

Marketing Research and Analysis-II (Application Oriented)
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Lecture – 1
Introduction to Marketing Research –I

Welcome everyone to the introductory class of Marketing Research. In the last semester, we had floated course on the same name titled Marketing Research and Analysis in which I had tried to brief you about the basics, the concepts and theories behind the study of marketing research and how one can understand the topic and then use it in his future research right. So this course has in addition to the first in which you are trying to understand more deeply the subject.

In this course the highlight would be or the emphasis would be on mostly how to analyze your data, how to statistically calculate and analyze your data, infer from your data but let us begin this series of lecture through this introduction to the subject right. So what is marketing research, what is it encompasses, what this comprises of basically.

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What does marketing research encompass?

- The term 'marketing research' is broad in meaning
- The following example illustrates the variety of marketing research techniques used at Royal Ahold and the role of marketing research in supporting decision-makers



So as you can see the term marketing research is quite broad right. So generally we talk about marketing research, so the area of expertise that comes to our mind is the social sciences, management where mostly it is an applied research and sometimes there is some fundamental research element involved in it too. For example in psychology, in social science, behavior.

So we have seen how people behave in certain conditions right, how do they react, and what kind of products they demand, what kind of channels they follow.

So this has certain areas of interest for people who are basically conducting the research in this field of study marketing or social science for that. So let us begin this lecture series with this example. The first class with an example. This is an example of the use of marketing research techniques at Royal Ahold and is a company which is basically a retail chain.

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Listening to the customer – Research at Royal Ahold

Royal Ahold is a world supermarket leader

In the Netherlands Ahold operates six chains with over 1,750 outlets, including the flagship Albert Heijn supermarkets. Worldwide, Ahold serves 20 million customers weekly in 3,400 stores in 17 countries across the USA, Central and Western Europe, Latin America and Asia.

Customer orientation is at the top of the fundamental principles of the company.

Its credo is that the customer comes first. **'However big we become, however international, it is ultimately the customer who determines our success.'**

So it is a supermarket leader basically in Netherlands and this company operates 6 chains with 1750 outlets including its flagship Albert Heijn supermarkets. Worldwide, Ahold serves 20 million customers weekly in 3400 stores across 17 countries across the globe for example in countries like USA, Central and Western Europe, Latin America and Asia. Customer orientation is at the top of the fundamental principles of this company. Its credo is that customer comes first.

However big we become, however international, it is ultimately the customer who determines our success. So this company says that in order to stay ahead in order to survive in this competitive market, we need to ultimately satisfy our customer and we would like to understand them well for that.

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The following list summarizes the ways that Royal Ahold 'listens' to its customers to maintain its customer orientation and continued success:

- Produces **economic analyses and forecasts**. It does this by gathering secondary data and intelligence that give it an understanding of retail developments, competitive threats and market changes.
- **Uses and contributes to audit data**
- Sees its stores as a major **'market research laboratory'** to study customers. It knows when they come in, how often and what they buy. Fundamental to these observations is the use of scanner systems and loyalty cards.
- Uses **focus groups as a major source of information** about how customers and noncustomers feel.
- Uses **observation approaches** to watch how customers behave in store, using protocol tapes.

So following list summarizes the ways that this company listens to its customers to maintain its customer orientation and continued success. What is it do basically. So these are some of the points. Produces an economic analyses and forecasts, so this company is continuously doing some economic analyses and forecasting the demand and the behavior. So it does this by gathering the secondary data, secondary data are those data which are available already in some may be reports or some database, and intelligence that gives it an understanding of retail developments since it is in retail so retail developments, the competitive threats and the market changes.

So how is the market's behavior changing, how are people changing, how the consumer psychology changing, how the consumer's patterns of purchasing changing; all these things come into this. Then it uses and contributes to the audit data. It sees its stores as a major market research laboratory. This is what it says, we see our marketing research are stores as marketing research laboratories to study our customers. It knows when they come in, how often and what they buy.

So they are keeping everything in track of the customers and details about the customer. When do they come, what time do they come, how many times, what is the frequency of their visits and when they visit what do they buy. Fundamental to these observations is the use of scanner systems and loyalty cards that means there systems to detect every movement of this people within the store. It uses focus groups as a major source of information as you know what are focus groups.

