must communicate with the DM in order to understand the nature of the problem the DM faces and what he hopes to learn from the research. Such an understanding will help the researcher in gathering information relevant to the problem faced by the decision maker. Note that a candid and open discussion between the researcher and DM may help in identifying:

1. The events that led to the need for making a decision.
2. The alternative courses of action available to DM.
3. The criteria to be used in evaluating various courses of action.
4. The information that is needed by the DM in making the decision.

A systematic approach to working with the DM is the problem audit. It enables the researcher to get beyond the mere symptoms to understand the causes of the problem.

- \* Explain the difficulties of dealing with the DM -

It is worthwhile to inform the class that access to the DM may be difficult. The DMs may not have enough time to have a fruitful discussion with the researcher. This is especially true in the case of multiple DMs where there may be conflicts of interest and time. Finally, alert the students that sometimes the DMs decide the action in advance and simply want data that will

support their plans. This is not a sound application of marketing research and the researcher should remain unbiased while conducting and presenting a study.

\* Describe the role of industry experts and secondary data in identifying problem(s) -

Note that industry experts can provide useful information about the prevailing market conditions. They can be especially useful in the case of industrial marketing research where technical knowledge is required. Regarding secondary data, it is important to provide economical and quick information that can be useful in understanding the problem clearly. Sometimes focus groups are used to provide information that is then used in refining the problem. Figure 2.3 provides a framework that graphically shows the role of industry experts and secondary data in identifying the problem.

\* Describe the role of qualitative research in the process of developing an approach -

Emphasize that the purpose of the qualitative research is to get a feel for the situation rather than a conclusive result. Such research should and can play a useful role in helping the researcher to understand the problem more clearly. Techniques such as focus group interviews, pilot surveys, and in-depth interviews are often used to find the opinion of the consumers. This helps the researcher in refining the problem and guiding the research in the right direction.

### **Opening Question 3**

\* Highlight factors affecting the problem definition process -

- a. Past information and forecasts: Past information and forecasts provide industry data, which puts the current problem into context.
- b. Resources and constraints: Resources and constraints force the problem to be defined in an appropriate scope.
- c. Objectives: An understanding of the objectives of the organization and decision maker allows the researcher to pinpoint the exact desires for the study.
- d. Buyer behavior: An understanding of the ultimate consumer's behavior is critical to understanding their response to specific marketing actions.
- e. Legal behavior: The legal environment may regulate certain aspects of the marketing mix and the research effort, thus, affecting the problem definition.
- f. Economic environment: the economic environment can affect the decisions of consumers and impact the marketing mix.
- g. Marketing and technological skills: the abilities of the organization to develop and market products may affect the scope of the research to be done. In addition, technological advances offer new methods of conducting marketing research.

*Figure 2.6 may be helpful here by listing the environmental factors marketers should consider.*

## **Opening Question 4**

\* Distinguish between the marketing research problem and management decision problem -

The management decision problem asks what the DM needs to do, whereas the marketing research problem entails determining what information is needed and how it can be obtained in the most feasible way. To show the difference between the two types of problems, you can list some management problems on the blackboard and then ask students to formulate the relevant research problem.

For example:

	<b><u>Management Decision Problem</u></b>	<b><u>Research Problem</u></b>
a.	Should the price be cut in response to a price-cut by a competitor?	a. Determine the buyer-behavior at various levels of price.
b.	Should the product 'X' be introduced in the market?	b. Assess the probable market size and share for product 'X'
c.	What should be done to increase the market share of product 'Y'?	c. Determine the relative strengths and weaknesses of 'Y' vis-à-vis those of the competitors.

## **Opening Question 5**

\* Explain the components of a well-defined marketing research problem -

A well-defined marketing research problem consists of both a broad statement and a list of specific components of the problem. The broad statement provides perspective on the problem and acts as a safeguard against overlooking important aspects of the marketing research and management decision problems. The specific components focus on the key aspects of the problem and provide clear guidelines on how to proceed further.

\* Explain the pitfalls of defining a research problem in either a too broad or too narrow perspective -

A broad definition does not provide guidelines for subsequent steps in research. A narrow definition, on the other hand, may preclude the consideration of some courses of action. In either case, the solution reached will not be directly related to the problem and may be of little use to the manager. See Figure 2.3 for a guide for defining the research problem.

