



UNIT-5

Market Research

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Identify the need for market research
- ✓ Explain the various forms of market research
- ✓ Understand the market research process

Unit 5

Market Research

The term 'market research' is a subject of debate, as many marketers believe that the most appropriate term, in regards to this topic, should be 'marketing research'. The difference between the two terms is that market research is basically the research of customer needs, wants, and preferences, whereas marketing research deals with all of the aspects and research carried out for the sole purpose of making marketing decisions. However, no matter which term is used, the basic purpose of market research remains the same. That being, the systematic collection and evaluation of data to help suppliers understand customers' needs in the best way possible.

The Need for Market Research

The process involving collection, analysis, and presentation of useful information regarding consumers is known as **Market Research**. Moreover, it also includes more generalised research of markets, as well, including competitive activities, environmental issues, economic shifts, and even, governmental activities. The most important question, which every marketer needs to ask himself, is whether or not the research will provide information which is worth spending all the money.

Market Research can prove to be very expensive and time-consuming as well. In some cases, it is cheaper *not* to do market research at all, because the research might be more expensive than the project itself. For example, if the cost of sending out mail is less than £10,000, but the cost of the research exceeds this amount, it is obvious that investing in the research is not a wise choice. On the other hand, if the administration feels that the risk of the project failing is low, they might not conduct market research no matter how cheap it is. For example, if the administration estimates the risk of failure to be only 10% of the mail's value, which will be £1,000, whereas the cost of research is £3,000, the administration will still not be in the favour of conducting market research - despite the fact that the research cost is much lower than the actual value of the project.

Generally, it is not considered a wise choice to take a huge step, such as launching a new product, without doing proper research beforehand. The reason why we see a huge amount of new products failing in various markets is because consumers feel that the product is not worth the money. This risk of new products failing can be reduced with proper market research. In fact, it is said that those who find research expensive should consider how much ignorance can cost them.

The following are several different forms of research, which are used by marketers:

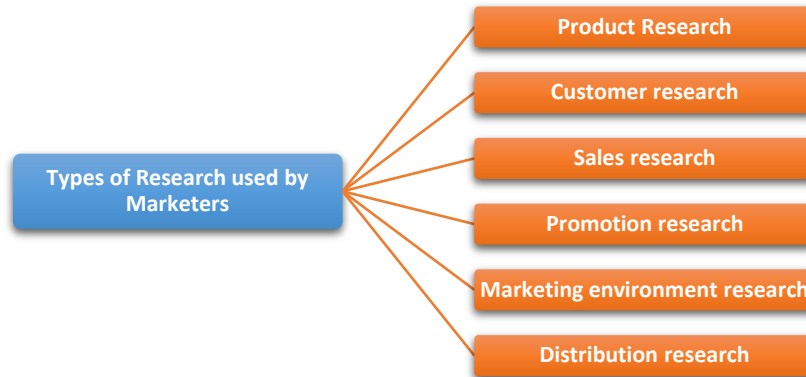


Fig. 5.1

Product Research is a method of identifying new users for already existing products. It is also used for identifying needs for new products in the market. Product research plays a vital role in refining the design of an existing product and helps companies to produce improved versions of products.

Customer Research helps in producing facts, which are related to various markets and market segments. It tells us about the customers, where they live, how they spend their time, what motivates them, what they like spending their money etc. It also informs researchers about their spending power. It is used to find out as much as possible about the current trends of the market.

Sales Research helps the sales-management process by making sure that the territories are of equal value and size. It is also intended to help ensure that the methods and approaches being used are effective enough, the training being provided to the sales force is sufficient and the motivation being provided to the sales force is also appropriate.

Promotion Research enables and helps firms to measure the success of their promotional activities, in terms of their objectives. Although the success of promotional activities relies on careful planning, promotion research can help a company by providing information about the suitability of the approaches being used in reaching target audiences. Promotion research also helps in selecting the most suitable media for promotion. Advertising is quite expensive and it is important to make sure that the right medium is used to reach out to a target audience, which is why promotion research is done.

Marketing Environment Research is used to examine the aspects of micro as well as macro environment. The purpose of this research is to make sure that the company can anticipate environmental changes and develop responses accordingly in advance. Very often, research can be done quickly and cheaply, as most of the information required is already present in the company's records, or somewhere else in a printed form. The company data usually has vital information and raw facts, which helps in conducting marketing environment research.

