

MBA 2019 Pattern (SPPU)

Course code :205 MKT Course Name: Marketing Research

Unit 1: Introduction to Marketing Research

Before defining 'marketing research', let us determine research.

- Research always starts with a question or a problem.
- Its purpose is to find answers to questions through the application of the scientific method.
- It is a systematic and intensive study directed towards a more complete knowledge of the subject studied.

Research can be classified into two broad categories: (i) basic research, and (ii) applied research.

Basic research is sometimes called 'fundamental' research, 'theoretical' research, or 'pure' research. It aims at expanding the frontiers of knowledge and does not directly involve pragmatic problems. The essence of basic research is that it addresses itself to more fundamental questions and not to the problems with immediate commercial potential.

Applied research, which is also called 'decisional' research, on the other hand, proceeds with a certain problem and it specifies alternative solutions and the possible outcomes of each alternative. Unlike basic research, it is prompted by commercial considerations. Though one may usually be able to distinguish between basic research and applied research, the distinction between the two sometimes gets blurred. Several firms may be engaged in basic research which does not have any immediate commercial use. However, it may be potentially commercial or else the firms would not have undertaken it at all.

Applied research can be divided into two categories: (i) problem-solving research, and (ii) problem-oriented research. Problem-solving research, as the name implies, is concerned with a particular issue or a problem and is usually proprietary in character. The latter characteristic indicates that such research is undertaken within a firm or by an outside consultant on its behalf. Problem-oriented research, on the other hand, is concerned with a class of issues or problems in which several firms may be interested.

Marketing Research

The *American Marketing Association* (AMA) has defined marketing research as follow:

Marketing research is the function which 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 market 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; analyses the results and communicates the findings and their implications.

Scope of Marketing Research

Product Research

Product research is concerned with the design, development and testing of new products as well as improvement of the existing once. It also examines whether the quality of a new product conforms to the desired attributes. In addition, it analyses the product-mix in comparison with the competitive products. Further, in case of durable consumer products and technical products, product research is concerned with the analysis of after-sales servicing. Research on after-sales servicing becomes relevant as at times due to poor after-sales service, the business firm's image is damaged. It may be emphasized that the product research is concerned with every stage of product life cycle viz. introduction, growth, maturity, and decline.

Apart from the product itself, packaging is of considerable importance. Over the years, it has become a powerful promotion tool as well. On the basis of product and packaging research, a business firm can evolve suitable market segment strategies.

Sales Research

As the name implies, sales research is concerned with all the selling activities of the firm. It would like to examine various sales outlets or territories in the light of their performance in terms of sales. Such a research can be product-wise in addition to the overall performance. Further, the firm may know through sales research its position in the market in relation to its main competitors.

Another area within sales research is determining the effectiveness of the sales force and identifying specific factors that may improve its performance. Research may also be undertaken on the distribution methods from time to time so that, if necessary, alternative methods may be introduced so that the distribution function is more effective.

Customer Research

Customer research is concerned with the studies of buyer behaviour. It probes into different factors such as sociological, economic and psychological that influence the customers in their decision to buy the product. The firm may like to know whether its customers are satisfied with its product and to what extent. Similarly, customer research can provide customers' suggestions when they feel certain deficiency or when they would like to have some improvement in the product. Normally, customer research is in the form of attitudinal studies which offer clues in distinguishing the appeals of competitive brands to certain types of buyers. Customer research may be undertaken not only at the macro level but at different segments level as well. The firms may also like to ascertain its overall market share. This apart, market share by each customer type as well as by each geographic area is also relevant and as such the firm may undertake research on these aspects.

Pricing Research

Regardless of the nature of business, every firm has to decide what price is to be fixed for its goods and services. Pricing is one of the major factors that affects the success of the firm. Costs form the basis for determining the price. There are a number of other factors as well such as the nature of demand, extent of competition, technological development, financial status of the consumers, etc. If a new product is to be launched, the firm may undertake test marketing. In different locations, it can use experimentation to find the extent of its acceptability at varying prices. This may help the firm to choose the appropriate price. In case of an established product too, the firm may like to know how sensitive to price changes are its target segments. In fact, this is nothing but determining the price elasticity of demand.

Advertising research

Another area in marketing research is related to advertising. The main objective of a firm using advertising is to increase awareness of its product or service to the target group, leading eventually to increased sales. Unless the prospective consumers are aware of the availability of a product or service, there cannot be any sale. Hence advertising research assumes considerable importance.

There are two types of advertising research:

- (i) Media research
- (ii) Copy testing

Media research is concerned with alternative media — television, radio, newspapers and magazines. Here, the main problem is how to choose a particular media or a combination of media. Another problem is how to decide on a specific insert within a particular type of media.

As regards copy testing, there are different methods that are to be studied to determine the suitability of a particular copy before it is finally released by the firm as an advertisement.

Limitations of Marketing Research

First, very many times, marketing research tends to be fragmentary in its approach as a result of which it becomes difficult to have an overall perspective in which a marketing problem is to be viewed and studied. **Second**, marketing research is criticized on the ground that it becomes too superficial and faulty in industry. While the principles of marketing research are good based on scientific lines, in industry, marketing research is very often used by those who have had no formal training in the subject. Such persons avoid using detailed investigations and sophisticated techniques which require both time and patience on the part of marketing researchers.

Third, there is an absence of a meaningful dialogue between the marketing management and the marketing research team.³ As a result, marketing researchers get divorced from the main stream of marketing. This denies them any opportunity to test their findings in the practical marketing situation. Marketing researchers tend to think that “research is the be all and end all.” This attitude further reduces the utility of research to the management.

Fourth, marketing research is not an exact science. There are several imponderables which come in the way of getting accurate results. For example, consumer behaviour is an area which is rather elusive, and the theory does not go very far in disclosing it very precisely.

Threats to Marketing Research

George Day, who looked into this issue, identified three major threats to marketing and survey research: (1) excessive interviewing, (2) lack of consideration and abuse of respondents, and (3) the use of marketing research as a sales ploy. It may be noted that these factors pose a threat to marketing research particularly in western countries, where it is far more developed. In a country like India, marketing research is still used infrequently and as such these threats are almost non-existent.

Value and Cost of Information

This criterion requires the decision maker to calculate the expected value for each alternative decision. This is done by (i) multiplying each decision alternative by the probability value assigned to the state of nature that can occur.

Sometimes management needs additional information so that it can make the right decision. In such cases it has to first decide how much it can pay for this information to an outside consultancy firm. There always is a maximum limit beyond which management is not prepared to spend for information. This brings us to the concept of ‘expected monetary value of perfect information (EMVPI).

Marketing Information System

A structured, interacting complex of persons, machines, and procedures designed to generate an orderly flow of pertinent information, collected from both intra- and extra-firm sources, for use as the basis for decisionmaking in specified areas of marketing management.

A comparison of the two concepts shows that while marketing research generates information, marketing information system concentrates on the storage and flow of information to marketing managers.

Table: Contrasting Characteristics of Marketing Research and a Marketing Information System

| Marketing Research | Marketing Information System |
|--|---|
| 1. Emphasis is on handling external information | 1. Handles both internal and external data |
| 2. Concerned with solving problems | 2. Concerned with preventing as well as solving problems |
| 3. Operates in a fragmented intermittent fashion on a project-to-project basis | 3. Operates continuously is a system |
| 4. Tends to focus on past information | 4. Tends to be future oriented |
| 5. One source of information input for a marketing information system | 5. Includes other sub systems, besides marketing research |



Fig. 1.1 The Marketing Information System

Figure shows the marketing information system (MIS). As can be seen from this Figure, MIS has four subsystems of which marketing research (MR) is one. Further, each sub-system is linked with the other three and the flow of information is both ways.

The box on the left side of Figure shows marketing environment which marketing managers must understand and analyse from time to time. This is concerned with target markets, marketing channels, competitors, publics and macro-environmental forces. The information emanating from these factors is picked up by the company by one of four subsystems making up MIS. From these subsystems, the information eventually flows to concerned marketing managers as shown on the right side of Figure. The information thus received is analysed by marketing managers so that the marketing activity of the firm can be properly planned and implemented.

Marketing Decision Support System

Closely related to the marketing information system is the marketing decision support system (MDSS).

On account of the highly competitive environment especially in Western countries, marketing managers frequently find themselves seeking a wide range of information in order to take the right decision. This means that the marketing manager should not only be concerned with the availability of the requisite information but also with its accuracy and adequacy. It paves the way for the creation of a marketing decision support system (MDSS). Such a system comprises collection, storage, analysis and reporting of marketing data. The introduction of computers has facilitated the setting up of MDSS.

The main difference between MIS and MDSS is that whereas the former is centralised, the latter is decentralised and allows marketing managers to interact directly with the database.

MDSS can be classified into five components: (i) data sources, (ii) data management, (iii) display, (iv) statistical analysis, and (v) modelling. Data sources are a major component of MDSS. These sources can be both internal and external. For example, a company's accounting system is an internal data source. This source provides data pertaining to orders, sales, inventory levels, receivables, and payables. Library sources as well as syndicate service are the examples of external data source. Library sources contain a wide range of information such as government publications, reports, periodicals, etc. Likewise, syndicate service provides data of various types. These data may relate to consumer sales, buyer profiles, sales of retail outlets, evaluation of advertising campaigns, major economic, social and demographic trends, etc. Both library sources and syndicate service can be immensely useful to the company.

In view of a variety of internal and external data sources, it becomes necessary for the company to devise a proper database management. This involves identifying data from a variety of sources, deciding on the extent of data and keeping the data in an easily available form.

Data formats allow the retrieval of data easily and promptly. Display formats could range from simple ad hoc retrieval to more formal displays. A company may have a graphic display package consisting of such options as time-series plots, bar and pie charts, scatter diagrams where comparison of two measures is involved.

Statistical analysis involves the performance of different statistical operations such as calculation of averages, standard deviation and regression. Such calculations clarify the relationship among marketing variables. This, in turn, brings out the underlying marketing issues in sharp focus.

Modelling is the last component of MDSS. Models are mathematical formulations. Marketing decision can be tested against the model to ascertain what could be the possible outcome in each situation.

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It may be noted that these factors pose a threat to marketing research particularly in western countries, where it is far more developed. In a country like India, marketing research is still used infrequently and as such these threats are almost non-existent. However, we shall briefly look into these issues. McDaniel, Verille and Madden carried out an empirical reappraisal of these threats. They reported the results from five crosssectional studies conducted at two-year intervals during 1974—82. The scope of the present study does not allow us to go into details of these surveys. We will, therefore, mention only the major findings of the study. Of the three areas investigated-excessive interviewing, lack of consideration and abuse of respondents, and the use of marketing research as a sales ploy-it was found that the third one is perhaps the greatest threat. If not checked, it is likely to erode the trust of consumer respondents.

The interest of marketing research will suffer if it is used to camouflage sales calls. Respondents will be suspicious of interviewers and will not like to cooperate in legitimate research.

McDaniel, Verille and Madden have expressed their concern over the fact that 40 per cent of the college educated, middle upper income respondents and more than half of the respondents living in the western region of the United States have experienced marketing research as a sales ploy.

They feel that this may jeopardise genuine marketing research, particularly as these people may be opinion leaders on account of their better education and affluence.

Although the study did not find the other two areas as serious threats to marketing research there is a potential danger in these fields. As a respondent's cooperation is vitally important in marketing research, its depletion will adversely affect the interest of marketing researchers. Accordingly, they recommended that both excessive interviewing and lack of consideration, and abuse of respondents be avoided.

This could be done by screening questions so that persons who have been interviewed recently or too frequently can be eliminated. Also, it is advisable to use non-interviewing research techniques wherever possible so that the need to approach respondents is minimised.

Relationship between Marketing Research & Marketing

A point that needs to be emphasised is that management of marketing research can be effective and successful only when there is coordination between research and management. Both of them should have a good understanding and appreciation of each other's role. However, in practice one finds that on many occasions there are differences of opinion and discord between the research department and the management. In this context, it will be worthwhile to study some of the major areas of conflict between them.

Keane, John G has spelt out the conflicting points of view of the top management and marketing researchers in the areas of research responsibility, research personnel, budget, assignments, problem definition, research reporting and use of research. These viewpoints are given in Table

Table 2.1 Probable Areas of Top Management—Marketing Research Conflict

| Top management position | Area | Marketing research position |
|--|-----------------|--|
| • MR lacks sense of accountability | Research | • Responsibility should be explicitly defined and consistently followed |
| • Sole MR function is an information provider | Responsibility | • Desire decision-making involvement with TM |
| • Generally poor communicators | Research | • TM is anti-intellectual |
| • Lacks enthusiasm, salesmanship and imagination | Personnel | • Researchers should be hired, judged and compensated on research capabilities |
| • Research costs too much | Budget | • “You get what you pay for” defence |
| • Since MR’s contribution is difficult to measure, budget cuts are relatively defensible | | • Needs to be continuing, long-range TM commitment |
| • Tend to be over-engineered | Assignments | • Too many non-researchable requests |
| • Not executed with the proper sense of urgency | | • Too many “fire-fighting” requests |
| • Exhibit ritualized, staid approach | | • Insufficient time and money allocated |
| • MR best equipped to do this | Problem | • TM generally unsympathetic to this widespread problem |
| • General direction sufficient... MR must appreciate and respond | Definition | • Not given all the relevant facts |
| • Can't help changing circumstances | | • Changed after research is under way |
| • Characterised as dull with too much researchers and qualifiers | Research | • TM treats superficially |
| • Not decision-oriented | Reporting | • Good research demands thorough reporting and documentation |
| • Too often reported after the fact | | • Insufficient lead-time given |
| • Free to use as it pleases... MR shouldn't question | Use of Research | • TM use to support a pre-determined position |
| • Changes in need and timing of research are sometimes unavoidable | | • Isn't used after requested and conducted... wasteful |
| • MR deceived by not knowing all the facts | | • Uses to confirm or excuse past actions |

In order to improve the inter-relationship between top management and marketing researchers, Keane offers very useful suggestions which are briefly as follows:

Suggestions for top management

1. Top management should define research responsibilities. It should clearly specify the overall function of the research department, its limitations and its priorities. Also, the role of the research director should be spelt out.
2. Realistic research budgets should be established as well as periodically reviewed by the top management. It is necessary to associate the marketing research director in setting.
3. Top management should be objective while appraising the efforts of research. It should not allow itself to be led by its own notions and biases in this regard.
4. It is necessary to undertake a detailed periodical review of research in all its ramifications. Such a review should cover budgets, priorities in research projects, personnel, goals and policies, with a view to improving the marketing research function.
5. Management should emphasise high yielding research projects so that profitability through marketing research can be increased. Each research project should be questioned as to its current benefit and cost.
6. Management should ensure that none of its activities is against the ethical principles.
7. Finally, management should ensure that there are not too many layers between the top management and research. Too many layers would delay the flow of research findings to top management.