## **Opening Question 6**

- \* Explain the rationale for basing research on objective/theoretical foundations -

Begin by referring to Figure 2. The Problem Definition and Approach Development Process. This overhead provides a framework for the process of developing an approach to the problem.

Within this framework, emphasize that the foundation of research should be objective and based on a theoretic foundation. A theory is based on principles, which have either been proven or accepted as true. Thus, a theory provides a researcher with general principles on which to base his/her research work. Moreover, note that a theory serves as a framework that can be used by the researcher in interpretation of the data collected.

- \* Explain the nature of a model and how such a model can be utilized in developing an approach to the problem -

Again refer to Figure 2.3 and explain that an analytical model is a verbal, graphical, or mathematical representation, based on some theoretical foundations. Thus, note that the analytical model is developed from the theoretic base of the research. Once formed, the model describes the relationship among the variables of interest in the present situation. By manipulating these variables, a researcher can isolate the relevant variables (i.e., the ones which have an important bearing on the present problem).

- \* Write down some research questions on the blackboard and ask students to suggest an appropriate hypothesis -

For example:

<b><u>RESEARCH QUESTION</u></b>	<b><u>HYPOTHESIS</u></b>
1. What is the mean income of heavy-drinkers of beer?	1. The lower income people consume more beer.
2. What age group of purchasers of product 'X' buys 'X' the most?	2. The age group 35-44 is the heaviest user.
3. What will be the result on sales of a 20% increase in price?	3. A 20% increase in price will not lead to decrease in dollar sales.

*Figure 2.9 may be helpful here as a guideline to show the flow of development from research questions to hypotheses.*

- \* Explain why each of several different approaches may be suitable for a research problem -

No one approach to a problem will be perfect. There is no one best approach. Rather, each approach will have its own strengths and weaknesses. Thus, many approaches may be capable of answering the research questions within the constraints embodied in any particular approach.

### **Opening Question 7**

- \* Describe the importance of taking into account the environmental factors when defining the problem in a foreign market -

Many international marketing efforts fail because a problem audit is not conducted prior to entering the foreign market, and the relevant environmental factors are not taken into account. This leads to an incorrect definition of the marketing research problem and an inappropriate approach. While developing theoretical frameworks, models, research questions, and hypotheses, remember that differences in the environmental factors, especially the sociocultural environment, may lead to differences in the formation of perceptions, attitudes, preferences, and choice behavior.

### **Opening Question 8**

- \* Discuss the software and DSS that can facilitate problem definition and approach formulation -

Technological advances have produced software that can process and analyze facts and ideas, restructuring them to facilitate problem definition and the development of an approach. Such software comes in two formats: text or idea processors and outline processors. Text processors create electronic index cards that the user can search by using key words. Outline processors allow the user to list ideas in the order they come to mind and subsequently sort them into outline format. Decision support and expert systems (see Chapter 1) can also help identify alternative courses of action and define the marketing research problem and development of an approach.

### **Opening Question 9**

- \* Discuss the ethical responsibilities of the researcher and the client:

The process of problem definition should not be compromised by the personal agendas of the researcher (e.g., enhance profits) or the client (e.g., undertake research to justify a decision already made).

Such ethical situations would be satisfactorily resolved if the client/researcher relationship developed with both the client and the researcher adhering to the seven Cs: communication, cooperation, confidence, candor, closeness, continuity, and creativity, as discussed earlier. This would provide a relationship of mutual trust that would check any unethical tendencies.

Ethical situations affecting the researcher and the client may also arise in developing an approach to the problem. When researchers conduct studies for different clients in related



industries (i.e., banking and financial services) or in similar research areas (i.e., customer satisfaction), the research firm is honor bound not to reuse client specific models or findings for other projects.

The client also has an ethical responsibility not to solicit proposals merely to gain the expertise of the research firms without pay. It is unethical for a client to solicit proposals from a few research firms and then adopt one or a combination of the approaches suggested in them and conduct the project in-house.

