A Basic Guide to Marketing Research – A Class Presentation

by

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MARKETING RESEARCH

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Effective market development involves the continuous, or scheduled periodic, review of the total market or selected segments of the market for food and fiber products in order to generate meaningful marketing information as follows:

1 To ascertain favorable or unfavorable market trends for a specific product and competing products.

2 To maintain or expand the market for a successful present product.

3 To evaluate emerging marketing and product concepts that have implications for future marketing activities and plans for the specific product.

The above is accomplished by analyzing the market performance of specific and competing products, and the industry organization and marketing strategies behind them. Such research is performed by utilizing the research methods cited under the respective activity areas.
A. MEASURING MARKET PERFORMANCE

The objective is to determine the depth and trend of market penetration, extent of market coverage and market share held by the specific product. Research analyses are based on the following types of generated data.

1. Store audits, continuous or periodical
2. Consumer panel data.
3. Menu data.
B. MAINTAIN OR EXPAND THE MARKET FOR A SUCCESSFUL PRESENT PRODUCT

The purpose is to strengthen the market for a product that has a good competitive position in terms of physical characteristics, form, packaging, convenience and built-in services for consumer satisfaction. Necessary guides are secured from the following data or information sources.

1. Consumer attitude and opinion surveys.
2. Product in-home usage studies.
3. Trade attitudes toward the product and marketing policies.
4. Evaluate the effectiveness of existing market support of the product as indicated in Sections D and thereafter.

If the analysis of market performance evidences the need for a new product or improved product, then it is necessary to undertake the research steps noted below.
C. DEVELOPMENT OF NEW OR IMPROVED PRODUCT

This phase concerns developing new or improved products and evaluating them for market acceptance according to the following product and market development sequence.

1. Review the history of the old product to appraise recency of product changes and their relationship to market performance.

2. Develop the concepts for improving or replacing the old product.

3. Comparison, through laboratory tests and consumer interviews, of the physical and psychological attributes of the proposed product in relation to existing or emerging market needs and desires.
   a. Physical attributes and purposes they serve.
   b. Adequacy of product quality control and standardization
   c. Desired degrees of product quality differentiation.

4. Analyze the people-product relationships for the old product and product class to segment the market and establish criteria for the new or improved product. This is accomplished through user diaries or consumer interviews that provide:
   a. User relationships to and toward the existing products.
   b. Non-user attitudes toward the existing products and the related image relationships.
C. DEVELOPMENT OF NEW OR IMPROVED PRODUCT CONTINUED

Initial identification and formulation of the new product concept by use of the following research steps:

a. Product concept testing in consumer surveys.
b. Laboratory development of product prototypes.
c. Laboratory panel evaluations of the product prototypes.
d. Product consumer panel testing.
e. Product refinement research and package development.
f. Market testing.
g. Market introduction.
D. PRODUCT MARKETING ANALYSIS AND TARGETS

The purpose of this area of investigation is to increase the understanding of the retail and institutional market in order to increase the effectiveness of marketing plans, policies, strategies, and operations.

Data for this purpose is obtained through the following ways:

1. Surveys of distributors, retail outlets or consumer, or the compilation of national production and utilization inventories to measure size of the specific product market and the product class market.

Assuming this to be a consumer product, then it will be necessary to engage in the following research in the form of consumer surveys or panels.

2. Determine the percentage of families buying.

3. Characteristics of the users of the product.


5. Frequency and size of purchase and rate of usage.

6. Usage patterns and occasions.

7. Purchase-price patterns.

8. Brand loyalty and switching.

9. Share of market trend for the specific brand.
E. PRODUCT DISTRIBUTION ANALYSIS

The objective of this phase of marketing analysis is to determine the adequacy of product distribution in various geographic markets and the method of distribution in order to maximize product availability. For this purpose, the retail and institutional markets are analyzed separately. Distributor-retailer and distributor-institutional surveys and audits are used.

1. Evaluation of the distribution channel operations and effectiveness from secondary or generated data.

2. Warehousing and transportation evaluation from the viewpoint of market distribution coverage.

3. Geographic market distribution pattern in relation to total marketing policy and targets of market development.
   a. Regional distribution
   b. City size coverage.
   c. Type of retailer outlets supplied.
   d. Type of institutional outlets supplied.

