
UNIT 3 MARKETING INFORMATION AND RESEARCH

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3.0 OBJECTIVES

After studying this unit, you should be able to:

- to explain importance of information in marketing decision making;
- to state meaning and components of marketing information system;
- to **identify** marketing managers' information needs and understand as to how one should go about developing marketing information system for an organisation;
- to describe meaning and nature of marketing research;
- to develop an appreciation of purpose of marketing research and its scope;
- to explain the process of conducting marketing research; and
- to gain familiarity with the usage of marketing research in India.

3.1 INTRODUCTION

We have observed in the preceding units that marketing management is essentially a decision making process. Be it marketing planning, organization or control, the marketing manager has to make decisions as to which markets to enter, how much to sell different types of products, how to organize marketing activities, what marketing strategies to use and how to deal with shortfalls in sales observed at the end of a given period. Earlier the decision making was quite simple and a straight forward task because of smaller scale of operations and lower level of competition in the market. But the decision making today has become very complex in the wake of increased competition and fast changing marketing environment. It is no longer possible for the marketers to make decision simply on the basis of their gut feelings or past experiences. They need to collect all the relevant information before arriving at any decision. Somebody has rightly said that the success of any business depends upon the quality of decision making, and the quality of decision making in turn depends upon the quality of information used in the decision making. Little surprising that marketing managers are today constantly seeking high quality information to improve the quality of their decision-making. This essentially requires an efficient marketing information system and marketing research.

The present unit aims at discussing as to what marketing information system is and how one goes about designing a marketing information system. Marketing research which is a major component of marketing information and most widely used by the marketing managers to collect various types of information for decision making is discussed in detail and the unit ends with a note on usage of marketing research in India.

3.2 MARKETING INFORMATION SYSTEM AND ITS COMPONENTS

Marketing Managers often complain that there is not enough marketing information of the right kind for good decision making. At the same time, the problem of some managers is that they suffer from oversupply of wrong kind of information and they have to waste a lot of time in searching the right kind of information from the whole lot of information supplied to them. Another major complaint made by the marketing managers is that the required information is so widely dispersed throughout the organisation that they have to make a great deal of efforts to locate simple facts. Important marketing information is quite often suppressed by the subordinates if they feel it will unfavourably reflect on their performance. Marketing managers in many organizations are equally critical of the fact that the important information arrives too late. All these problems compound the marketing manager's decision making tasks and, unless satisfactorily solved these can severely affect the business performance. A properly planned and executed marketing information system goes a long way in assessing the information needs of marketing managers and supplying them with the required information in time to facilitate better decision making.

Marketing information system can be defined as a set of procedures and methods for the regular and planned collection, analysis and presentation of information for use in making marketing decisions. As a set of procedures and methods, a marketing information system ensures timely collection and supply of objective, reliable and valid information to the marketing managers on a regular basis to enable them to make informed decisions. Marketing information system is an elaborate system that comprises of various subsystems

used by an organization for collecting, processing and storing information required from time to time by the marketing managers.

Figure 3.1 shows various components of the marketing information system and also depicts linkages of the marketing information system and its sub-systems with the marketing environment and marketing managers. Marketing managers make decisions keeping in view the marketing environment which comprises of target market customers, competitors, distribution channels, general publics and the broader environmental forces such as demographics, technological breakthroughs, income levels, economic policies, marketing legislations and political ideology and stability of the ruling government.

Marketing information system is so designed that it collects the relevant information on a regular basis from the marketing environment external to the organization and supplies the same after necessary editing and processing to the marketing managers to aid their planning, organization and control activities. Marketing decisions made by the company executives and action plans developed by an organization in the light of the collected information soon get conveyed to other players in the market and all such information becomes a part of the larger marketing environment. Other firms using their marketing information systems come to know of these competitive actions and other market, and evolve their marketing policies and strategies. Like in the case of the first firm, the decisions made and actions taken by the competitors soon become part of the larger environment and get known to other participants in the market. The process thus continues in a circular way, enabling each organization to know through its marketing information system as to what is happening in the market and how it should respond to the changing milieu.

Components of Marketing Information System

As shown in Figure 3.1, a company can make use of four subsystems – also called as the *components of the marketing information system* – to collect the information about its marketing environment. The four components are: *internal reporting system, marketing intelligence system, marketing research system and analytical marketing system*. These are discussed in detail in the following paragraphs.

- a) **Internal Reporting System:** Every company has a system of reporting events and decisions within the organization. This is known as internal reporting system. The internal reporting system supplies management with variety of information, including the ones related to marketing operations and decisions. The internal reporting system basically disseminates result data such as orders received, sales made, inventory levels, accounts receivables and bills payables. The system enables the marketing managers to know as to which one of its products and brands are selling well in which markets and in which seasons. All this information can be very useful to the managers in deciding as to in which product lines and markets to invest more, and from which product lines and markets the firm should divest. The system can be extremely useful to the marketing managers if it is able to provide all such information quickly and accurately.

Not much additional costs or efforts are needed to evolve this system in an organisation. What is required is simply greater cooperation among various departments in preparing product, market and period-wise sales and expense statements, and passing on the same on a regular and timely basis to the marketing managers so as to facilitate their decision making.

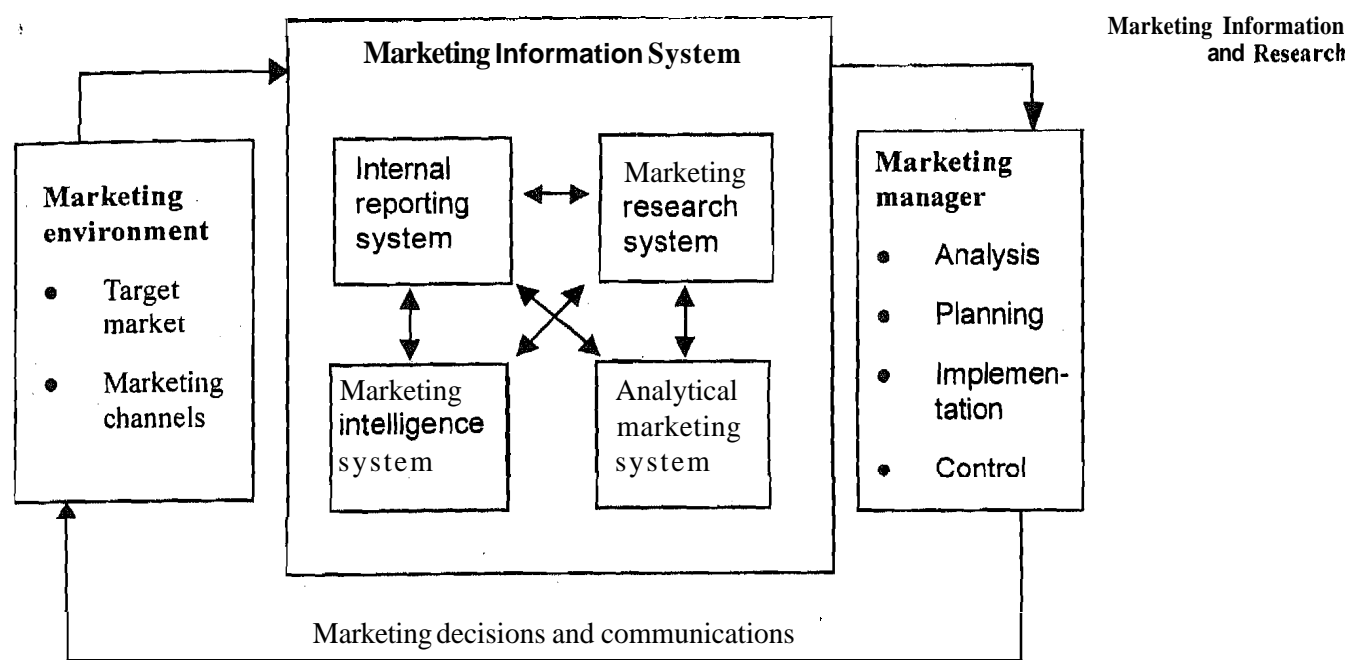


Figure 3.1: Marketing Information System

Source : Adapted from Philip Kotler, *Marketing Management: Analysis, Planning and Control*, 5th edition, Prentice Hall, Englewood Cliffs, 1984.

- b) **Marketing Intelligence System:** It supplies the management with the *happening data*. Marketing intelligence system refers to informal search of information on a continuous basis from various sources — both internal and external to the organisation. Managers, for example, can gather valuable information by talking to different executives working in the company, company sales force, dealers, wholesalers, retailers, customers and other participants in the market.

