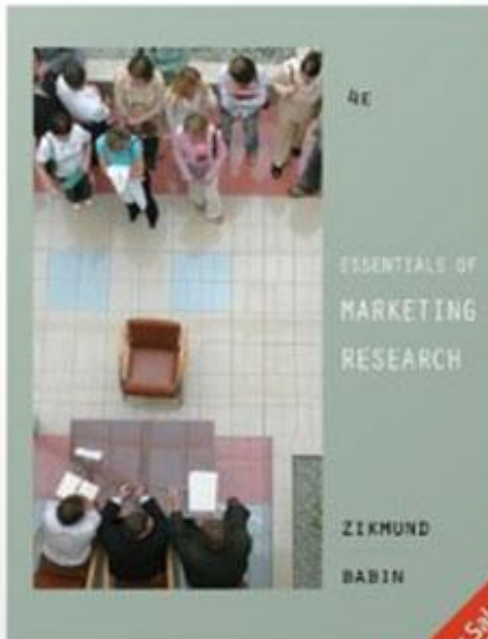


SOLUTIONS MANUAL

INTERNATIONAL EDITION



Not for Sale in the
United States

Part One Introduction

Chapter 1

The Role of Marketing Research

AT-A-GLANCE

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LEARNING OUTCOMES

1. Know what marketing research is and what it does for business.
2. Understand the difference between basic and applied marketing research.
3. Understand how the role of marketing research changes when a firm is truly marketing oriented.
4. Integrate marketing research results into the strategic planning process.
5. Know when marketing research should and should not be conducted.
6. Appreciate the way that technology and internationalization are changing marketing research.

CHAPTER VIGNETTE: “The Dude Looks Like a Lady”

The idea of men selling cars to men may have once been accurate, but times change and many of the assumptions that underlie the car industry can be questioned. Toyota surpassed General Motors as the number one selling car brand in 2008, and much of this success is attributed to designing cars that appeal to women. Toyota conducted marketing research to learn what features create the most value for female car consumers, such as the interior, ease of entry and putting things like children’s car seats into, controls easily adjustable for a driver who is less than six feet tall, and safety and security concerns.

SURVEY THIS!

This feature allows students to better understand the researcher’s job in determining what information is needed so that data can be analyzed and become intelligence. This first interaction with the “Survey This!” feature is for students to play the role of respondent and respond to the survey by going to the URL provided in the preface and by the instructor. Answers are anonymously stored in the database along with those of other students using this book around the world. Once the survey is completed, students can visit the course Web site and get a copy of the questions.

RESEARCH SNAPSHOTS

➤ **Good Fat and Bad Fat**

The FDA is concerned that consumers get information that is accurate and conveys the proper message to achieve a healthy diet. Trans-fat (hydrogenated) is technically a nonsaturated fat, but it acts like a saturated fat when consumed. So, where should it be placed on the nutrition label? Marketing research can help.

➤ **Harley-Davidson Goes Abroad**

Before Harley-Davidson goes overseas, it must perform considerable research on that market. Consumers in some countries might prefer economical and practical motor bikes (e.g., France or Italy); others might find Harley more prestigious. Harley learned that

positive consumer opinions and a booming economy were not enough to move into India because high duties would make them cost prohibitive. One opportunity for Harley to investigate is the growing U.S. women's market for bikes, which has nearly doubled since 1990.

➤ **“Jacques” Daniels**

U.S. distilled spirits sales have declined over the last 10-15 years as more Americans turn to wine or beer. As a result, these marketers have increased efforts to expand into international markets. The producers of Jack Daniels conducted research and learned that (1) Japanese consumers use Jack Daniels as a dinner beverage, (2) Australian consumers mostly consume distilled spirits in their homes, (3) British consumers also like mixed drinks, but they usually partake in bars and restaurants, and (4) in China and India, consumers more often choose counterfeit or “knock-offs” to save money. One-half of all Jack Daniels sold is now sold outside of the U.S.

TIPS OF THE TRADE

Throughout the text, a *Tips of the Trade* section is provided to give hints for using and doing marketing research. This chapter's tips are:

- Customers and employees are valuable sources for input.
- Business problems ultimately boil down to information problems.
- Good marketing research is as rigorous as good research in other fields.
- Research plays a role before, during, and after key marketing decisions.
- Research that costs more than it could ever return should not be conducted.