Distribution Research is basically concerned with finding the most appropriate and suitable channels for distribution of a specific product. This type of research sometimes overlaps with consumer research, as it is obvious that the location of the retail outlets will be where the targeted customers live. For example, mostly DIY (Do-It-Yourself) products are distributed through outlets on the edges of towns, which clearly means the target consumers are expected to have their cars so that they can travel and purchase the required products.

Marketing Information systems are usually set up in a firm to provide an automatic flow of data, along with systems for constant analysis of that data. These systems used to be manually updated, with form-filling by salespeople, the finance department, shipping staff etc. But, in recent years, the systems have been upgraded and now, the data is stored and analysed automatically with the help of computers - especially desktop PCs. This saves a lot of time, energy and money.

There is always a trade-off between two things: the value of information and the time it takes to collect that information. With the introduction of computers in the field of marketing research, not only has the cost been reduced, but the value of information has also been improved. The possibility of obtaining useful data and then converting it into meaningful information has been increased ever since the use of computers was introduced in the field of marketing research.

Such computer-based systems are called **Decision Support Systems**. For instance, the electronic point-of-sale system is a perfect example of this. EPOS systems are used widely all across the globe by retailers to record each and every purchase made in the store. This helps retailers in numerous ways; they can re-order stock at the correct time and in correct amount, they can analyse market trends, they can even track customer's purchases in order to know what he or she likes to purchase, when and how often.

One thing which needs to be kept in mind, while installing a decision support system, is that it needs to be user-friendly. This will allow managers without special data collection and analysis training to easily use it, and this is also the reason why it is preferred over the classic paper-based system.

The Research Process

The basic purpose of any type of research is to collect useful data and convert it into meaningful and helpful information, which can later be used for decision-making. The first step of conducting research is defining the problem and setting objectives. The research process has been shown in Figure 5.1.

Once the objectives have been set, the data collection process can begin. Data can either be collected from a **primary** source or a **secondary** source. Primary sources include original research like experiments, questionnaires, product tests and interviews. On the other hand, secondary or 'desk' research consists of collection/use of data from already published newspapers, journals, directories, commercially published market research, internet, government statistics, yearbooks etc. Therefore, secondary data is essentially second-hand data.

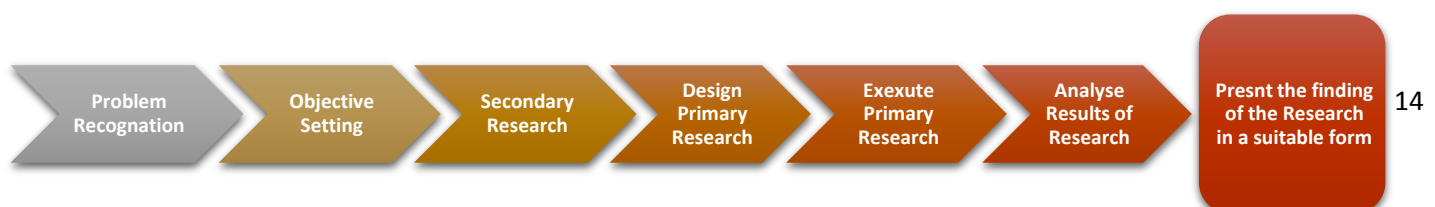


Fig 5.2: The MarketResearchProcess

Usually, it is recommended to begin market research using secondary sources, which can be beneficial in a number of ways. The costs are cheaper and it is a much quicker process. Sometimes, you might even find the exact information that you need, so no further research of your own is required. And even if you find incomplete information, you will only have to fill in the gaps with primary research of your own. Which is indeed much easier, faster and cheaper than conducting the entire research project yourself.

Secondary research does not necessarily give a researcher the exact information they were looking for. For example, if a company plans to launch a toaster which will be solar powered, there are very few or no chances at all that someone would have already researched solar powered toasters. The researcher might find individual pieces of information on toasters, solar powered products, environmentally-friendly consumers and so on all separately. But the probability of finding all of this information together in a single source is very minimal. Therefore, the researcher needs to examine all the individual pieces of information available, which will in turn help conduct better primary research.

