
Keywords

American Marketing Association (AMA) • ESOMAR • Field service firms • Full service providers • Limited service providers • Segment specialists • Specialized service firms • Syndicated data

Learning Objectives

After reading this chapter, you should understand:

- What market and marketing research are and how they differ.
- How practitioner and academic market(ing) research differ.
- When market research should be conducted.
- Who provides market research and the importance of the market research industry.

1.1 Introduction

When Toyota developed the Prius—a highly fuel-efficient car using a hybrid petrol/electric engine—it took a gamble on a grand scale. Honda and General Motors' previous attempts to develop frugal (electric) cars had not worked well. Just like Honda and General Motors, Toyota had also been working on developing a frugal car, but focused on a system integrating a petrol and electric engine. These development efforts led Toyota to start a project called Global Twenty-first Century aimed at developing a car with a fuel economy that was at least 50% better than similar-sized cars. This project nearly came to a halt in 1995 when Toyota encountered substantial technological problems. The company solved these problems, using nearly a thousand engineers, and launched the car, called the Prius, in Japan in 1997. Internal Toyota predictions suggested that the car was either going

to be an instant hit, or that the product's acceptance would be slow, as it takes time to teach dealers and consumers about the technology. In 1999, Toyota decided to start working on launching the Prius in the US. Initial market research showed that it was going to be a difficult task. Some consumers thought it was too small for the US and some thought the positioning of the controls was poor for US drivers. There were other issues too, such as the design, which many thought was too strongly geared towards Japanese drivers.

While preparing for the launch, Toyota conducted further market research, which could, however, not reveal who the potential car buyers would be. Initially, Toyota thought the car might be tempting for people concerned with the environment, but market research dispelled this belief. Environmentalists dislike technology in general and money is a big issue for this group. A technologically complex and expensive car such as the Prius was therefore unlikely to appeal to them. Additional market research did little to identify any other good market segment. Despite the lack of conclusive findings, Toyota decided to sell the car anyway and to await the public's reaction. Before the launch, Toyota put a market research system in place to track the initial sales and identify where customers bought the car. After the formal launch in 2000, this system quickly found that celebrities were buying the car to demonstrate their concern for the environment. Somewhat later, Toyota noticed substantially increased sales figures when ordinary consumers became aware of the car's appeal to celebrities. It appeared that consumers were willing to purchase cars that celebrities endorse.

CNW Market Research, a market research company specializing in the automotive industry, attributed part of the Prius's success to its unique design, which clearly demonstrated that Prius owners were driving a different car. After substantial increases in the petrol price, and changes to the car (based on extensive market research) to increase its appeal, Toyota's total Prius sales reached about four million and the company is now the market leader in hybrid petrol/electric cars.

This example shows that while market research occasionally helps, sometimes it contributes little, or even fails. There are many reasons for market research's success varying. These reasons include the budget available for research, the support for market research in the organization, the implementation, and the market researchers' research skills. In this book, we will guide you step by step through the practicalities of the basic market research process. These discussions, explanations, facts, and methods will help you carry out successful market research.

1.2 What Is Market and Marketing Research?

Market research can mean several things. It can be the process by which we gain insight into how markets work. Market research is also a function in an organization, or it can refer to the outcomes of research, such as a database of customer purchases, or a report that offers recommendations. In this book, we focus on the market research process, starting by identifying and formulating the problem, continuing by determining the research design, determining the sample and method

of data collection, collecting the data, analyzing the data, interpreting, discussing, and presenting the findings, and ending with the follow-up.

Some people consider marketing research and market research to be synonymous, whereas others regard these as different concepts. The **American Marketing Association (AMA)**, the largest marketing association in North America, defines marketing research as follows:

The function that 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, analyzes the results, and communicates the findings and their implications (American Marketing Association 2004).