4. Market placement in percentage of stores handling the product.

5. Extent of product facings and shelf space location in retail outlets and influence on product market movement.


7. Producer role in market development.
F. PRODUCER ROLE IN MARKET DEVELOPMENT

Analysis of the strength of the raw product suppliers in contributing to and directing the marketing decisions and strategy as well as coordinating with these. Accomplished by producer interviews and study of behavior of producer marketing organizations.

1. Analyze adequacy of the marketing signals received by the raw product producers (farmers and ranchers) as to the quality, quantity, form, place, and timing of product supplies required.

2. Responsiveness of the raw product suppliers to market signals and the degree of their involvement in developing the product and marketing concepts that increase the use of their raw products.

3. Freedom and ability of the raw product suppliers to organize and integrate forward into the processing and marketing operations.
G. PROCESSORS ACTIVITY AND AGGRESSIVENESS IN MARKETING STRATEGY

A key role in product marketing is played by the processor since he converts raw products into the form which consumers buy. Consequently, the stance assumed by the processor in marketing is of critical importance to the raw product supplier. Information about marketing plans and operations by the processor need to be known by the raw product suppliers in order to tailor raw products to market needs. Requires that data be generated on operations and performance, industry structure, market structure, and competitive responsiveness to changes in consumer market demand, innovativeness of the marketing programs, and the degree of industry cohesion in accomplishing desired marketing objectives. Specific research seeks information as to the following:

1. Number of firms and their production capacities in relation to present and future market needs.

2. Product research capacities and aggressiveness.

3. Marketing strength and role of processors in market development.

4. Exercise of market control through brand and pricing policies.

5. Freedom of entry into processing and marketing operations.
H. ADVERTISING ROLE IN MARKET DEVELOPMENT AND MAINTENANCE

Advertising research is required to gain knowledge of the effectiveness of the programs and strategies. Such measurements are obtained by cope testing and media analysis, readership, recall studies and, finally, sales and profit analysis.

1. Review the history of expenditures, advertising media, and types of advertising copy used for the product and product class for the last five to ten years in order that its relationship to present market performance and consumer opinion can be understood.

2. Measurement of the current effectiveness of present advertising strategies and programs.

3. Evaluate possible alternative advertising strategies, programs, and their potential effectiveness.

4. Advertising copy analysis:
   a. Analysis of psychological bases of appeals that may be used in copy development--their strengths and weaknesses and indicated direction copy strategy should take.
   b. Relationship of copy messages or themes to sales or consumer purchases.
   c. Evaluation of advertising copy in the light of competitive advertising appeals.
H. ADVERTISING ROLE IN MARKET DEVELOPMENT AND MAINTENANCE CONTINUED

Media:

a. Product sales generated per dollar of outlay in alternative types and classes of advertising media.

b. Relationship of media to specific target markets such as selected cities, regions, age and income groups and other market segments.

c. Competitive product media strategy and effect upon strategy decision making for present product.
I. MERCHANDISING ACTIVITY

Whereas the function of advertising is to pull the people toward the product, the function of merchandising is to push the product toward the people. This activity is primarily retail store-centered and relates to product display, in-store promotions and related operations. There is an optimal ratio between advertising and expenditures and those for merchandising so that in one combination the two exert the maximum product sales development. The function of marketing management is concerned with the proper mix identification. Effectiveness of the mix is determined by measuring product placement and movement through retail store audits, consumer panel data and comparable types of market flow measurements.

1. Determination of the supplier aggressiveness of in-store merchandising by measurement of activity and effectiveness in:

a. Use of point-of-purchase material.

b. Special display equipment as implementor of sales.

c. Product sampling and demonstration support.

d. Prize and premium programs to stimulate product sales.

e. Trade luncheons for product dealers and retailers to spur participation in product merchandising.

f. Consumer contracts.
I. MERCHANDISING ACTIVITY CONTINUED

2 Field merchandising staff size and effectiveness.

3 Relative effectiveness of display, location, size, and design.

4 Sales incentives (to handlers and retailers).

5 Free sampling and consumer purchase inducements.

6 Space management in displays and in location position in the store.
K. COORDINATION OF MARKET SUPPLIES TO DIFFERENTIATED MARKET NEEDS

Increased marketing effectiveness and profit returns are available for certain types of products by the conscious allocation of specific quantities, sizes, grades, or qualities to specific market segments. Research is required through consumer demand studies to ascertain the ability to use this marketing strategy. Sought are market preference differences that may exist among the following types of market segments.