Focus groups are basically a group of people who have knowledge about a particular product or service and they are asked to discuss freely so that when they discuss many things unfold, many things come out which are generally not known to the company beforehand maybe, so it uses focus group as a major source of information about how customers and noncustomers feel, not only the customers but those who are not our customers, how do they react to our brand of stores or our products in the stores or our services for that.

Uses observation approaches so they are basically observing maybe through the scanners and all these things, so they are observing to watch how customers behave in store using protocol tapes. So, basically observation of the customers is very important because many a times it has been observed that, for example, I will give you a small example. In one of the retail stores, they observed that sales of one of the particular products which was basically used for elderly people was going down.

Now the company tried to understand what is the reason, but they found almost nothing wrong in that product. So they went to the distribution chains, the stores where they were basically selling, and they found that one of the major stores who was selling that product, they tried to observe them. So when they observed this store how it was happening, so they found that the store was actually keeping the product at the shelf which was slightly at a higher level, so what happened as a result of it.

When they observed too many elderly people, so the elderly people who had problem in the legs or in their knees they had pain, so they were avoiding to stretch themselves up and try to get the product from the top shelf. So the company realized that maybe this is one of the problems that the people are facing so what they did was they requested the store to bring it down to a height which was optimal or was comfortable for this elderly people. So by doing this, the result was very very good and positive result and suddenly they found it grew up.

So this is another interesting example I can tell you that there was one very famous book series, this book series was on detective books, fictional books, so detective. So the cover page of the book was little very red in colour and it had some very violent scenes in the cover page so the company found that people were finding it difficult and they were finding it uncomfortable to keep such books in their houses in the presence of their children. So as a result, people were sometimes avoiding to buy such books.

So what the company did, the publisher did, they requested the author and they changed the cover page and they made quite mild and less violent looking from the top. there was a grand success in the sales of the book, the sales of the book increased by 40% just because the content nothing no change, only the cover page which had the pictures of violence, crime and all these things that was made mild and the result was there was a higher sales in books because people liked the books, but they were unable to buy it because they did not want the children to see such kind of stuff.

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- Selects some researchers to supply raw data, where it performs its own analyses and interpretations, whilst in other projects it uses specialized strategic input from researchers to provide added value
- Has an **electronic market research platform** where researchers discuss their projects and any problems they have
- **Market Research Findings** is issued twice a year, giving details of important papers, articles and reports on retail research from inside or outside the Ahold company



Now coming back to our case. So now this company selects some researchers to supply the raw data. So how do they conduct the research. They select some researchers to supply raw data where it performs its own analysis and interpretations. So they conduct the study, they collect the data, and they analyze and interpret while in some other projects, so it is a 2-way process, they use specialized strategic input from some organizations which are experts in that area of data collection and data analysis, so their take their help also.

In addition it has an electronic market research platform e-platform where researchers discuss their projects and any problems they have related to this company's store, the company's problems, so any retail chain's problem. Market research findings is issued twice a year giving details of important papers, articles, and reports on retail research from inside or outside the Ahold company.

So by doing this, what the company is doing by suggesting the findings, it is keeping their customers happy and updated and the customers also are aware that the company is quite up to date and doing its research and by that they have got a quite a positive opinion about the company.

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Bert L. J. van der Herberg, Vice President Market Research, summarises the role of market researchers at Royal Ahold:

"Researchers are backroom consultants. I see the market researcher as a philosopher who can take a critical view of the internal and external world. The researcher can act as 'the serious fool' to the court. The Board takes on our ideas and our language, but the market researcher is not the spokesman for the company. They are listeners and interpreters."



So the Vice President Market Research what he does tell about Royal Ahold, researchers are backroom consultants, he tells how, this is the way he perceives the customers. So about the researchers, the researchers are backroom consultants. I see the market researcher as a philosopher who can take a critical view of the internal and external world. The researcher can act as the serious fool to the court. The Board takes on our ideas and our language, but the market researcher is not the spokesman for the company.

They are listeners and interpreters. So what does this say? Basically he is not somebody who would be giving his opinion, but he is a person who is listening and trying to interpret right. So observing, listening to, and interpreting; in one way, he is showing us the path of what is lying in the future. So as a company how should we move, what things should we take care of, how should we help make our customers happy okay.