On the other hand, **ESOMAR**, the world organization for market, consumer and societal research, defines market research as:

The systematic gathering and interpretation of information about individuals and organisations. It uses the statistical and analytical methods and techniques of the applied social, behavioural and data sciences to generate insights and support decision-making by providers of goods and services, governments, non-profit organisations and the general public. (ICC/ESOMAR international code on market, opinion, and social research and data analytics 2016).

Both definitions overlap substantially, but the AMA definition focuses on marketing research as a function (e.g., a department in an organization), whereas the ESOMAR definition focuses on the process. In this book, we focus on the process and, thus, on market research.

1.3 Market Research by Practitioners and Academics

Practitioners and academics are both involved in marketing and market research. Academic and practitioner views of market(ing) research differ in many ways, but also have many communalities.

There is, however, a key difference is their target groups. Academics almost exclusively undertake research with the goal of publishing in academic journals. Highly esteemed journals include the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of the Academy of Marketing Science*, and the *International Journal of Research in Marketing*. On the other hand, practitioners' target group is the client, whose needs and standards include relevance, practicality, generalizability, and timeliness of insights. Journals, on the other hand, frequently emphasize methodological rigor and consistency. Academic journals are often difficult to read and understand, while practitioner reports should be easy to read.

Academics and practitioners differ greatly in their use of and focus on methods. Practitioners have adapted and refined some of the methods, such as cluster analysis

and factor analysis, which academics developed originally.¹ Developing methods is often a goal in itself for academics. Practitioners are more concerned about the value of applying specific methods. Standards also differ. Clear principles and professional conduct as advocated by ESOMAR and the Australian Market & Social Research Society (AMSRS) (for examples, see https://www.esomar.org/uploads/public/knowledge-and-standards/codes-and-guidelines/ICESOMAR-International-Code_English.pdf and <http://www.amsrs.com.au/documents/item/194>) mostly guide practitioners' methods. Universities and schools sometimes impose data collection and analysis standards on academics, but these tend not to have the level of detail advocated by ESOMAR or the AMSRS. Interestingly, many practitioners claim that their methods meet academic standards, but academics never claim that their methods are based on practitioner standards.

Besides these differences, there are also many similarities. For example, good measurement is paramount for academics and practitioners. Furthermore, academics and practitioners should be interested in each other's work; academics can learn much from the practical issues that practitioners faced, while practitioners can gain much from understanding the tools, techniques, and concepts that academics develop. Reibstein et al. (2009), who issued an urgent call for the academic marketing community to focus on relevant business problems, underlined the need to learn from each other. Several other researchers, such as Lee and Greenley (2010), Homburg et al. (2015), and Tellis (2017), have echoed this call.

1.4 When Should Market Research (Not) Be Conducted?

Market research serves several useful roles in organizations. Most importantly, market research can help organizations by providing answers to questions firms may have about their customers and competitors; answers that could help such firms improve their performance. Specific questions related to this include identifying market opportunities, measuring customer satisfaction, and assessing market shares. Some of these questions arise ad hoc, perhaps due to issues that the top management, or one of the departments or divisions, has identified. Much market research is, however, programmatic; it arises because firms systematically evaluate market elements. Subway, the restaurant chain, systematically measures customer satisfaction, which is an example of programmatic research. This type of research does not usually have a distinct beginning and end (contrary to ad hoc research), but is executed continuously over time and leads to daily, weekly, or monthly reports.

The decision to conduct market research may be taken when managers face an uncertain situation and when the costs of undertaking good research are (much) lower than good decisions' expected benefits. Researching trivial issues or issues that cannot be changed is not helpful.

¹Roberts et al. (2014) and Hauser (2017) discuss the impact of marketing science tools on marketing practice.

Other issues to consider are the politics within the organization, because if the decision to go ahead has already been made (as in the Prius example in the introduction), market research is unnecessary. If market research is conducted and supports the decision, it is of little value—and those undertaking the research may have been biased in favor of the decision. On the other hand, market research is ignored if it rejects the decision.