Observation of events as and when they occur in the market is an important way of collecting the market information. Just walking around the market place and observing what products are displayed in the window displays and shelves in the retail stores, which types of people are buying which types of products/brands and how competitors are advertising and promoting their products in the market can provide valuable insights to the marketing managers in devising their marketing strategies. Reading newspapers and magazines, buying competitors' products, and buying marketing reports from marketing research agencies and industry associations are other ways of gathering information about market developments.

- c) **Marketing Research System:** While the other two systems discussed above provide information of general nature to the marketing managers, marketing research system aims at collecting and disseminating information relating to a specific marketing problem faced by the decision makers of the firm. First a formal plan is developed to decide as to which specific information is needed and then this information is collected from such specific secondary and primary data sources as can supply the required information at minimum costs to the firm.

Though marketing intelligence system appears quite similar to marketing research system, the two systems are different from each other. While marketing intelligence system collects information of general nature on a regular basis, marketing research system is employed for gathering *specific information* as required to solve a *specific marketing problem*. The other major point of difference between the two subsystems is that while the former collects information more on a *regular basis* through ways such as daily reading of

newspapers or frequently visiting the marketplace to observe retailers' and competitors' behaviours, marketing research studies are conducted mostly on *ad hoc basis* as and when some a specific marketing problem arises. Furthermore, while marketing intelligence system employs informal methods of data collection, marketing research makes use of more *formal and scientific methods* of data collection so as to ensure higher degree of accuracy and reliability of the collected information. We shall refer to some of these aspects in more detail in Section 3.5 while discussing meaning and nature of marketing research.

- d) **Analytical Marketing System:** It is concerned with building and using marketing models and techniques to analyse the information available with the organisation and/or to better understand, predict and control the marketing process. It so happens that the three systems describe above provide so voluminous data to the managers that is not possible for the marketing managers to directly assimilate and use them in decision making. Analytical marketing system comes to a great rescue to the marketing managers by condensing and simplifying the collected data, and presenting them in a form easily understandable to the marketing managers.

Activity A

Talk to marketing manager in your firm (or else in some other firm you can easily approach) about different types of information used by him during the last three months for making marketing decisions. Try to ascertain as to which one(s) of the four components of the marketing information system explained above are used in the firm for generating and disseminating the required to information the marketing manager.

	Information Used	Component of marketing information system used for collecting information
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

3.3 INFORMATION NEEDS IN MARKETING

Marketing information system plays an important role in providing all that information that the marketing managers need in making strategic as well as tactical marketing decisions. Marketing managers need a variety of information so as to be able to discover market opportunities and threats, select target markets, develop suitable marketing mix strategies and periodically evaluate the firm's marketing performance. Exactly what information is

needed depends upon the specific marketing management task being faced by the manager and his accumulated experience/knowledge and time frame involved in the decision making.

Broadly speaking, a marketing manager faces two broad types of marketing tasks: (1) *market opportunity/threat analysis*, and (2) *search for causes/alternatives*, for making marketing decisions. Each of these types of marketing management tasks along with the specific information needs is discussed below.

3.3.1 Market Opportunity Threat Analysis

The first task relates to **market opportunity/threat analysis**. This is accomplished by undertaking either *situation analysis* or *company performance analysis*.

Situation analysis involves a detailed analysis of various components of company's marketing environment. The information needed by the marketing manager to understand marketing environment is as follows:

- a **Demographic environment:** Population size and growth rate, gender ratio, age structure, population density and mobility.
- **Competitive environment:** Extent and nature of competition in the market.
- **Support environment:** Availability, quality and cost of power, labour, raw materials, components and machines; quality and costs of advertising and research services, availability and costs of middlemen, etc.
- a **Economic environment:** GNP and per capita income; interest rate; inflation; economic and commercial policies.
- **Technological environment:** Level and cost of technology adoption.
- **Socio-cultural environment:** Religions, languages, education levels, aesthetics, beliefs and attitudes, lifestyles and business customs.
- **Political and legal environment:** Ideology of different political parties, stability of government, various marketing legislations.

Most of this information is usually collected from the external secondary data sources.

The other kind of analysis undertaken to understand market opportunities/threats is referred to as **company performance analysis**. By undertaking an analysis of the company's past performance, a manager is able to identify products/brands and market segments where company is doing well, and as such constitute opportunities for the company for further growth and investments. Product lines or market segments where company is not performing well or where company is witnessing constant decline in its sales/profits represent areas of threats and concerns for the company. For undertaking such an analysis, a marketing manager requires sales and marketing expenses data for the company as well as for the industry as a whole. For an effective analysis, overall sales and marketing expenses figures alone are not sufficient. What is required is product-, brand-, area- and period-wise breakup of the company and industry sales and marketing expenses. Most of this information is collected from the company's accounting records and the trade and industry publications.

3.3.2 Search for Causes or Alternatives

The other kind of managerial task faced by a marketing manager relates to **search for causes or alternatives** pertaining to a marketing problem. In case a marketing manager finds a product not performing as per the company's expectations, he needs information about possible causes of poor product performance in the market. Since the reasons might relate to short term as well as long term factors, and might have their origin in price and non-price factors such as product quality, image, promotion or distribution; a marketing manager needs detailed information on all such aspects before he can be sure as to what exactly are the factors responsible for poor product performance. In a similar vein, a marketing manager requires information from a

variety of sources such as customers, retailers/distributors, salesman and competitors to identify possible alternatives for improving the product acceptance and sales in the market. The information needed in this connection is generally collected from the secondary as well as primary data sources both internal and external to the company.

Once the marketing manager knows as to what reasons are responsible for poor performance of a product in the market and what alternatives exist to improve the company sales in future, he needs to make a final decision about the specific course of action to be taken among several alternatives. To be able to make a final decision, marketing manager requires information about the possible costs and outcomes associated with each of the identified alternatives along with the information about uncertainties associated with each outcome. Most of this information is collected first hand from the sources internal and external to the organization.

3.4 DEVELOPING AN EFFECTIVE MARKETING INFORMATION SYSTEM

To be useful to the marketing managers, it is imperative that the marketing information system be carefully designed and set up in the organization. A system developed haphazardly or copied blindly from other organisations might prove to be a drag on the company resources. The following steps can be helpful in developing an effective marketing information system:

- 1) **Determining Decision Makers' Information Requirements:** The first and foremost step in designing an efficient and effective marketing information system is to ascertain information needs of the decision makers. The system should be so designed that it is able to timely and efficiently supply the information required by the managers in decision making. A marketing information system should be able to supply the information for making both the strategic and tactical decisions. Strategic decisions are the decisions which have long term implications and entail major investments. Whether to enter into a given market or not, which market segments in the given market to be targeted and what positioning strategy should be used are examples of strategic decisions. The tactical marketing decisions, on the other hand, are the decisions having short term implications and are made at the lower levels of management. Should a company react to changes in price by the competitors, and, if yes, by what amount; what distribution mode to adopt to deliver the goods to a particular customer by a stipulated date, etc. are the decisions which come under the category of tactical decisions.

The determination of information needs of the managers is a delicate task and should be handled with utmost care. Supply of more information is as dysfunctional as is the provision of less than sufficient information for effective decision making.

- 2) **Establishing Data Collection and Storing Procedures:** Elaborate procedures should be laid down to ensure timely and efficient collection, processing and storage of information in the organization. In the absence of such procedures and guidelines, either right type of data might not be gathered or else these might not be properly processed and stored to be of any use to the decision makers. There should also be a clearly laid down provision for periodically updating the data so as to keep the management abreast of latest developments in the market.
- 3) **Determining Procedures for Information Utilisation:** Procedures are also required in respect of the analysis and usage of the collected marketing information in the organization. Marketing managers should be well aware of what information is available in the organization and how they can use the same in decision making. Steps must be taken to ensure that the information is timely supplied to the managers as and when they require it. The decision makers should

be made familiar with the procedure used in data collection and processing stages so that they can assess the extent to which they can rely upon the information. The system should be so designed that it is user friendly and, if required, managers on their own should be able to retrieve and make use of the stored information.

- 4) **Proper Linkages among Components of Marketing Information System:** Each of the four components or sub-systems of the marketing information system, viz., internal reporting system, marketing intelligence system, marketing research system and analytical marketing system, should be properly linked with each other and there should be utmost coordination among them to ensure attainment of the common end, i.e., provision of timely and reliable information to the marketing decision makers. In a nutshell, what the company should strive for is an integrated marketing information system.
- 5) **Efficient, Reliable and Flexible System:** A good marketing system is one that is able to provide quickly and reliable information to the decision makers at the minimum possible costs to the company. Furthermore, the marketing information should be so designed that it is capable of coping with the changing marketing environment and information requirements of the decision makers in the organization.

