

## **GATHERING INFORMATION FOR MARKETING DECISION-MAKING:**

*Dr. I. Chaneta*

*Department of Business Studies*

*Faculty of Commerce*

*University of Zimbabwe*

### **Abstract**

*Marketing research is concerned with developing and analyzing the “facts” that help marketing managers do a better job of planning, executing and controlling. Marketing research is much more than a bundle of techniques or a group of specialists in survey design or statistical techniques. Good marketing researchers must be both marketing and management orientated to assure that their research focuses on real problems on which action can be taken.*

*Today, many marketing planners are isolated in company or offices far from their potential customers. For this reason, they must rely on research to be sure they know what is going on. This point cannot be over-emphasized because it is all too easy for management to lose touch with its markets. One of the critical tasks of the marketing researcher is to help management get the “facts” and understand them. The many potential markets in the United States and abroad are not necessarily like the markets lived in by the typical middle-class suburban managers.*

*Marketing research details may be handled by staff or outside specialists but marketing managers must know how to plan and evaluate research projects. That is, they should be able to*

*communicate with specialists in their language. They may only be “consumers” of research, but they should be knowledgeable consumer, perhaps regularly specifying what they want to buy.*

*For this reason, our treatment of marketing research will not focus on mechanics, but rather on how to plan and evaluate research. The marketing researcher must excel in these areas also, so in the following discussion, we will take the marketing researcher’s view, realizing that both of them should participate in the research process if the results are going to lead to action.*

**Key Words:** marketing research, observation, hypothesis, situation analysis, definition of problem.

## **INTRODUCTION**

Marketing researchers often become involved with strategic and tactical planning. They also can be helpful in evaluating how strategies are working out providing feedback and control which may lead to new plans. Thus, research is a continuous process. Some marketing researchers see themselves at the centre of an information system which works to integrate all activities of the company.

With such a wide range of potential responsibilities, it is important that marketing researchers see clearly what kinds of problems they are being asked to work on and what types of information are actually needed to solve the problem.

The strategic planning framework introduced early can be especially useful here – helping the researchers to see at what level the real problem lies. Do we really know enough target markets? If so, do we know enough to work out all of the four Ps? And so on down through tactical level problems, such as how to motivate an older sales person or handle a price war in New York City or Tokyo.

In our dynamic market place, marketing research often must try to provide answers that are needed so urgently that quick and rough research work must be done. A little information may be better than total ignorance. Even though the most scientific approach is not feasible when time is short. Researchers should use the best that the scientific method is a logical approach to approach marketing problems. This scientific approach, combined with a strategic planning framework, can provide assured guidance in the typically chaotic atmosphere of the business world.

## **THE SCIENTIFIC METHOD AND MARKETING RESEARCH**

In seeking to relate the scientific method to marketing research, we are not trying to clog marketing research with scientific respectability. Managers want to make the best decisions possible, and this cannot be done consistently except on a logical basis.

The scientific method is such an approach. In marketing, this logical method forces the analyst to follow procedures that reduce the possibilities of slipshod work or reliance on intuition.

The scientific method consists of four stages:

1. Observation
2. Formulation of hypotheses
3. Prediction of the future
4. Testing the hypotheses

With this method, we seek to develop hypotheses (such as “There is no significant difference between Brands A and B) and then to test each hypotheses.

**NB:** Application of the scientific method helps the marketing manager develop and test the best hypotheses. It takes a common sense but rigorous approach – formulation of hypotheses, testing, perhaps modifying and testing again. The feedback principle is applied throughout the process.

Let us now use the scientific work to show how a marketing manager might use this method.

A manufacturer of men’s shorts had no major immediate problems, but wanted to develop new opportunities. The approach they took is shown here:

1. Observation: Notice some competitors sales increasing and many competitors shifting to a new plastic wrapping.
2. Formulation of hypotheses: Assume (a) that plastic wrapping is the sole cause of competitors’ sales increases and (b) that the firm’s products are similar.

3. Prediction of the future: Firm's sales ought to increase if it shifts to the wrapping.
4. Testing hypotheses: Produce some shirts in new package and test them in the market.

The marketing test revealed that their prediction was correct – sales did increase. But what if they had not? The answer to this question lies on important benefit of the scientific approach. Through careful control (making certain that the test was correctly designed and run) and evaluation of results, we should be able to isolate the reason why a given test failed and pinpoint where the hypotheses were in error.