Suggestions for marketing research

1. Marketing researchers should make every effort to understand the thinking of top management. They should have a clear understanding of the plans and priorities of the company so that their own efforts may fit into the overall framework.
2. Marketing researchers should be decision-oriented and attach a sense of urgency to the preparation of their reports.
3. There should be a continuous effort on the part of marketing researchers to improve research methodology. They should combine communication skills, research skills and stimulate innovation in research methodology.
4. Often, there is a tendency to repeat the familiar approach as it is convenient, rather than to explore the best possible approach. This does not allow marketing researchers to be as imaginative as they should be. Obviously, there is a need for more imagination in marketing research.
5. Marketing researchers should be on the look out for relevant research opportunities which may be highly beneficial to their company. They should keep themselves up to date in economic, demographic and other related fields.
6. Marketing researchers should ensure that their research at every stage is in conformity with the ethical principles.
7. Finally, marketing researchers should make every effort to achieve persuasive communication. Many a time, top management ignores research findings because of inadequate and poor communication. The research report should have a proper format, the methodology should be clearly explained, and the findings well documented in a precise and a convincing manner.

Organising Marketing Research Function

Organisational structure for this function will differ according to the type of agency which is handling it. Thus, a marketing research organisation in a manufacturing firm will be very different from that in research or a consultancy firm, as the requirements and emphasis on research will be different. A major difference between a manufacturing firm and a research firm is that whereas in the former, research being one of the several activities is a means to an end, in the latter, research is the only activity and is an end in itself. The research firm has to ensure that research must ultimately lead to profit otherwise it cannot survive. In contrast, a manufacturing firm does not aim at profit although it would expect that research will indirectly lead to increased profitability.

Another point of difference between the two organisations is the degree of emphasis on the practical utility of marketing research. A manufacturer's firm would normally place greater emphasis on the marketing research findings in the day-to-day marketing of its products. But this need not be the case in a research firm as it is not engaged in marketing of any products.

Coming to the organisation of research activity, several alternatives are open to a firm. For example, there could be a marketing research department or cell with a skeleton staff if the marketing research activity is not very important. Alternatively, the firm may have a well-developed department comprising a number of specialists as also the other supporting staff. These are the two extremes within which the marketing research organisation would vary. The specific organisation will depend on the requirement of each firm. It is worth emphasising that a firm, intending to set up an organisation to look after marketing research function, may not be in a position to set up the most suitable one in the very first attempt. As its management acquires experience in managing the research function, it goes on making improvements in its organisation. In course of time, such an approach will enable the firm to develop the most suitable organisation to manage its research function.

A firm which has decided to introduce a marketing research function has to decide which of the three options that are normally available, should be selected: (i) to set up a formalised marketing research department consisting of some full-time specialists whose main responsibility would be to carry out marketing research studies and report the findings to the management, (ii) to assign the marketing research responsibility to one or more line or staff executives on a part-time basis, who would have to undertake it in addition to the major responsibility in some other sphere, and (iii) to assign the responsibility of undertaking marketing research to an outside individual or an organisation.⁴ There are marketing research consultants who do research on behalf of the firm and are paid their consultancy fees for the same. Small firms prefer to adopt the second or third approach whereas medium and large-sized firms, which may have frequent marketing problems, prefer the first one. The latter would also involve the maximum financial commitment. In some firms, where a separate marketing information system exists, the marketing research function may form a part of such a system. In such cases, marketing research acts as one of the inputs to the marketing information system. Wherever marketing research is undertaken frequently, it is desirable to formalise this function and to integrate it not only with marketing activity but with the overall management of the organisation.

A point which is worth mentioning is that if the firm has decided to have a separate marketing research department, then sufficient freedom should be given to the latter to carry out its tasks. Many a time the departments are set up with high hopes and expectations but are not given the necessary finances and freedom. As a result, they are unable to do much for their firms. Marketing research departments should be encouraged to develop, carry out and analyse their research as they deem fit. The top management must delegate necessary authority to the research personnel to enable them to carry out their work smoothly. Another aspect that is relevant is whether a large firm should have a centralized marketing research department or whether alternatively each division or operating unit should have its own. The main advantage of the centralised marketing research department is that there will be more effective coordination of

marketing research with marketing management. Also, effective control and supervision of research can be ensured. On the other hand, if marketing research is undertaken by each division or operating unit, it will enable researchers to be more knowledgeable about divisional markets and their problems. In addition, such an approach will offer greater autonomy to divisions and operating units in their research activity which will ultimately be beneficial to the firm. Both these approaches are in vogue and it is difficult to say which is more popular. In this context, it is pertinent to note that the organisation of marketing research function need not remain static for all time to come. It should be dynamic and flexible so that it can be adapted to the changing requirements of the firm.

If a company has decided to set up a separate marketing research department, it is very essential that it should be clear about its role in the overall organisation. The marketing research department should take up problems faced by the company, study them objectively and report its findings to the management. It should develop a plan, without which it will lack focus and utility to the management. Like any other plan, the key elements of a marketing research plan are the same, namely, objectives, policies, specific projects, resources required both in terms of manpower and budget and a time schedule for research projects. In identifying research projects, it is expected that clear priorities are laid down on the basis of which they can be taken up for investigation. These priorities should be matched by proper allocation of funds and manpower.

The marketing research plan should be written out in sufficient detail. Before it is finalised, it should be circulated amongst the concerned officials in the company. It should fit into the marketing plan of the company as it is an important input in it. Although it should be followed and implemented as far as possible, there should be an element of flexibility in it so that certain changes, if found necessary, can be made.

Evaluating utility of Marketing Research

Myers and Samli mention that while much has been written about the objectives and techniques of marketing research, almost no emphasis has been laid on its evaluation and control. The need for evaluation and control in marketing research is found at two levels: (i) the individual project, and (ii) the total research activity within a firm. In respect of individual research projects, the management should determine what exactly is to be done and keep track of it on a weekly, fortnightly or a monthly basis. Management can use certain tools to evaluate and control research projects. Myers and Samli have explained these at length. They are briefly described below:

check list

To begin with, a check list, which is a versatile and a useful tool, can be used. It can be short or long, consisting of a few or many questions, depending on the actual requirement of management. The list should contain specific questions on the objectives of project and its research design. It serves as a reminder for the types of problems that are likely to come up during the course of the project and helps in resolving them.

flow chart

Another tool is the logical flow chart which indicates the sequence of a research project covering various activities. For example, library research, collection of data, analysis of data, and so on. Such a flow chart enables management to maintain an overall control over the project. One major limitation of this tool is that it does not give the time dimension for the total activity.

gnatt chart

A Gantt chart is used in order to provide a time dimension for controlling marketing research. Such a chart enables the management to develop an overall research schedule by allocating a time period to each component of research. It is very helpful to the management in controlling the total research activity.

pert technique

Finally, the Programme Evaluation and Review Technique (PERT) can be used. Although PERT has been used in administrative and production problems, hardly any application in marketing research is available. It can however be used effectively in this field as well, especially when the project is neither a routine nor a small one. It is a probabilistic scheduling approach. Usually three-time estimates—optimistic, most likely, and pessimistic—are used.

advisory committee

As regards control of the total research activity, it is necessary to set up meaningful control procedures. An advisory committee, comprising representatives from all functions served by marketing research, is probably the most effective way of evaluating and controlling the total marketing research activity. Its main task is to provide a broad direction to the marketing research programme so that it is problem-oriented and useful to the company. However, it does not discuss research techniques nor does it review the studies done. It is not an executive committee to which the marketing researcher reports.

marketing research audit

Another method is the marketing research audit. Several years ago, Sessions⁷ proposed the need for such an audit. According to him, a marketing audit should provide an objective basis for answering three key questions: (i) Is the research programme in tune with the character of the company as well as its need? (ii) How can the administration of research be made to set the pace for operating efficiency? (iii) Is the research staff sufficiently in touch with the realm of ideas which determine sales growth and future market position for the company?

In order to make marketing research audit effective, it must be undertaken as the joint responsibility of the research group and of all departments having a direct interest in the use of marketing

Recent Trends / Issues in Marketing Research

First, the quality of any information collected through marketing research surveys will be considerably affected on account of lack of transparency in business. This problem can be overcome by having more and more professionalisation and institutionalisation of marketing research.

Second, marketing research is frequently seen as a separate activity undertaken by professionals and is not linked with short or long term marketing strategies. It is advisable to involve operational staff in a company with marketing research activity. This will be advantageous to both professionals and operational staff and will make marketing research more useful to the business.

Third, a major issue at the institutional level is the allocation of budget to marketing research activity. Small firms may use marketing research at their discretion and that too on a modest scale. But large firms may have to use it more frequently and, as such, they may have to allocate adequate funds for it.

Fourth, marketing research has so far remained confined to the urban market. The marketing problems in the rural India are vast and complicated and have hardly been addressed. However, with the improved standard of living in rural areas, there will be a larger consumption of packaged goods and consumer durables. In view of this, marketing researchers have to think seriously as to how far their techniques can be applied to a rural setting. It is, no doubt, a challenge to professionals but it offers them a great opportunity as well.

Fifth, marketing research agencies should not merely have contextual familiarity with the projects as at present. They should be very well-informed about each sector such as telecom research, pharmaceutical research, etc. The emphasis should be on industry/sector specific research where more sophisticated techniques can be used.

Sixth, there is not yet adequate realization of the importance of marketing information system and marketing decision support system. In view of increasing competition in business, companies or marketing research agencies must have databases so that the requisite information can be retrieved without any delay.

Finally, as mentioned earlier, so far adequate attention has not been given to the study of consumer behaviour, which leads to qualitative research.

Online Marketing Research

Online Market Research is a research method in which the data collection process is carried out over the Internet. Online Market Research can be either Qualitative or Quantitative. Quantitative Online Methods include mobile and app surveys.

This research can evaluate the performance of a product or service and may allow companies to glean insight into consumer purchasing behavior. With the rising use of the Internet, online research has become a popular tool among market research firms.

Online research can provide additional information about a buyer, such as her prior purchasing history. Online research projects can be carried out by a company itself or by a hired research firm.

Growth in Online Market Research

In recent years, there has been a substantial increase in the recorded number of household Internet users, making online shopping more popular. As businesses have become more global and virtual, their target audience has expanded well beyond any specific geographical location. A company can conduct an online survey in which it selects its respondents from all over the world in a less costly manner than it would with mail, telephone, or in-person interviews.

Online retail and transactions have become more popular in recent years. In countries like the U.S., where the internet is readily available to almost every household, online retail spending is expected to increase. As consumers increase their participation in online shopping, it may become more convenient for retailers to maintain a database of their consumers' purchasing history. Companies can effectively utilize this data throughout the course of their online research.

Advantages in Online Market Research

Conducting online research can be a complex procedure and may require considerable expertise on the part of researchers in obtaining accurate data. It may be challenging to recruit participants in online research for several reasons. Recipients may be reluctant to participate in online research because they may be afraid that the privacy and confidentiality of their personal information may be violated. Since the identity of the researcher cannot be verified completely, people may find it difficult to trust such research methods. Researchers often present participants with some monetary or non-monetary rewards for their participation. Participants may be wary of monetary compensation promised online.

Benefits of Online Market Research

Online market research can be a beneficial tool for companies due to its reach and convenience. Online research tools can be used with relative ease and accuracy for both qualitative and quantitative research.

- Cost advantages
- Speed advantages
- Data collection in real-time
- Advanced analytics
- Efficient global and multi-country survey management

Marketing research industry in India / Constraints in using Marketing Research

1. A major constraint is on account of the heterogeneity of the country with the vast geographical area. Added to this is the language problem. So many languages are spoken in the country that a nation-wide survey using the questionnaire method becomes extremely difficult. In addition, this method becomes quite expensive.
2. Another problem in the use of marketing research is the non-availability of relevant secondary data. On account of this, sampling frames, on the basis of which samples are to be drawn, are usually incomplete and inadequate. For example, take the case of voters' lists. These are seldom complete, and a number of complaints are received regarding the omission of a large number of voters. Thus, a voters' list cannot serve the purpose of a proper sampling frame.
3. Many business firms believe that marketing research is too expensive. They are, therefore, quite indifferent to the use of marketing research. It may be emphasized that this is not always so. Some problems can be taken up for research within a limited budget. Where a comprehensive field survey is involved covering far-flung areas of the country, such study would be prohibitively expensive.
4. At times, the relationship between the researchers and management may also act as a constraint. This may happen in those business firms where management and researchers do not understand and appreciate each other's viewpoint. This problem may be found more frequently in those firms which do not have professional management.
5. Many business firms in India think that marketing research is not necessary. They believe that experience of running the business, coupled with intuition on the part of the top management, can be helpful in solving the problem.

Unit 2: Marketing Research Proposal

Marketing Research Proposal

The official layout of the planned marketing research activity for management. It describes the research problem, the approach, the research design, data collection methods, data analysis methods, and reporting methods.

Once the research design has been formulated and the budgeting and scheduling of the project accomplished, a written research proposal should be prepared. The marketing research proposal contains the essence of the project and serves as a contract between the researcher and management. The research proposal covers all phases of the marketing research process. It describes the research problem, the approach, the research design, and how the data will be collected, analyzed, and reported. It gives a cost estimate and a time schedule for completing the project. Although the format of a research proposal may vary considerably, most proposals address all steps of the marketing research process and contain the following elements.

1. **Executive Summary.** The proposal should begin with a summary of the major points from each of the other sections, presenting an overview of the entire proposal.
2. **Background.** The background to the problem, including the environmental context, should be discussed.
3. **Problem Definition/Objectives of the Research.** Normally, a statement of the problem, including the specific components, should be presented. If this statement has not been developed (as in the case of problem identification research), the objectives of the marketing research project should be clearly specified.
4. **Approach to the Problem.** At a minimum, a review of the relevant academic and trade literature should be presented, along with some kind of an analytical model. If research questions and hypotheses have been identified, then these should be included in the proposal.
5. **Research Design.** The research design adopted, whether exploratory, descriptive, or causal, should be specified. Information should be provided on the following components:
 - (1) kind of information to be obtained,
 - (2) method of administering the questionnaire (mail, telephone, personal or electronic interviews),
 - (3) scaling techniques,
 - (4) nature of the questionnaire (type of questions asked, length, average interviewing time), and
 - (5) sampling plan and sample size.
6. **Fieldwork/Data Collection.** The proposal should discuss how the data will be collected and who will collect it. If the fieldwork is to be subcontracted to another supplier, this should be stated. Control mechanisms to ensure the quality of data collected should be described.
7. **Data Analysis.** The kind of data analysis that will be conducted (simple cross-tabulations, univariate analysis, multivariate analysis) and how the results will be interpreted should be described.
8. **Reporting.** The proposal should specify whether intermediate reports will be presented and at what stages, what will be the form of the final report, and whether a formal presentation of the results will be made.