In brief, a good marketing information system is one that is user oriented. It should be able to meet the managers' current as well as future information needs. Both the operating and supporting systems should be installed as capable of supplying information required for day to day decision making as well as for strategic marketing analysis and planning.

Activity B

Hold discussions with the marketing manager(s) in your organization so as to ascertain whether a system exists in the organization to collect and provide the information required by the marketing managers and, if yes, to what extent the system can be considered effective in meeting their information requirements. After talking to the managers, answer each of the questions given below. (Alternately you may get in touch with another organization and complete this activity in respect of that organisation).

- a) Does the organization have a formal marketing information system?
.....
.....
- b) Which of the components of a marketing information exist in the organization for collecting and analyzing the marketing information?
.....
.....
- c) Is the marketing information system able to quickly provide the information to the marketing decision makers? () Yes () No
- d) Is the marketing information system able to provide the managers all the information they need for effective decision making? () Yes () No
- e) Do the managers find the information supplied to them as reliable and accurate?
() Yes () No
- f) Is the information supplied easily understandable and usable by the marketing managers? () Yes () No

3.5 MARKETING RESEARCH – MEANING AND NATURE

In the preceding sections, we observed that marketing research is one of the components of marketing information system. Since marketing research is an important way of collecting information needed by marketing managers for decision making, we must discuss it in detail.

Simply speaking, research means a systematic and objective investigation of a subject or a problem in order to discover relevant information or principles. When applied to solving marketing problems, it is known as marketing research. In order to understand the term marketing research more thoroughly, let us have a look at a few definitions provided by the experts in the field.

Green, Tull and Albaum (1997) defined marketing research as “The systematic and objective search for and analysis of information relevant to the identification and solution of any problem in the field of marketing.”

The definition provided by Malhotra (1999) - a leading marketing research expert in the United States - is almost similar. According to him, marketing research is “the systematic and objective identification, collection, analysis and use of information for the purpose of improving decision making related to the identification and solution of problems (and opportunities) in marketing.”

Let us also have a look at the definition provided by American Marketing Association (AMA) which is considered to be the leading body of marketing professionals and academicians in the world. Earlier, AMA had defined marketing research as “the systematic gathering, recording and analysing of data about problems related to the marketing of goods and services”. In 1986, AMA adopted a new definition of marketing research which is given below in Exhibit 3.1. Though the new definition is more elaborate, it is not as succinct as the earlier one. For purposes of better comprehension, we can continue to fall back upon AMA’s earlier definition of marketing research.

Exhibit 3.1

AMA Redefines Marketing Research

“Marketing research is the function which links the consumer, customer, and public to the marketer through information - information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.

Marketing research specifies the information required to address these issues; designs the method for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implications.”

Source: “New Marketing Research Definition Approved”, *Marketing News*, Vol. 21, January 2, 1987.

These definitions clearly point to the following *three key characteristics* of marketing research which enable us to differentiate it from other components of marketing information system discussed in Section 3.3.

- a) Marketing research is a **systematic process of data collection**. By the term 'systematic' we mean that marketing research is a formal and planned process. It is decided beforehand as to what the marketing problem is and

what information is required to be collected to solve the given marketing problem. It is also decided in advance as to which methods will be used to collect the desired information and from which sources. These aspects that we will explore in detail in Section 3.7. Unlike in marketing research, one does not go in for collecting information systematically under the marketing intelligence system. Moreover, while using marketing intelligence system one is neither clear as to what information is to be collected nor one knows what source(s) and method(s) to be used for collecting the information. One collects the information whatever he or she comes across while talking to the salesmen, dealers or customers and moving around the market.

- b) **Objectivity in data collection and analysis** is the second important characteristic feature of marketing research. The marketing researcher does his or her best to ensure that the information being collected is free from personal biases and prejudices. Those data collection methods and sources are used which appear to be relatively more objective and reliable.
- c) The other major characteristic of marketing research is its clear cut **focus on a given marketing problem**. This is quite in contrast to internal reporting and marketing intelligence systems where information of general nature is collected without any specific problem in mind. For instance, while going through the monthly sales report or talking to a salesman, one might come to know that some products are not doing well in the market. This insight though useful is not a part of marketing research as it has not been collected purposively in a formal manner. The management has come to know of this development just by chance while casually glancing over the monthly sales report or talking to salesman in a routine manner.

3.6 PURPOSE OF MARKETING RESEARCH

The basic purpose of marketing research is to facilitate decision making process. Marketing research helps the decision maker by clarifying the situation or problem he is confronted with and by diagnosing the reasons responsible for the problem and identifying various alternatives that can help solve the given marketing problem. In the absence of marketing research in the present day marketing environment, neither the marketing problem would be correctly identified, nor is it likely that a right marketing decision would be arrived at. By identifying a number of alternatives to choose from along with the likely outcome of each choice, marketing research makes the task of making marketing decision much easier.

Marketing research not only makes the decision making process simpler, but it also reduces the risks associated with the decision-making process. The risks arise because of uncertainty of what will happen in future. For instance, it is never certain as to how the customers or distributors would behave in future or the manner in which the competition will react. To the extent that research provides information about the future, it anticipates the future and provides the manager with a sound basis for his decision-making. However, one cannot overlook the fact that research cannot provide perfectly exact or accurate information. Uncertainty about the expected outcome of the decisions will always remain there, no matter how much information one has collected to base one's decision on hard facts. Example provided in Exhibit 3.2 is a case in point. But since the marketing research is based on scientific methods of data collection and analysis, its findings and projections, at the least, provide a definite trend of scenarios for future decision-making.

Exhibit 3.2

Marketing Predictions Can Go Away

Unforeseen factors have the uncanny ability of upsetting even the most stable apple cart. In the mid 1950s, Ford Motor Company in USA had a 25 per cent market share of the automobile market segment. The company wanted to introduce a new car model which would appeal to young executives and professionals. The decision was based on research which revealed that this market segment accounted for 25 per cent market and was expected to grow to about 40 per cent. Ford spent colossal amounts researching and designing the new model which was named Edsel. When introduced in the market the car was a total flop. This happened because of occurrence of three unforeseen events. Firstly, the youthful car market segment did not grow as rapidly as the market research had indicated. Secondly, the recession also set in at about this time and people began looking for more economical means of transportation. Thirdly, there was a sudden change in customer tastes, with people turning away from flashy exteriors, and the flamboyant Edsel was totally out of tune with new taste for austerity and functional simplicity. This example highlights the fact that despite best research effort the outcome can still be unpredictable. As Reynolds, a former Ford executive, commenting on the Edsel fiasco, commented, *"If is hard to see how anyone could, given the kind of car market that existed in 1955 and 1956 have anticipated such trends..."*.

The third purpose of market research is to help firms discover market opportunities which can be profitably exploited. These opportunities may exist in the form of untapped customer needs and wants not catered to by the existing firms. Food Specialities Limited (marketers of popular brands such as Nescafe Coffee and Lactogen milk powder) in India sometime back introduced a dairy whitener (as a substitute for milk) called 'Every Day' for making tea and coffee. The product turned to be a big success for being most convenient to use in offices where tea and coffee is consumed in large quantities, but fresh milk is not easy to procure. Every Day fulfilled a slot in the market which was not being catered to by the existing milk powders.

Activity C

Does your organisation make use of marketing research to improve the quality of marketing decisions? Give one or two specific instances, describing the marketing situations/problems in which marketing research was used. Alternately you may get in touch with another organization and complete this activity in respect of that organisation.

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3.7 SCOPE OF MARKETING RESEARCH

Marketing research is quite pervasive in nature and can be used by the marketing managers at all levels of managerial hierarchy for discharging various managerial responsibilities. Be it marketing planning, organisation or control; marketing research comes to a great help to the marketing managers in performing their duties. At the marketing planning stage, marketing research can be used to develop an understanding of the market situation and identify market opportunities and threats. It can also be used for estimating market and sales potentials, fixing sales targets and marketing budgets, dividing the market into different segments, selecting the target market(s) and developing appropriate positioning and marketing mix strategies.

Equally important is the use of marketing research in organization and control of marketing operations. Marketing managers make use of marketing research to decide about the appropriate organizational structure - product or area based, laying down sales territories and determining the number of sales people to be recruited for adequately covering the target market customers. At the end of a given period - may be towards the end of a month, quarter or a year, marketing research can be used to gather sales data for comparing them with the sales targets for purposes of marketing control. If any shortfalls in sales targets are detected, reasons responsible for such shortfalls can be identified with the help of marketing research. With an equal zest, marketing research can be employed by the marketing managers to explore alternatives to correct the shortfalls in sales in future.