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Research is integral to marketing at Philips

- A few years ago, Philips Consumer Electronics determined that the market for traditional personal audio was diminishing.
- Its researchers looked into what the key needs and drivers of teenagers were and came up with concepts such as adaptability, choice flexibility, sharing experiences and spontaneity.
- They selected a few of these as a basis for their designers to start developing products. They also meticulously identified the value proposition they wanted to offer with new products coming out of the designer pipeline.



Another example let us start with this. Research is also integral at Philips. Philips we all know is a very popular company dealing with sound systems right, colour television, sound systems and all these. So few years ago, Philips Consumer Electronics determined what the market for traditional personal audio was diminishing, what they observed that they determined and observed that the market for traditional personal audio was diminishing.

Its researchers looked into what the key needs and drivers of teenagers, why teenagers, the teenagers are assumed to be one of the target segment, were and came up with concepts such as adaptability, choice flexibility, sharing experiences and spontaneity. They selected a few of these as a basis for their designers, so the company's product designers they were also involved, to start developing products keeping these things in mind. They also meticulously identified the value proposition they wanted to offer with new products coming out of the designer pipeline.

So what additional value they can offer to the customers they kept in mind and they designed the products accordingly.

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- Subsequently, when a product was presented during the trial phase
- Philips let the researchers determine, through qualitative research, what the consumer saw as the primary benefits and concerns of the product
- Philips wanted to identify exactly why it would make a product, for whom it would make it and how it would be differentiated from other products
- After Philips had decided to go to market with these products (a series of very small portable MP3 players/cameras that fit on a key ring), it again turned to its researchers to test the advertising campaign that was developed for the product



Subsequently when a product was presented during the trial phase, Philips let the researcher determine through qualitative research means, qualitative research is where you just go through a kind of a focus group or you go through some kind of an observation, a Delphi technique you use where you try to discuss, talk to people right, subjective things also you discuss what the consumer saw as a primary benefits and concerns. So as per the consumer what are the benefits and what are his concerns right?

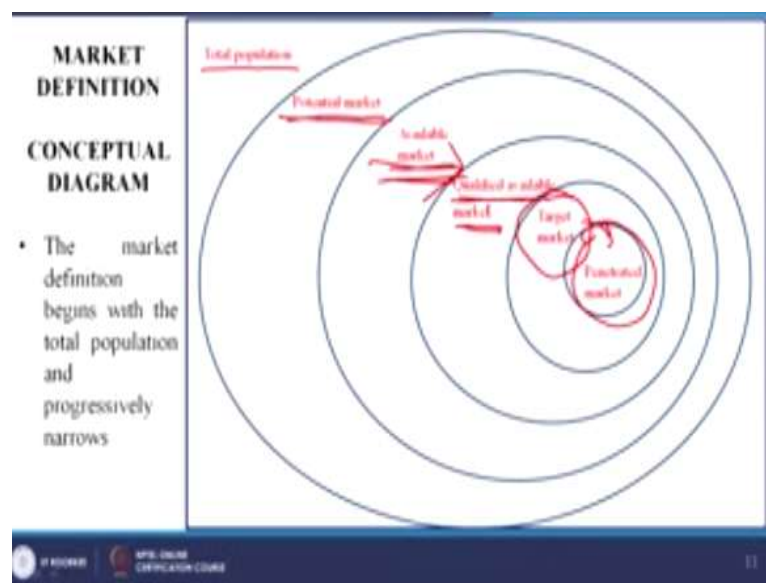
Philips wanted to identify exactly why it would make a product, for whom it would make, and how it would differentiate from others. After Philips decided to go to market with these products, a series of very small portable mp3 players and cameras that fit on a key ring, it again turned to these researchers to test the advertising campaign that was developed for the product. So first, they came up with a small product right and they also saw how people would like to get promoted, in what way it should get promoted.

So by doing this, Philips got remarkable success in its products because not only it understood the consumer psychology but it also understood how do consumers get attracted towards the product and in addition they also ensured what should be the proper distribution channel for the product. So now we have understood what is basically the marketing research is covering. So as marketing research is a part of marketing, therefore we should understand a few things.

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So if need and want is there but there is no demand, still there is no point because the people cannot, if they cannot pay, they cannot buy the product then there is no point of having a product. So it refers to the group of consumers or organization that is interested in the product, has the resources to purchase the product so demand and is permitted by law that means you cannot think of selling a less than 18-year-old boy or girl maybe a product which is not desirable for their age right.

