

Notes by Dr. Mrs. Lina Thatte

Dear Students

These notes are prepared to equip you with some basic concepts in the subject of market research. The extra reading in green is to widen your understanding further in the subject. It provides some additional examples or explanation of some related concepts.

I hope you will find these notes useful. In case of any query, contact me at lthatte@gmail.com

With Best Wishes

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1. MARKET RESEARCH AND ORGANIZATION

Market research is any organized effort to gather information about markets or customers. It is a very important component of business strategy. The term is commonly interchanged with marketing research; however, expert practitioners may wish to draw a distinction, in that *marketing* research is concerned specifically about marketing processes, while *market* research is concerned specifically with markets.

Market research is a key factor to get advantage over competitors. Market research provides important information to identify and analyze the market need, market size and competition.

Market research, includes social and opinion research, [and] is the systematic gathering and interpretation of information about individuals or organizations using statistical and analytical methods and techniques of the applied social sciences to gain insight or support decision making.

Market research began to be conceptualized and put into formal practice during the 1920s, as an offshoot of the advertising boom of the Golden Age of radio in the United States. Advertisers began to realize the significance of demographics revealed by sponsorship of different radio programs.

Organization of Market Research

Market research is for discovering what people want, need, or believe. It can also involve discovering how they act. Once that research is completed, it can be used to determine how to market your product. Peter Drucker believed market research to be the quintessence of marketing.

There are two major types of market research. Primary Research sub-divided into Quantitative and Qualitative research and Secondary research.

For starting up a business, there are some important things:

- Market information

Through Market information one can know the prices of the different commodities in the market, as well as the supply and demand situation. Information about the markets can be obtained from different sources, varieties and formats, as well as the sources and varieties that have to be obtained to make the business work.

- Market segmentation

Market segmentation is the division of the market or population into subgroups with similar motivations. It is widely used for segmenting on geographic differences, personality differences, demographic differences, technographic differences, use of product differences, psychographic differences and gender differences. For B2B segmentation firmographics is commonly used.

- Market trends

Market trends are the upward or downward movement of a market, during a period of time. The market size is more difficult to estimate if one is starting with something completely new. In this case, you will have to derive the figures from the number of potential customers, or customer segments.

Besides information about the target market, one also needs information about one's competitors, customers, products, etc. Lastly, you need to measure marketing effectiveness. A few techniques are:

- Customer analysis
- Choice modelling
- Competitor analysis
- Risk analysis
- Product research
- Advertising the research
- Marketing mix modeling

Market Research for the Film Industry

It is important to test marketing material for films to see how an audience will receive it. There are several market research practices that may be used: (1) concept testing, which evaluates reactions to a film idea and is fairly rare; (2) positioning studios, which analyze a script for marketing opportunities; (3) focus groups, which probe viewers' opinions about a film in small groups prior to release; (4) test screenings, which involve the previewing of films prior to theatrical release; (5) tracking studies, which gauge (often by telephone polling) an audience's awareness of a film on a weekly basis prior to and during theatrical release; (6) advertising testing, which measures responses to marketing materials such as trailers and television advertisements; and finally (7) exit surveys, that measure audience reactions after seeing the film in the cinema.

2. USES OF MARKET RESEARCH

A wide variety of information used to support marketing decisions can be obtained from market research. A selection of such uses are summarised below:

Information about the market

- Analysis of the market potential for existing products (e.g. market size, growth, changing sales trends)
- Forecasting future demand for existing products
- Assessing the potential for new products
- Study of market trends
- Analysis of competitor behaviour and performance
- Analysis of market shares

Information about Products

- Likely customer acceptance (or rejection) of new products
- Comparison of existing products in the market (e.g. price, features, costs, distribution)
- Forecasting new uses for existing products
- Technologies that may threaten existing products
- New product development

Information about Pricing in the Market

- Estimates and testing of price elasticity
- Analysis of revenues, margins and profits
- Customer perceptions of “just or fair” pricing
- Competitor pricing strategies

Information about Promotion in the Market

- Effectiveness of advertising
- Effectiveness of sales force (personal selling)
- Extent and effectiveness of sales promotional activities
- Competitor promotional strategies

Information about Distribution in the Market

- Use and effectiveness of distribution channels
- Opportunities to sell direct
- Cost of transporting and warehousing products
- Level and quality of after-sales service

3. MARKETING INFORMATION SYSTEMS

Market information systems (otherwise known as **market intelligence systems**, **market information services**, or **MIS**, and not to be confused with management information systems) are information systems used in gathering, analyzing and disseminating information about prices and other information relevant to farmers, animal rearers, traders, processors and others involved in handling agricultural products. Market information systems play an important role in agro-industrialisation and food supply chains. With the advance of Information and communication technologies for development (ICTs) in developing countries, the income- generation opportunities offered by market information systems have been sought by international development organizations, non-governmental organizations (NGOs) and businesses alike.