9. **Cost and Time.** The cost of the project and a time schedule, broken down by phases, should be presented. ACPM or PERT chart might be included. In large projects, a payment schedule is also worked out in advance.

10. **Appendices.** Any statistical or other information that is of interest only to a few people should be contained in appendices.

Preparing a research proposal has several advantages. It ensures that the researcher and management agree about the nature of the project and helps sell the project to management. Because the preparation of the proposal entails planning, it helps the researcher conceptualize and execute the marketing research project.

Report Writing

A report should be written for a specific reader or readers: the marketing managers who will use the results. The report should take into account the readers' technical sophistication and interest in the project, as well as the circumstances under which they will read the report and how they will use it. Technical jargon should be avoided. As expressed by one expert, "The readers of your reports are busy people; and very few of them can balance a research report, a cup of coffee, and a dictionary at one time." Instead of technical terms such as *maximum likelihood*, *heteroscedasticity*, and *nonparametric*, use descriptive explanations. If some technical terms cannot be avoided, briefly define them in an appendix. When it comes to marketing research, people would rather live with a problem they cannot solve than accept a solution they cannot understand. Often the researcher must cater to the needs of several audiences with different levels of technical sophistication and interest in the project. Such conflicting needs may be met by including different sections in the report for different readers, or by separate reports entirely.

Easy to Follow

The report should be easy to follow. It should be structured logically and written clearly. The material, particularly the body of the report, should be structured in a logical manner so that the reader can easily see the inherent connections and linkages. Headings should be used for different topics and subheadings for subtopics.

A logical organization also leads to a coherent report. Clarity can be enhanced by using well-constructed sentences that are short and to the point. The words used should express precisely what the researcher wants to communicate. Difficult words, slang, and clichés should be avoided. An excellent check on the clarity of a report is to have two or three people who are unfamiliar with the project read it and offer critical comments. Several revisions of the report may be needed before the final document emerges.

Presentable and Professional Appearance

The appearance of a report is important. The report should be professionally reproduced with quality paper, typing, and binding. The typography should be varied. Variation in type size and skilful use of white space can greatly contribute to the appearance and readability of the report.

Ethics in Marketing Research

During the research design stage, not only are the concerns of the researcher and the client involved but the rights of the respondents must also be respected. Although there usually isn't any direct contact between the respondent and the other stakeholders (client and researcher) during research design, this is the stage when decisions with ethical ramifications, such as using hidden video or audio tape recorders, are made.

The basic question of the type of research design that should be adopted (i.e., descriptive or causal, crosssectional or longitudinal) has ethical overtones. For example, when studying brand-switching in toothpaste

purchases, a longitudinal design is the only actual way to assess changes in an individual respondent's brand choice. A research firm that has not conducted many longitudinal studies may try to justify the use of a crosssectional design. Is this ethical?

The researchers must ensure that the research design utilized will provide the information needed to address the marketing research problem that has been identified. The client should have the integrity not to misrepresent the project and should describe the constraints under which the researcher must operate and not make unreasonable demands. Longitudinal research takes time. Descriptive research might require interviewing customers. If time is an issue, or if customer contact has to be restricted, the client should make these constraints known at the start of the project. Finally, the client should not take undue advantage of the research firm to solicit unfair concessions for the current project by making false promises of future research contracts.

Ethical Issues in the Marketing and Research Process

I. Problem Definition

- Using surveys as a guise for selling or fundraising
- Personal agendas of the researcher or client
- Conducting unnecessary research

II. Developing an Approach

- Using findings and models developed for specific clients or projects for other projects
- Soliciting proposals to gain research expertise without pay

III. Research Design

- Formulating a research design more suited to the researcher's rather than the client's needs
- Using secondary data that are not applicable or have been gathered through questionable means
- Disguising the purpose of the research
- Soliciting unfair concessions from the researcher
- Not maintaining anonymity of respondents
- Disrespecting privacy of respondents
- Misleading respondents
- Disguising observation of respondents
- Embarrassing or putting stress on respondents
- Using measurement scales of questionable reliability and validity
- Designing overly long questionnaires, overly sensitive questions, piggybacking
- Using inappropriate sampling procedures and sample size

IV. Fieldwork

- Increasing (dis)comfort level of respondents
- Following (un)acceptable fieldwork procedures

V. Data Preparation and Analysis

- Identifying and discarding unsatisfactory respondents
- Using statistical techniques when the underlying assumptions are violated
- Interpreting the results and making incorrect conclusions and recommendations

VI. Report Preparation and Presentation

- Incomplete reporting
- Biased reporting
- Inaccurate reporting



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Participant issues

The client who sponsors the project.

The supplier who designs & executes the research. The respondents who provide the information.

Corporate espionage is a form of espionage conducted for commercial purposes instead of purely national security. While economic espionage is conducted or orchestrated by governments and is international in scope, industrial or corporate espionage is more often national and occurs between companies or corporations.

Code of Ethics

The American Marketing Association commits itself to promote the highest standard of professional ethical norms and values for its members (practitioners, academics and students). Norms are established standards of conduct that are expected and maintained by society and/or professional organizations. Values represent the collective conception of what communities find desirable, important and morally proper. Values also serve as the criteria for evaluating our own personal actions and the actions of others.

Ethical Norms

As Marketers, we must:

1. Do no harm. This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.
2. Foster trust in the marketing system. This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.
3. Embrace ethical values. This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency and citizenship.

Ethical Values

Honesty - to be forthright in dealings with customers and stakeholders.

Responsibility - to accept the consequences of our marketing decisions and strategies.

Fairness - to balance justly the needs of the buyer with the interests of the seller.

Respect - to acknowledge the basic human dignity of all stakeholders.

Transparency - to create a spirit of openness in marketing operations.

Citizenship - to fulfil the economic, legal, philanthropic and societal responsibilities that serve stakeholders.

Unit 3: Advanced Analytical Tools

(a) Conjoint Analysis:

Conjoint analysis is concerned with the measurement of the joint effect of two or more attributes that are important from the viewpoint of the consumer. In a situation where a company would like to know the most desirable attributes or their combinations for a new product or service, the use of conjoint analysis will be most appropriate. For example, an airline corporation would like to know which is the most desirable combination of attributes to frequent traveller punctuality in the operation of flights or the quality of food served on the flight.

The use of conjoint analysis involves a number of steps that are discussed here.

Step 1: Selection of Attributes

The first step in conjoint analysis involves the identification of the relevant product or service attributes. In order to identify product attributes, several approaches are available to the researcher. He may interview a number of consumers directly. Alternatively, he may conduct focus group interviews with consumers. Yet another option available to the researcher is to contact the product managers and retailers who are well-informed in that particular field.

While selecting the attributes, the researcher should ensure that they are actionable as well as important to consumers. The former consideration suggests that the company is well-equipped both in terms of technology and financial resources. This is necessary in case consumer preferences suggest certain changes so that these can be carried out by the company. The number of attributes thus identified should not be too many as it will create problems in collecting enormous data. As such, the number of attributes should be within reasonable limits.

Step 2: Specification levels of attributes

Having identified the attributes, the next step is to specify the actual levels of each attribute. Here, the researcher should be aware of the relationship between the number of levels used to measure an attribute and the preference of the respondent for that attribute. In case a large number of levels of attributes are chosen, it will put a great burden on the respondents.

Step 3: Specific Combinations of Attributes

The next step in the process of conjoint analysis involves the specific combinations of attributes that will be used. The number of possible combinations is given by the product of the number of attributes and the number of levels. For example, if there are four attributes at three levels each, it would require $3 \times 3 \times 3 \times 3 = 81$ combinations. The researcher has to ask whether the respondent would be able to provide meaningful rank-order judgments in 81 cases. It is therefore advisable to use only a few combinations of the attributes.

Step 4: Selection of Form of Stimuli

Coming to data collection procedure, the 'trade off' approach or the 'full profile' approach may be used. The first approach involves the consideration of only two attributes at a time by the respondents. They are asked to rank each combination of levels of attributes from the most preferred to the least preferred. Respondents are directly given cards with an example how to complete them. In contrast, the full-profile

approach involves the consideration of all the attributes at the same time. Respondents are given a complete description of the product on the relevant attribute. A number of choices are used to provide as much information as possible about the product. These can be cards, drawings, pictures, advertisements for the product, etc. The respondents are asked to rank all the alternatives. Alternatively, they are asked to rate each item on a scale of 1-10 or 1-100, indicating their preference or intention to purchase. The rating scale approach is more popular compared to the rank order approach.

Step 5: Aggregation of Judgments

This step in the conjoint analysis process involves deciding how the responses from individual consumers should be aggregated. Conjoint studies produce part-worths utility for each respondent for each level of each attribute. However, these should not be averaged across individuals to determine the average utility for each level of each attribute. Before calculating such averages, the researcher should ensure that segments with unique utilities do not exist. He should be sure that he has homogeneous groups before averaging across respondents. This can be done by first using cluster analysis which has been discussed earlier in this chapter.

Step 6: Selection of Analysis Technique

This is the final step concerned with the analysis of input data. Here, the question is: which technique should be used for analysis? Although a variety of approaches are available for analysing conjoint data, regression analysis is very frequently used. Of course, this is particularly helpful when the preference model is linear or smooth nonlinear. In the case of an irregular preference model, dummy variables in regression may be used. Alternatively, the analysis of variance technique may be used.

The usefulness of Conjoint Analysis

Conjoint analysis is very helpful to manufacturers of products and those who provide any type of service. The former are always interested to know the combination of features that would be most appealing to the consumers. In case a new product brought to the market does not get an adequate response from the consumers, it would be a heavy loss of money and time for the manufacturer concerned. As such, conjoint analysis is especially used for product design and concept evaluation. Its application can be found in several industries /areas such as airlines, transportation, pharmaceuticals, credit cards, etc. In addition, conjoint analysis has been used in determining consumer preferences for attributes of health organisations.

Limitations of Conjoint Analysis

First, it is used in predicting sales and market share. But, as its applications are not large, it is not as perfect and convincing as it should be.

Second, there is a problem with the appropriateness of the levels or features used for each attribute in the conjoint analysis.

Third, sometimes the models of conjoint analysis fail to capture utility functions and decision rules.

(b) Factor Analysis:

Factor analysis was first used by **Charles Spearman**. Psychologists use it as a technique of indirect measurement. When they test human personality and intelligence, a set of questions and tests are developed for this purpose. They believe that a person given this set of questions and tests would respond on the basis of some structure that exists in his mind. Thus, his responses would form a certain pattern. This approach is based on the assumption that the underlying structure in answering the questions would be the same in the case of different respondents.

Although it is in the field of psychology that factor analysis has its beginning, it has since been applied to problems in different areas including marketing. Its use has become far more frequent as a result of the introduction of high-speed computers.

In regression analysis, the problem is to predict the value of a dependent variable on the basis of one or more independent variables. Unlike regression analysis, factor analysis is not based on the usual distinction between dependent and independent variables, instead, it rather considers all the variables simultaneously.

There are **two objects** of factor analysis.

First, it simplifies the data by reducing a large number of variables to a set of a small number of variables. **Second**, it analyses the interdependence of interrelationships among a total set of variables.

In marketing research, **factor analysis** can be **useful** in several ways.

First, it can bring out the hidden or latent dimensions relevant to the relationships among product preferences. Sometimes, the product characteristics influencing consumer preferences are not clear. In such cases, factor analysis can be helpful by revealing more important characteristics of the product, underlying the relationships among product preferences.

Second, factor analysis can also be used to find out certain relationships among observed values which, though they exist, are obscure. Third, it is extremely useful when a large mass of data is to be simplified and condensed.

Finally, it can be used in the clustering of products or people.

(c) Cluster Analysis:

Cluster analysis is used to classify persons or objects into a small number of mutually exclusive and exhaustive groups. There should be high internal (within-cluster) homogeneity and high external (between-cluster) heterogeneity. In marketing research, cluster analysis has been increasingly used because of its utility in resolving the problem of classifying consumers, products, etc. At the end of our discussion on cluster analysis, its several uses in marketing will be specified.

Methods of Cluster Analysis

Various methods used in cluster analysis can be classified into **two** major groups—hierarchical and nonhierarchical methods.

In the case of **hierarchical methods**, either the ‘top-down’ or the ‘bottom-up’ approach is used. In the case of the former, all N entities are grouped in one cluster and then divided into two sub-clusters on the basis of highest average within-cluster distance. This process is carried on until each entity is a separate cluster. In case of the ‘bottom-up’ approach, first, there are single-point clusters. Then the two most similar points are placed in a cluster. At each subsequent stage, the proximity matrix is re-calculated in order to obtain the relationship of the new clusters with the remaining entities. This process is continued until all single-point clusters are grouped into one large cluster.

Non-hierarchical methods can also be used for clustering. The simplest of these methods would be to first define ‘typical’ members of each cluster and then allocate objects to the cluster they are most similar to. This assumes that the researcher has a prior conception of what clusters exist. Such a method may not be useful for initial investigations. In essence, the non-hierarchical methods take a fixed number of clusters and then attempt to find the best solution by ensuring that cluster means are maximally different. This is done by using an ANOVA-type test.

Of these two methods, though the hierarchical method is simpler it is more unstable and unreliable. On the other hand, the non-hierarchical method is more reliable but it is extremely difficult to interpret the series of clusters generated by it.

How Many Clusters?

An important question in cluster analysis is how many clusters should be formed. Several alternatives are available in this regard.

First, the number of clusters may be fixed by the researcher in advance. This may be possible either for theoretical reasons or for practical considerations.

Second, one may specify the level of clustering with regard to the cluster criterion. This would enable deciding a certain level which would indicate the number of clusters. Third, one may decide the number of clusters from the cluster pattern generated by the programme.

Uses of Cluster Analysis in Marketing

One of the important uses of cluster analysis in marketing is market segmentation. Marketing managers are often required to identify similar segments so that marketing programmes can be formulated to meet special requirements of each market segment. The main task involved in segmentation is to classify people, materials, etc., into groups based on certain common characteristics.

Cluster analysis also provides a better understanding of buyer behaviour. This is possible by identifying homogeneous groups of buyers.

Cluster analysis can also be used in the development of potential new products.

For example, a firm can determine the elements of competition by clustering brands or products within the larger market structure.

In the area of test market selection cluster analysis may enable the researcher to identify homogeneous test markets. As the finding of one test market can be applied to another test market or markets belonging to the same cluster, it will help reduce the number of test markets required.

A study by Green, Frank and Robinson showed the use of cluster analysis in the selection of test markets. A large number of cities in the United States were grouped into 18 clusters on the basis of their similarities. **Finally**, cluster analysis may be used as a technique for reducing a large mass of data into meaningful aggregates which are far more manageable than a large number of individual observations. Obviously, such an aggregation facilitates the researcher in his task.