In this case, either one of the hypotheses could have been wrong. Either increased sales were not caused by the new wrapping or this manufacturer's products were not similar.

Assuming that the first hypotheses was wrong, further research might show that competitor's sales were up simply because their promotion had been more effective. Or, if the second hypothesis proved incorrect, it might be possible to identify ways the products differed and then capitalize on these points, or modify the product.

#### **FOUR-STEP APPROACH TO SOLVING MARKETING PROBLEMS**

In marketing research, there is a four-step application of the scientific method:

1. Definition of the problem;
2. Situation analyzing;
3. Information investigation, and
4. Formal research project.

Observation, the first stage in the scientific method is used during the first three marketing research steps. Once the problems are defined, formulation of hypotheses takes place, perhaps during the situation analysis of informal investigation. Prediction of the future occurs any time

before a formal research project is planned. And testing the hypotheses is completed in the formal research project unless, as frequently happens, informal investigation solves the problem. Actually then, scientific method is a vital part of marketing research. Table 1 on page 5 may help us see the relationships. The precise meaning of these terms is explained in the following pages. It should be emphasized again that this orderly procedure helps us keep clear what we are doing. Mastery of this approach will greatly improve ability to plan marketing research project and solve the right problems.

**DEFINITION OF THE PROBLEM-STEP ONE**

Defining the problem is the most important and often the most cult job of the marketing analyst. It is slow work, requiring observation and sometimes over had the time spent on a research project. But it is time well spent if the problem is precisely defined. The best research job on the wrong problem is wasted effort. It may even lead to more costly consequences, such as the introduction of the poor product like the use of an ineffective advertising approach.

Problems can occur at various levels, but basically a problem arises when a firm is not able to reach one of its objectives. This may be a high-level, top management objective of increasing sales for the company as a whole or in a particular geographic territory or for a particular product. Or, it might be as calls on some less attractive customers.

**Table1**

**Relation of scientific method to marketing research**

SCIENTIFIC METHOD STAGES	USED DURING THE FOLLOWING MARKETING RESEARCH STEPS
Observation .....	Definition of problem situation analysis

Informal research	
Formulation of hypothesis.....	Situation analysis
Informal investigation	
Formal research (Planning)	
Prediction of the future.....	Formal research (unless management is satisfied with an earlier but more intuitive solution.

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Problem definition sounds simple, and therein lies the danger. Objectives are seldom stated clearly, if at all, and therefore it is easy to fall into the trap of mistaking identification of symptoms for the definition of the problem. For example, suppose that the firm's continuing sales analysis shows that the company's sales are decreasing significantly in certain territories, while sales expenses remain constant, with a resulting decline in profits.

Will it help to define the problem by asking? How can we stop the sales decline? Probably not. This would be like asking how to lower a patient's temperature instead of first trying to identify the cause of the fever.

We must discover why sales are declining (rather than increasing which is the objective) i.e. whether the cause is competitive activity, product deficiencies, inadequate support by company sales personnel, prices that are not competitive, inefficient advertising or some other cause. If one or more of these factors can be isolated as the culprit, then the marketing executive will be on the way to an effective solution. The basic over-riding problem would be how to reach the objective of increasing sales. But the specific problem might focus on how to accomplish the objectives assigned to one or more of the four Ps. Perhaps advertising has been assigned the job of increasing awareness of the company's offerings to pave the way for the company's sales people. If the advertising is ineffective, then the company's whole marketing plan may falter. The

specific problem to be worked on in this case then might be, how to improve the advertising or overhaul promotion effort.

## **SITUATION ANALYSIS – STEP TWO**

When the marketing manager feels the problem has begun to surface, a situation analysis can be useful. A complete commitment to a particular problem is not yet necessary. Through this and the following steps, the problem may be revised or restated in the face of new facts. This reevaluation should be continuous. Even after a hypothesis has been developed and tested by formal research, new factors can arise so that a new statement of the problem and a new hypothesis test may be necessary.

In the situation analysis, the researchers first try to size up the situation but without talking to outsiders. They talk to informed executives within the company, and study and evaluate internal company records generated as part of the control function. They also search libraries for all available published material.

This research is vital, since analysts must be thoroughly familiar with the environment in which they must work. They analyse information about their own company, its products in the industry, specific markets in which it is operating, dealers, its own promotion and its competitors' activities. Libraries contain vast stores of information, but once the researchers have begun to narrow the space of the problems, they can look for specific kinds of information.