Agricultural market information systems

There is a wide variety of market information systems or services. Organisation for Economic Co-operation and Development countries have traditionally emphasised the importance of information provision for the agricultural sector, a notable example being the service provided by United States Department of Agriculture. Such systems are widely used in order to increase the transparency and the volume of information flowing through the supply chains for different agricultural products. The ability of market information systems to provide a valuable service has been strengthened with the development of the Internet and the advance of electronic commerce (business-to-business (B2B), consumer-to-consumer, etc.). Industry structure, product complexity and the demanding nature of agricultural transactions are considered determining factors for the development of B2B electronic commerce in agriculture.

Agricultural market information in developing countries

In developing countries, market information initiatives are often part of broader interventions and part of the agricultural marketing and agribusiness development strategy that many governments are actively

engaged in. It's commonly understood that long transaction chains, lack of transparency, lack of standards, and insufficient access to markets for products has perpetuated low incomes in predominantly agrarian economies. The Food and Agriculture Organization (FAO) has a unit focussed on agricultural marketing support, including through development of market information. Donor organizations, such as the CTA, IICD, USAID, DFID, and the Bill and Melinda Gates Foundation are all focussed on improving the efficiencies within the supply chain through greater information provision. The recent surge of mobile phone usage in developing countries has provided an opportunity for innovative projects to leverage this new distribution channel to get critical market data into the hands of farmers and traders. Several projects by Reuters, Nokia, Esoko/TradeNet, KACE, Manobi, AgRisk and others have demonstrated the impact that such information can have. Studies in Niger and India demonstrate the impact of cell phones in reducing price variations and creating equilibrium among markets. Introduction of internet kiosks and cafes that provide wholesale price information to farmers has been shown to enhance the functioning of rural markets by increasing the competitiveness of local traders in India.

4. RESEARCH DESIGN

Research design is considered as a "blueprint" for research, dealing with at least four problems: which questions to study, which data are relevant, what data to collect, and how to analyze the result. The best design depends on the research question as well as the orientation of the researcher. Every design has its positive and negative sides. In sociology, there are three basic designs, which are considered to generate reliable data; these are cross-sectional, longitudinal, and cross-sequential. Research design can be divided into fixed and flexible research designs. Others have referred to this distinction as 'quantitative research designs' and 'qualitative research designs,' respectively. However, fixed designs need not be quantitative, and flexible design need not be qualitative. In fixed designs, the design of the study is fixed before the main stage of data collection takes place. Fixed designs are normally theory driven; otherwise it's impossible to know in advance which variables need to be controlled and measured. Often, these variables are measured quantitatively. Flexible designs allow for more freedom during the data collection process. One reason for using a flexible research design can be that the variable of interest is not quantitatively measurable, such as culture. In other cases, theory might not be available before one starts the research.

Examples of fixed (quantitative) designs

Experimental design

In an experimental design, the researcher actively tries to change the situation, circumstances, or experience of participants (manipulation), which may lead to a change in behavior or outcomes for the participants of the study. The participants are ideally randomly assigned to different conditions, and variables of interest are measured. The researcher tries to control the other variables in order to avoid confounds to causality. Therefore, experiments are often highly fixed even before the data collection starts. In a good experimental design, a few things are of great importance. First of all, it is necessary to think of the best way to operationalize the variables that will be measured. Therefore, it is important to consider how the variable(s) will be measured, as well as which methods would be most appropriate to answer the research question. In addition, the statistical analysis has to be taken into account. Thus, the researcher should consider what the expectations of the study are as well as how to analyse this outcome. Finally, in an experimental design the researcher must think of the practical limitations including the availability of participants as well as how representative the participants are to the target population. It is important to consider each of these factors before beginning the experiment. Additionally, many

researchers employ power analysis before an experiment is conducted in order to determine whether s/he has drawn an appropriate sample size, as well as the likelihood of a Type I or Type II error occurring.