Another drawback of secondary research is that it is usually out of date, and it may not be authentic. Checking the accuracy of information published can be a hard task, because proper details of the methods used in data collection are not always mentioned with the published information. Therefore, researchers need to take precautions before using the information. But it certainly does not mean that secondary research should be ignored.

Once the secondary research is done, the next step is to conduct the primary research. This step involves the following:

- What gaps need to be filled in;
- Who needs to be approached to get the remaining information;
- The methods that need to be used.

Comparing the original set objectives with the information collected from secondary sources will help researchers decide what they need to find out from primary sources. It will let researchers know what information is missing, how they need to find it, and who might have that information.

Approaching Respondents

Subjects of research are known as **Respondents**. These are the people who matter the most to researchers, since their behaviours and opinions hold immense importance. What researchers are hoping to discover depends on the *methodology*. It is important to note that methodology is not the same as method; the philosophy behind a specific chosen method is what methodology is all about.

Qualitative Research

Qualitative Research is concerned with people's opinions regarding the product, promotion and company. The results of qualitative research are usually more probing and time-consuming when compared to the results of quantitative research - the *sample size* (the number of people surveyed) is smaller, as well. Qualitative research enables researchers to understand consumer behaviour, but the results are difficult to quantify as qualitative research usually consists of subjective opinions. Some of the methods used in qualitative research are shown in table 5.1.

Carrying out qualitative research, before conducting a quantitative study, helps researchers in marking the dimensions of a specific problem. This can be followed by a questionnaire in order to find out how many people agree to the statements made in the qualitative study. But generally, researchers are shifting from qualitative research to quantitative study because of the time and costs involved in qualitative research methods.

Quantitative Research

The methodology of quantitative research basically deals with the areas that can be expressed in exact numbers and figures. For example, researchers can use quantitative research to find out the proportion of people who like to begin their day with tea in the morning, and also tell what their ages and occupations are. However, this research method will not tell the researcher why those people prefer tea over coffee.

Surveys

Surveys are one of the most common and widely-used methods of collecting quantitative data. Surveys can help find facts about respondents' behaviours and his/her opinions regarding presented ideas. Table 5.2 shows some of the more common survey techniques. One of the major problems in conducting a survey is making sure that the right questions are being asked in the right way. The surveys need to have specific questions which should have closed-ended answers. Only this will enable researchers to know about respondents' actual behaviours and opinions.

TABLE 5.1 Qualitative methods

Method Explanations

Focus group or group depth interview	A group of 6 or 8 people are invited to talk about and discuss a specific topic. This research method produces a wide range of opinions, as every member of the focus group triggers other members to think about
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	various aspects of the subject. On the contrary, due to peer pressure, members might not feel able to fully express their opinions and ideas.
Exploratory groups	This is a type of focus group which is used at the very initial stage of market research. The aim of this method is to find and mark the dimensions of a problem. Finding and marking the dimensions of a problem would mean highlighting the respondents' areas of interest regarding a particular issue.
Clinical focus groups	Some issues are critical and respondents do not tend to go beyond a certain conscious level while expressing their opinions. These groups are used for such issues, and the clinical settings help in finding out whether the respondent expressed his/her true feelings or not. These groups are also heterogeneous.
Experiencing focus groups	These groups are homogeneous. They enable the researcher to find out the feelings of a group of consumers for a particular product.
Teleconferencing	Teleconferencing is similar to a focus group, the only difference is that it is conducted over the telephone. So with teleconferencing, people do not have to be physically present and they can easily express their opinions over the phone.
Video-conferencing	Video-conferencing is the same as teleconferencing, with the added feature of visuals. The advantage of this method is that researchers can see and analyse respondent's facial reactions and expressions, even when the respondent is not sitting in the same room, or maybe is not even in the same country as the researcher.
Depth interviews	This method is used to reveal respondents' deepest feelings and is usually conducted by an expert interviewer or a psychologist.
Projective techniques	The subjects of this method are presented with unstructured situations and are invited to respond to the ambiguity. This method is used to find out the true feelings of the respondents which they reveal while using their imaginations to respond to an unfamiliar situation. This method is most useful when respondents may feel embarrassed giving a direct response to a certain situation.
Observation	As the name suggests, in this method the researcher watches and observes the behaviour of the consumer. For example, a researcher might stand in front of a mall in order to see how many people visit it daily. Similarly toy manufacturers use this method by providing free toys to children and observe which toys are liked the most by the children.