The other way of understanding the scope of marketing research is to have a look at its applications in various marketing decision areas. Based on the nature of marketing decisions for which it is used, marketing research is classified as (a) market research, (b) consumer research, (c) product research, (d) pricing research, (e) advertising research, (f) distribution research and (g) sales research. Each of these types of marketing research applications are discussed below.

- i) **Market Research:** Market research is a part of marketing research, and as such it should not be confused with marketing research which is much broader activity and includes market research as well as other kinds of marketing research applications such as consumer research, product research, pricing research, advertising research and sales research.

Market research is a study of market that is undertaken with a view to determine size and growth of the market, and to identify factors affecting the market. Before entering into a market, a marketing manager needs to ascertain whether it is worthwhile to enter into the market. Even at the marketing planning stage, it is essential that managers know the nature of the market and various threats and challenges present in it. It enables the marketing manager to know as to who broadly speaking its customers are and whether their needs and wants are homogeneous or heterogeneous. Besides gauging the market potential, forecasting sales, and estimating market share that a company can possibly attain given its marketing programme; market research helps marketing manager in understanding the extent and nature of competition present in the market. It also supplies the information relating to distribution infrastructure and other support services available in the market. Through provision of all this information, market research enables a marketing manager to ascertain the opportunities and threats present in the market.

- ii) **Consumer Research:** You know that marketing is an activity which is primarily concerned with identifying and fulfilling customer needs and wants. Marketing research should, therefore, precede marketing planning and organization.

The unfulfilled needs and wants should be first identified and translated into technically and economically feasible product ideas, which then should be marketed to the customers. To be able to decide about promotion, pricing and distribution decisions, you as a marketing manager should know who the customers are for your products (whether housewives, teenagers, children), what their socio-economic profile is in terms of income, education, cultural, religious and professional background; and where they are concentrated in terms of location. Besides this information, it is also important for you to know the process by which a prospective customer arrives at a decision to buy your product. If you know the sequential steps in the purchase process and the influencing variables at each stage, you can design appropriate strategies to exert a positive impact on them, and thus ensure an actual purchase of your products. All this is

accomplished through the use of *consumer research* – a specialised and distinct application of marketing research.

Sometime back, Doordarshan conducted audience research for determining the most popular and unpopular programmes, and the consumer preferences for changes in programme contents and timings. For conducting this research, Doordarshan inserted a detailed questionnaire in the leading national newspapers and invited viewers to fill it in and send it back to them. Using this information, Doordarshan developed plans to revamp its programmes and timing schedules to cater to the large majority of viewers.

- iii) **Product Research:** The other important application of marketing research pertains to product development and planning. It is known as product research. Product research is undertaken to determine the final design of the product and its physical attributes such as colour, size, shape, packaging, and brand name. It is also useful in arriving at the right combination of product attributes and right product portfolio, i.e., number of variants of the basic product, accessories and attachments which need to be offered to the customers. Product research is equally used by the marketing managers for evaluating new product ideas, testing product positioning and estimating future sales levels.
- iv) **Pricing Research:** Pricing research is used to fix the wholesale as well as retail prices of the products. Price research helps in estimating the level of demand at different price points. Such an analysis reveals the extent to which customers are sensitive to price changes, and provide valuable clues to the marketers in deciding the final price of the product.
- v) **Advertising Research:** Most companies use advertising to make the consumers aware of their products and also to provide a boost to their sales. In some cases, the amount spent on advertising may be small, while in others it may run into crores of rupees. Irrespective of the actual amount spent on advertising, each company wants to maximise the return on every rupee that it spends on advertising. Advertising research helps the firm to accomplish this objective. It provides information on the most cost-effective media and provides insights for determining advertising budget. It is also used for measuring effectiveness of specific advertisements; advertising campaigns and the entire advertising strategy. Another important use of advertising research is to collect information on the size and type of audiences for different advertising media such as different radio programmes, TV channels, newspapers and magazines. This information is used to refine the advertising strategy to make it more relevant and sharply focused. Advertising research is also used for determining the image that the customers hold about the company and its products.
- vi) **Distribution Research:** Distribution research helps in identifying different types of distribution channels and retail outlets that are available in the market and assessing their quality and costs. On the basis of comparative information for different channels and different types of outlets, one can choose the combination that is most suitable for a company's product.

Let us consider an example. A firm is marketing refrigerators through distributors and retailers in the Eastern zone. The understanding between the firm and distributors is that the latter will provide after sales service to the customers. Analysing the sales figures, the firm finds that the sales level in Eastern zone is much lower than in the other zones. Marketing research reveals that one of the reasons for this low sales performance is the poor after sales service provided by the distributor. In a high value durable product such as refrigerator, quality of after sales service is an important factor influencing the customers' purchase decision regarding the specific brand to buy. Based on this research finding, the firm can

decide to do away with the distributor and instead open its own branch office. The new distribution channel comprising branch office and retailers is operationally more expensive, but the company can now control the quality of after sales service as well as the other marketing inputs. Though the new arrangement will entail incremental distribution costs, but this might be more than compensated by increased sales and higher customer satisfaction.

Distribution research can also be useful in determining the best possible location for setting up a warehouse. A marketing manager can study the movement patterns of goods to different cities and identify high and low sales potential areas. The finding coupled with information on rail/road connections can be helpful in deciding the ideal location for the company's warehouse in a given region.

- vii) **Sales Research:** Sales research is undertaken by a company to ascertain its sales performance. More specifically, sales analysis enables a company to know the extent to which company has been able to achieve its sales target and where it stands in comparison to its competitors in the market. When analysed in terms of brands, customer groups, sales territories and time period, sales research can provide useful insights as to which brands with which customer groups in which sales territories and time periods are doing well. This in turn can be helpful in identifying areas for future investments and divestments. Sales research is also used for analyzing costs and profitability associated with different brands, customer groups and sales territories. This enables the marketing manager to know which brands, customer groups and sales territories are more profitable and where tighter cost control measures are needed.

3.8 MARKETING RESEARCH PROCESS

Marketing research is undertaken in order to improve the understanding about a marketing situation or problem, and improving the quality of decision-making. But much depends on how well the whole research process has been planned and carried out. Marketing research process refers to a series of steps which taken together ensure a systematic and planned investigation of a marketing problem. Broadly speaking, a marketing research consists of following five steps:

- i) Problem definition
- ii) Determining research design
- iii) Field work and data collection
- iv) Data analysis
- v) Report preparation and presentation

3.8.1 Problem Definition

A problem is any situation which requires further investigation. However, not all marketing problems need formal investigation or research. Many problems are of a routine and trivial nature which can be solved immediately after ascertaining relevant facts already available with the company. Suppose your distributor wants 90 days credit against the usual 60 days because he is facing certain financial problems. You can immediately check this distributor's past records in honouring his outstanding and ascertain the genuineness of his problem and make a decision.

Sometimes marketing managers face marketing problems where they do not have facts with them. What they have is some past experience and intuition, and they make use of them in solving the problems. Such decisions made on judgement may not

always turn out to be correct, but the problem may not be important enough to justify substantial time, money and effort being spent on solving it. This usually is the case with marketing problems which are of routine nature and do not entail much costs.

But when the problem is critical, spending resources on marketing research is warranted. Also when the problem is such that the manager has no past experience to guide him (as in the case of a new product launch) or when the decision is likely to have a critical impact on the future of the company (such as diversification into new markets), it is worthwhile to undertake research and make decisions on the basis of research results rather than depending on gut feelings or hunches.

It is imperative that you properly define the problem to be investigated. Problem identification and definition is the first and foremost step in marketing research and should be carried out very carefully. Any haste at this stage can lead to wrong identification and definition of the problem, and can result in collection of wrong information. It is correctly said that 'a problem well defined is half-solved.' A clear, precise and to the point statement of the problem itself provides cues for the solution and enables the researcher to identify specific information needs to solve the given marketing problem. On the other hand, a vague, general, or inaccurate statement of the problem only confuses the researcher, and can lead to wrong problems being researched and useless results generated.

Contrast the two following statements of the same marketing problem:

a) **Wrong problem** definition

Product: Typewriter

Market: West Zone

Marketing research problem: Sales not picking up at the rate at which they should.

This is a poorly defined problem because it does not specify as to what information needs to be collected by the researchers.

b) **Correct problem** definition

Product.....: Typewriter

Market: West Zone, with special emphasis on Bombay, Pune, Nasik, Ahmedabad, Baroda

Current market share: 17 percent

Market segment: Non-office customers, i.e., professionals such as lawyers, doctors, accountants, consultants, journalists and writers.