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So the market definition. This is a diagram if you can see how the market looks like. So this is the total population right, out of it a company identifies the potential market. So the large population is there, but then which is the potential market? So the company understands and tries to research and find out okay well the potential market is only this much, a smaller set out of it, out of which although they are all potential but is it really available, can we really reach. So after finding the available market, they think of the qualified.

So they qualified out of this available market, well this is all available market, so this is the market which fits to our requirements, but how many can we actually get into. It is not all the available market we can tap right. So once they have the qualified available market, then the company decides okay they all qualified, but then what is the most, which is the target segment we should be targeting because one which is giving us the highest premium or which creates a differentiation for us in the market or somebody where the competition is not that may be hot.

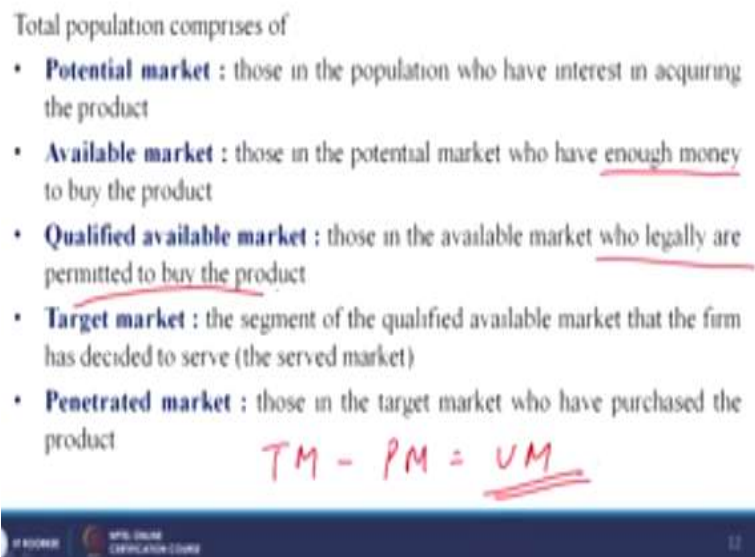
In such a condition, we will try to decide a target market which is beneficial for us. Finally comes after having the market, how much have we entered into the market, so what is the level of penetration we have entered or we have entered into the market and how much more is left, so we can decide accordingly. So as it says the market definition begins with the total population and progressively narrows.

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Total population comprises of

- **Potential market** : those in the population who have interest in acquiring the product
- **Available market** : those in the potential market who have enough money to buy the product
- **Qualified available market** : those in the available market who legally are permitted to buy the product
- **Target market** : the segment of the qualified available market that the firm has decided to serve (the served market)
- **Penetrated market** : those in the target market who have purchased the product

$TM - PM = UM$



So let us see potential market, those in the population who have interest in acquiring the product, so anybody who has an interest in acquiring the product is the part of the potential market. What is the available market, those in the potential market who have enough money, so the differentiating factor here is now money.

Qualified available market, those in the available market that means those who have enough money who legally are permitted to buy the product, are they legally permitted, fine so this becomes are qualified. Then the segment of the qualified available market that the firm has to tried to serve, so maybe I will not try to although many people are there, but I will try to only cater to those customers who are may be having a particular income level, may be a very high income level, only for them, they are my target segments.

For example it is BMW wants to sell its products, so it will not try to target everybody correct. So it has a very niche segment, a very high premium segment who can buy and they want to target them. Similarly last is the penetrated market, those in the target market who have already purchased the product. So that means if we take the target market and we deduct the penetrated market from that, so what is remaining is the untapped market. So target

market minus the penetrated market is the untapped market. So you can still untap, there is a potential for you right.

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KEY POINTS

- The value, cost and price of items traded are as per forces of supply and demand in a market. The market may be a physical entity, or may be virtual.
 - Markets at present, are **not confined to a physical location only, rather they are extended virtually also** i.e. media market, internet market (e-commerce) are a good example of that.
 - Markets are bifurcated as **local, national or global**, that can be for a short period or long period.
 - It can also be divided as a wholesale market, retail market, financial market and so on.
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Key points, the value cost and price of items traded are as per forces of supply and demand in the market. So market may be a physical entity, may be a virtual market. For example, today now a days you find so many virtual markets in the e-commerce space for example. Markets at present are not confined to physical location only, rather they are extended virtually right as I said just. Markets are bifurcated as local, national, global so they can be for a short or a long period. It can be divided as a wholesale market, retail market, financial market and so on. So these are the different ways you understand the market.