OUTLINE

I. WHAT IS MARKETING RESEARCH?

➤ **Business and Marketing Research**

➤ Companies need to produce benefits that people want to buy, and successful companies must understand the bundle of benefits consumers need. Answering several key questions help provide this understanding:

1. *What do we sell?* – This includes not only the benefits that are easily seen, but also the more emotional benefits.
2. *How do consumers view our company?* – All too often, companies define themselves too narrowly based only on the physical *product* they sell. Who will the customer do business with if they do not choose our company?
3. *What does our company/product mean?* – What knowledge do people have of the company and its products?
4. *What do consumers desire?* – How can the company make the lives of its customers better, and how can it do this in a way that is not easily duplicated by another firm?

- Answering these questions requires information, and marketing research's function is supplying that information. With useful information, decisions can be made with less risk.
- The emphasis of marketing research is to shift decision makers from intuitive information gathering to systematic and objective investigating.
- **Marketing Research Defined**
 - **Marketing research** is the application of the scientific method in searching for the truth about marketing phenomena.
 - The process includes:
 - idea and theory development
 - problem definition
 - searching for and collecting information
 - analyzing data
 - communicating the findings and their implications
 - This definition suggests that marketing research:
 - information is not intuitive or haphazardly gathered
 - is accurate and objective, using the scientific method
 - is relevant to all aspects of the marketing mix
 - is limited by one's definition of marketing
 - Marketing research can be used for any aspect of the marketing mix.
 - Marketing research can be used by all types of organizations that engage in some form of marketing activity.

II. APPLIED AND BASIC MARKETING RESEARCH

- **Applied Marketing Research**
 - **Applied marketing research** is conducted to address a specific marketing decision for a specific firm or organization.
- **Basic Marketing Research**
 - **Basic marketing research** is conducted without a specific decision in mind and it usually does not address the needs of a specific organization.
 - Attempts to expand the limits of marketing knowledge in general, and as such it is not aimed at solving a particular pragmatic problem.
 - The two types of research are not completely independent.
 - Some reserve the term *marketing* research to refer to basic research and the term *market* research to capture applied research addressing the needs of a firm within a particular market.
 - However, there are very few aspects of research that apply to only basic or only applied research.
 - This text uses the term *marketing research* more generally to refer to either type of research.
- **The Scientific Method**
 - All marketing research, whether basic or applied, involves the scientific method.
 - **Scientific method** is the way researchers go about using knowledge and evidence to reach objective conclusions about the real world.

- Involves developing hypotheses and testing them against empirical evidence (facts from observation or experimentation). From these results, new knowledge is acquired.
- Use in basic research leads to inferences and conclusions about phenomena and leads to the establishment of general laws.
- Use in applied research ensures objectivity in gathering facts and testing creative ideas for alternative marketing strategies.

III. MARKETING RESEARCH AND STRATEGIC MANAGEMENT ORIENTATION

- In all of business strategy, there are only a few business orientations:
 - **Product oriented** – the firm prioritizes decision making in a way that emphasizes technical superiority in the product. Research is not a priority.
 - **Production oriented** – the firm prioritizes efficiency and effectiveness of the production processes in making decisions (i.e., drive costs down). Research is not a priority.
 - **Marketing oriented** – the firm follows the **marketing concept**, which focuses on how the firm provides value to customers more than on the physical product or production process.
- Developing a marketing orientation calls on management to:
 1. Be **customer-oriented**.
 2. Emphasize long-run profitability rather than short-term profits or sales volume.
 3. Adopt a cross-functional perspective.
- **Customer Orientation**
 - Create products and services with consumers' needs in mind.
 - The creation of value for consumers is the justification for a firm's existence.
 - Marketing research addressing consumer desires, beliefs, and attitudes is essential.
- **Long-Run Profitability**
 - Implicit in the marketing concept is the assumption of the continuity of the firm.
 - This argues against profitless volume or sales volume for the sake of volume alone.
- **A Cross-Functional Effort**
 - Marketing personnel do not work in a vacuum – actions of people in other areas (i.e., production, credit, and R&D) may affect marketing efforts, and the work of marketers will affect activities in other departments.
 - Problems occur when the marketing department views focusing on consumer needs as its sole responsibility.
 - It is vital that management conducts marketing research, that researchers produce valid and reliable results, and that those results be communicated to decision makers.
- **Keeping Customers and Building Relationships**