Current market share: 3.5 per cent in the non-office segment

Marketing manager's problem: In the year 2002-03, our brand of typewriters achieved only a 2 per cent growth rate as against the projected 5 per cent.

Marketing research problem: To find out the reasons for the shortfall in the growth rate in the non-office market segment and suggest a specific strategy to achieve a 10 per cent market share in this segment by December 2003.

This is correct definition of the problem and researcher can determine in advance as to what information he is expected to supply to the decision maker.

3.8.2 Determining Research Design

Once a problem has been correctly and precisely defined and the research objectives/ information needs clearly stated, the next step is to determining the research design. A research design is a plan that guides the conduct of an investigation and collection of needed information. The decisions concerning data sources, data collection methods and specific research instrument and sampling plan that you will use for collecting the data come under the purview of the research design.

a) Data Sources

There are two important sources of data viz., secondary data and primary data. **Secondary data** are the data that have been already collected in the past and you can make use of them in solving your marketing problem. A great deal of data such as those relating to population size and growth, major competitors in the market, total industry sales and market shares of different competitors and type of distribution and marketing support services available in a market is collected and published periodically by the government organizations, trade and industry associations and research firms. Various government departments and ministries such as Planning Commission, Central Statistical Organisation, Reserve Bank of India, Census Commission as well as private organizations such as FICCI, CII and PHD regularly collect and disseminate a variety of information. One can also make use of the data compiled by international bodies like WTO, UNCTAD, International Labour Organisation, World Bank and International Monetary Fund. Such data are especially useful for the firms operating internationally. With developments in information technology, many a secondary data are nowadays available online.

Since secondary data already exist in an accessible form, these only have to be located. You must always first check whether any secondary data are available on the subject matter into which you are researching and make use of it, since it will save considerable time and money. But the data must be scrutinised properly because these were originally collected perhaps for another purpose. The data must also be checked for reliability, relevance and accuracy.

Activity D

Talk to the marketing executives in your organization to ascertain whether they make use of secondary data? Describe two specific decisions in which the secondary data were used in the recent past. Also list various secondary data sources that your organization might have used in making marketing decisions. In case you are not employed in an organization, you may get in touch with another organization and complete this activity.

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Primary Data refers to original data collected specifically for the current research. Primary data can be collected from customers, retailers, distributors, manufacturers or other information sources. Though collection of primary data is a costly and time consuming process, it does pay itself by providing useful insights and perspectives to the marketing managers in solving marketing problems. Primary data may be collected through any of the three methods: observation, interviews and experimentation.

In *observation method*, the researcher gathers information by observing, i.e., noting down things and behaviours. This method is generally used to observe buyer behaviour in a shop or to assess the impact of shelf placement and point of purchase promotional material. For instance, you may like to observe the movement of shopping traffic through a department store, the number of shoppers who stopped before a particular display, etc. The obvious limitation of the observation method is that it allows observation of only overt behaviour. It provides no cues as to why a customer behaves in a particular manner, what product attributes appeal most to him, whether he would like to buy the product again, etc.

Interviewing method is used when one wants to collect information about consumer motives, perceptions, attitudes, past behaviours and future intentions – all of which are not observable. The interview method can also yield information about the socio-economic profile of your customers. The interviews can be conducted on either small group of persons or a large group of persons.

The *mail questionnaire* is appropriate when your sampling units are distributed over a wide geographical area and the cost of reaching them personally is very high. In such case you can send a questionnaire (list of questions), which the respondents fill and send back by mail. However, the return rate of mail questionnaires is usually very low, ranging between three to seven per cent. On an average, you would have to mail 1,000 questionnaires to get back thirty filled-in questionnaires. Another drawback is that you have no way of checking the authenticity and accuracy of the response. The respondent may fill totally wrong information and you may never be able to detect it.

Experimentation method is basically a simulation of the real-life situation, but in a controlled environment in which you systematically introduce certain elements to study their impact. This method is used for finding the best sales training technique, the best price level, the most effective advertisement campaign, etc. However, its use requires an extremely skilled researcher to ensure useful results. Also, this method is expensive.

b) *Research Instrument*

In the observation method, the researcher may use a camera, tape recorder or tally sheet (that is a sheet in which the number of times an event occurs is recorded). Whatever the instrument used, the researcher must ensure that the instrument is appropriate to the occasion and is reliable.

In the survey method, the most commonly used instrument is the **questionnaire**. This is a written and organised format containing all the questions relevant to soliciting the required information along with the spaces provided to record the answers. The preparation of a questionnaire requires great skill. To check that the questionnaire serves the research objectives, it should be tested on a limited scale and this is technically known as *pilot survey*. The objective of a pilot survey is to weed out unnecessary questions, questions which are difficult to answer, and improve the phrasing of certain questions which are difficult to comprehend.

The wording of the questions is a very important in ensuring correct response. Clearly worded and precise questions are not only easy to understand, but they also increase respondents' cooperation in providing answers. Consider the following three alternatives in this context :

- a) Where did you buy this toothpaste?
- b) Can you please tell me the name of the shop from where you bought this toothpaste?
- c) From which shop did you buy this toothpaste?

On the other hand, suppose you are trying to find out the custom& perceptions about the performance of foreign brands of televisions versus Indian brands. The manner in which you phrase the questions is extremely critical as it can influence the response. Consider the following three alternatives:

- a) Do you think there is any difference in the performance of Indian TV sets as compared to foreign sets?
- b) Don't you think foreign TVs perform better than Indian ones?
- c) Most people feel that foreign TVs perform better than Indian ones. Would you agree with this statement?

The first one is a better alternative for being neutral in wording. The phrases ‘b’ and ‘c’ are not good choice as these entail interviewer and respondent induced biases.

It should, moreover, be kept in mind that when asking questions about qualitative aspects it is better to use *open ended questions* rather than *close ended questions*. Open-ended questions are the ones where respondent is free to give answer in his own words. "How *would you describe the taste of this toothpaste?*" is an example of open-ended question. But a question like “*Would you describe the taste of this toothpaste as tingling? Yes/No*” is a close-ended question because here respondent is not free to provide answer in his own words. He gives his answer simply by ticking one of the alternatives provided at the end of the question.

The advantage of using the open ended questions is that they give the respondent freedom to answer in his or her own words. And this often provides information and insights about the product which the researcher had not even thought of. Close-ended questions, on the other hand, are easy to summarise and there is no scope for misinterpretation.

The sequencing of the questions in the questionnaire should be such that the opening questions create interest in the respondent and are easy to answer. The questionnaire should gradually move from relatively simple to difficult questions.

Activity E

Using open-ended and closed-ended questions, construct a brief questionnaire for gathering information about consumer attitudes towards coffee and their coffee consumption behaviour.

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c) Sampling Plan

After selecting your research instrument for observation or preparing a questionnaire for survey, you need to identify the source of your information. The source is also known as the ‘population’ or 'universe'. For conducting marketing research, you would rarely gather information from the entire population. Rather you would select a small group of persons or units - referred to as sample. A **sample** is, therefore, a small group of persons or units which has all the characteristics of the population used for conducting the research. The reasons for not using the population for marketing research are:

- a) number of units in the population may not be known,
- b) population units may be too many in number and/or widely dispersed, thus making research an extremely time consuming process,
- c) it may be too expensive to include each population item.

When the number of items in the population is small and known (say, the number of cinema halls, colleges, government hospitals in a city), you may use the population as your source of information. But in most cases, a representative group which has all the characteristics of the population and is known as sample is drawn from the population and this is used for conducting research. Having decided to use a sample, your next step is to draw up a sampling plan. There are *three* decisions to be made in connection with the sampling plan:

- Who in the population should be surveyed, i.e., determining *sampling unit*,
- How many units are to be surveyed, i.e., determining *sample size*, and
- How the units are to be selected, i.e., determining *sampling method*.

The choice of sampling unit will depend on the product with which you are dealing and the kind of information you need. In case of a product such as lipstick if you need information on the reasons which motivate a customer to buy your brand, your sampling unit would obviously be a female. But would the population comprise all the females? Obviously not, because all the females do not use lipsticks. You then need to collect information about females who use lipsticks in terms of their socio-economic background, education, occupational profile (student, housewife, professional), age and marital status. The sample which you choose must be representative of the universe in terms of all these characteristics. If you want to find out the monthly sale of all brands of lipsticks in a particular market, your sampling unit would be the distributors or retail outlets who deal in cosmetics. Suppose the product being researched into is toys for the under 7-years age category. Who would constitute your sampling unit: the child who actually plays with the toys or the parents who exert a strong influence in the final decision to purchase a particular toy? Here you would have to consider *not only* the kind of information that you need, but also who is most likely to have it and his ability to communicate, and choose your unit accordingly.