TABLE 5.2 Survey techniques

Method	Explanation
Postal surveys	These surveys are conducted by sending questionnaires to respondents via mail. Respondents fill in the questionnaires and send them back through mail

	once again. The advantages of this form of survey is that it is cheap, avoids interviewer bias and can have multiple questions covering wide range of issues. On the other hand, the disadvantages of postal surveys are that they have a low response rate, the researcher has no control over the respondent and there is no way to ensure that the questionnaire was filled by the desired respondent.
Personal structured interviews	The researcher asks questions from the respondent face to face. Although this technique is more expensive than the previous method (postal survey), it allows the researcher to take control over the process. They have the authority to change the order/content of the questions etc. The refusal rate of this method is high as people do not usually want to be <i>interrogated</i> in this manner.
Telephone surveys	The questions are asked over the telephone and the respondent answers. This is a cheap and relatively quick method that has a high response rate as well. The researcher still has control over the survey process, while the respondent feels much more comfortable. The disadvantage of this method is that the telephone directory you have might be out of date and reaching the right people in the first place might be difficult.
Self-administered surveys	This method is usually used in service industries. The questionnaires are left on a desk and customers can fill them in and then drop them in a suggestion box placed nearby, or mail them to the provided address. We often see such questionnaires in hotels and restaurants. The drawback with this method is that all customers do not fill the questionnaire; in fact, those customers who tend to fill in such forms are either exceptionally pleased with the service or extremely disappointed. So the management gets feedback from only those customers who either had a very good experience or a very bad one.
Panels	A panel is basically a group of people who are regular in responding to surveys. Panels might be formed on a permanent basis or temporary. Panels might be expensive to form, but have a very high response rate.
Omnibus studies	These surveys are carried out by third-party members, usually commercial market research agencies. These agencies combine several studies and surveys into a single questionnaire. This not only saves costs for each client, but also saves time as each respondent does not have to fill in his/her details for every survey. The questions in the survey are usually long and not inter-related, which makes the questionnaire more demanding and difficult to complete. Hence, when the respondents complete the survey, a small gift/payment is often passed on to them.

A few things need to be kept in mind while designing the questionnaire:

- Questions should be simple, to the point, and clear;
- Questions should not lead the respondents towards any particular answer;

- The introduction should be persuasive enough so that the respondent fills the questionnaire whole-heartedly;
- The answers should be analysable;
- Questions should be relevant to the study;
- The respondent should have the required information to answer the questions;
- Questions should not be very personal;
- Questions should be specific and should have closed-ended answers;
- Hypothetical and unrealistic questions should be avoided at all costs.

Even questionnaires made by experienced researchers are not considered effective at times, because questions which sound clear and relevant to one person might have a totally different impact on another person - they might not even make sense. So, it is always recommended to **pilot** the questionnaires. Piloting a questionnaire means getting the first draft of it filled by a group of respondents and then analysing the results. This process helps test your first draft out and enables you to figure out what errors in the design of your first draft there are. The errors can then be corrected before the final draft of the questionnaire is distributed amongst the respondents. If several errors are detected in the first stage, the researcher always has the option to correct these errors and get the questionnaire piloted again. Piloting once or twice will help researchers know which questions need to be altered or removed altogether.

Sampling

Sampling means choosing people from those whom you would like to survey. It is not always feasible, and not even possible, to question the entire target market for their opinion on a given issue. So sampling is done and researchers choose the right type of people which can represent most of, if not the entire, target market. These selected people are then questioned and the survey is conducted.

Finding the right mix of respondents is very important, because a certain group of people is expected to represent a huge consumer target market. Usually, 100 or even fewer respondents are selected for surveys and the opinion of these people is used to draw conclusions for a target market of consumers in the millions. This also means that a small error in sampling will be multiplied many times over, when the final analysis takes place. So, the researcher has to be extra careful when selecting the sample and conducting the survey.