Unless they know what they are looking for, researchers may be overwhelmed by the information available within their own libraries. Let's take a closer look at the type of information we are talking about.

A situation analysis looks at secondary data – information which is already published. Primary data is gathered specifically to solve the current problems. Gathering primary data is discussed



later, but it must be emphasized that too often researchers rush out to gather primary data when there is already a plentiful supply of secondary information. And this data may be available at little or no cost.

One of the first places a researcher should look for secondary data after looking at internal data, is a good library.

If the problem is clear-cut, it can sometimes be solved at this point without additional expense.

Perhaps someone else already has done a study that answers almost exactly the same question.

The fact that further research may be reduced or eliminated is important. Too often, researchers rush out a questionnaire to 100 or even several thousand persons or firms. This gives the impression that the analyst is “really doing something”. An effective situation analysis, unfortunately, usually is less impressive. If a supervisor asks the analyst what he is doing, all he can say is, “I’m sizing up the situation”, or “I’m studying the problem”.

The fact of the matter is that the situation analyst is really trying to determine the exact nature of the situation and the problem. The person who rushes out all the questionnaires may be doing this too – although this fact may surprise him! The point is that when the results of the questionnaire come in, he may finally see the problem but he still won’t have the answer. He will still have to proceed to the next step in analysis, just the same as the more “scientific” researcher.

### **INFORMAL INVESTIGATION – STEP THREE**

During the informal investigation, the analyst is still attempting to define the problem and formulate hypotheses. But now the idea is to get outside the company and the library and talk to respondents. By respondents here, we mean intelligent and efficient retailers, wholesalers, customers and other knowledgeable people in the industry. No formal questionnaire is developed as the analyst is not yet testing hypotheses, except intuitively.

When considering the development of machine tool products, for example, it would make sense to talk to few machine operators, plant superintendent in more efficient factories, design engineers at independent research organisations or universities and perhaps a few good wholesalers who have close contact with potential customers.

While these talks would be informal, they should help the analyst pinpoint the problem and hypothesis. By this time, the analyst should have the problem area narrowed down. This is important, because asking respondents (informed people) to discuss general problems will not be productive. Only specific questions will obtain specific answers.

The virtues of the informal investigation are that it takes little time and can be very informative. Moreover, it is inexpensive compared to a large-scale survey.

On the basis of the information gathered in a situation analysis and informal investigation, the analyst should now be formulating some specific hypotheses. Or he/she may be able to refine the hypotheses at this point, developing an answer to the problem without further research. This is especially likely in the industrial goods area, where the number of customers is limited and buying behaviour is fairly predictable. Here the views of a few well-informed people may be representative of the industry.

If management has to make a decision quickly – if it cannot wait for a formal test, then well considered hypotheses may lead to a practical solution. Occasionally, speed is more important than precision. In such cases, care in the preliminary steps may bear fruit far beyond the extra time and effort invested.

#### **PLANNING THE FORMAL RESEARCH PROJECT – STEP FOUR**

If the analyst has failed to reach a solution to the problem by this time, the next step is to develop a formal research project to gather primary data. There are three basic methods that can be used:

1. The observation method
2. The survey method
3. The experimental method

Each method has its appropriate uses and unless the problem is complete, only one method would be used in a single project. It is the analyst's responsibility to choose which method is best, according to problem characteristics as well as the time, funds, facilities and personnel available.

The observation method recognizing the possible pitfalls in direct questioning avoids face-to-face interviews. Sometimes however, asking questions cannot be side-stepped. Then, even the survey method may be helpful. Telephone and personal interviews can be used for surveys. The experimental method may use either or both of the preceding methods. Its distinguishing characteristic is a more rigorous procedure, which usually includes establishing control groups and applying advanced statistical techniques.

### **EXECUTION AND INTERPRETATION OF THE RESEARCH PROJECT**

Marketing research involves some technical details, but it should be obvious that the marketing researcher and the marketing manager should develop a close working relationship to be sure that they really do solve the problems facing the firm. If the whole research process has been joint effort, then the interpretation step may move quickly and without a hitch into decision-making.

When the researcher and the manager have not worked closely together, the interpretation step becomes extremely important. While managers may not be research specialist, they have to evaluate research results. And the interpretation and presentation of the final results can be a clue to the quality of the research and its planning. If a report does not have action applications, for

example, it may have little value to management and may suggest poor planning by the researcher.