- Effective marketers work to build long-term relationships with their customers.
- **Relationship marketing** communicates the idea that a major goal of marketing is to build long-term relationships with customers contributing to a firm's success.
- A sale is not the end of a process; it is the start of the organization's relationship with a customer.
- **Total quality management** is a business philosophy that has much in common with the marketing concept.
 - A company that employs a total quality strategy must evaluate itself through the eyes of the customer.
- The notion that quality improvement is every employee's job must be integrated throughout the organization so that marketing and production will be in harmony.

- **Marketing Research: A Means for Implementing the Marketing Concept**
 - Marketing research can also help prevent commercialization of products that are not consumer oriented.
 - By improving efficiency, research also facilitates profitability.
 - Analysis of data may also be a form of marketing research that can increase efficiency.

- **Marketing Research and Strategic Marketing Management**
 - The prime managerial value of marketing research is that it reduces uncertainty by providing information that facilitates decision making about marketing strategies and the tactics used to achieve an organization's strategic goals.
 - Developing and implementing a marketing strategy involves four stages:
 1. Identifying and evaluating market opportunities.
 2. Analyzing market segments and selecting target markets.
 3. Planning and implementing a marketing mix that will provide value to customers and meet organizational objectives.
 4. Analyzing firm performance.

- **Identifying and Evaluating Opportunities**
 - Marketing research can be used to monitor the competitive environment for signals indicating business opportunities or problems.
 - Market opportunities may be evaluated using many performance criteria.
 - Research may be used to develop objective forecasts of demand or changing environments.

- **Analyzing and Selecting Target Markets**
 - Marketing research is a major source of information for determining which characteristics of market segments distinguish them from the overall market.
 - **Geo-demographics** refers to information describing the demographic profile of consumers in a particular geographic region.

IV. PLANNING AND IMPLEMENTING A MARKETING MIX

- Marketing research may be needed to support specific decisions about any aspect of the marketing mix.

- It is essential that an overall research plan involve all elements of marketing strategy.
- **Product Research**
 - Takes many forms:
 - Concept testing—exposes potential customers to a new product idea to judge the acceptance and feasibility of the concept.
 - Product testing—reveals a product prototype’s strengths and weaknesses or determines whether a finished product performs better than competing brands or according to expectations.
 - Brand-name evaluation studies—investigate whether a name is appropriate for a product.
 - Packaging testing—assesses size, color, shape, ease of use, and other attributes of a package.
- **Pricing Research**
 - Many test markets address the question of how consumers will respond to a product offering two different prices.
 - **Pricing** involves finding the amount of monetary sacrifice that best represents the value customers perceive in a product after considering various market constraints.
 - Pricing research addresses consumer quality perceptions by its very nature.
 - Research has shown that prices can actually be too low.
- **Distribution Research**
 - A **marketing channel** (a.k.a. **supply chain**) is a network of interdependent institutions that perform the logistics necessary for consumption to occur.
 - Distribution research:
 - is typified by studies aimed at selecting retail sites or warehouse locations;
 - often is needed to gain knowledge about retailers’ and wholesalers’ operations and to learn their reactions to a manufacturer’s marketing policies;
 - may also be used to examine the effect of just-in-time ordering systems or exclusive distribution on product quality.
- **Promotion Research**
 - **Promotion** is the communication function of the firm responsible for informing and persuading buyers.
 - **Promotion research** investigates the effectiveness of advertising, premiums, coupons, sampling, discounts, public relations and other sales promotions.
 - Media research helps businesses make decisions about whether television, newspaper, magazines, or other media alternatives are best suited to convey the intended message.
- **The Integrated Marketing Mix**
 - **Integrated marketing communication** means that all promotional efforts should be coordinated to communicate a consistent image.
 - Likewise, the elements of the marketing mix itself must work together.