Activity F

Suppose you are assigned the job of conducting a survey to determine the levels of post-purchase satisfaction of the customers of your car. Who would you choose as your sampling unit? What socio-economic variables would you consider in detailing the profile of your customers?

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In deciding on the sampling size, you have to make a trade-off between the desired accuracy of the results and your budget. The larger the sample, the more accurate are the results likely to be, but the cost would also be correspondingly high. Another factor affecting the sample size is the kind of research which is being conducted. In an exploratory research, even a small sample may be sufficient. In focus-group interviews, for example, samples of sizes 8 to 12 persons are sufficient because here

the purpose is to just know about their views rather than making any quantitative estimate of their consumption levels or intensity of given marketing problems.

A marketing researcher has to decide as to which **sampling method** he would use for selecting the given number of units from the universe. The choice is between two broad types of sampling methods: *probability sampling* and *non-probability sampling*. In the former, each item of the universe has a known and non-zero chance of being selected as a sample unit. In non-probability sampling, on the other hand, researcher selects the units on the basis of his or her judgment. Generally a researcher prefers those units which are either conveniently located (such as shops on the main shopping street) or such units which in his or her opinion are knowledgeable and will be willing to provide information. Non-probability sampling is mostly used in exploratory research where a representation of the universe is not important. But where true representation is important, probability or random sampling is used. Random sampling enables the researcher to make an accurate estimate of the population characteristic but it is more expensive than non-probability sampling. The cost that you can bear and the degree of accuracy which you require have to be weighed to arrive at a decision.

3.8.3 Field Work and Data Collection

This is the stage where the research design has to be converted from the planning stage to that of implementation. It involves going to the field and beginning the data collection work. Two stages in field work are: (1) organising the fieldwork and (2) supervising the data collection work.

Organising Field Work: It has to be decided how many people will be assigned to the field, what will be their qualifications, what will be their geographical areas of coverage and, how they will be trained. It is necessary to select those persons who are familiar with the place where the survey is to be done. Preference should be given to those persons who demographically match with the profile of the respondents to be interviewed. Appointing a male to interview the female respondents regarding their cosmetic purchase behaviour will be a mismatch. Females will not feel free in expressing their feelings about various brands of cosmetics or motives for using a particular brand. It will be desirable that a female fieldworker is appointed to carry out this task.

Before sending the fieldworkers to the field for conducting interviews, it is always desirable to properly train them and acquaint them with the survey objectives and procedures. Specific instructions concerning sample selection can be issued to them such as selecting every fourth household in a lane, all flats with an even number in an apartment 'block' etc., to ensure that they select the sampling units as per the sampling plan.

Supervision of Data Collection: Supervision of field work is important to ensure that the data collected are genuine and accurate. Most field work is carried out by a team of field surveyors, and each team is assigned to a supervisor. The team members plan their daily area of field work in consultation with the supervisor. The supervisor may accompany different team members on different days. Usually in the evening, the team members meet the supervisor and hand over the data which they have collected and sort out any problems they might have faced in the field.

Apart from actually accompanying team members on data collection missions, the supervisor can also make random check to ensure that the data collected is genuine. The check can be conducted either over telephone (wherever possible) or by visiting the sampling unit. The supervisor may either ask the respondent whether he or she was visited by the field interviewer and cross check the accuracy of the data. Random checking is carried out to ensure that the field workers do actually

collect the data from the genuine source of information and not just fill in the data using their own imagination and ingenuity.

The collected data has also to be checked for its objectivity and accuracy. The data has to be carefully checked to ensure that there is no distortion because of the field worker's bias or the respondent's bias. **Respondent** bias arises because people generally like to project an image about themselves and their life-style which is more flattering than the reality. This bias would operate more in questions relating to income; possession of certain items (VCR, air-conditioner), and habits relating to life-style (frequently traveling abroad, visiting clubs or restaurants). **Interviewer bias** arises because of the interviewer's own pre-conceived notions and ideas. A female interviewer may select more of female respondents in her sample because she may feel that it is easy for her to gather information from women rather than men, thus introducing interviewer bias in sample selection.

In conducting field work, it may happen that the person from whom information is to be collected is not at home or does not wish to be interviewed. The supervisor must give guidelines for tackling such situations. Field worker can be instructed to visit a designated respondent a given number of times and/or visit the respondent at other times of the day when he or she is more likely to be at home. If the respondent is still not approachable, he may eventually be dropped. On not finding the designated respondent at home, the field workers may a time substitute him or her by a person living next to his house. This, however, is not a good policy and can lead to over representation of one particular type of persons who happen to be at home at the time of visit of the field workers.

3.8.4 Data Analysis

After you have collected the data, you need to process, organise and analyse the raw data so as to make them easy to understand and use in decision-making process. There are four phases involved in data analysis:

- a) Data editing
- b) Tabulation and graphical representation
- c) Data summarisation
- d) Statistical inference
- e) Correlation and additional data analysis.

Data Editing: The collected data are first edited to ensure some minimum quality standards. Each and every filled in questionnaire is screened to ascertain whether answers provided by a respondent are adequate and consistent with each other. It is also checked whether different respondents have used the same unit for answering the given question. Suppose we are editing the answers to a question "What is your income?" If we find that while some have answered this question in terms of monthly income and others have provided annual income figures, then we should edit the answers to ensure that all answers are in the same unit—either in monthly income value or the income annual figure. This can be done by either converting monthly income figures into annual income figure by multiplying the monthly reported incomes by 12, or else the reported annual incomes can be converted into monthly incomes by dividing the reported annual income by 12 to maintain consistency in the answers provided by the respondents. Questionnaires are also checked to see whether most of the questions have been answered or not. Questionnaires with too many unanswered questions are dropped from further analysis.

Tabulation and Graphical Representation: To draw inferences for use in decision making, data are tabulated and presented in terms of graphs. Individual observations or data are placed in suitable classes in which they occur and then counted. Thus we know the number of times or the frequency with which a particular event occurs. Such tabulation leads to a frequency distribution as illustrated in Table 3.1

Table 3.1: Frequency Distribution

No. of units sold in April 2005	No. of shops which achieved this sale
Up to 100	18
101-120	25
121 - 140	33
141 - 160	29
161 - 180	19
181-200	11
Above 200	4

The frequency distribution may involve a single variable as in Table 3.1 or it may involve two or more variables which is known as cross-classification or cross-tabulation. You can make use of different types of graphs and diagrams to provide a bird’s eye view of the information contained in the tables easily understandable,

Data Summarisation: The frequency distribution presented per se may not yield any specific result or inference. What we want is a single representative figure which can help us to make useful inferences about the data and also provide yardstick for comparing different sets of data. Measures of average or central tendency such as mean, mode and median are computed to summarise the data in single figure. Exhibit 3.3 provides an example of how the collected data are summarized to aid the decision making process.

Exhibit 3.3

Determining Pack Size for New Bread

Suppose a firm wants to introduce a new packing of sliced bread aimed at the customer segment of small nucleus families of four members. It wishes to introduce the concept of a single-day pack i.e., a pack which contains only that number of bread slices that is usually eaten in a single day. This strategy would help to keep the price of the pack well within the family's limited budget. The firm has many opinions on the ideal number of slices that the pack should contain — ranging from three to as high as twelve. The firm decides to hire a professional marketing agency to conduct market research and recommend the number of bread slices it should pack.

The research agency goes about the task in two steps. In the first step, it randomly chooses five families (who are consumers of bread) in each of the four colonies in the city. These families are asked to maintain for one week a record of the exact number of slices they consumed each day. From this data, the agency calculates the average (or mean) number of bread slices eaten per family per day. There would be twenty such mean values (5 families in 4 colonies each; sample size 20). In the second step, from these mean values, the modal value would provide the answer to the number of bread slices to be packed in each pack.

Step I	
Family I	
Day	Number of bread slices consumed
Monday	4
Tuesday	3
Wednesday	2
Thursday	5
Friday	6
Saturday	5
Sunday	3
Mean = $\frac{4+3+2+5+6+5+3}{7(\text{no. of days})} = \frac{28}{7} = 4.$	
Step II	
In a similar manner, mean values for rest of the sample units are computed. Suppose the mean values for 20 sample units are as follows:	
4 10 7 6 8 8 9 6 7 7 4 6 8 3 8 2 7 8 5 8	
Rearranging these mean values in a frequency distribution, we have:	
Mean value (No. of bread slices eaten daily)	Frequency (No. of families)
2	1
3	1
4	2
5	1
6	3
7	4
8	6
9	1
10	1
The mode in this frequency distribution is 8. Eight slices is the most commonly occurring consumption pattern. The agency's recommendation is to pack eight bread slices in the single-day pack.	