## **Internet Emphasis**

\* Describe the advantages of Internet and computers in developing an approach to the problem:

The Internet can help the researcher gain access to the DMs and industry experts through e-mail and chat rooms. To locate an expert, search the lists of Usenet FAQs to see if one covers your topic. If there is no FAQ, search the list of Usenet newsgroups or forums ([www.dejanews.com](http://www.dejanews.com)) to find an appropriate forum. Then search for list servers related to the industry or type of organization that client belongs in. Search engines, mentioned in Chapter 1, can be used to collect secondary data quickly and economically.

Many of the factors to be considered in the environmental context of the problem can be researched via the Internet. For client specific information the user can go to the company home page. Have the students visit the home page for Coca-Cola Enterprises, Inc. (<http://www.cokecce.com>). Further, the user can also search for competitor information on the Internet. The students should also be encouraged to visit and obtain information from the following sites: Dunn's Market identifiers from Dunn & Bradstreet (<http://www.dnb.com>), and StreetLink, which provides corporate information on many companies, <http://www.streetlink.com/>.

In addition to the Internet, computers can be used in other ways to define the problem and develop an approach. The literature review could be conveniently conducted by examining, among other sources, on-line information about catalogs, books, and articles. Spreadsheet software packages such as Lotus 1-2-3 and Excel are effective managerial tools in developing and testing simple mathematical models.

## **BE AN MR! AND BE A DM!**

It should be noted that a variety of answers are appropriate. The ones given here are merely illustrative.

### **Be a DM!: Sprite**

Indicators for poor performance of Sprite: Symptoms

- Decreasing Market share.
- Lower growth rate with respect to competition.
- Missing sales forecasts.
- Existing customers leaving the brand.
- Sales force pushing for price cuts or sales promotions.

### **Be an MR!: Sprite**

The marketing program for Sprite:

- Sprite is aiming at the teens and sports fans with its “Thirst” Campaign.
- Sprite runs online marketing promotions with the likes of online merchants like RocketCash specifically aimed at teens.
- The sprite website offers interesting games to capture attention of teens and gain brand loyalty.
- It aggressively sponsors sports and games and advertises during related TV programs.

Reasons for lack of performance include:

- Sprite might not be appealing to target market
- Company might be targeting the wrong segments
- Excessive competition in the segment
- They might not have picked the right advertising theme
- Weakness in the distribution system
- Ineffective promotions

### **Be an MR!: Wal-Mart**

- Growth in US nearing saturation
- Suppliers might rebel against the pressure by Wal-Mart
- Company not doing a good job with international expansion. If rightly done this is a huge opportunity.
- Internet and other emerging channels pose challenge as well as opportunity

Students should locate and interview an expert.

### **Be a DM!: Wal-Mart**

As CEO of Wal-Mart the marketing strategies I would formulate are:

Launching brands for different product segments (differentiation)

Specialty stores for category of items like electronics.

Develop long term relationships with key suppliers.

Having overseas partners and joint ventures in foreign business development.

Online retailing (use partners with right know how if necessary)

Note that strategies have been suggested for each challenge or opportunity.

### **Be a DM!: Wendy's**

- Marketing Director of Wendy's
- The authenticity of data, mode of collection and premises around the conclusion has to be evaluated.
- If true it should impact the target customer segment of the company.
- Currently focused towards Kids and Young families.
- They might want to focus on an elder age group to increase the market share. They should consider introducing special services for the elderly such as sit-down service.

## **Be an MR!: Wendy's**

Students should identify the relevant sources of secondary data by conducting an internet search.

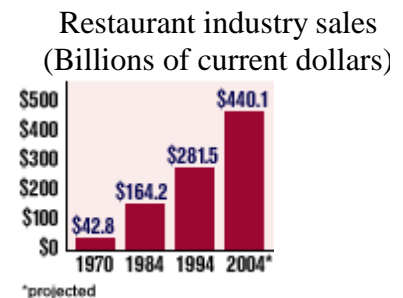
## **Be an MR!: Houston's**

Sales of Restaurants:

Most of the specific data is available from paid sources. Openly available data is mostly regional.

Source: <http://www.restaurant.org/research/>

The nation's 878,000 restaurants should hit \$440.1 billion in sales in 2004, according to the NRA's 2004 Restaurant Industry Forecast.