(d) Multidimensional Scaling & Perceptual Mapping:

Basic Concept

Multidimensional scaling (MDS) is a data reduction technique, the primary purpose is to uncover the “hidden structure” of a set of data.¹⁰ It enables us to represent the proximities between objects spatially as in a map. The term ‘proximities’ means any set of numbers that express the amount of similarity or difference between pairs of objects. The term ‘objects’ refers to things or events. The main purpose of MDS is to map the objects

in a multidimensional space such that their relative positions in the space show the degree of perceived proximity or similarity amongst them.

MDS involves two aspects.

First, it helps in the identification of attributes on the basis of which consumers perceive or evaluate products or brands.

Second, it enables the positioning of different products or brands on the basis of these attributes. It helps generate a perceptual map, indicating the location of the brands on the basis of attributes.

Approaches to Multidimensional scaling

There are two sets of approaches that can be used for analysing multidimensional data. One set of approaches involves the measure of attributes while the other considers proximity or preference between objects, ignoring individual attributes as factors.

Requirements for MDS

In order to use MDS, two requirements must be met. First, a set of numbers, called proximities, must be available. Second, a computer-based algorithm must be available. A number of computer programmes are now available to implement an MDS analysis.

Limitations

There are some major limitations of MDS which are mentioned below.

First, the concepts of similarity and preferences are not very clear. As such the respondents' perceptions of similarity and preferences may differ.

Second, there are empirical limitations. For example, the selection of various attributes or dimensions which are regarded as important to respondents is subjective. One may question this selection.

Third, it becomes extremely difficult to interpret the results of MDS. This is especially true when interpretation involves relating physical changes in products to psychological changes in perceptual maps. Fourth, different computer programmes often produce different results. This makes the task of interpreting of MDS results all the more difficult, apart from being confusing.

In the end, it may be mentioned that the MDS approach is being increasingly used by researchers. It is particularly suited for product life cycle analysis, market segmentation, vendor evaluation, measuring advertising effectiveness, test marketing, sales representative and store image research, brand-switching research and attitude scaling. The practical utility of MDS becomes most apparent when a set of data is large. In such cases, MDS maps the data. It is much easier to understand the picture than the data themselves. However, the researcher must have a good understanding of MDS before he decides to use it.

Perceptual Mapping

Perceptual mapping is the device by which the company can know positioning is the benefit offered by the company's brand. A consumer can allot a position in his mind to a brand only when it is beneficial to him. The benefits may be expressed as attributes or dimensions in a chart where brands are 'fitted' to indicate the consumer's perceptions.

As perceptual maps are used to indicate brand positioning, blank spaces in such maps show that a company can position its brand in one or more of such spaces.

Techniques for Perceptual Mapping •

Image profile analysis

This technique is the oldest and most frequently used for measuring the consumer's perceptions of competitive brands or services. Normally, a 5 or 7-point numerical scale is used. A number of functional and psychological attributes are selected. The respondent is asked to show his perception of each brand in respect of each attribute on the 5 or 7-point scale.

The technique has some limitations.

First, if the number of brands is large, it may not be possible to plot all the brands in a single figure. Second, there is an implicit assumption in this technique that all attributes are equally important and independent of each other.

- Factor analysis

As regards factor analysis, its main objective is to reduce a large number of variables into a small number of factors or dimensions. In that Chapter three examples have been given to illustrate the use of factor analysis. This discussion also brings out some major limitations of the method.

- Cluster analysis

Cluster analysis is used to classify consumers or objects into a small number of mutually exclusive and exhaustive groups. With the help of cluster analysis, it is possible to separate brands into clusters or groups so that the brand within a cluster is similar to other brands belonging to the same cluster and is very different from brands included in other clusters.

- Multi-dimensional scaling

Multi-dimensional scaling can be used to show how perceptual maps can be developed on the basis of responses from consumers.

(e) Discriminant Analysis

When the data are non-metric, i.e., not measurable on quantitative scales of numbers, it is not possible to determine the quantitative relationship between variables. In such cases, since correlation and regression techniques cannot be applied, the researcher has to use other techniques such as discriminant analysis.

A discriminant analysis enables the researcher to classify persons or objects into two or more categories. For example, consumers may be classified as heavy and light users. With the help of such a technique, it is possible to predict the categories or classes which are mutually exclusive in which individuals are likely to be included. In many cases, the classification will be dichotomous such as users and non-users, high and low, and so on.

In discriminant analysis, a scoring system is used on the basis of which an individual or object is assigned a score. This, in its turn, forms the basis for classifying an individual in the most likely class or category.

One major advantage of linear discriminant analysis is that it enables the researcher to know, by a simple device, whether an individual is likely to belong to one or the other category on the basis of his overall score.

However, one major limitation of this method is that it is applicable only for two-level models with two independent variables.

Discriminant analysis has been increasingly used by marketing researchers in recent years. To mention a few major problems where discriminant analysis has been used are: Determining early adopters of fashion, identifying new product buyers, determining brand loyalty among consumers, and assessing the relationship between demographic factors and the choice of radio stations.

Unit 4: Marketing Research Applications - I

(a) Sales Analysis and Forecasting:

Sales Analysis

The term 'sales analysis' refers to the analysis of actual sales results. This is different from 'sales forecasting' as it is concerned with the actual performance of sales and not with what they are likely to be at a future date. Since sales analysis enables a company to identify the areas where its sales performance has been good or mediocre, customers who have bought in bulk, products with high and low sales volume, etc., it is in the interest of the company to analyse its sales periodically. A systematic, comprehensive and periodical sales analysis will be helpful to a company to reinforce its sales effort where it is most needed. In this way, it can achieve the best possible results.

Sales Analysis by Territory

In order to undertake sales analysis by territory, one must decide on (i) the territorial unit to be taken for such an analysis, and (ii) what specific information should be collected for this purpose. As regards the territory, the district level is the appropriate choice. Later on, by pooling district data, one may undertake a state or region-wise analysis, depending on one's need. As regards the data, information on the product sold, such as quantity, price per unit, and total value should be available. This information along with the name and address of the customer is available in the invoice. Thus it provides the essential data on sales and it is not necessary to collect any data separately. However, if additional information is needed, it can be collected through the invoice by incorporating additional items in it.

Once the territory-wise sales data are available, it is possible to compare these with the previously set sales targets. By such a comparison, territories where actual sales have fallen below the sales targets, can be identified. One may probe further into the possible reasons for this poor performance. Is it because these territories face severe competition? Or because sufficient sales effort has not been made in these territories? Answers to these questions will enable the company to boost its sales in weak territories.

Sales Analysis by Product

Sales analysis by product will enable a company to identify its strong or weak products. It is advisable to undertake an analysis on the basis of a detailed break-up of products such as product variation by size, colour, etc. This is because if an analysis is based on a broad breakup, it may not reveal important variations.

When a company finds that a particular product is doing poorly, two options are open to it. One is, it may concentrate on that product to ensure improved sales. Or alternatively, it may gradually withdraw the product and eventually drop it altogether. However, it is advisable to decide on the latter course on the basis of additional information such as trends in the market share, contribution margin, effect of sales volume on product profitability, etc. In case the product in question has complementarity with other items sold by the company, the decision to abandon the product must be made with care and caution.

Combining sales analysis by product with that by territory will further help in providing information on which products are doing better in which areas.

Sales Analysis by Customers

Another way to analyse sales data is by customers. Such an analysis would normally indicate that a relatively small number of customers accounts for a large proportion of sales. To put it differently: a large percentage of customers accounts for a relatively small percentage of aggregate sales. One may compare the data with the proportion of time spent on the customers, i.e., the number of sales calls. An analysis of this type will enable the company to devote relatively more time to those customers who collectively account for proportionately larger sales.

Sales analysis by the customer can also be combined with analysis both by area and product. Such an analysis will prove to be more revealing. For example, it may indicate that in some areas sales are not increasing with a particular type of customer though they have grown fast in other areas. Information of this type will be extremely useful to the company as it identifies the weak spots where greater effort is called for.

Sales Analysis by Size of Order

Sales analysis by size of order may show that a large volume of sales is accompanied by low profit and vice versa. In case cost accounting data are available by size of order, this would help in identifying sales where the costs are relatively high and the company is incurring a loss. Sales analysis by size of order can also be combined with that by products, areas and types of customers. Such a perceptive analysis would reveal useful information to the company and enable it to make a more rational and effective effort in maximizing its return from sales.

The Concept of Market Potential

Market potential has been defined as “**the maximum demand response possible for a given group of customers within a well-defined geographic area for a given product or service over a specified period of time under well-defined competitive and environmental conditions**”

We will elaborate this comprehensive definition. First, market potential is the maximum demand response under certain assumptions. It denotes a meaningful boundary condition on ultimate demand.

Another condition on which the concept of market potential depends is a set of relevant consumers of the product or service. It is not merely the present consumer who is to be included but also the potential consumer as maximum possible demand is to be achieved. The market potential will vary depending on which particular group of consumers is of interest.

Further, the geographic area for which market potential is to be determined should be well defined. It should be divided into mutually exclusive subsets of consumers so that the management can assign a sales force and supervise and control the activities in different territories without much difficulty.

Another relevant aspect in understanding the concept of market potential is to clearly know the product or service for which market potential is to be estimated. Especially in those cases where the product in question can be substituted by another, it is desirable to have market potential for the product class rather than that particular product. For example, tea is subjected to a high degree of cross-elasticity of demand with coffee. It is necessary to specify the time period for which market potential is to be estimated. The time period should be so chosen that it coincides with planning periods in a firm. Both short and long time periods can be used depending on the requirements of the firm.

Finally, a clear understanding of environmental and competitive conditions relevant in case of a particular product or service is necessary if market potential is to be useful. What is likely to be the external environment? What is likely to be the nature and extent of competition? These are relevant questions in the context of any estimate of market potential since these are the factors over which the firm has no control.

It may be emphasised that market potential is not the same thing as sales potential and sales forecast. It is only when “a market is saturated can the industry sales forecast be considered equivalent to market potential.” Such a condition is possible in case of well established and mature products.

Generally, the industry sales forecast will be less than the market potential. Likewise, a company’s sales forecast will be less than its sales potential. The former is a point estimate of the future sales, while the latter represents a boundary condition which the sales might reach in an ideal situation.

“In the latter sense, sales potential is to a firm what market potential is to an industry or product class: both represent maximum demand response and are boundary conditions.”

There are **three** major uses of potentials that are explained below.

1 Allocation of Marketing Resources: Market potential can be used in the allocation of marketing resources in particular, allocation of salesmen. For example, a company’s product is being sold in a number of markets. After ascertaining one or two markets where potential is very high, the company must focus on those markets and make an optimum allocation of its sales resources.

2. Defining sales Territories: A sales manager tries to develop sales territories based on sales potential so that salesmen have an equal opportunity to make sales. Initially, sales territories may not be well-defined. After some time the company, on the basis of experience gained, may develop workload measures in accordance with sales potential. This can serve as the basis for designing sales territories.

3. Setting Sales Quotas: Having designed sales territories on the basis of potential for each territory, the company can now set sales quota for each territory. This will enable the company to use an improved measure of the performance of salesmen instead of using the old rule, i.e. last year’s sales plus a specified percentage say 5 percent.

Forecasting

The Importance of Forecasting As we all know that economic and business conditions do not remain the same over time. In view of changes in economic and business conditions, it becomes necessary for management to keep itself abreast of the effects that such changes are likely to have on their organisations. In the absence of realistic forecasts, management may find itself placed in an adverse situation resulting into losses. In fact, the need for forecasting is felt in other spheres as well. For example, take the case of the government. It has to make forecasts in respect of population growth, employment, revenues, etc., so that it can formulate appropriate policies for good governance. In the field of education too, forecasting is important. In the absence of forecasting, educationists are unable to plan for the future. This will have an adverse impact on the quality of education as they would be ill-equipped to provide adequate number of teaching and administrative staff as well as physical facilities. In short, we find that forecasting is quite necessary for planning for the uncertain future in different areas of the economy.

Forecasting Process

There are **five steps** involved in the forecasting process.

First, one has to decide the objective of the forecast. The statistician should know as to what will be the use of the forecast he is going to make.

Second, the time period for which the forecast is to be made should be selected. Is the forecast short-term, medium-term or long-term? Why should a particular period of forecast be selected?

Third, the method or technique of forecasting should be selected. One should be clear as to why a particular technique from amongst several techniques should be used.

Fourth, the necessary data should be collected. The need for specific data will depend on the forecasting technique to be used.

Finally, the forecast is to be made. This will involve the use of computational procedures. In order to ensure that the forecast is really useful to the company, there should be good understanding between management and the analyst who is to make the forecast. The management should clearly spell out the purpose of the forecast and how it is going to help the company. It should also ensure that the analyst has a proper understanding of the operations of the company, its environment, past performance in terms of key indicators and their relevance to the future trend. If the analyst is well-informed with respect to these aspects, then he is likely to make more realistic and more useful forecast for the management.

Methods of Forecasting

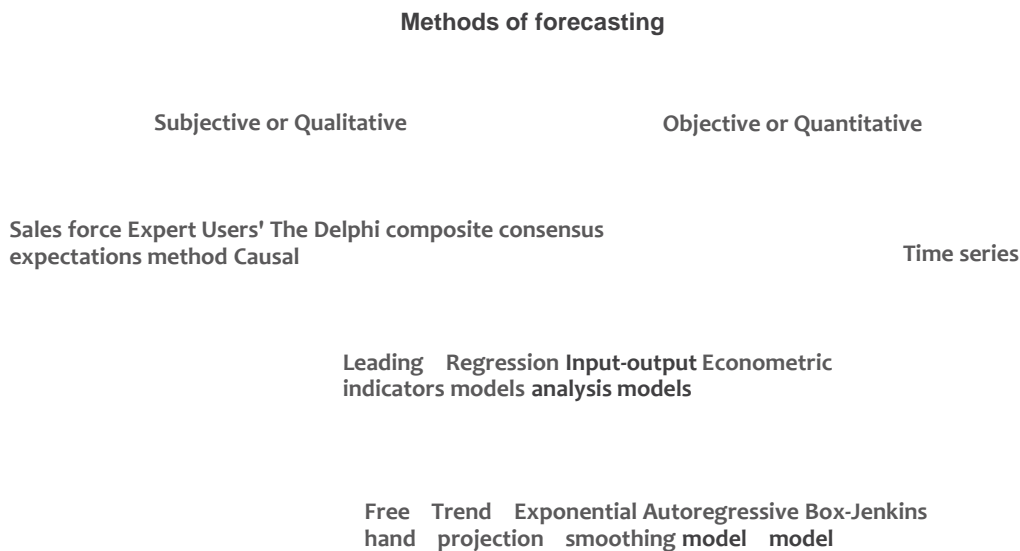


Fig. Methods of Forecasting

The methods of forecasting can be divided into two broad categories viz., subjective or qualitative methods and objective or quantitative methods. These can be further divided into several methods.