Non-experimental research designs

Non-experimental research designs do not involve a manipulation of the situation, circumstances or experience of the participants. Non-experimental research designs can be broadly classified into three categories. First, relational designs, in which a range of variables is measured. These designs are also called correlational studies, because correlational data are most often used analysis. It is important to clarify here that correlation does not imply causation, and rather identifies dependence of one variable on another. Correlational designs are helpful in identifying the relation of one variable to another, and seeing the frequency of co-occurrence in two natural groups. The second type is comparative research These designs compare two or more groups on one or more variable, such as the effect of gender on grades. The third type of non-experimental research is a longitudinal design. A longitudinal design examines variables such as performance exhibited by a group or groups over time.

Quasi experiment

Quasi research designs are research design that follow the experimental procedure, but do not randomly assign people to (treatment and comparison) groups.

Examples of flexible (qualitative) research designs

Case study

In a case study, one single unit is extensively studied. that can be a case of a person, organization, group or situation. Famous case studies are for example the descriptions about the patients of Freud, who were thoroughly analysed and described. Read more on case study. A case study approach is particularly appropriate for individual researchers because it gives an opportunity for one aspect of a problem to be studied in some depth within a limited time scale”.

Ethnographic study

This type of research is involved with a group, organization, culture, or community. Normally the researcher shares a lot of time with the group.

Grounded Theory study

Grounded theory research is a systematic research process that works to develop "a process, and action or an interaction about a substantive topic" .

5. RESEARCH DESIGN PROCESS

The steps in the design process interact and often occur simultaneously. For example, the design of a measurement instrument is influenced by the type of analysis that will be conducted. However, the type of analysis is also influenced by the specific characteristics of the measurement instrument.

Step 1: Define the Research Problem

Problem definition is the most critical part of the research process. Research problem definition involves specifying the information needed by management. Unless the problem is properly defined, the information produced by the research process is unlikely to have any value. Coca-Cola Company researchers utilized a very sound research design to collect information on taste preferences. Unfortunately for Coca-Cola, taste preferences are only part of what drives the soft drink purchase decision.

Research problem definition involves four interrelated steps: (1) management problem / opportunity clarification, (2) situation analysis, (3) model development, and (4) specification of information requirements.

The basis goal of problem clarification is to ensure that the decision maker's initial description of the management decision is accurate and reflects the appropriate area of concern for research. If the wrong management problem is translated into a research problem, the probability of providing management with useful information is low.

Situation Analysis

The situation analysis focuses on the variables that have produced the stated management problem or opportunity. The factors that have led to the problem/opportunity manifestations and the factors that have led to management's concern should be isolated.

A situation analysis of the retail trade outflow problem revealed, among other things, that (1) the local population had grown 25 percent over the previous five years, (2) buying power per capita appeared to be growing at the national rate of 3 percent a year, and (3) local retail sales of nongrocery items had increased approximately 20 percent over the past five years. Thus, the local retailers sales are clearly not keeping pace with the potential in the area.

Step 2: Estimate the Value of the Information

A decision maker normally approaches a problem with some information. If the problem is, say, whether a new product should be introduced, enough information will normally have been accumulated through past experience with other decisions concerning the introduction of new products and from various other sources to allow some preliminary judgments to be formed about the desirability of introducing the product in question. There will rarely be sufficient confidence in these judgments that additional information relevant to the decision would not be accepted if it were available without cost or delay. There might be enough confidence, however, that there would be an unwillingness to pay very much or wait very long for the added information.

Step 3: Select the Data Collection Approach

There are three basic data collection approaches in marketing research: (1) secondary data, (2) survey data, and (3) experimental data. Secondary data were collected for some purpose other than helping to solve the current problem, whereas primary data are collected expressly to help solve the problem at hand.

Step 4: Select the Measurement Technique

There are four basic measurement techniques used in marketing research: (1) questionnaires, (2) attitude scales, (3) observation, and (4) depth interviews and projective techniques.

Primary Measurement Techniques

I. Questionnaire – a formalized instrument for asking information directly from a respondent concerning behavior, demographic characteristics, level of knowledge, and/or attitudes, beliefs, and feelings.