Further, if the research methods and the reliability of the data are not clearly explained, the marketing manager must use even greater judgement in evaluating the data. In fact, if the researcher does not explain his methods and then suggests specific action, he should not be surprised if the marketing manager chooses to ignore the work. Unfortunately, this happens far too often and emphasizes, again, the importance of the two working together to solve problems.

### **COST AND ORGANISATION OF MARKETING RESEARCH**

Relatively little, perhaps too little, is spent on the typical marketing research department. Often the research department's budget is about 0.2 percent of sales, or \$100 000 for a company with a \$50 million annual sales volume. This is in contrast to research and development budgets that frequently run to 5 or 10 percent of sales. Unfortunately, this situation sometimes leads to the development of products with little or no market potential.

Most larger companies have a separate commercial or marketing research department to plan and conduct research projects. Even these departments, however, frequently use outside specialists, such as interviewing or tabulating services, to handle particular assignments. This points up, again, the importance of good research planning because when part of the research job is sent out, it is imperative that it be fully described. Further, specialized marketing consultants and marketing research organisations may be called in on more difficult problems or in "frontier" research areas.

Few companies with sales of less than \$2.5 million have separate marketing research departments, relying instead on sales personnel or top executives for what research they do.

### **MARKETING INFORMATION SYSTEMS**

Some companies are setting information systems in an attempt to improve the quality and quantity of decision-related information available to their managers. Sometimes this means expanding the role assigned to the marketing research departments, turning them into marketing information centres. In other companies, this information function may be separated into a new department because management wants to make sure that it does not get buried in the ongoing data-collection activities of the marketing research department.

A marketing information system has been defined as: “a structured interacting complex of persons, machines and procedures” designed to generate an orderly flow of pertinent information collected from both intra and extra firms’ sources for use as the bases for decision-making in specific responsibility areas of marketing management.

The need for marketing information systems (MIS), grows out of the recognition that most firms can or could generate more market – related data than they can possibly digest and turn into useful information. Computers can now print out much faster than any human can read. Some way must be found to convert raw data into information. Fortunately, one can build up to a MIS in stages. Going further, careful analysis of this data and perhaps specially arranged experiments can help the managers develop greater insights into the relation of marketing inputs to outputs, i.e. their response functions. And this in turn will improve subsequent planning.

## **CONCLUSION**

In this discussion we have shown that marketing research is not a mysterious cult practised by statisticians. In the best sense, it is a management tool that helps the manager make decisions not based on the feel and intuition, but useful information. The manager should understand research procedures, and the researcher should understand management’s problems of planning, executing

and controlling marketing research department, failing which the department may be relegated to a mere collector of data.

Marketing research should try to apply the scientific method to the solution of marketing problems. Some organized approach is desirable because very often, a researcher does not have time or money to complete a full research project and if the early stages of the research effort have been effectively done, he may be able to “jump” to a solution early in the process. A scientific approach to solving marketing problems, involves four steps: definition of the problem, a situation analysis, an informal investigation and, if necessary a formal research project.

Definition of the problem is obviously the most crucial step because even good research on the wrong problem, would be of no use. Then, a good situation analysis, using secondary data, may enable the researcher to solve the problem without going on to further steps in the analysis.

An informal investigation, like a situation analysis may enable a researcher solve the problem.

This step requires informal interviewing of knowledgeable people. This moving up on the problem should be stressed because there is more to marketing research than surveys. Yet surveys often are seen as the only activity of marketing research by outsiders. Surveys provide helpful information when they are needed, but there are many occasions when other methods provide better information at the same or lower cost.

As part of a formal research design, surveys might be needed, or the observation or experimental methods may be needed. Great care must be taken in research and execution because these are technical subjects. It is very easy to make errors which will render the results useless.

The strategic planning framework which we have been using throughout, can be a great aid in helping to identify the real problem. By focusing on the real problem, the researcher may be able to move quickly to a useful solution without the cost and pitfalls of a formal research project.

If the firm has more time and adequate budget, it may be able to enjoy the luxury or more detailed and more sophisticated analysis. Some firms have even developed marketing information systems which enable them to make better estimates of the shape of their response functions, and therefore, better decisions. And others are making more effective use of sales and cost analysis techniques.

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