- From a research standpoint, the **integrated marketing mix** means that research studies often investigate effects of various combinations of marketing mix elements on important outcomes like sales and image.
- **Analyzing Marketing Performance**
 - Marketing research may be conducted to obtain feedback for evaluation and control of marketing programs.
 - This is especially important for successful **total value management**, which attempts to manage the entire process by which a consumer receives benefits from a company.
 - **Performance-monitoring research** refers to research that regularly, sometimes routinely, provides feedback for evaluation and control of marketing activity.
 - Market-share analysis and sales analysis are the most common, but not the only, forms.
 - **Marketing metrics** refer to quantitative ways of monitoring and measuring marketing performance, and they allow the firm to assess the ROI associated with marketing activities.

V. WHEN IS MARKETING RESEARCH NEEDED?

- The determination of the need for marketing research centers on:
 1. time constraints
 2. availability of data
 3. nature of the decision
 4. value of the research information in relation to costs
- **Time Constraints**
 - Systematic research takes time.
 - Sometimes the urgency of a situation precludes the use of research.
- **Availability of Data**
 - When managers lack adequate information, research must be considered.
 - Data need to be collected from an appropriate source and in a timely fashion.
- **Nature of the Decision**
 - The more strategically or tactically important the decision, the more likely it is that research will be conducted.
- **Benefits versus Costs**
 - When deciding whether to make a decision without research or to postpone the decision in order to conduct research, managers should ask three questions:
 1. Will the payoff or rate of return be worth the investment?
 2. Will the information gained improve the quality of the marketing decision enough to warrant the expenditure?
 3. Is the proposed research expenditure the best use of the available funds?

VI. MARKETING RESEARCH IN THE TWENTY-FIRST CENTURY

- Marketing research, like all business activity, continues to change, largely due to changes in:
 - Communication technology
 - Global marketplace
- **Communication Technologies**
 - Virtually everyone is “connected” today.
 - The speed with which information can be exchanged has also increased tremendously.
 - Technology also has made it possible to store or collect data for lower costs than in the past.
 - Technology has made for easier data collection and data analysis.
- **Global Marketing Research**
 - Companies that conduct business in foreign countries must understand the nature of those particular markets and judge whether they require customized marketing strategies.
 - Places greater demands for research tools that allow marketers to **culturally cross-validate** research results, meaning that the empirical findings from one culture also exist and behave similarly in another culture.

QUESTIONS FOR REVIEW AND CRITICAL THINKING/ANSWERS

1. Is it possible to make sound marketing decisions without marketing research? What advantages does research offer to the decision maker over seat-of-the-pants decision making?

Marketing research attempts to supply accurate information that reduces the uncertainty in decision making. Very often, decisions are made with little information because of various reasons including insufficient time to conduct research or because a manager believes that enough is already known. Relying on seat-of-the-pants decision making—decision making without research—is like betting on a long shot at the racetrack because the horse’s name is appealing. Occasionally there are successes, but in the long run, intuition without research leads to losses. Marketing research helps decision makers shift from intuitive information gathering to systematic and objective investigating.

2. Define a marketing orientation and a product orientation. Under which strategic orientation is there a greater need for marketing research?

A product-oriented firm prioritizes decision making in a way that emphasizes technical superiority in the product. Thus, input from technicians and experts in the field are very important in making critical decisions. In contrast, marketing research is a primary tool enabling implementation of a marketing orientation. The marketing concept is a central idea in modern marketing thinking that focuses on how the firm provides value to customers more than on the physical product or production process. It has evolved over time as product- and production-oriented firms respond to changes in the competitive and economic environments. When a firm adopts the marketing concept, it develops a marketing orientation, which calls on management to: (1) be customer oriented, (2) emphasize long-run profitability rather than short-term profits or

sales volume, and (3) adopt a cross-functional perspective. Thus, marketing research addressing consumer desires, beliefs, and attitudes becomes essential, and results must be communicated to decision makers so that they can shape the firm's marketing strategy.

3. Name some products that logically might have been developed with the help of marketing research.

Students should be able to come up with a wide variety of answers. Typically they will suggest products such as frozen foods, cosmetics, toiletries, and automobiles. Most will avoid mentioning services (e.g., airlines, tune-up centers, etc.) and nonprofit situations (e.g., a political campaign).