When the researcher has a list of certain people from whom he/she wishes to draw a **sample**, it is called a **sampling frame**. Usually a list is available. For example, if a researcher wants to sample doctors' opinions, it is possible for him/her to attain a list of doctors along with their addresses. And from that list, the researcher can construct a sample. In some cases, the list is not available. For example, if the researcher wants to sample the opinion of people who have played squash in the past three months, it will be largely impossible for him/her to get such a list.

In such cases, the researcher has to construct a sample of individuals which can represent the actual targeted respondents. This can prove to be a difficult and time-consuming task. Some sampling methods are shown in the following table (5.3).

TABLE 5.3 Sampling methods

Sampling method	Description	Advantages	Disadvantages
Random sample, or probability sample	Every individual, from the entire consumer target market, and even from the population at large, has an equal chance of being selected in the sample.	Gives a clear cross-section of the population and allows researchers to know the opinions of all sorts of people.	Very difficult to achieve. Usually biasness gets involved. For example, choosing numbers from a telephone directory might seem 'random' but the researcher will only be looking at those people who have a landline number. All other users who do not have a landline number or whose numbers are in the ex-directory will automatically be excluded from the sample.
Quota sample	Firstly, analysis of the population is undertaken. Then a quota is set for every category and the interviewers are asked to fill that quota.	If the basis for quota is perfectly set, the sample will be able to produce a clear and helpful cross-section of opinion.	Interviewers have to reject respondents on the basis of quota, as some respondent might be willing to be a part of the sample but if they would not fit the quota, they will not be selected. And similarly, finding respondents fitting a specific quota becomes difficult at times too.
Stratified sample	This method is similar to quota sampling; the only difference is that the final choice of respondents is taken by chance.	It is cheaper, researchers do not have to reject respondents, and it is more flexible for interviewers.	When compared to quota sampling, it is not very accurate.

Recently, researchers have shifted from probability sampling towards quota-sampling, and the use of databases has also increased for sampling. The reason for the shift is that quota - sampling is easier to carry out, cheaper and much more reliable.

Interview Technique

While conducting interviews, the interviewer often has the tendency to 'lead' the respondents to make and choose the statements, which the company may want to hear. The respondents themselves can also encourage this at times by asking questions. The best interviewers with an unbiased approach will always avoid the temptation to help respondents answer questions at times.

Some of the ways in which this can be avoided is to answer in statements like 'Well, your opinion is what matters, so what do you think?' or perhaps just give an inquisitive look and not say anything at all! It is recommended that respondents be advised before the start of the interview that you will not help them in producing their answers.

In other cases, like group depth interviews or a focus group, the problem of 'judging' will make the interviewer decide whether or not to continue a line of conversation. However, it is important to know that what may appear to be an irrelevant discussion might eventually lead to explore something very insightful. Therefore, if the interviewer degenerates into a general chat, then nothing useful can be expected to arise. The moderator can instead ask how the topic is related to the research subject. Such a question can give you an explanation and bring the interviewee back on track.

In real practice, groups tend to keep the subject on track and seldom lead to digressions.

Sources of Bias

The results of a survey can become unreliable if they are influenced by external forces that may consequence in bias. The two most common sources are **sampling bias** and **interviewer bias**.

Sampling Bias

Sampling bias happens when a researcher takes a sample that is not a true representative of the population under study. It may be easy to think unjustifiably that the sample is, in fact, a representative of a total population, when it is actually drawn from a very small population. For example, a researcher might decide to carry a short survey by stopping every passer-by on a well-travelled street. This type of survey will not be representative, as it will include any person on that street who was shopping on that day. Such a survey if taken on a Tuesday may include a higher number of pensioners or unemployed people than there is in the population at large. Again, the same survey taken on a Saturday may exclude most sports fans. Sample bias can be difficult to avoid and unfortunately, it is very common.

Interviewer Bias

Interviewer bias happens when the interviewer wants the respondent to answer in a particular way and decides to "egg them on." Interviewers naturally want to get through the questionnaire without any problems, therefore are aware that the respondent does not want to answer questions that are badly phrased. If the respondent shows a negative reaction to any such questions, the interviewer might skip them and simply 'guess' the answers later on. Unfortunately, some interviewers may also fake the answers, if they have difficulty in finding respondents who are willing to fill their quota.