Subjective Methods

In the subjective methods, judgement is an important ingredient. Before attempting a forecast, the basic assumptions regarding environmental conditions as also competitive behaviour must be provided to people involved in forecasting. An important advantage of subjective methods is that they are easily understood. Another advantage is that the cost involved in forecasting is quite low. As against these advantages, subjective methods have certain limitations also. One major limitation is the varying perceptions of people involved in forecasting. As a result, wide variance is found in forecasts. Subjective methods are suitable when forecasts are to be made for highly technical products which have a limited number of customers. Generally, such methods are used for industrial products. Also, when cost of forecasting is to be kept minimum, subjective methods may be more suitable.

There are four subjective methods—field sales force, jury of executives, users' expectations and the Delphi method. These are discussed here briefly, the focus being on company sales forecasts.

Field Sales Force Some companies ask their salesmen to indicate the most likely sales for a specified period in the future. Usually the salesman is asked to indicate anticipated sales for each account in his territory. These forecasts are checked by district managers who forward them to the company's head office. Different territory forecasts are then combined into a composite forecast at the head office. This method is more

suitable when a short-term forecast is to be made as there would be no major changes in this short period affecting the forecast. Another advantage of this method is that it involves the entire sales force which realizes its responsibility to achieve the target it has set for itself. A major limitation of this method is that sales force would not take an overall or broad perspective and hence may overlook some vital factors influencing the sales. Another limitation is that salesmen may give somewhat low figures in their forecasts thinking that it may be easier for them to achieve those targets. However, this can be offset to a certain extent by district managers who are supposed to check the forecasts.

Jury of Executives Some companies prefer to assign the task of sales forecasting to executives instead of a sales force. Given this task each executive makes his forecast for the next period. Since each has his own assessment of the environment and other relevant factors, one forecast is likely to be different from the other. In view of this, it becomes necessary to have an average of these varying forecasts. Alternatively, steps should be taken to narrow down the differences in the forecasts. Sometimes this is done by organising a discussion between the executives so that they can arrive at a common forecast. In case this is not possible, the chief executive may have to decide which of these forecasts is acceptable as a representative one. This method is simple. At the same time, it is based on a number of different viewpoints as opinions of different executives are sought. One major limitation of this method is that the executives' opinions are likely to be influenced in one direction on the basis of general business conditions.

Users' Expectations Forecasts can be based on users' expectations or intentions to purchase goods and services. It is difficult to use this method when the number of users is large. Another limitation of this method is that though it indicates users' 'intentions' to buy, the actual purchases may be far less at a subsequent period. It is most suitable when the number of buyers is small such as in case of industrial products.

The Delphi Method This method too is based on the experts' opinions. Here, each expert has access to the same information that is available. A feedback system generally keeps them informed of each others' forecasts but no majority opinion is disclosed to them. However, the experts are not brought together. This is to ensure that one or more vocal experts do not dominate other experts.

The experts are given an opportunity to compare their own previous forecasts with those of the others and revise them. After three or four rounds, the group of experts arrives at a final forecast.

The method may involve a large number of experts and this may delay the forecast considerably. Generally it involves a small number of participants.

It will be seen that both the jury of executive opinion and the Delphi method are based on a group of experts. They differ in that in the former, the group of experts meet, discuss the forecasts, and try to arrive at a commonly agreed forecast while in the latter the group of experts never meet. As mentioned earlier, this is to ensure that no one person dominates the discussion thus influencing the forecast. In other words, the Delphi method retains the wisdom of a group and at the same time reduces the effect of group pressure. An approach of this type is more appropriate when long-term forecasts are involved.

Quantitative or Objective Methods

These methods can be divided into two broad categories namely:

1. Causal or Explanatory Methods
2. Time Series forecasting

Causal or Explanatory Methods

Causal or explanatory methods are regarded as the most sophisticated methods of forecasting. These methods yield realistic forecasts provided relevant data are available on the major variables influencing changes in

sales. There are three distinct advantages of causal methods. **First**, turning points in sales can be predicted more accurately by these methods than by time-series methods. **Second**, the use of these methods reduces the magnitude of the random component far more than it may be possible with the time-series methods. **Third**, the use of such methods provides greater insight into causal relationships. This facilitates the management in decision making. Causal methods are briefly discussed here.

Leading Indicators Sometimes one finds that changes in sales of a particular product or service are preceded by changes in one or more leading indicators. In such cases, it is necessary to identify leading indicators and to closely observe changes in them. One example of a leading indicator is the demand for various household appliances which follows the construction of new houses. Likewise, the demand for many durables is preceded by an increase in disposable income. Yet another example is of number of births. The demand for baby food and other goods for infants can be ascertained by the number of births in a territory. It may be possible to include leading indicators in regression models.

Regression Models Linear regression analysis is perhaps the most frequently used and the most powerful method among causal methods.

1. Regression models indicate linear relationships within the range of observations and at the times when they were made.
2. Sometimes there may be a lagged relationship between the dependent and independent variables. In such cases, the value of dependent variables are to be related to those of independent variables for the preceding month or year as the case may be. The search for factors with a lead-lag relationship to the sales of a particular product is rather difficult. One should try out several indicators before selecting the one which is most satisfactory.
3. It may happen that the data required to establish the ideal relationship, do not exist or are inaccessible or, if available, are not useful. Therefore, the analyst has to be careful in using the data. He should be quite familiar with the varied sources and types of data that can be used in forecasting. He should also know about their strengths and limitations.
4. Finally, regression model reflects the association among variables. The causal interpretation is done by the analyst on the basis of his understanding of such an association. As such, he should be extremely careful in choosing the variables so that a real causative relationship can be established among the variables chosen.

Input-output Analysis Another method that is used for forecasting is the input-output analysis. Here, the analyst takes into consideration a large number of factors, which affect the outputs he is trying to forecast. For this purpose, input-output table is prepared where the inputs are shown horizontally as the column headings and the outputs vertically as the stubs. It may be mentioned that by themselves input-output flows are of little direct use to the analyst. It is the application of an assumption as to how the output of an industry is related to its use of various inputs that makes an input-output analysis a good method of forecasting. The assumption states that as the level of an industry's output changes, the use of inputs will change proportionately, implying that there is no substitution in production among the various inputs. This may or may not hold good.

The use of input-output analysis in sales forecasting is appropriate for products sold to governmental, institutional and industrial markets as they have distinct patterns of usage. It is seldom used for consumer products and services. It would be most appropriate when the levels and kinds of inputs required to achieve certain levels of outputs need to be known.

A major constraint in the use of this method is that it needs extensive data for a large number of items which may not be easily available. Large business organisations may be in a position to collect such data on a continuing basis so that they can use input-output analysis for forecasting. However, this is not possible in

case of small industrial organisations on account of excessive costs involved in the collection of comprehensive data.

Econometric Models Econometric is concerned with the use of statistical and mathematical techniques to verify hypotheses emerging in economic theory. An econometric model incorporates functional relationships estimated by these techniques into an internally consistent and logically self-contained framework. The use of econometric models is generally found at the macro level such as forecasting national income and its components. Such models show how the economy or any of its specific segment operates. As compared to an ordinary regression equation, they bring out the causalities involved more distinctly. This merit of econometric models enables them to predict turning points more accurately. However, their use at the micro-level for forecasting has so far been extremely limited.

Time Series Forecasting

Freehand Method One of the methods of getting a secular trend is the freehand method. It may be mentioned that it is the simplest method of finding the trend line, which is simply extended for forecast. It is highly subjective method as the trend line fitted to the same set of data will vary from one person to another as such it is the most inappropriate method to be used for forecasting.

Trend Projection This method of least squares is far superior though we must remember that all forecasts into the future are based on the assumption that the characteristics displayed by the existing data will continue to influence future values. If this assumption does not hold, even with statistics proving a good fit to known data, forecasts could be most inaccurate.

Exponential Smoothing A method which is often useful in forecasting time series is exponential smoothing. When a large number of forecasts are to be made for a number of items, exponential smoothing is particularly suitable as it combines the advantages of simplicity of computation and flexibility. It may be used for shortterm forecasts (one period into the future) particularly when there is no long-term trend in a time series data or when the trend is not clear. This method uses differential weights to time-series data. The heaviest weight is assigned to the most recent data and the least weight to the most remote data in the time series. It is a type of moving average that 'smooths' the time-series of its sharp variations.

Autoregressive Model Another approach to forecasting with annual time series data involves the fitting of an autoregressive model. Sometimes, the values of a time series data are highly correlated with the values that precede and succeed them. In such cases an autoregression model is used for forecasting.

Box-Jenkins Method We may now briefly describe the Box-Jenkins method of forecasting, which uses a very different approach than what we have discussed so far. First of all, the analyst identifies a tentative model considering the nature of the past data. This tentative model and the data are entered in the computer. The Box-Jenkins programme then gives the values of the parameters included in the model. A diagnostic check is then conducted to find out whether the model gives an adequate description of the data. If the model satisfies the analyst in this respect, then it is used to make the forecast. In case the model is not satisfactory, then the computer points out diagnostic information, which is then used by the analyst in revising the model. This process is continued until the analyst obtains an appropriate model, which is used for making forecasts. It may be pointed out that some studies used the Box-Jenkins model as well as some other methods and found that the Box-Jenkins model gave more accurate forecasts as compared to other methods. There is, however, limitation of this method that it requires at least 45 observations in the time series.

Measuring the Forecast Error

It should always be remembered that all forecasts are based on the assumption that the characteristics displayed by the existing data will continue to influence future values. In case this assumption does not hold, even a very good forecasting technique may provide a most inaccurate forecast. The management must aim at maximum accuracy of the forecast, and in the majority of forecasting situations accuracy is indeed regarded the most important criterion for selecting a forecasting technique.

The Choice of Forecasting Model

As there is a wide variety of forecasting methods, one is not sure as to which method should be adopted. The question of choosing the right method in a given situation assumes considerable importance. This should be clear by a couple of examples.

Suppose that a very optimistic forecast for sales has been made by a manufacturing company for its product. On this basis, it has expanded its manufacturing operations and produced a larger quantity of output than in the earlier years. However, as the time goes by, it realises that sales have been more or less at the previous level, resulting in a heavy loss on account of large stock of unsold product with the company. Apart from this, loss has resulted on account of higher inventory the company has maintained in order to produce a larger quantity of output.

We can take another example in contrast to the earlier one. A sale forecast for a particular product has been made. But it turns out that the forecast is not realistic—it is on a much lower side than the demand for that product. In view of a low forecast, the company has missed a very good opportunity of augmenting its sales and profits. One can visualise several situations in business where either high or low forecasts would go against the interest of the company. This closely establishes a major point that efforts must be made to make the forecasts as realistic as possible.

In order to select a specific method of forecasting, it is necessary first to compare the requirements of the forecast with the capabilities of the proposed method. Generally, there are three requirements of any forecast. These are: (i) extent of accuracy desired, (ii) data required, and (iii) extent of time available.

(b) New Product Development and Test Marketing**New Product Development**

A company may find itself in a situation where it may be advisable to develop a new product. When sales of its current range of products have been declining over the past few years or when it receives complaints about its products from customers, distributors, retailers, it may have to find the possible reasons for the same. This may lead to the improvement of the existing product or the development of an altogether new product. As we know, the concept of product life cycle suggests that a product passes through different stages. When a company finds that some of its products have entered the declining stage, it may have to take concrete measures to replace them. This can be achieved in two ways: acquisition and innovation. We are concerned here with the latter which can be broadly of two types: internal innovation and contract innovation. New product development can be carried out in one of the following ways:

1. New product features can be developed by adapting, modifying, magnifying, minimising, substituting, rearranging or combining the existing features of a product.
2. Different quality versions of the existing product can be developed so that the needs of different markets can be met.
3. Additional models and sizes of the existing product can be brought out.

New Product Development Process

The development of new products involves the following stages: (i) idea generation, (ii) concept development and testing, (iii) product evaluation and development, (iv) business analysis, and (v) commercialisation. In all these stages, marketing research techniques can be applied though they would vary in each stage. In the section that follows, these stages and the major marketing research techniques used therein are discussed.

Idea Generation

The objective of this stage is to obtain (a) new ideas for products, (b) new attributes for the existing products, and (c) new uses of the existing products. There are several sources of new-product ideas such as customers, company salesmen, dealers, scientists, competitors, top management, industrial consultants, advertising agencies, marketing research firms, industrial publications, universities and commercial laboratories. Several methods can be used to generate new ideas. These are briefly discussed below.

Attribute Listing

Major attributes of an existing product, are listed. Then, one is asked to imagine how each of these attributes can be modified so that the product will improve. In this connection, Osborn suggested that new ideas can be generated with reference to a particular product: can it be put to other uses? can we adapt? modify? magnify? minify? substitute? rearrange? reverse? combine?

Forced Relationships

This technique involves listing of several objects and then trying to find how each object can be combined with the other objects. For example, a bed and a sofa set, two separate products, were combined into one— bed-cum-sofa set— fulfilling a ‘felt need’ of using furniture in a limited space.

Morphological Analysis

This term refers to a variety of techniques which are similar to forced relationships and attribute listing. although there are several variations, a simple method of morphological analysis consists of the following stages: **First**, the parameters of the situation are listed. Second, each parameter is sub-divided into its smallest parts. Third, these parts are represented in a matrix. Finally, all possible combinations of parameters and their sub-parts are examined. In this way, morphological analysis will enable identification of the components of current successful products and find new combinations of attractive features. Such an analysis has been extremely successful in the development of new technologies. No doubt, morphological anal time spent is justified. A thorough search of all the possible combinations would not be possible without morphological analysis.

Problem Analysis

Here, the consumers are approached to find out if they have experienced any problem while using a particular product or product category. One can then select one or two major problems from such a list on the basis of their importance, the frequency of their occurrence, and the cost of effecting improvement in the product.

Brainstorming

This technique involves the use of a small number (usually between six and ten) of consumers who are asked to participate in a ‘brainstorming’ session. The purpose of such a session is to generate a number of new product ideas. In order to ensure that a brainstorming session is most effective, it is necessary to comply with certain rules suggested by Osborn. These are: (a) No criticism of any new idea should be made. (b) Freewheeling is welcomed, indicating that the wilder the idea, the better it is. (c) A good number of ideas must be generated. (Quantity is important at this stage.) (d)

Participants should suggest how two or more ideas can be combined into still another idea.