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Marketing

As per American Marketing Association, **"marketing"** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.



Now what is a marketing definition. Marketing as AMA, American Marketing Association, says is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for the customers, clients, partners and society at large.

So what is the saying. So marketing is the activity, set of institutions and processes for creating, communicating, delivering, and exchanging offerings. So offerings are the products or services which company makes and how do you exchange, how do you transfer it or sent it to the public right, you make it available to the public.

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Marketing Research

The European Society for Opinion and Marketing Research (ESOMAR) defines "**marketing research**" is 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.

What is marketing research, how it has been defined. The European Society for Opinion and Marketing Research, ESOMAR, defines it as the function that links the consumer, the customer and public to the marketer through information. So the connecting the binding force is information in this case. So the consumer, customer and the public, they are connected through the information. Information used to identify and define marketing opportunities and problems they generate.

What is the role of information basically, so it is used to assess, identify and define the marketing opportunities and problems, generate, refine and evaluate marketing actions. The action that we have taken, how do you generate them? You have to refine and ensure that they are accepted by the public, by the customers. Monitor the marketing performance, so through information you continuously are monitoring your performance, and improve your understanding of the marketing as a process.

Now very interesting there is a case I remember of Listerine mouthwash that when Listerine went into another countries, I think it was a case of Brazil, so Listerine found that one of its products was not selling well in the premium segment. Surprisingly what they found was why the people were not buying in the premium segment, the reason they found was that people were finding it a very strong product, that product had a content of alcohol and because it was very strong, they did not like it.

Moreover some of the people were as they were taking some medication or something, so doctors had advised anything against which had an alcohol content in them. So when the company realized, so they made different other products for them okay.

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KEY POINT

- To practice marketing, to implement the marketing concepts, to implement marketing strategy, managers must make decisions .
- 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

DECISION MAKING



Key point; to practice marketing to implement the marketing concepts, to implement marketing strategy, managers must make decisions and this is where the role of marketing research comes. So marketing research specifies the information required to address these issues, design the methods for collecting information, manages and implements the data collection process, analyzes the results and communicates the finding interactions and their implications basically.

So the key thing is marketing research is helping you to collect information to address these problems and then they collect the data, analyze the data and then interpret and infer what to be done in the future.

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The Role of Marketing Research



So let us see the role of marketing research within the marketing system. So what is the role of marketing research? So one thing, let us see so how it looks like? So first, there is a link. So marketing research let us say is here and it is connected with the customer groups. Now who are the customer groups? The consumers, the employees, the shareholders and the suppliers; so these are the 4 basically groups of customers who are connected with any marketing research process.

So there are some controllable marketing variables; product, price, promotion. Why is it controllable? Because the company itself can decide. So what are the controlling variables? For example what product should I have, what should be the price of the product, how should I be promoting the product, what should be the channel through which I should be selling the product? So these are the controlling variables, but there are some which are uncontrollable.

Now what are the uncontrollable, no you cannot have a control on the economy, you cannot control the technology of the country or the growth in technology, you cannot control the laws and regulations coming into this field, the social cultural factors, the political factors we do not have a control right. So what does it do basically? All these taken together, it helps in assessing the information needs, it provide the information and thus marketing research helps the marketers to take decisions.

Marketing managers after doing all this decision making process, it helps them to segment the market, segmenting the market means to divide the market into several particular segments you can say and then choose which segment do you like most to cater to, then

identify the final target market, what marketing programs should be developed for these particular consumers and customers, and finally after you have done some kind of a sales and some activity, then how is your performance doing, how are you performing and what control mechanism should you bring in to check in your performance and improve your performance.

So to do all these things, you need the help of marketing research. So marketing research is without doubt, there is no doubt that any company for that or any institution, any organization, without the help of marketing research, they cannot survive in this competitive world. It is just impossible because if you try to survive on basis of some gut feeling, you will surely make blunders, there is no double about it.

So marketing research has a very very prominent role and companies that is why spent immensely on marketing research so that they can understand their customers and they can bring out the best for their customers. I think we will continue with this lecture in the next class. I hope today's lecture, the introductory lecture was clear what is marketing research, and this briefing would help you to understand it more clearly. Thank you very much.