Interviewer bias can be very subtle; it can exist in the body language (body gestures and facial expressions, etc.) of the interviewer in open-ended and one-to-one interviews. The interviewer can give a message to the respondent which may lead them into giving a specific answer, or perhaps withholding useful information.

Analysing the Results

The analysing phase consists of three major steps: **editing**, to eliminate and discard any invalid responses, **tabulating**, to total the various responses before cross-tabulating them; and **interpreting**, to say what the figures actually mean and represent.

Qualitative Data Analysis

Until recently, the analysis of data collected by way of qualitative research was merely based on the researcher's judgments. The traditional method was to record the sessions from focus groups and interviews, after which the researcher would make judgements quoting statements from the recordings in order to support his/her argument. But this approach has been criticised because it was not considered thorough enough.

With advancements in technology and the increased use of computers, special programmes have been developed which analyse qualitative data for the researcher. The functions and operations carried out by those programmes are:

- Finding individual words and phrases. The researcher has the option of keying-in key words which are considered important in the data, and the programmes finds and counts those words and/or phrases.
- Creating *indexes*. The programmes then show where exactly those key words and phrases have been used and in what context. It works similar to the index in a book. These help researchers attribute phrases and words to various types of respondents.
- Attaching codes to different segments of text. In some cases, respondents talk about a particular issue but do not mention the key word associated with the issue, so adding codes and key words allows the researcher to identify the important areas in the text.
- Connection of the categories. This feature allows researchers to see whether one type of statement is associated or connected with the other or not. For example, respondents who wake up early in the morning may also prefer doing exercise.

Quantitative Data Analysis

Quantitative Data Analysis comprises the same three steps which were mentioned earlier - editing, tabulating, and interpreting. The use of tables can be helpful in the design stage, where data is entered into relevant rows and columns. If the data is not entered into the tables during the design stage, it might become difficult to analyse and interpret the data in the later stages of research. Also, it is always

recommended to cross-tabulate the data so that the researcher can know which type of answer was given by which type of respondent.

For example, if research is conducted about tea consumption, the researcher might find out that 40% of respondents drink tea once every day and 5% drink tea two or more times a day. Now, the researcher will want to know which respondents drink tea once and which drink it twice or more. Also, the researcher will want to know if the two categories of respondents have anything else in common, such as, their income, their age group, the magazines they read, etc. This helps the researcher to segment the market.

One of the major problems associated with quantitative analysis is determining whether or not the information is reliable. The chances of errors are high in the collected data because only a small sample is questioned and the sample represents a huge population, so even a single error can be multiplied. Therefore, the larger the sample, the more reliable the collected data will be. And this in turn will make the researcher more confident as well. The mathematics and calculations involved in analysing the collected data is a completely different field, but the statistical techniques used can be studied and easily understood by researchers so as to judge how reliable the data is. And it is obvious that the more reliable the data is, the more reliable the results it will produce.

If the statistical testing is carried out correctly, it will let a researcher know whether the results of a certain year's survey are similar to the one conducted previous year or not. The results should form a pattern and the positive relationship between the results from two or more years mean that the survey was conducted correctly and the results have been analysed in a similar way. Some of the statistical methods have been shown in the following table.

Table:5.4 Common statistical methods

Statistical method	Explanation
Exponential smoothing	Helps in detecting the trends in the data through troughs and peaks. More weight is given to more recent data.
Regression analysis	Helps in comparing a set of data to another and also shows if a trend in one set somehow relates to the trend of another set.
Correlation	Shows the degree of relation between one set of data and another.
Factor analysis	Highlights the factors that relate to each other. This is done by relating factors to a set of extra theoretical factors.
Significance testing, e.g. t-tests.	Helps in testing whether the results of a specific survey are reliable or not.

Market research is not easy to conduct, but if a researcher goes to the trouble of researching, it can save the company from huge losses. The reason being that both products and service that are launched without prior research or surveys usually fail, or at least struggle to bring any real returns for the business.

Further Reading:

- ✓ *Strategic Market Research: A Guide to Conducting Research That Drives Businesses, (2010), By Anne E. Beall*
- ✓ *Market Research in Practice, (2004), By Paul Hague, Nick Hague, Carol-Ann Morgan*
- ✓ *Market Research Handbook, (2007) , By ESOMAR*