Synectics

Some authors feel that a major limitation of brainstorming session is that it produces solutions too quickly before developing some perspectives. Instead of defining the problem specifically as in brainstorming sessions, the Synectics approach suggested by Gordon, defines the problem so broadly that the participants in the group have no idea of the specific problem. In such exercise, the participants give their viewpoints and as more and more facts are gradually interjected, their discussion tends to move towards specificity.

Concept Development and Testing

It should be obvious that all the new product ideas generated, cannot be pursued. This may be on account of several reasons. The company may find that a particular new product idea is incompatible with its major objectives. Further, it may not have the requisite production or marketing skills. Another possible reason for not pursuing a new product idea is that it may not be technologically feasible. Thus, a preliminary screening will eliminate a number of new product ideas. Those which survive this screening are then pursued further through concept testing.

The major objectives of concept testing are:

1. To get the reaction of consumers' views of the new product idea.
2. To give direction regarding the development of the project.
3. To choose the most promising concepts for development.
4. To ascertain whether the product in question has adequate potential for its commercialisation.

The concept test can take three different forms. First, it can be entirely verbal—a statement about what it does. Second, it can be visual—in form of a photograph or drawing. Third, a mockup of the product may be used. This is merely a dummy product to get across the idea.

Focus-group Interviews

The focus-group technique, as discussed earlier, is used for concept testing as well. Focus-group interviews are conducted with 8 to 12 participants where the moderator gives the group discussion a more specific direction than is the case in an idea generating session. The main objective is to have a deeper insight so that the concepts can be further refined.

Monadic Tests

In monadic testing, a respondent evaluates a single item in isolation from the other alternatives. The respondents are divided into groups, the number of groups depends on the number of new product concepts. Thus, there are as many groups as there are new product concepts to be tested. Each respondent evaluates only one concept on uniform dimensions as are used with respect to other concepts. Although the scale for recording the evaluations could be any of the attitude rating scales the numeric rating scale is generally used.

When each respondent has given his rating on the specified dimensions, an average score for each product is calculated. The new product concept that obtains the highest score is chosen for further evaluation. If the groups are not comparable with respect to age, education, etc., then their ratings to product concepts might be biased. The bias would be more when characteristics such as age and education have a bearing on the product concepts to be tested. In such a case, monadic tests will not be reliable.

Paired Comparison Tests

The method has been questioned on its ability to be a true preference testing. This is because it provides a measure of the respondent's attitude toward an item rather than a comparison with all the other items.⁶ Paired

comparison tests are an improvement over monadic test. Instead of examining only one product concept as in the preceding method, the respondent examines two product concepts at a time indicating which of the two is preferable. While using paired comparison tests, one should also be aware of their shortcomings. A major drawback is that it becomes difficult to maintain continued cooperation of members of a consumer use panel. To overcome this, panelists may be paid so that they would realize their responsibility in respect of the tests. Another drawback is that a paired comparison test is unable to simulate the same conditions as are found in the marketplace under which buying decisions are made.

There is yet another drawback in finding as to how valid the findings of the test are in comparison to actual buyer behaviour. Normally, a consumer of a product does not compare the merits of one product with those of others on the basis of each characteristic of the products. This apart, the reliability of a test is impaired when consumers are subjected to a number of trial uses. In such cases, consumers are not consistent in their preferences.

There is yet another problem that relates to order bias in paired comparison tests. Usually one finds that preferences are related to the order in which the two products are tested.

An alternative to a paired comparison test is a sequential monadic or non-direct comparison test. Here, each respondent is exposed to each product concept, separately. After he has been exposed to all the product concepts, he is asked to give his ratings. The one which secures the highest score is obviously selected for further evaluation.

A major advantage of this method is that it is more in conformity with the actual marketplace. Respondents evaluate products after they have been exposed to them at different time periods in the market. Moreover respondents are not 'forced' to select a product concept over another one just because they have been asked to do. This method may lead to a bias on account of the use of a particular order of presentation of the product concepts. This problem can be overcome by the process of randomisation in sequencing the product concepts across respondents.

Usage Tests

The new product can be tested in different types of usage situations. There are two types of usage tests: laboratory usage tests and consumer usage tests.

In the former test, R and D people may test a new product with respect to one or more attributes. For example, a car manufacturing unit will have its R and D department whose task is to effect improvements in the car, say, economy in fuel consumption. R and D personnel may evaluate the proposed vehicle by undertaking test drives under varying conditions. Generally, laboratory testing is found to be more rigorous for ensuring that performance norms come up to a certain level.

A point worth noting is that a consumer usage test and the laboratory test may give different evaluations of the same product. This is because consumers' perception may be different and accordingly they may attach importance to those attributes which were not considered by the R and D department. In a consumer usage test, a small number of consumers are given a sample of the new product. They are asked to use it in a normal fashion and later indicate their reaction to it as also the defects that they have noticed.

A variant of the consumer usage test is the blind usage test. In such a test, the consumer is given the product in question without disclosing its brand name or advertisement. This method is particularly useful when a new formulation of an established brand is to be tested.

In usage tests, the researcher should ensure that respondents have actually used the new product and that their responses are free from bias. This is important as many a time respondents indicate their willingness to buy the new product without eventually doing so. This would give a highly favourable picture of the product

Test Marketing

After the concept testing and development of a new product, it is necessary to find out whether it is going to be accepted or not in the market. This is achieved through test marketing. The main objective of test marketing a new product is to reduce the commercial risk when it is brought in the market.

“Test marketing is a controlled experiment, done in a limited but carefully selected part of the marketplace, whose aim is to predict the sales or profit consequences, either in absolute or in relative terms, of one or more proposed marketing actions. It is essentially the use of the marketplace as a laboratory and of a direct sales measurement which differentiates this test from other types of market research.”

From the above definition it is clear that test marketing is essentially an exercise in experimentation, when the marketplace is a laboratory. It also brings out that the predictability of sales or profit is the objective of test marketing.

Uses of Test Marketing

There are two uses of test marketing. First, it may be used as a tool for managerial control. Second, it may also be used as a predictive research tool. These two uses are discussed in some detail here.

Test Marketing as a Managerial Control Tool

Test marketing frequently serves as a pilot operation for large-scale marketing activity. When a company intends to expand its business operations, some element of risk is involved. This is particularly true in respect of new products or brands where the management may be understandably apprehensive. There are, for example, many physical problems such as handling of the product, breakage, storage, stocking and transportation which if not handled properly, may prove to be costly mistakes. In such cases, test marketing is used to improve the mechanics of the marketing operation so that the management may know in advance the problems that are likely to arise and hence improve its marketing operations.

Here, the role of test marketing is limited. It is not advisable to undertake an elaborate and time consuming test marketing as this may be unnecessary. It is used as a device to gain experience, to identify the problems likely to arise in marketing operations, and to develop a sound marketing programme eventually. It is not used for purposes of prediction of sales or profit.

Test Marketing as a Predictive Research Tool

Test marketing is often used as a predictive research tool in two different situations. These are: (i) the introduction of a new product or brand, and (ii) the evaluation of alternative marketing variables. Test

Marketing for New Products or Brands

When a new product or brand is to be introduced in the marketplace, the management is apprehensive about its performance. This will be true particularly where the new product does not have any direct substitutes. In such a case the management neither has any information of its own nor any experience of the others. In such a situation, test marketing can be used to predict the likely performance of the new product.

Test marketing is also used while recycling an existing brand. When a company is seriously considering a new packaging for its product, its repositioning, or some improvement in an existing brand, it may use test marketing before introducing such a change. In case of an existing brand, test marketing should be used only when the change is substantial otherwise it will be only a wasteful expenditure.

When a test market is conducted for a new product or new brand, the management would like to know how this new product or new brand will do in terms of sales and profits at the national level.

The Decision to Undertake Test Marketing

The management is often faced with the dilemma of going in for test marketing or not. This decision has to be based on a cost-benefit analysis. Against the expected benefits, the management has to examine various costs involved in a test market. As the likely benefits of test marketing have been discussed, here the discussion is confined to the other aspect, namely, costs. Both direct and indirect costs are involved in test marketing.¹⁰ The direct costs include (i) cost of setting up a pilot plant, (ii) commercials, (iii) advertising, (iv) expenses incurred on the production of point-of-sale material, (v) couponing, (vi) sampling and (vii) trade allowances offered to obtain distribution. An indirect cost, for example, would be the cost of disclosing a new product idea to a competitor. Other indirect costs are: (i) deployment of sales force from the existing and established products to test marketing, (ii) opportunity cost of sales lost in case of a successful introduction, (iii) possible negative impact on other products, etc. The fact that test marketing would mean high direct and indirect costs, necessitates that there should be a very careful analysis of benefits and costs before using this device.

When to Test Market

Having looked into both the costs and benefits and the problems likely to arise in test marketing, the company may like to decide the timing of a test market. A few considerations become relevant in deciding as to when test marketing should be undertaken.

First, the cost and risk of failure should be considered against the profit and probability of success. A product with low costs and low risk of failure may not need testing.

Second, the investment needed in plant both for test marketing and national introduction should be considered. In case the difference in investment is not much, one should prefer introducing the product of the national level. In contrast, if the difference is considerable, test marketing should be undertaken first. Third, the possibility and speed with which the competitors are likely to initiate and/or pre-empt the proposed product should be considered. The faster the competitive firm's response (and the more likely it is to do so), the stronger the need to avoid test marketing.

Fourth, the effects of a national failure on the trade and consumers should be considered. One should ascertain whether the company's reputation and its other products are likely to suffer in the event of a failure in test marketing. In the light of these factors, a company may decide in favour of or against launching a test market. If in a given situation only one factor is relevant, then the company may decide on the basis of only that factor and this process will be much simpler than in other situations where two or more factors, mentioned above, are involved.

Types of Test Markets

There are four basic types of market tests:

Standard, controlled, electronic and simulated.

Standard Test Market

A standard test market (STM) is one in which a small sample of market areas is selected. Through regular distribution channels, the new product is sold, using one or more of its combinations, price and promotional **levels** in the selected areas. STMs are also used for price, package and advertising testing.

Controlled-Store and Minimarket Tests

In controlled-store and minimarket tests, the marketing research firm handles all the warehousing,

distribution, pricing, shelving and stocking, which is not the case in STMs. Here, the M.R. firm approaches an outlet to provide some space against payment so that the new product can be placed in that store. Thus, a few outlets in different areas can be utilized. In such a test, media advertising typically cannot be used because of the limited distribution of the product. In contrast, a minimarket test involves a good number of outlets. As such, the visibility of the test as well as the costs are higher as compared to controlled-store tests. As the M.R. firm itself distributes the new product, it maintains the sales data. It can use panels in order to know trial and repeat purchase rates, household penetration, demographic characteristics of the users, etc. It can even conduct a survey to supplement panel data. These two methods have some advantages over STMs. First, the competitive firm is unable to get the test results as the M.R. agency/firm is the only source of sales data. Second, these tests are relatively less visible to competitive firms, though most controlled stores and minimarkets are actively observed. Third, these tests are much faster as there is no need to put the new product through a distribution channel. Finally, the costs of running these tests are much less than those in STMs.

There are some limitations of these tests. First, as the number of stores is very limited and/or due to the small size of the new product involved, some difficulty is faced in making projections on the basis of the test market results. Second, these tests are unable to give information as to how much support the trade will give to the new product. In case the wholesaler does not push the new product or the retailer does not provide adequate shelf-space, the new product is unlikely to succeed. Third, it is sometimes difficult to duplicate planned national advertising programmes. Finally, the

M.R. agency ensures near-optimal positioning in each store, no stockouts, adequate shelf-space etc. Now, such a favourable situation is very different from the one encountered during the national introduction. However, taking all factors into consideration one finds that these tests are relatively fast, cheap and realistic as compared to STMs.

Electronic Test Markets (ETMs)

Electronic Test Markets (ETMs) have now become an important part of test marketing. ETMs operate like minimarket tests with the difference that here the M.R. firm is able to collect ongoing scanner-based sales data from the major outlets in the area.

Apart from being used in testing new products, ETMs are even more commonly used in deciding advertising levels and themes. These tests are able to provide precise measurement of individual household's purchasing and TV viewing behaviour. Their limitations are the same as those found

in minimarket tests. There are two additional concerns: (i) the representativeness of the electronic diary panel on account of the high refusal rate of those approached to join such panels; and (ii) the small size of the towns involved in the test.

Simulated Test Markets

Simulated test markets are also known as laboratory tests. In order to run these tests, the following procedure is followed.

1. Generally, potential respondents are contacted in mall intercept interviews and are listed as "qualified", which implies that the respondents satisfy the demographics and/or usage characteristics of the desired target market.
2. The respondents thus qualified are shown a description of the product concept, a finished or rough package, a finished or rough commercial, or a product prototype or finished product, depending on the purpose of operating simulated test markets.
3. Respondents then express their attitude toward the product or their intentions to buy it. Those with positive attitudes or purchase intentions are given the product to try it out.

4. Respondents use the product in their homes in a normal manner as they use any other product.
5. After the expiry of reasonable time, the respondents are again contacted and asked to evaluate the product's performance. Normally, evaluation includes attitude measures and statements of repurchase intentions and likely usage rates.
6. The final step involves the calculations of percentage of respondents who decide to try the new product. This is used to estimate the percentage of the target market population provided that (i) the people are aware of the existence of the new product and (ii) the new product is easily available in those stores where the respondents shop.

The foregoing discussion clearly indicates that a good deal of reliance is being placed on the behaviour of respondents in an artificial situation, which may be far from reality. It seems intuitive that such behaviour would be very different from actual behaviour of the people in the marketplace. Those operating STMs do realize this and they use test markets to understand relationship between product's performance in the laboratory and its subsequent performance in actual market introduction.

These tests are not only fast and economical but are also confidential, easily controlled and capable of covering a wide geographical area. They do not measure trade response, reactions of competitors or difficulties in implementation. Further, they are dependent upon the mathematical model used in conducting them.

Problems of Test Marketing

A number of problems arise with test marketing. All of them, however, give rise to one overriding negative result.. This means that the test market is unable to provide projectivity to the national roll-out of the product. A number of reasons can be advanced for this poor projectivity of test marketing.

1. As competitors come to know about test market, at an extreme level, they can attempt to destroy the company's ability to make judgment from a test. This is on account of increasing efforts made in test cities resulting in distortion of test results.
2. Normally, only a small sample of stores is used in the test market with a resultant sampling error. Further, sales data from sample stores may be inaccurate because of poor store records or insufficient knowledge of the store's billing and handling systems.
3. When the market test is going on, competitors would spare no effort to learn of the company's activities and even monitor results. They may even overtake the company by introducing this type of product in the market.
4. During the test market operations, special introductory offers and promotions are often made to the trade and consumers so as to measure repurchase activity. However, such offers remain confined to a limited area. These offers are not available at the scale of the test for a national roll-out.
5. The company conducting a test market ensures that trade is aware of the test and gives artificially high distribution and retailer support.
6. The salespersons being aware that a test is being conducted in their market, get excited beyond normal levels of their activity.