1 Regional differences.

2 City size differences.

3 Income and ethnic group differences.

4 Seasonal differences.

5 Export versus domestic market differences.
L. GOVERNMENT ROLE AND INFLUENCE IN MARKET DEVELOPMENT STRATEGY

Government regulations may have implementing or restricting effects upon market development opportunities. Thus, this can be an extremely important area of concern in marketing management strategy. Measurement of the effects is often difficult, and a wide range of approaches may be required to ascertain the impact of these forces. Listed are some of the more important marketing-affecting roles of government origin.

1. Buyer-seller relationships and regulations (as in the PACA stockyards act, etc.).

2. Foreign trade regulations (tariff and non-tariff).

3. Trade barriers.

4. Limitations on product composition.

5. Product grades and standards.

6. Packaging limitations or prerequisites.

7. Product labeling and nomenclature.

8. Anti-trust laws.

9. Regulation of advertising.
SAMPLING

Sampling has one purpose—to get the most information for a given level of effort.

- Random Probability Sample (self-weighting)
- "Systematic" Random Sample (random start, select every \( i \)th unit)
- Stratified Probability Sample (weighted)
- Quota/Convenience Sampling (frequently biased)
- Area Sampling
  1. Random blocks—blocks are not uniform; differing density, land use.
  2. Cluster sample—randomly select blocks or points for clusters
SAMPLING CONTINUED

Common Sample Bases

1. Telephone directories
2. City directories
3. Criss-cross directories
4. Area samples--maps
EXECUTING A SAMPLE

1 Personal Interviews

Disadvantages:

★ Expensive--random selection sometimes difficult--greater chance of interviewer bias--danger to interviewer.

Advantages:

★ High participation rate, ability to use organoleptic/visual stimuli.

2 Telephone Interviews

Disadvantages:

★ Bias due to non-subscribers, unlisted phones, inability to use most sensory reactions.

Advantages:

★ Low cost, speed, easier data processing, sampling.
Mail Questionnaires

Disadvantages:

★ Sampling frame difficult to obtain; slow response; low response, e.g.

\[ R_1 = 15-25\% \]

\[ R_2 = 8-15\% \]

\[ R_3 = 5-10\% \]

28-50%

Respondents may not be representative; requires telephone/personal follow-up for non-respondents.
MARKETING RESEARCH IN 15 EASY STEPS!

1. Start with a problem!

2. Obtain explanation of symptoms as client sees them.

3. Formulate preliminary hypothesis.

4. Begin preliminary investigation:
   a. depth interviews
   b. focus group interviews

5. Formulate new hypotheses if necessary.

6. Define target population.

7. Design preliminary questionnaire.

8. Pre-test questionnaire.

9. Develop final questionnaire.

10. Obtain sampling frame, draw sample.

11. Locate, train interviewers.

12. Conduct field surveys/check on interviewers.


15. Write analytical report.
TYPES OF QUESTIONS

1. Direct Question--limited response:

Which of the following do you prefer? A, B, C, D?

2. Open-Ended

3. Open-ended followed by "why?"

4. Projective:
   
   a. Picture-Frustration (Cartoon Technique)

   Statement, "My husband's boss is coming for dinner tonight. What shall I serve?"

   Response: I would serve ________ because _________

   b. Thematic Apperception

   Picture or words are shown to respondent; they are asked what thoughts come to mind.
TYPES OF QUESTIONS CONTINUED

 Scaling:

 a. Semantic differential, Hedonic

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<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>Very Poor</th>
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Excellent .......................................................... Extremely Poor
10 1

 b. Association Test

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<th>Status</th>
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<tr>
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<td>Ham</td>
<td>Pontiac</td>
</tr>
<tr>
<td>T-bone Steaks</td>
<td>Chevrolet</td>
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QUESTIONNAIRE DEVELOPMENT

1 Preliminary depth/focus interviews.

2 Determine subject matter.

3 Write questions--prioritize.

4 Consider and eliminate order bias:
   ★ Put extremely sensitive questions last.

5 Eliminate question bias:
   a. Primacy--rotate responses.
   b. Avoid ambiguity.
   c. Use neutral wording. i.e., "Do you ..." vs. "Do you or do you not ..."
   d. Use check questions:
      "How often do you buy a new car?"
      "What model car(s) do you now drive?"
   e. Use a "normal" vocabulary.

6 Simplify if possible:
   a. Do you own a car? ___ Yes ___ No
   b. What make car do you own?
      ___ Ford ___ Chevrolet ___ Nissan, etc.
      Combine:
      What make car do you own?
      ___ Ford ___ Chevrolet ___ None