Moreover, organizations often need to make very quick decisions, for example, when responding to competitive price changes, unexpected changes in regulation, or to the economic climate. In such situations, however, market research may only be included after decisions have already been made. Consequently, research should mostly not be undertaken when urgent decisions have to be made.

1.5 Who Provides Market Research?

Many organizations have people, departments, or other companies working for them to provide market research. In Fig. 1.1, we show who these providers of market research are.

Most market research is provided internally by specialized market research departments, or people tasked with this function. It appears that about 75% of organizations have at least one person tasked with carrying out market research. This percentage is similar across most industries, although it is much less in government sectors and, particularly, in health care (Iacobucci and Churchill 2015).

In larger organizations, a sub department of the marketing department usually undertakes internally provided market research. Sometimes this sub department is not connected to a marketing department, but to other organizational functions, such as corporate planning or sales (Rouziès and Hulland 2014). Many large organizations even have a separate market research department. This system of having a separate market research department, or merging it with other

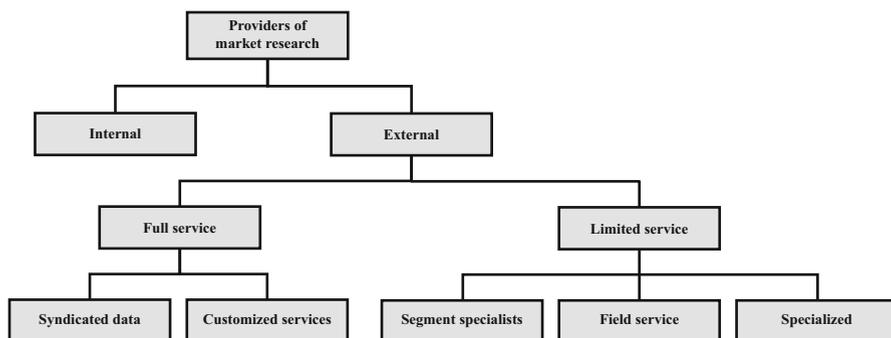


Fig. 1.1 The providers of market research

departments, seems to become more widespread, with the marketing function devolving increasingly into other functions within organizations (Sheth and Sisodia 2006).

The external providers of market research are a powerful economic force. In 2015, the Top 50 external providers had a collective turnover of about \$21.78 billion (Honomichl 2016). The market research industry has also become a global field with companies such as The Nielsen Company (USA), Kantar (UK), GfK (Germany), and Ipsos (France), playing major roles outside their home markets. External providers of market research are either full service providers or limited ones.

Full service providers are large market research companies such as The Nielsen Company (<http://www.nielsen.com>), Kantar (<http://www.kantar.com>), and GfK (<http://www.gfk.com>). These large companies provide syndicated data and customized services. **Syndicated data** are data collected in a standard format and not specifically collected for a single client. These data, or analyses based on the data, are then sold to multiple clients. Large marketing research firms mostly collect syndicated data, as they have the resources to collect large amounts of data and can spread the costs of doing so over a number of clients. For example, The Nielsen Company collects syndicated data in several forms: Nielsen's Netratings, which collects information on digital media; Nielsen Ratings, which details the type of consumer who listens to the radio, watches TV, or reads print media; and Nielsen Homescan, which collects panel information on the purchases consumers make. These large firms also offer customized services by conducting studies for a specific client. These customized services can be very specific, such as helping a client carry out specific analyses.

Measuring TV audiences is critical for advertisers. But measuring the number of viewers per program has become more difficult as households currently have multiple TVs and may have different viewing platforms. In addition, "time shift" technologies, such as video-on-demand, have further complicated the tracking of viewer behavior. Nielsen has measured TV and other media use for more than 25 years, using a device called the (Portable) People Meter. This device measures usage of each TV viewing platform and instantly transmits the results back to Nielsen, allowing for instant measurement. Altogether, Nielsen captures about 40% of the world's viewing behavior.²

In the following seven videos, experts from The Nielsen Company discuss how the People Meter works.