Guidelines For Designing Market Tests

In general, the following guidelines will be helpful in designing a good market test:

1. The market test must be representative of the whole. This is an extremely important aspect otherwise the projectivity of the test will be faulty. In order to achieve this, the sample markets should be randomly dispersed. It may be desirable to stratify the universe by regions or states first and then choose individual markets within the regions or states. The sample markets should be normal and should not be dominated by one industry.

2. It is desirable to run the test for at least a year. This is to ensure that a seasonal pattern, if existing, does not distort the results. This is particularly necessary in case of those products that are likely to have a seasonal pattern. Further, the test market should also reflect a repeat purchase situation. This is possible only when the duration of the test market is sufficiently long.
3. The test market must be carefully controlled. As far as possible, extraneous variables must not be allowed to unduly influence the test. This is particularly relevant in testing alternative variables when a control group is necessary. When a control group has to be set up for comparison with the test area, one should ensure that both should be selected in an identical manner. Similarly, the control group should be as randomly dispersed as the test area in addition to being as large as the test area.
4. It is necessary to ensure that the test market gives accurate results. Without a relevant and accurate measurement of the test market, the projective results will be misleading. In this connection, three things should be looked into: (i) the measurement criterion such as sales, market share or profit; (ii) the selection of the base period against which comparisons are to be made; (iii) the method of projecting the results of the test market.
5. It is advisable to test only one variable at a time since a large area is needed to test even one variable. Moreover, the introduction of another variable in the same test market may lead to unnecessary complications.
6. In order to ensure that projections made on the basis of a market test are realistic, it is advisable to use at least one year's back data as the base. This will enable us to choose the most appropriate method for forecasting. Sometimes it may be desirable to use more than one method for forecasting and to average the projections obtained from these methods.
7. The basic principles in market tests should never be sacrificed for the sake of expediency. A market test where several important principles are compromised will lead to confusing and misleading results.
8. It is desirable to undertake basic marketing research prior to the test marketing. Adequate research done before running a test market will give more reliable results. At the same time, it may indicate that test marketing is not needed in certain cases. Greater attention should, therefore, be given to pre-market test research to derive the maximum advantage from the test marketing.

(c) Market Segmentation and Positioning:

Market Segmentation

Market segmentation is the process by which the total heterogeneous market for a product is divided into several sub-markets or segments. Each segment is homogeneous in all major aspects and is different from the other. In economic terminology it can be said that though there is only one demand schedule for the total market, if it is divided into different segments, each segment would have a separate demand schedule. The need for market segmentation arises because a company with its limited resources cannot cater to the demand of the total market. In view of this, it has to identify the segments where its product would be most suitable and market that would be most profitable. There are several benefits of market segmentation. It helps in designing products that match with the market demand. A company could determine the most effective promotional strategy and position its promotional efforts to synchronise with the period when the consumers' response is likely to be the maximum.

Bases For Market Segmentation

There are several ways by which a company can segment its market. The methods may vary from one product to another.

An important way of segmenting the entire Indian market is to divide it into (i) ultimate consumers and (ii) industrial users. The ultimate consumers buy and/or use products or services for their

own use. In contrast, industrial users are industrial, business or institutional organisations which buy products and services in order to manufacture their own products. Since the two markets buy the products or services very differently, this division of the entire market into two, i.e., consumer market and industrial market, is extremely relevant and important from the viewpoint of marketing.

Demographic Segmentation

Market segmentation can be affected on the basis of demographic characteristics of the respondents. Demographic characteristics or bases are factors such as age, sex, race, nationality, religion, family size, urbanisation, income, occupation, etc. These measures are commonly used while segmenting the market. Studies using demographic bases normally relate to large samples. They use structured and undisguised questionnaires for collecting primary data from the sample respondents. In addition to the demographic characteristics, the respondents are questioned on their purchasing power of a particular brand and their consumption rate of each brand.

It is said that in many cases, demographic segmentation is unable to discriminate perfectly between heavy and light users or between users and non-users. All the same, such a measure as rural-urban population or male-female respondents will show significant differences in usage rates of consumer goods. In view of this, demographic segmentation cannot be ignored. It is relatively easy to use demographic characteristics in a research study. In addition, it is easier to understand their impact on the level of consumption or usage.

Psychographic Segmentation

Like demographic bases, the purpose of psychographic bases is the same, i.e., to identify various market segments. Psychographic bases are used to classify respondents with respect to their attitudes, beliefs, opinions and activities. Several steps are involved in order to obtain psychographic data. First a number of statements are framed. Second, the statements are listed in random order in a questionnaire. Third, it is desirable to have several statements in a questionnaire for each activity, attitude, belief, etc., which is to be measured by the researcher. Finally, the respondents are asked to indicate to what extent they agree or disagree with each of the statements, say, on a ten-point scale. Respondents are asked to report their consumption of the given brand/product and of various advertising media. On the basis of these responses, the researcher has (i) to identify groups of respondents having different activities, interests, attitudes and opinions; and (ii) to ascertain how these groups differ with regard to their product, brand and media usage.

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Limitations of Psychographic Segmentation

There are some limitations of psychographic segmentation. Some people hold the view that lifestyles of people are too heterogeneous to be classified into watertight groups. Even so, the general feeling among marketing people is that psychographic measures bring out some useful insights into market segmentation on the basis of such factors as attitudes, interests and activities of the respondents. Psychographic segmentation seems to be more useful as compared to the demographic segmentation. The former enables researchers to draw meaningful inferences in the sphere of advertising. For example, such studies may reveal how different segments respond to advertising messages. At the same time, a major limitation of such studies is that analysis of psychographic data is not only complex but also very subjective. A psychographic study generally involves the use of cluster analysis. There are different techniques of cluster analysis. The application of different techniques to the same set of psychographic data may bring out different market segments. Since the researcher himself has to choose a particular technique to be used, the analysis of psychographic data tends to be subjective. This is considered to be the major limitation of psychographic segmentation.

Usage Rate Segmentation

In order to use this method, it is necessary that data on the consumption of a particular product from a large number of consumers are available. Such data can be obtained through a consumer panel. If panel data are not available, then a field survey has to be undertaken to collect the requisite data. While collecting the data, a structured and non-disguised questionnaire is designed, provided demographic characteristics are to be used for segmentation. In the other case, a structured and disguised questionnaire is used. The measures of usage rate can be in the following forms:

- (a) Users and non-users,
- (b) Heavy users and light users, or
- (c) Heavy users, light users and non-users.

The consumers' groups thus formed are then analysed either on demographic or psychographic measures.

It may be noted that in respect of several products/brands, a relatively small proportion of the total population accounts for a large proportion of total consumption. In view of this, the usage rate approach for market segmentation seems to be justified. This apart, the use of this approach is not only quite easy but also straightforward. These are the major advantages of this approach. As against these advantages, it has been criticized on the grounds that it fails to take into account the brand preferences of different consumers and is unable to provide any reason as to why a particular brand is chosen by a consumer and not the other brand/s. These shortcomings can be overcome if product or brand attributes approach is used instead.

Requirements For Effective Market Segmentation

Before we close this section, it may be worthwhile to know how market segmentation can be effective. There are three conditions which must be fulfilled if market segmentation is to be made effective.

1. The bases for segmenting, i.e., the characteristics on the basis of which customers are to be classified into different categories, must be measurable and the data accessible.
2. It is necessary that market segments are accessible. A company should cater to the chosen segment or segments on the basis of the existing channels of distribution, the advertising media and the sales force. This should be possible with minimum cost and waste.
3. Finally, the market should be segmented in such a manner that each segment is large enough for a company to have adequate sales and profits from the segment.

Target Marketing

The company may adopt the strategy of undifferentiated marketing, which implies that it may cater to the largest part of the market with one offer and marketing mix. Alternatively, it may go in for concentrated marketing which means it favours a narrow market segment and will develop the ideal offer and marketing mix for it. Yet another alternative before the company is differentiated marketing which means it has decided to cater to several market segments, developing an effective offer and marketing mix for each chosen segment. Excepting the undifferentiated marketing strategy, the company has to choose its target market segments.

Brand Positioning

According to Green and Tull, “Brand positioning and marketing segmentation appear to be the hallmarks of today’s marketing research. Brand (or service) positioning deals with measuring the perceptions that buyers hold about alternative offerings.”

Components of Positioning

Positioning comprises four components. The first component is the product class or the structure of the market in which a company’s brand will compete. The second component is consumer segmentation. One cannot think of positioning a brand without considering the segment in which it is to be offered. positioning and segmentation are inseparable. The third component is the consumer’s perception of the company’s brand in relation to those of the competitors. Perceptual mapping is the device by which the company can know this. Finally, the fourth component of positioning is the benefit offered by the company’s brand. A consumer can allot a position in his mind to a brand only when it is beneficial to him. The benefits may be expressed as attributes or dimensions in a chart where brands are ‘fitted’ to indicate the consumer’s perceptions.

Repositioning

As the term suggests, repositioning is changing the positioning of a brand. The need for repositioning arises when the existing positioning of a brand does not give the desired results. In his book “Brand Management - The Indian Context”, YLR Moorthy has examined the repositioning of several brands. On the basis of careful examination, Moorthy has identified the following nine types of repositioning:

1. Increasing relevance to the consumer
2. Increasing occasions for use
3. Search for a viable position
4. Making the brand serious
5. Falling sales
6. Bringing in new customers
7. Making the brand contemporary
8. Differentiate from other brands
9. Changed market conditions.

Under each of these repositioning types, Moorthy gives some examples. It should be noted that the nine categories are not mutually exclusive. At times, one may find that a particular brand has been repositioned on account of multiple reasons. This suggests that it is not on account of declining sales alone that the change in positioning is required. A number of other reasons necessitate the corporations to reconsider where their products stand vis-a-vis other competitive products. If necessary, suitable steps should be taken so that their products stand out distinctly different from others.

(c) Pricing Research

Regardless of the nature of business, every firm has to decide what price is to be fixed for its goods and services. Pricing is one of the major factors that affects the success of the firm. Costs form the basis for determining the price. There are a number of other factors as well such as the nature of demand, extent of competition, technological development, financial status of the consumers, etc. If a new product is to be launched, the firm may undertake test marketing. In different locations, it can use experimentation to find the extent of its acceptability at varying prices. This may help the firm to choose the appropriate price. In case of an established product too, the firm may like to know how sensitive to price changes are its target segments. In fact, this is nothing but determining the price elasticity of demand. Another problem may relate to a situation when cost of production has been declining. Here, the firm may be in a dilemma-whether to reduce the price of its product or provide a better quality. Research may be helpful in decision making in this situation. This discussion is only illustrative. Many situations can be thought of where pricing research will be relevant.

Unit 5: Marketing Research Applications - II

(a) Brand Research

Brands are not defined just by their products or services. A brand is made up of much more; it has its own personality (contributed to by its employees), its own mission statement, its own goals, its own ethos, even its own humour (see Innocent drinks for an example). However, a brand's perception is not owned by the brand itself, rather it is owned by the customer, based on how they see and feel it.

A clever brand will spend time understanding how its communications and messaging alter brand perception, and much of this is done via communication with its customers.

Brand marketing research aims to provide a form of conversation:

Brand research specifically assists in the creation and curation of strong, distinctive brands.

Brand market research helps achieve competitive advantage through objective, insight based ideas and recommendations on product, service or customer service strategies.

Marketers, planners and strategists are then able to make confident, informed judgements on the endless decisions around target markets, pricing, positioning, distribution, partnerships and so on.

Brand research methods

There's a variety of ways to measure the relationship between brand name and specific concepts. They fall into two main techniques: scaling and sorting:

1. Scaling techniques which determine if there is an association between a brand and an attribute, together with the strength of that relationship e.g.:
 - Customer surveys, which might include perception maps
 - Customer SATisfaction surveys
 - [Net Promotor Scores \(NPS\)](#)
 - Product surveys
 - Social media listening
2. Sorting techniques allow firms just to know if there is an association e.g.:
 - Website traffic
 - Google analytics

(b) Advertising Research

Importance of Advertising

A study done by the Centre for Media Studies emphasises the phenomenal growth in advertising that has taken place in India in recent years. It observes: “By any count 1986-88 years will go down as a turning point in the Indian advertising industry.” A number of factors have contributed to this growth. First, advertising expenditure has crossed the Rs. 1000 crore mark. Second, advertising through TV has become a force to reckon with. Third, consolidation and realignment of advertising agencies has taken place. Fourth, newspapers and magazines have to woo advertisers and advertising agencies. Fifth, advertising expenditure is no longer questioned following the new buoyancy in the market. Another study shows that five consumer megatrends have swept across the urban landscape in India. These are: the new individualism, the growing multi-culture orientation, the search for status, a harder look at brand values, and the new aspirations among the consumers. These megatrends have emerged as a result of four forces of change in Indian society. These forces are: more purchasing power with consumers, availability of a wide variety of products and brands, availability of greater information about products and brands, and changes in the socio-economic environment in the country. In view of these developments, advertising has assumed more importance in recent years. This rising trend will continue on account of a number of factors such as an increase in urbanisation, expansion of education, increase in per capita income, etc. This would mean that companies will give far more attention to their advertising efforts, use more sophisticated and improved advertising techniques and be more concerned about knowing the impact of their advertising efforts.

Need For Advertising Research

The role of research in advertising can be seen in various stages of advertising planning. First, what should be the objectives of advertising? Unless the objectives are clear, advertising cannot be useful. Research would enable the company to be clear in its objectives of advertising. Second, advertising research should be used for developing a strategy for marketing the product in question. Further, the selection of the target audience can be facilitated by advertising research. In this connection, mere demographic classification will not be adequate. It may be equally necessary to pay attention to product usage behaviour. Another aspect where research can be useful is the selection of message that an advertisement should carry and through what media it should be conveyed. This is a major area of advertising research. Finally, research has to concern itself with the evaluation of advertising in order to find out whether the expenditure on advertising has been justified or not. If not, the reasons should be ascertained so that an improvement in advertising can be made in the future. In short, research can be instrumental in increasing the efficiency of advertising as a result of which the pay-off from advertising expenditure will increase.

COPY TESTING

“Copy testing is troublesome for almost everybody. Most advertisers and agencies have a checkered history of its use and often differ on both what and how to measure. This continued dissatisfaction, with copy testing has led to a never ending search for the next new technique to embrace.”

Methods of copy testing can be divided into two categories, viz., ‘before’ tests and ‘after’ tests. The former category includes all those tests that are used in ascertaining the suitability or otherwise of an advertisement before it is finally released. Their purpose is to effect improvements in the copy or advertisement. The latter category includes tests to measure the effectiveness of an advertisement after it has been formally released.