Statistical Inference: These procedures involve the use of sample data to **make** inferences about the population. **The** three approaches used here are: estimates of population values, hypotheses about **population** values and tests of association between values in the population. Statistical inference as an analytical tool for marketing, decisions is gaining wide acceptance.

Correlation **and** Additional **Data** Analysis: Besides having a **summary** of the data, the marketing manager also would like information on inter-relationships between variables and the qualitative aspects **of the** variables. The interrelationships among variables can be examined with the help of correlation and other statistical tools and techniques.

Correlation coefficient measures the degree to which the change in one variable is associated with change in the other variable. As a marketing manager, you would like to know if there is any relation between the amount of money you spend on advertising and the sales you achieve. Correlation coefficient, in this case, would tell you the extent of relationship between these two variables, whether the relationship is directly proportional (increase or decrease in advertising is associated with increase or decrease in advertising) or it as an inverse relationship (increase in advertising is associated with decrease in sales and vice versa) or there is no relationship between the two variables. However, it is important to note that correlation coefficient does not indicate a causal relationship. Sales is not a direct result of advertising alone, there are many other factors which affect sale. Correlation only indicates that there is some kind of association - whether it is casual or causal can be determined only after further investigation. You may find a correlation between the height of your salesmen and the sales, but obviously it is of no significance.

For determining casual relationship between two variables, you may use *regression analysis*. Using this technique you can predict the dependent variables (say sales) on the basis of the independent variables (say advertising expenditure).

So far we have considered relationship only between two variables for which correlation and regression analysis are suitable techniques. But in reality you would rarely find a one-to-one causal relationship, rather you would find that the dependent variables are affected by a number of independent variables. Sales is affected by the advertising budget, media plan, content of the advertisements, number of salesmen, price of the product, efficiency of the distribution network and a host of other variables. For determining causal relationship involving two or more variables, *multi-variate statistical techniques* are applicable. The most important of these are the *multiple regression analysis* and *discriminant analysis*. Marketer also use these days *cluster analysis* and *factor analysis* for studying relationships among variables or observations. Because of space constraints, we are not providing any details here concerning these techniques. You can consult any standard book on marketing research to gain familiarity with these techniques.

3.8.5 Report Preparation and Presentation

The final step is the research report preparation and presentation. A typical format of the report may comprise of the following sections:

- a) *Objectives and methodology*: This section lists research objectives and provides an overview of the research design and methodology used in the study.
- b) *Executive Summary & conclusions and recommendations*: This section contains main findings of the research study. On the basis of the findings of the study, recommendations are made to assist marketing managers in their decision making.
- c) *Sample design*: This section provides a detailed description of the sampling method used in the study and profile of the respondents in terms of their geographical location, socio-economic status and other characteristics.
- d) *Detailed findings and observations*: In this section, collected data are presented in a form which is easily comprehensible to the user. The data may be presented in tabular form or graphically in a bar chart, pictogram or pie diagram; or in a combination of all these.
- e) *Appendices*: Questionnaire and supporting research instruments are presented in the last section.

A meeting is fixed with the marketing managers and an oral presentation of the report is made to enable the marketing managers understand the findings of the study and its implication to decision making.

3.9 MARKETING RESEARCH IN INDIA

Despite importance of marketing research in decision making, its usage has somehow been conspicuously low among Indian business firms in the past. Only a few big firms (especially the ones which were subsidiaries of multinational corporations) were making use of marketing research in the fifties and sixties. Even among such firms, only a select few were carrying out research studies on a regular basis or had set up marketing research departments within the firms. Presence of a seller's market in the country due to highly restrictive industrial licensing policy and restrictions on imports was amongst the major reasons responsible for this phenomenon. Constant scarcity of products and lack of market competition provided a sort of monopolistic and oligopolistic powers to the then existing firms. As the firms were able to easily sell all that they were producing, there was hardly any incentive for these firms to be innovative and make use of marketing research. Moreover, as the majority of the Indian firms were operating on a small scale, they were in direct touch with their customers and felt hardly any need for marketing research. Indian firms, moreover, did not show much interest in marketing research as they lacked a professional approach to decision making. The firms were managed largely by people who did not have professional qualifications or specialised training in marketing. Since the managers did not know much about marketing research, they failed to appreciate its usefulness in decision making and considered any expenditure on it as a total waste of money.

Of late, however, the situation has changed. Especially since the eighties, the Indian market has undergone a significant metamorphosis as a result of changes in the government policies and other developments in the country. Due to entry of a large number of Indian as well as foreign firms in the market, competition has considerably hot up. The erstwhile seller's market has now paved way to buyers' markets for a variety of products. Technological upgradation has received a new thrust in the economy and has provided a spurt to product innovations. Product life cycles have become shorter. Firms are increasingly getting interested in diversification of their business and have begun exploring rural and foreign markets. New means of communication and channel arrangements have emerged on the scene. A shift from price to non-price competition has also started taking place in the market. All these changes have made the marketing tasks today greatly complex and risky. Marketers, especially those in the organized sector, have started finding it difficult to make decisions solely on the basis of their past knowledge and experiences. They have started increasingly realising the need for marketing research in marketing decision making.

In the absence of any latest information, it is difficult to categorically state as to how much Indian firms spend on marketing research. Nonetheless based on whatever little information is available, it can be observed that marketing research expenditure in the country still continues to be quite low in comparison to what is incurred by the firms in other countries. In a study of 130 Indian business firms in the mid-eighties, Consulting and Research Enterprise (CORE), Hyderabad, found that while about 40 percent of the firms had spent less than Rs. 1 lakh, 46 percent were spending between Rs. 1 lakh and Rs. 10 lakhs. Only about four percent of the surveyed firms had expenditure more than Rs. 10 lakhs. As a percentage of sales, the expenditure on marketing research was abysmally low, ranging from less than 0.01 percent to a maximum of 1.3 percent. For the majority of the firms (viz., 91 percent), the expenditure was just 0.4 percent or even less (see Table 3.1). The study further reported that as against industrial goods firms, the consumer goods firms were spending more on marketing research.

A similar conclusion was arrived at by a marketing research professional—Mr. Ranjit Chib. According to his estimate, a majority of regular research spenders (150 out of 170) had a research spending budget between just Rs. 20,000 and Rs. 5 lakh. Only about 19 firms were spending more than Rs. 5 lakh on marketing research (see Table 3.2). It is, thus, obvious that majority of the Indian firms have so far been small marketing research spenders.

Table 3.3 contains information about the major uses of marketing research in India. New product decisions constitute the most frequent usage of marketing research, followed by research applications such as estimating market share, gathering competitive information, demand estimation, product modification, measuring customer satisfaction, and diversification decisions. It is quite surprising that despite heavy advertising expenditure, firms do not make much use of marketing research for making copy decisions. Use of marketing research for evaluating advertising effectiveness is much less. Customer service decisions also do not appear among the major applications of marketing research in the country.

Table 3.1: Marketing Research Expenditure by Indian Firms in 1985-86

Expenditure	Respondents (percentage of firms)
<i>Marketing research expenditure (Rs.)</i>	
Less than Rs. 1 lakh	40.0
Rs. 1 lakh to Rs. 10 lakhs	46.0
More than Rs. Rs. 10 lakhs	14.0
	100
<i>Marketing research expenditure as percentage of sales</i>	
Up to 0.01	28.0
0.02 to 0.09	34.0
0.10 to 0.40	29.0
More than 0.40	9.0
	100.0

Source: As reported in Sanjay K. Jain, "Marketing Research in India: A Perspective", *Management & Change*, Volume 1, No. 1, 1997. pp. 71-100.

Note: Inclusive of expenditure on in-house as well as outside research agencies.

Table 3.2: Volumewise Break-up of the Regular Spenders of Marketing Research in India

Category	Volume of spending (Rs.)	Approximate number of companies
A1	More than Rs. 50 lakhs	1
A2	Rs. 25-50 lakh	1
B1	Rs. 10-25 lakh	5
B2	Rs. 5-10 lakh	10-12
C1	Rs. 2-5 lakh	18-20
C2	Rs. 1-2 lakh	30
D1	Rs. 20,000 - Rs. 1 lakh	100

Source: Same as Table 3.1.

Note: Inclusive of expenditure on both in-house and outside research.

Table 3.3 : Areas of Most Frequent Use of Marketing Research in India

Area	Percent of Firms*
New product decisions	58
Estimating market share	49
Gathering competitive information	47
Demand estimations	46
Product modification decisions	44
Measuring customer satisfaction	43
Product positioning decisions	42
Diversification decisions	40
Market segmentation decisions	38
Advertising theme/message decisions	31
Pricing decisions	30
Customer service decisions	27
Product elimination decisions	21
Evaluating advertising effectiveness	20
Channel modification decisions	09

Source: Same as of Table 3.1.