## **Be a DM!: Houston's**

Houston's Marketing Manager;

- Problems include potential loss of lunch traffic
- Opportunities are there for introducing new services for the lunch-on-the-go crowd.
- Hotel needs to change its service model.
- Drive in counters
- Fast food counters.
- There should be pickup counters where orders could be placed by phone and picked up later.
- Waiting times and delays have to be reduced

## **Be a DM!: Timberland**

Several aspects of the decision making process are relevant. Do the buyers of outdoor shoes use the Internet heavily? Do they shop on the Internet? How do they search for information on outdoor shoes? What are their preferred outlets for purchasing outdoor shoes? What factors do they look for in buying outdoor shoes?

## **Be an MR!: Timberland**

- Sponsoring Outdoor sporting and adventure events like "Summit to Sea"
- Cause related marketing activities like Red Boot campaign to raise funding and awareness for its nonprofit partner City.
- Target marketing for outdoor enthusiasts in specialty magazines, TV shows etc.

The decision making process for outdoor shoes: Consumers first select the type of shoe they want to buy. Competing brands in the selected category are evaluated based on price, style, brand name, comfort and durability. One brand of shoes is selected.

### **Be a DM!: TiVo**

- What could be good target segments (people with disposable income using VCRs)
- How to reach out to these segments.
- What are the competitors and substitute products (e.g. Video on demand, WinTV)
- How much are people willing to pay for TiVo?

### **Be an MR!: TiVo:**

The marketing research problem is to determine the relative strengths and weaknesses of TiVo products in order to understand how to strengthen the nature of TiVo's appeal for potential and existing customers. Specifically, research will address the following questions.

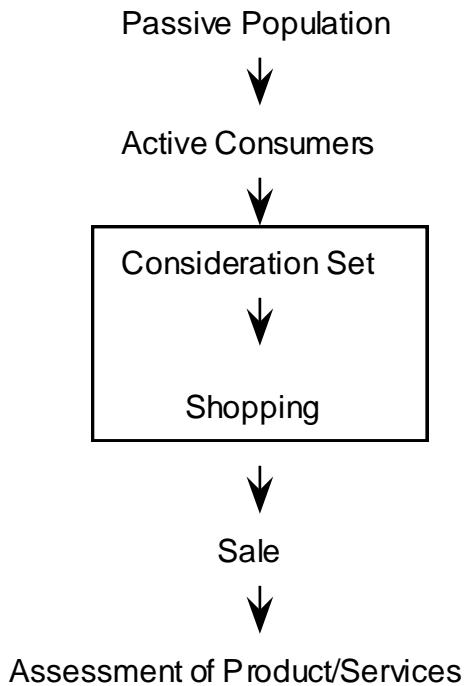
- What is consumers' awareness and understanding of the TiVo products?
- What criteria do consumers use when deciding to purchase TiVo or competing products?
- How do consumers evaluate TiVo and competing products on the factors of the choice criteria?
- What the nature of TiVo's appeal for potential and existing customers?
- What is the consumer's perception of the current methods of consumer education on the TiVo features and benefits?
- What is the demographic and psychological profile of TiVo's current and potential customers?

### **Be an MR!: GM**

GM Brands: Chevrolet, Pontiac, Buick, Cadillac, GMC, Oldsmobile, Saturn, Hummer, and SAAB.

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## New Car Purchase Model



### **Be a DM!: GM**

A graphical model explaining consumers' selection of an automobile brand can help GM in positioning its brands so as to avoid cannibalization. Thus, GM brands should not appear in the same consideration sets but in different consideration sets of the potential car buyers.

### **Be an MR!: Tennis Magazine**

The students should describe the recent contents and features of the magazine by visiting [www.tennis.com](http://www.tennis.com).

RQ1: Do people with different skills levels differ in their readership of *Tennis*?

H1: The expert tennis players spend more time reading *Tennis* as compared to the novice players.

RQ2: Are the heavy users of tennis, i.e., those who spend more time playing tennis, different than the light users of tennis in terms of preference for editorial content?

H2: The light users have a greater preference for tennis coaching articles as compared to heavy users.