II. Attitude Scales – a formalized instrument for eliciting self-reports of beliefs and feelings concerning an object(s).

A. Rating Scales – require the respondent to place the object being rated at some point along a numerically valued continuum or in one of a numerically ordered series of categories.

B. Composite Scales – require the respondents to express a degree of belief concerning various attributes of the object such that the attitude can be inferred from the pattern of responses.

C. Perceptual maps – derive the components or characteristics an individual uses in comparing similar objects and provide a score for each object on each characteristic.

D. Conjoint analysis – derive the value an individual assigns to various attributes of a product.

I. Observation – the direct examination of behavior, the results of behavior, or physiological changes.

II. Projective Techniques and Depth Interview – designed to gather information that respondents are either unable or unwilling to provide in response to direct questioning.

A. Projective Techniques – allow respondents to project or express their own feelings as a characteristic of someone or something else.

B. Depth Interviews – allow individuals to express themselves without any fear of disapproval, dispute, or advice from the interviewer.

Step 5: Select the Sample

Most marketing studies involve a sample or subgroup of the total population relevant to the problem, rather than a census of the entire group.

Step 6: Select the Model of Analysis

It is imperative that the researcher select the analytic techniques prior to collecting the data. Once the analytic techniques are selected, the researcher should generate fictional responses (dummy data) to the measurement instrument. These dummy data are then analyzed by the analytic techniques selected to ensure that the results of this analysis will provide the information required by the problem at hand.

Step 7: Evaluate the Ethics of the Research

It is essential that marketing researchers restrict their research activities to practices that are ethically sound. Ethically sound research considers the interests of the general public, the respondents, the client and the research profession as well as those of the researcher.

Step 8: Estimate Time and Financial Requirements

The program evaluation review technique (PERT) coupled with the critical path method (CPM) offers a useful aid for estimating the resources needed for a project and clarifying the planning and control process. PERT involves dividing the total research project into its smallest component activities, determining the sequence in which these activities must be performed, and attaching a time estimate for each activity. These activities and time estimates are presented in the form of a flow chart that allow a visual inspection of the overall process. The time estimates allow one to determine the critical path through the chart – that series of activities whose delay will hold up the completion of the project.

Step 9: Prepare the Research Proposal

The research design process provides the researcher with a blueprint, or guide, for conducting and controlling the research project. The blueprint is written in the form of a research proposal. A written research proposal should precede any research project.

6. ETHICAL ISSUES IN MARKET RESEARCH

Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. Some areas of marketing ethics (ethics of advertising and promotion) overlap with media ethics.

Ethical danger points include:

- Excluding potential customers from the market: selective marketing is used to discourage demand from undesirable market sectors .
- Targeting the vulnerable (e.g. children, the elderly).

An example is the selective marketing of health care, so that unprofitable sectors (i.e. the elderly) will not attempt to take benefits to which they are entitled. A further example of market exclusion is the pharmaceutical industry's exclusion of developing countries from AIDS drugs.

Examples of marketing which unethically targets the elderly include: living trusts, time share fraud, mass marketing fraud-and others. The elderly hold a disproportionate amount of the world's wealth and are therefore the target of financial exploitation.

In the case of children, the main products are unhealthy food, fashionware and entertainment goods. Children are a lucrative market and are not capable of resisting or understanding marketing tactics at younger ages .The practice of extending children's marketing from television to the schoolground is also controversial.

Other vulnerable audiences include emerging markets in developing countries, where the public may not be sufficiently aware of skilled marketing ploys transferred from developed countries.

Extra Reading :

Nestle infant milk formula scandal.

The **Nestlé boycott** is a boycott launched on July 7, 1977, in the United States against the Swiss-based Nestlé corporation. It spread quickly throughout the United States, and expanded into Europe in the early 1980s. It was prompted by concern about the Nestle's promotion of breast milk substitutes (infant formula), particularly in less economically developed countries (LEDCs), which campaigners claim contributes to the unnecessary suffering and even deaths of babies, largely among the poor.^[1] Among the campaigners, Professor Derek Jelliffe and his wife Patrice, who contributed to establish the World Alliance for Breastfeeding Action (WABA), were particularly instrumental in helping to coordinate the boycott and giving it ample visibility worldwide.