The textbook discusses several examples, such as Jelly Belly and "Sport Beans," which contain added enzymes, carbohydrates and vitamins, including free, in-store high speed wireless Internet access in coffee shops (e.g., Starbucks), Yoplait Go-Gurt, David Weekly homes, programming for DirectTV satellite television services, and flavors for Cheetos when entering the Chinese market.

4. Define *marketing research* and describe its task.

Marketing research is the application of the scientific method in searching for the truth about marketing phenomena. These activities include defining marketing opportunities and problems, generating and evaluating marketing ideas, monitoring performance and understanding the marketing process. It is very important that the definition recognize that marketing research is more than conducting surveys. This process includes idea and theory development, problem definition, searching for and collecting information, analyzing data and communicating the findings and their implications.

5. Which of the following organizations are likely to use marketing research? Why? How?

All of these organizations can use marketing research. However, the marketing research in each situation will be of a different nature. While there is no specific information given in the text from which to draw on for this discussion, some suggestions for discussion are given below.

- a. Manufacturer of breakfast cereals

It is highly likely that a breakfast cereal manufacturer will use extensive marketing research for almost all aspects of the marketing program. In a 12-year period, there were 77 new cereal brands introduced and only 18 of those 77 brands were able to maintain adequate sales. Brands such as Kream Krunch, Pink Panther Flakes, Fruit Brute, and many others have failed in the marketplace. An interesting example of marketing research for product development was the development of Quaker's Halfies cereal, a cereal with half the sugar of most presweetened cereals. In test marketing, the animated commercials aimed at children were built around a "land of half." This product was developed based on consumer research indicating parents were in a quandary about presweetened cereals. The children wished to have sweet cereals but the parents were concerned about the sugar content of the cereals. To avoid the problem of too much sugar, Halfies was developed. The product was successful for several years.

- b. Manufacturer of nuts, bolts and other fasteners

An industrial marketer of nuts, bolts, and other fasteners, like a consumer goods marketer, has a need to acquire information to reduce uncertainty. The industrial goods marketer will use many of the same marketing research techniques, but there will usually be a difference in the nature of its customers and the nature of its information needs. Industrial marketers, like consumer marketers, need to answer questions such as: What is the size of the market? Who are our current and prospective customers? What attitudes do they hold? The source of data may vary. However, industrial customers are usually contacted on a personal basis. Industrial marketers may focus more on internal sales information on accounts and feedback from salesmen.

c. The Federal Trade Commission

The Federal Trade Commission conducts considerable research on advertising of companies they are investigating. Their communications research attempts to determine whether or not advertising is deceptive, misleading, etc. Visit their web site at www.ftc.gov.

d. A hospital

A hospital would be interested in investigating consumers' perceptions and satisfaction with the hospital services.

e. A company that publishes marketing textbooks

A publisher of these types of books could conduct secondary research (e.g., examine demographic trends, analyze university programs to understand their needs, etc.) and primary research (e.g., focus groups, surveys, interviews, etc.) to determine market potential and needs of this market.

6. An automobile manufacturer is conducting research in an attempt to predict the type of car design consumers will desire in the year 2020. Is this basic or applied research? Explain.

In this situation the automobile manufacturer needs information to make a specific decision. Although the decision is many years away, this is applied research because the decision is about a particular course of action or policy area.

7. What is the definition of an *integrated marketing mix*? How might this affect the research a firm conducts?

Integrated marketing mix means that the elements of the marketing mix must work together. From a research standpoint, the integrated marketing mix means that research studies often investigate effects of various combinations of marketing mix elements on important outcomes like sales and image.

8. Comment on the following statements:

a. Marketing managers are paid to take chances with decisions. Marketing researchers are paid to reduce the risk of making those decisions.

This statement illustrates a role that marketing research plays. A marketing researcher's job is to provide information to reduce uncertainty, but ultimately the manager is responsible. Marketing managers must ultimately make the decision, and they take the credit or blame for success or failure. Marketing managers may be risking a lot of money, and it may be well worth it to spend a little bit of money on marketing research to learn if the big risk is worth taking.

- b. A marketing strategy can be no better than the information on which it is formulated.