### **Be a DM!: Tennis Magazine**

If H1 is true then more information geared to the expert tennis players can be provided in the magazine.  
If H2 is true then more coaching content can be provided geared to the light users of tennis.

## **EXPERIENTIAL LEARNING**

### **P&G's Conceptual Map**

1. A three-level conceptual map is developed as follows:
  - 1) Management wants to successfully introduce a new diaper that will capture an 80 per cent market share in the 30 & Smart segment within 12 months after introduction.
  - 2) Therefore, we are studying 30 & Smart evaluations of Feel 'n Learns in a test market.
  - 3) So that we can explain the probability of switching to the Feel 'n Learn diapers within this segment.
2. Note: Keep in mind that students may use different wordings. The key elements are the foci of the lines in the three-level conceptual map:
  - 1) management wanting to promote its new brand to achieve its market share goals within a segment,
  - 2) researchers focusing on intermediate goals to be realized through the ads, such as consumer attitudes, and
  - 3) the overall attitude level toward the new brand to be achieved within the targeted segment.

Here is a prototypical three-level conceptual map:

Management wants to boost its effort to capture an 80 per cent market share in the 30 & Smart segment within 12 months after introduction.

Therefore, we are studying attitudes toward Feel N' Learn ads in the test market among consumers that are part of the 30 & Smart segment.

So that we can explain the Feel N' Learn ad campaign's effectiveness in winning highly favorable attitudes toward Feel 'n Learn diapers within the 30 & Smart segment.

### **Defining the Problem and Developing an Approach**

This exercise is designed to enable the students to interact with a local business in a real-life setting. The answers will vary with the business selected but should follow the format given in Chapter 2.

## WHAT WOULD YOU DO?

It should be noted that a variety of answers are appropriate. The ones given here are merely illustrative.

### The Marketing Research Decision

1. A, B, C
2. Marketing research problem formulation:  
How can Kellogg's overcome the slump in the cereal market and defend its position in that segment?
3. The market research problem addresses the problem at hand in adequately broad manner at the same time without being vagueness. The problem formulation is suitable for analyzing both the trends within the industry segment as well as the externalities such as substitute products that affect the slump in sales.

### The Marketing Management Decision

1. A, B and C
2. The research reveals that the products are not suited for the taste of adults and costly. Also, the substitute products seem to be gaining momentum and eating into the market share for cereals. Introduction of new products for adults will make the Kellogg's products popular among adults. Lowering of price or a new, cheaper line of products will cater to price conscious customers who currently choose generic products. Ad budget has to be increased and a campaign has to be launched for 2 reasons a) for the changed image to be communicated to public b) to prevent losing out in the battle against substitute products.

## REVIEW QUESTIONS

1. The first step in conducting a marketing research project is defining the marketing research problem.
2. It is important to define the marketing research problem appropriately because it serves as a guideline to the researcher for conducting the rest of the marketing research project.
3. One reason why management is often not clear about the real problem is the tendency of the DM to focus on the symptoms rather than causes. Moreover, DMs have various time constraints and therefore are not in a position to gather relevant information to analyze the situation. Finally, the problem, as they perceive it, may be colored by their subjective opinions and biases.
4. The researcher plays a major role in the problem definition process. The process starts with a discussion between the researcher and the decision maker about the decision the DM faces. This discussion should include the alternative courses of action available to the DM and the information that is needed by the DM. The researcher may also hold

interviews with industry experts, analyze secondary data, and conduct preliminary research to properly identify the decision problem. Once the decision problem has been formulated, the last step in the process is to translate it into a research problem.