(continued)

²See <http://www.nielsen.com/eu/en/solutions/measurement/television.html> for further detail.



Contrary to full service providers, which undertake nearly all market research activities, **limited service providers** specialize in one or more services and tend to be smaller companies. In fact, many of the specialized market research companies are one-man businesses and the owner—after (or besides) a practitioner or academic career—offers specialized services. Although there are many different types of limited service firms, we only discuss three of them: those focused on segmentation, field service, and specialized services.

Segment specialists concentrate on specific market segments. Skytrax, which focuses on market research in the airline and airport sector, is an example of such specialists. Other segment specialists do not focus on a particular industry, but on a type of customer; for example, Ethnic Focus (<http://www.ethnicfocus.com>), a UK-based market research firm, focuses on understanding ethnic minorities.

Field service firms, such as Survey Sampling International (<http://www.surveysampling.com>), focus on executing surveys, determining samples, sample sizes, and collecting data. Some of these firms also translate surveys, or provide addresses and contact details.

Specialized Service firms are a catch-all term for those firms with specific technical skills, thus only focusing on specific products, or aspects of products, such as market research on taste and smell. Specialized firms may also concentrate on a few highly specific market research techniques, or may focus on one or more highly specialized analysis techniques, such as time series analysis, panel data analysis, or quantitative text analysis. EnviroSell (<http://www.envirosell.com>), a research and consultancy firm that analyzes consumer behavior in commercial environments, is a well-known example of a specialized service firm.

A choice between these full service and limited service market research firms boils down to a tradeoff between what they can provide (if this is highly specialized, you may not have much choice) and the price of doing so. In addition, if you have to combine several studies to gain further insight, full service firms may be better than multiple limited service firms. The fit and feel with the provider are obviously also highly important!

1.6 Review Questions

1. What is market research? Try to explain what market research is in your own words.
2. Imagine you are the head of a division of Procter & Gamble. You are just about ready to launch a new shampoo, but are uncertain about who might buy it. Is it useful to conduct a market research study? Should you delay the launch of the product?
3. Try to find the websites of a few market research firms. Look, for example, at the services provided by GfK and the Nielsen Company, and compare the extent of their offerings to those of specialized firms such as those listed on, for example, <http://www.greenbook.org>.
4. If you have a specialized research question, such as what market opportunities there are for selling music to ethnic minorities, would you use a full service or limited service firm (or both)? Please discuss the benefits and drawbacks.

1.7 Further Readings

American Marketing Association at <http://www.marketingpower.com>

Website of the American Marketing Association. Provides information on their activities and also links to two of the premier marketing journals, the Journal of Marketing and the Journal of Marketing Research.

Insights Association at <http://www.insightsassociation.org/> *Launched in 2017, the Insights Association was formed through the merger of two organizations with long, respected histories of servicing the market research and analytics industry: CASRO (founded in 1975) and MRA (founded in 1957). The organization focuses on providing knowledge, advice, and standards to those working in the market research profession.*

The British Market Research Society at <http://www.mrs.org.uk>

The website of the British Market Research society contains a searchable directory of market research providers and useful information on market research careers and jobs.

Associação Brasileira de Empresas de Pesquisa (Brazilian Association of Research Companies) at <http://www.abep.org/novo/default.aspx>

The website of the Brazilian Association of Research Companies. It documents research ethics, standards, etc.

ESOMAR at <http://www.esomar.org>

The website of ESOMAR, the world organization for market, consumer and societal research. Amongst other activities, ESOMAR sets ethical and technical standards for market research and publishes books and reports on market research.

GreenBook: The guide for buyers of marketing research services at <http://www.greenbook.org>

This website provides an overview of many different types of limited service firms.

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