Managers need timely, accurate, and pertinent information to make decisions to identify and evaluate opportunities, analyze market segments, plan and implement the marketing mix, and control marketing performance. With the wrong information (perhaps, that heavy buyers are in the wrong market segment), a strategic plan may be destined to fail no matter how properly it is executed.

- c. The purpose of research is to solve marketing problems.

The purpose of marketing research is to reduce uncertainty and to provide information to allow marketing managers to make decisions. Although the information provided might help the marketing manager make the right decision, it does not *solve* marketing problems in and of itself. Although marketing research may not provide all the information that would be desirable before making the decision, it can provide a framework within which better decisions can be made.

9. List the conditions that help a researcher decide when marketing research should or should not be conducted.

The determination of the need for marketing research centers on (1) time constraints, (2) the availability of data, (3) the nature of the decision to be made, and (4) the value of the research information in relation to costs.

10. How have technology and internationalization affected marketing research?

Marketing research, like all business activity, continues to change. Changes in communication technologies and the trend toward an ever more global marketplace have played a large role in many of these changes. Virtually everyone is "connected" today, the speed with which information can be exchanged has increased tremendously, and changes in computer technology have made for easier data collection and data analysis. Marketing research has become increasingly global as more and more firms take advantage of markets that have few, if any, geographic boundaries. Companies that conduct business in foreign countries must understand the nature of those particular markets and judge whether they require customized marketing strategies. The internationalization of research places greater demands on the marketing researcher and heightens the need for research tools that allow us to cross-validate research results, meaning that the empirical findings from one culture also exist and behave similarly in another culture.

11. [Internet Question] How do you believe the Internet has facilitated research? Try to use the Internet to find the total annual sales for Starbucks and for Toyota. You might start by using a general search engine like ask.com. University libraries also generally have access to business resources that may contain industry level data.

The Internet has made it possible to collect data for lower costs than in the past. Electronic communications are usually less costly than postal mail and certainly less costly than a face to face interview and cost about the same amount no matter how far a respondent is from a researcher.

The instructor needs to access the information regarding total sales because more recent information will be available annually. The most recent information available at the time of this writing (2008) is as follows:

For FY ending September, 28, 2008, Starbuck's sales were \$10,383,000. This information was gathered from financial statements available at www.starbucks.com.

For FY ending March 31, 2008 Toyota's company sales were 26.29 trillion yen. This information was found by searching "Toyota revenues" in Google. This amount is almost \$300 billion (but varies with the exchange rate).

12. What types of tools does the marketing researcher use more given the ever increasing internationalization of marketing?

The tools used by the marketing researcher are essentially the same. However, the internationalization of research places greater demands on marketing researchers and heightens the need for research tools that allow us to cross-validate research results, meaning that the empirical findings from one culture also exist and behave similarly in another culture.

RESEARCH ACTIVITIES

1. [Internet Question] Suppose you owned a jewelry store in Denton, Texas. You are considering opening a second store just like your current store. You are undecided on whether to locate the new store in another location in Denton, TX or in Birmingham, AL. Why would you decide to have some marketing research done before making this decision? Should the research be conducted? Go to <http://www.census.gov>. Do you think any of this information would be useful in the research?

Students should indicate an understanding of basic demographic variables that would be of interest, such as population and income distribution. They should also analyze the competitive environment in each city they are examining. Whether or not research should be conducted will depend on the owner's level of knowledge concerning this type of retail store and the location being considered. For example, this owner may have considerable knowledge about Denton, TX because that is where the original store is located. However, he or she may be completely unfamiliar with Birmingham, AL and would require formal research to gain a better understanding of this market.

2. Use the Internet to find recent examples of news articles involving the use of marketing research in making decisions about each element of the marketing mix.

Students' responses will vary on this exercise.

3. Find an article illustrating an example of an applied marketing research study involving some aspect of technology. How does it differ from a basic research study also focusing on a similar aspect of technology?

While students will find varying articles, they should demonstrate knowledge regarding the difference between applied and basic research. Applied marketing research is conducted to address a specific marketing decision for a specific firm or organization. Basic marketing research is conducted without a specific decision in mind and it usually does not address the needs of a specific organization.