5. A problem audit is a comprehensive examination of a marketing problem situation with the purpose of understanding its origin and nature.
6. A symptom occurs as a result of a problem. It is often a complicated process to distinguish a symptom from a problem, but the problem audit offers a structured means of analysis.
7. A management decision problem asks what the DM needs to do. A marketing research problem on the other hand is stated in terms that enable the researcher to gather information required by the DM in deciding what to do.
8. Two types of errors are usually encountered in defining a marketing research problem:
  - a. Defining the research problem in terms which are too broad, vague, or general.
  - b. Defining the research problem in terms that are too narrow.The incidence of such errors can be reduced by first stating the problem in broad terms and then identifying the specific components of the problem.
9. After the research problem has been defined, it is necessary to break it down into components that can be addressed separately. To find the answers to each component of the problem, it is essential that a set of specific questions be formulated that capture the essence of the part or component. These specific questions are called research questions.
10. A research question is basically formulated to find an answer to a specific issue. A hypothesis is a possible answer to the research question that can be empirically tested. For example, a research question may be framed as: "How does the age of a consumer affect the purchase of a car?" A possible hypothesis is, "People in the age group 45-55 tend to buy upscale cars."
11. The most common forms of analytical models are verbal, graphical, and mathematical structures. Verbal models state the variables and their relationships in prose form. Graphical models are used to isolate variables and suggest directions of relationships but are not generally designed to provide numerical results. Mathematical models specify the relationships among variables, usually in equation form.

## **APPLIED PROBLEMS**

1. Population by age groups should be examined to discern the trends, for example, the graying of America.
2.
  - a. Assess the probable market size and acceptance for the product.
  - b. How effective has the campaign been in boosting sales in the past three years?
  - c. Determine how the various levels of in-store promotion affect the sales.
  - d. Determine the relationship between price and demand for a new product.



- e. Determine the relation between alternative compensation packages and the respective sales performance.
3. a. Should a new store be opened in a certain metropolitan area?  
 b. Should a new product be introduced? If so, what features should it have?  
 c. Should the present TV commercial be changed?  
 d. How many new sales people have to be hired?  
 e. How should the various items in the product line be priced so as to maximize revenue?
4. A few examples are listed below, although others can be devised.
- | <u>Symptoms</u>                         | <u>Causes</u>   |
|---|---|
| Declining market share                  | Outdated product<br>New competition<br>Shifting demographics<br>Inappropriate pricing             |
| Decline in profits                      | Ineffective promotions<br>Escalating distribution costs<br>Improper channel structure             |
| Inability to gain channel participation | Lack of product differentiation<br>Misdirected promotions<br>Inferior product image               |
| Heavy turnover in salesforce            | Lack of proper sales incentives<br>Improper allocation of territories<br>Unrealistic sales quotas |
| Decline in company sales                | Decline in industry sales<br>Increased competition  |
5. Some possible factors are:
- |                         |                 |
|-------------------------|-----------------|
| safety                  | timeliness      |
| convenience             | price           |
| frequent flyer benefits | departure times |
| routes                  | amenities       |
6. On-line databases, which can be used here include Management Contents, Economic Literature Index, Predicasts, and Dow Jones. Others are available. The purpose of this exercise is simply to get the students to explore the computer resources available to them and experience the value of information available on the Internet. The report on the environmental context surrounding Diet Coke should follow the format given in the book.
7. The model may be either a graphical or analytical model. While conceivably one could develop a verbal model, this defeats the purpose of using the computer for analysis. It is desirable that the students do some statistical analysis and suggest a statistical model.

8. While this list of choice criteria factors for sneakers may not be comprehensive, it should be illustrative and include factors such as type of upper, type of sole, price, image, type of technology, etc.

## **GROUP DISCUSSIONS**

1. Key issues which should be discussed include: the guidance the marketing research problem gives research; the assumptions which must be made when applying research techniques, since they are often based on the problem definition; and techniques properly applied to the wrong problem will lead to wrong answers.

2. Coca-Cola was faced with a gradually declining market share as Pepsi gained and surpassed Coke in market share. The underlying reason for the slide of Coke was a change in consumer preferences toward a sweeter, less carbonated drink, like Pepsi. Thus, the decision problem for Coke management was how do we combat Pepsi given this change in consumer tastes? Specifically, should Coke introduce a new brand more attuned to consumer tastes to combat Pepsi?

The marketing research problem can be conceived in alternative ways, but one general statement is "What mix of product attributes can Coca-Cola devise which will be more in favor with consumers given current tastes?" Components of this problem, of which only a few are listed here, include:

What level of sweetness is desired by consumers?

What level of carbonation is desired by consumers?

What brand name should be devised for the drink?

What type of packaging provides the greatest consumer awareness of the brand? etc.