* Refers to firms that reported using marketing research frequently/always in the given area.

Information regarding the way Indian companies get marketing research conducted is presented in Table 3.4. It is evident that the companies get the research conducted in different ways. Use of firms' own sales staff tops the list. The other important modes include marketing research agencies and in-house marketing researchers, with only 44 percent of the firms having their own in-house research staff. Advertising agencies, consultants and syndicated research services come next in order of importance.

It may be mentioned here that while the sales staff has been used by the firms of all sizes, use of in-house marketing researchers, marketing research agencies and syndicated research services has been more prevalent among the large sized firms. Smaller firms show greater incidence of using advertising agencies for their research studies conducted. Important differences can be seen to be prevalent among firms selling different types of products. While industrial goods and service firms more often use their own sales and in-house marketing research staff, consumer goods firms depict a marked preference for marketing research agencies and syndicated research services to meet their research requirements.

The last two decades have witnessed phenomenal growth in the importance of outside agencies for meeting the marketing research needs of Indian firms. Seeing growth in demand for various types of marketing research services, a number of marketing research agencies have been set up in the country. These research agencies provide customised as well as syndicated research services to their clients. While customized research entails collection of data as per the specific needs of a single client, syndicated research is undertaken by a research agency to meet the common information needs of a group of firms.

Table 3.4: Ways of Conducting Marketing Research in India

Way a firms get research conducted	Percent of firms*	Nature of firms using the research mode
Firms' sales staff	59	Firms of all sizes, industrial goods and service firms
Marketing research agencies	52	Large firms, consumer goods firms
In-house marketing researchers	44	Large firms, industrial goods and service firms
Advertising agencies	35	Smaller firms
Consultants	34	-
Syndicated research services	22	Larger firms and consumer goods firms

Source: Same as of Table 3.1.

Since the firms use more than one channel, the percentage figures will not add up to 100.

In recent years, marketing research has undergone several changes. It has come up as a versatile tool for market analysis, planning, and control. In the past, generally big multinational companies used to be the users of marketing research. But of late, Indian companies have also started making use of marketing research. The number of smaller companies as well as industrial goods firms using marketing research has considerably increased. Another noteworthy change pertains to larger use of marketing research in non-traditional areas such as family planning, immunization programme, literacy campaign, energy conservation, nutrition, and hygiene plans. Various government departments and social organizations have started realising that such studies are imperative for effective development as well as execution of social welfare schemes.

Qualitative research has fast gained importance in India. In the wake of market place getting too cluttered with products and advertisements, marketers are finding pure demographic profiles of their customers highly insufficient. Marketers have come to realize that their customers are more than simply being males or females or belonging to a particular age and income group. They have unique personality, life style and aspirations. Marketers have, therefore, started demanding qualitative descriptions of their customers. Psychographics, as it has come to be called, is being increasingly used to develop a qualitative profile of the customers which the marketers find very useful in segmenting their market and evolving positioning and advertising strategies.

It may, however, be pointed out that conducting marketing research in India is not an easy task. Being a big and diverse country, a national survey requires India to be divided into at least 1000 sampling districts and interviewing at least 10,000 people spread over a vast area. This implies employing a large field force and spending considerable time and money in completing the research projects. Multiplicity of languages requires translation of a questionnaire in a minimum of five to six languages. Infrastructural problems also come in a big way in executing the national surveys. As the communication and transport networks are not yet fully developed, it becomes very difficult to reach the people residing in far-flung areas. And if such people are excluded from the survey, the sample ceases to be the true representative of the country's population. Absence of secondary data is another problem. Though census is conducted after every ten years in the country, yet the full results are never released in time. Non-availability of suitable sampling lists forces the researchers to make use of non-probability sampling methods which in turn adversely affects the reliability and validity of the collected data.

Attitudinal problems on the part of the marketing managers have also been equally responsible for limited use of marketing research in India. A study by Consulting and Research Group (CORE) in the mid-eighties found many marketing managers to be holding the opinion that research findings do not represent the real world and marketing research data are not reliable enough to be used in decision making. Respondents considered gut feeling to be of more importance than marketing research results in decision making. Especially the executives from the smaller companies more strongly held this belief. Further, many executives opined that benefits of marketing research are not high enough to justify the costs incurred on marketing research. The surveyed marketing managers also complained that marketing research often takes too long to be of any real use.

Notwithstanding these problems and attitudinal constraints, use of marketing research in India is poised for phenomenal upsurge in the coming years. With liberalization of government's industrial and trade policies and hotting up of the competition in the market, more and more business firms as well as public utilities and non-profit making organisations would start making greater use of marketing research.

3.10 SUMMARY

Information is an important input used in making marketing decisions. Marketers need a variety of information about their customers, competitors and support service providers in the market. They also need information about macro marketing environment. Marketing information system which is a set of procedures and methods for the regular, planned collection, analysis and presentation of information helps the marketing managers in their decision making endeavours. Marketing information system consists of four sub-systems, viz., internal reporting system, marketing intelligence system, marketing research system and analytical marketing system. Marketing information system needs to be so designed that it is user friendly and is able to provide relevant, up to date and objective information to the decision makers on a regular basis.

Marketing research, which is a part of broader marketing system, is a planned and objective process of collecting and disseminating information relating to a specific marketing problem faced by the decision makers in a firm. Marketing research helps the decision maker by clarifying the situation or problem he is confronted with and by diagnosing the reasons responsible for the problem and identifying various alternatives that can help solve the given marketing problem.

Marketing research is quite pervasive in nature and can be used by the marketing managers at all levels of managerial hierarchy for carrying out different managerial tasks. Be it marketing planning, organisation or control, marketing research comes to a great help to the marketing managers in performing their duties. Some of the major applications of marketing research include: market research, consumer research, product research, pricing research, advertising research, distribution research and sales research.

In order to ensure that the research provides all the relevant and objective data to the decision makers, marketing researcher needs to follow a series of steps known as marketing research process. The major steps involved in marketing research process are: (1) problem definition, (2) determining research design, (3) field work and data collection, (4) data analysis, and (5) report preparation and presentation.

With liberalisation and opening up the markets, Indian firms have started making greater usage of marketing research. A number of research firms have come into existence and provide both the syndicated and customised research services to their clients. In view of India being a vast and diverse country, doing research in the

country is not a simple task and it is beset with several infrastructural and attitudinal problems. But with competition fast hotting up in the market for almost all types of products, marketing research is poised for significant growth in future.

3.1 KEY WORDS

Analytical Marketing System: It is concerned with building and using marketing models and techniques to analyse the information available with a firm and/or to better understand, predict and control the marketing process.

Internal Reporting System: A system which disseminates result *data* such as orders received, sales made, inventory levels, accounts receivables and bills payables.

Marketing Information System: It is a set of procedures and methods for the regular and planned collection, analysis and presentation of information for use in making marketing decisions.

Marketing Intelligence System: It supplies the management with the happening data as collected through informal search of various internal and external information sources on a continuous basis.

Marketing Research: It is a systematic and objective process of collecting and disseminating information relating to a specific marketing problem faced by the decision makers in a firm.

Primary Data: Data which are collected originally for the current investigation.

Questionnaire: A list of questions along with spaces to obtain the information from the respondents.

Respondents: An individual in his personal capacity or representing an institution who fulfils all the requirements of a sampling unit and is used for collecting data. He is known as respondent because he responds to the questionnaire.

Sample: A small group drawn from the population or universe and which has all the characteristics of the population and is a true representative of it.

Secondary Data: Data which have already been collected by an agency or individual and is available in a published or unpublished form.

Survey: A method of collecting primary data. In the survey method, data are gathered from the sample with the help of a questionnaire. The data may be gathered personally, over telephone or by mail.

3.12 TERMINAL QUESTIONS

- 1) What are the different types of information that a marketing manager needs for making marketing decisions?
- 2) What is marketing information system? What are its major components?
- 3) What considerations one should keep in mind while designing a marketing information system for a firm?
- 4) What is marketing research? How does it differ from marketing information system?
- 5) Discuss some important uses of marketing research.

- 6) What steps are involved in conducting a marketing research study? Briefly discuss them with the help of a hypothetical marketing research project.
- 7) Write a note on the state of art of marketing research in India.
- 8) Differentiate between the following:
 - a) Marketing information system and marketing intelligence system
 - b) Customised and syndicated researches
 - c) Primary and secondary data
 - d) Market research and marketing research

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University for assessment. **These** are for your practice only.

3.13 FURTHER READINGS

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