Despite this distinction, at times the difference between the two types of method gets blurred. This is because some 'before' methods require that an advertisement should be run in one or two media

'Before' Methods

A number of pre-test methods are used for copy testing. In this section, we will discuss the following methods: (i) consumer jury, (ii) rating scales, (iii) portfolio tests, (iv) psychological tests, (v) inquiry tests, (vi) laboratory testing, (vii) simulated sales tests, and (viii) Day-after recall tests.

Consumer jury: In this method, a sizeable number of consumers from the target audience are shown a set of rough and unfinished advertisements. With respect to these advertisements, they are asked such questions as: Which copy would you prefer to read? Which one would induce you to buy the product? Which headline is the most interesting? Paired comparisons or ranking may be used by respondents. The assumption in this method is that at least one of the advertisements shown will be liked by them.

Rating Scales: This method involves the use of certain standards against which a copy is tested. The copy is rated on the basis of scale values. As a result, a numerical score is obtained. It may be added that weights may be assigned to different factors or items on the basis of which a copy is to be tested, depending on their relative importance or relevance. This method is generally used by professional advertising agencies which are able to 'rate' advertisements without any difficulty.

Portfolio tests: According to this method, a number of alternative copies that are to be tested are placed in a portfolio. At times, the copies are placed in dummy copies of magazines or newspapers. Respondents are given the portfolio and asked to go through it. After they have done so they are asked to recall the copies from memory. Such a recall may be either unaided or aided. The interviewer may facilitate recall by asking about specific advertisements. The interviewer may further ask the respondent to recall the advertisement as much as possible. The extent of recall will indicate the strength of the copy.

Psychological tests: This method uses a number of psychological techniques to find out the reactions of respondents to a given advertisement. Techniques such as word association, sentence completion, depth interviewing and storytelling are used by trained psychologists to find out what respondents see in a given advertisement and the influence it has on them. As it is extremely difficult to interpret the information obtained on the basis of psychological tests, only trained persons should be appointed to carry out this task. In view of this, only a small sample can be used for such tests.

Laboratory testing: This method uses mechanical devices to measure the respondent's psychological responses to a given advertisement. The commonly used tests are the galvanic skin response and the eye movement. As regards the former, a device is used to measure changes in the amount of perspiration in the hands. This may be taken as a measure of emotional change as a response to an advertisement. However, the test is unable to indicate whether such an emotional change is favourable or unfavourable to an advertisement. In the latter test an eye camera registers the continuous movement of the eye as it reads an advertisement. However, the results obtained from an eye camera are difficult to interpret. For example, if the eye was fixed on a certain point could it be interpreted that the respondent was interested in the advertisement or that he was confused?

Inquiry tests: Some advertisements may invite several inquiries from the readers about a given product or service. However, it is questionable whether a large number of inquiries can be regarded as a good yardstick for a successful advertisement.

Simulated sales tests: These tests expose prospective consumers to different pieces of copy through point-of-purchase displays or direct mail. Thus, one may select two groups of similar stores where two alternative pieces of copy are displayed at the entrance or at some other place in the store. Sales of the product in question are measured both before and after the display of copy in the two groups of store. The copy in those stores which have registered a higher increase in the sale of the product over time is regarded as a better copy. Likewise, comparisons can be made between two pieces of copy using direct mail. While these tests are both

more economical and simpler than actual sales tests, one major limitation is that there is no certainty that the advertisement when actually given will have the same result as at the time of the test.

Day-after recall tests: These tests are generally undertaken for television commercials. The test involves an on-air exposure of a commercial in a couple of cities. This is followed by a telephonic enquiry of the respondents to find out if they can recall the message. The aggregate recall score that is arrived at is compared with a standard score based on similar studies. If the score given by the commercial is higher than the standard score, it is inferred that the advertisement is useful and should be telecast on a larger television network.

‘After’ Tests

There are three methods that are frequently used to test an advertisement after its formal release. These are recognition test, recall test and sales test. They are described below.

Recognition tests: These tests are carried out with respect to a printed advertisement and commonly referred to as a readership study. Here, the respondents are asked if they have read a particular issue of a magazine. They are further asked as to what they saw and read. Generally, the respondent is shown a particular page of the magazine and then the following measures of recognition are taken:

1. **Noted**—the percentage of readers who have seen the advertisement earlier.
2. **Seen-Associated**—the percentage of readers who read a part of the advertisement which indicates the brand or advertiser.
3. **Read Most**—the percentage of readers who read a major part of the advertisement. Scores are assigned to these three measures and overall scores are determined for all the advertisements contained in a particular issue of the magazine. These scores are then related to the expenditure incurred on the advertisements. In this way, cost ratios can be determined.

The recognition method has certain limitations. Some respondents may confuse specific advertisements with similar or identical advertisements seen elsewhere. Respondents may forget having seen an advertisement earlier or falsely claim that they have seen it.

Recall tests: In this method respondents are asked to recall specifics of the advertisement. In foreign countries, there are some advertising agencies that offer a post-testing readership service.

To begin with, copies of test magazines are sent to a sample of respondents who are asked to read them in a normal manner. Telephone interviews are held on the following day. Respondents are read out a list of advertisements and asked to identify those they remember and the extent to which they are able to recall. Thus, scores are assigned to the ability of the respondent to remember the name of the product, the underlying message contained in the advertisement and their favourable attitude regarding the advertisement.

Recall tests, no doubt, go beyond recognition tests but it is difficult to say the recall scores indicate the desired consumer behaviour. Recall scores may be high and yet there may not be any perceptible change in the consumer behaviour with respect to the product in question.

Sales tests: This method measures the effect of an advertisement on the sale of the product.

The assumption is that changes in sales are as a result of the advertisement. However, as there are several factors influencing sales, one has to be extremely careful in establishing a relationship between advertising and sales. It is desirable to isolate the influence of other factors while determining the impact of an advertisement on the sale of the product. Experimental studies can be designed to study the impact of an advertisement on sale.

Media Research

The main issues in media research are: (a) How to choose amongst media types—television, radio and newspapers? (b) How to decide on a specific insert within a particular type of media, say, television?

In order to decide on these two issues, it is necessary to have some data. The Advertising Research Foundation (ARF) suggested the following types of data for this purpose:

1. Media vehicle distribution: The circulation number for a magazine or newspaper or the number of television or radio sets available to carry the advertising.
2. Media vehicle audience: The number of people exposed to the media vehicle. This would be larger than the number in (1) above as more than one person reads the same newspaper/magazine or watches on the same television set.
3. Advertising exposure: The number of people exposed to a specific advertisement in the media vehicle. This number would be less than the number in (2) above as all those who are exposed to a newspaper/magazine may not notice a particular advertisement.
4. Advertising perception: The number of people who perceived the advertisement in question. This number would be less than that in (3) above. The people may perceive an advertisement because of several factors such as its large size, use of attractive colours or its positioning in the media vehicle or on account of the product involved.
5. Advertising communication: The number of people who comprehend specific things about the advertising. This number would obviously be less than the number of people who perceived.
6. Sales response: The number of people who buy the product in question as a result of advertising.

Media Audiences

Media research comprises, inter alia, the measurement of the size and break-up of individual vehicle audiences. We will discuss this under two heads—print media and radio and television.

Print Media

Prior to the reports of the Audit Bureau of Circulation (ABC), the measures regarding the individual vehicle audiences were those which the media themselves claimed. Such measures were rather inflated as any individual media vehicle would suggest that its circulation is far and wide. Since the ABC's reports are now available, these inflated measures have ceased. The ABC compiles its report which gives the size of circulation of a newspaper/magazine on the basis of certified audits.

This information while being useful, is not sufficient. It is difficult to estimate precisely the size of audience for a particular publication. The data collected by merely asking respondents as to whether they have looked at a particular copy would be unreliable. This is because some respondents may regard reading a particular magazine as a status symbol and hence they may report exaggerated readership. Likewise, reading of some magazines may be regarded as below one's status and hence their readership may be reported to be much less than in reality.

Another important aspect in determining the audience size for print media is the extent of duplication between magazines. This is because readership of three or more magazines among respondents is quite common. But the data on readership seldom give the extent of duplication.

The problem is how to get the size of 'unduplicated' audience. A detailed study to determine the duplication among a large number of magazines would obviously be very expensive, not to mention the time it would involve.

Radio and Television

There are four methods to measure the size of the audience for any radio and television programme. These methods are discussed briefly below.

Coincidental method: First of all, a sample of households having a telephone is selected. This is followed by an inquiry on telephone as to whether a particular programme on radio is being listened or being watched on television. Other information such as the name of the sponsor and the product being advertised is also collected.

The main advantages of this method are that it is quick and economical. It has some limitations though. First, the method has to be confined to only those households which own telephones. In a country like India, a large number of households do not have telephones and hence they have to be excluded. Second, since the enquiry has to be conducted while a particular programme is in progress only a limited number of households can be contacted in this short duration. Finally, it is extremely difficult to undertake an enquiry with respect to late night programmes.

Roster recall: As the name implies, a roster or list of programmes is used to facilitate respondents to recall what programmes were listened to or watched. Respondents are contacted personally by interviewers. This method has some major limitations. First, the responses are dependent upon memory. Second, depending on the status or popularity or otherwise of a particular programme, respondents may give their replies regardless of whether they have listened to a programme (or seen it). Third, the method is unable to provide information on a continuing basis. Finally, it is not possible to estimate duplication in the audience as respondents are approached for programmes within a short time period. It is possible to estimate the number of persons who watch both programmes, falling within the same time span on which respondents are being contacted.

Diary method: As the name implies, the method uses a diary for estimating the number of persons listening to or watching different programmes. A diary, especially designed for this purpose, is issued to respondents who have agreed to furnish the desired information. Each respondent records his radio listening or television viewing, along the personal data such as age and sex in this diary.

If respondents accurately record their radio listening or television viewing, this method would give accurate and complete information, eliminating the errors that may arise due to memory lapse and interviewer bias. Further, it is cheaper than other methods involving personal interviewing and recall. However, in practice, one may find that respondents are not so careful in listing the programmes listened to or viewed by them. Besides, there is a lack of continuity in the flow of information as the diary method is unable to provide the estimate of an audience, say, minute-by-minute. Apart from this, some respondents in the panel may stop giving the information sought or move to another address. In such a case, how far the panel will remain representative of the population is a moot question.

The audimeter: An audimeter is an electronic machine attached to a television set. As soon as the television set is turned on, the machine records it on the tape. In advanced countries, this method is frequently used. The audimeter ensures a continuous flow of information which is not possible in any of the earlier methods. This is its main advantage. Another advantage of this method is that there is complete objectivity in the information thus collected. Moreover it is possible to have a cumulative estimate of the audience since the audimeter sample will be almost same from month to month. The method suffers from some limitations as well. First, turning a set on does not necessarily mean that the programme in question is being watched. Second, the method cannot indicate as to who is watching a programme.

Setting the Advertising budget

Whenever any company has decided to use advertising as an aid to carry out its business operations, it must decide how much to spend on advertising. There are a number of methods that can be used in setting the advertising budget. Of these, four methods are more commonly used. These are: affordable method, percentage-of-sales method, competitive parity method, and objective-and-task method. These are briefly discussed here.

1. **Affordable Method** As the name implies, many companies set the advertising budget on the basis of what they can afford. This, of course, is a very simple method, no extra effort is required for deciding the advertising budget. This method suffers from a major weakness as it leads to a fluctuating advertising budget. In view of this, the company may find it difficult to plan long-range market development.
2. **Percentage-of-sales Method** In accordance with this method, many companies set their advertising budgets at a specified percentage of sales (either current or anticipated) or of the sales price. This method has certain advantages. First, advertising budget is likely to vary with what the company can afford. Second, it enables management to think in terms of the relationship between advertising cost, selling price and profit per unit. Third, as several companies in the same business follow this method, it encourages competitive stability.
Despite the aforesaid advantages, this method has certain drawbacks. It uses circular reasoning in viewing sales as the cause of advertising rather than as the result. Further, it fails to provide any logical basis for the choice of a specified percentage. This may be based on the practice followed in the past, or what the competitors are doing. Yet another limitation is that it does not encourage advertising appropriations on a product-by-product and territory-by-territory basis. This is because here all allocations are made at the same percentage of sales.
3. **Competitive-Parity Method** Some companies follow this method which implies that they set their advertising budgets specifically to match competitors' outlays. This enables them to maintain competitive parity. Two arguments are advanced in favour of this method. First is that competitors' expenditures represent the collective wisdom of the industry. Second is that maintaining a competitive party helps to prevent advertising wars. But as no conclusive evidence is available, both these advantages do not seem to be valid. Further, on the same lack of evidence, it cannot be said that this method helps industry in stabilising advertising expenditures.
4. **Objective-and-Task Method** This method enables the company to decide on three things, namely, (1) what are the objectives of advertising? (2) In order to meet those objectives, what tasks are to be performed? (3) Estimating the cost of each task listed in (2) above. The total of these costs is the proposed advertising budget.

(c) International Marketing Research

“Marketing abroad is no longer simply a matter of skimming the cream from the top of rich markets. Today, successful marketing abroad requires thorough market investigation and effective sales follow-through. Market investigation means market research; determining market possibilities, evaluating competitive conditions, directing local customs, tastes and preferences. On the basis of this research, marketing and sales plans and advertising programmes are shaped, products and corporate images succeed or fail.”

Why is international Marketing research necessary?

1. In order to identify which markets should be selected, marketing research will be very helpful in determining the market size, market potential, accessibility and competitive factors.
2. Marketing research will enable the identification of suitable products and the prospects of its acceptability.
3. In foreign markets, packaging needs to be appropriate to build the demand for the product. Research will enable to take right packaging decisions.
4. Research can even check the firm in making an inappropriate market entry. After proper analysis of business environment, research can guide the firm whether it should export its product by using agents or distributors, go for a joint ventures or open subsidiary units.

5. In pricing of the product, research can be quite helpful as it requires considerable amount of data collection and analysis.
6. Another issue that is important in international marketing is the positioning of the product. For this, research has to analyse socio-economic factors. In case the product has been wrongly positioned, it is unlikely to succeed.
7. In order to ensure that the product continues to have a favourable market, research has to be watchful in taking cognizance to changing business environment. It may even suggest promotional campaigns as and when necessary to push up the demand for the product.

What is Different about international Marketing research?

National Differences

Within this group, several aspects are covered. These are differences in culture, race, climate, economy, religion, history, consumption pattern, marketing, condition. All these factors are relevant when a firm decides to enter a foreign country for business. Some of these are more important than others, for example, culture influences widely patterns of behaviour within a large group of people. This also influences buying behaviour of people. No doubt, the impact of these factors would vary from country to country. In view of this, when a firm has chosen a certain country for its business, it should be fully aware of those factors that have major influence on the population.

Comparability of research Quality research must give such results that cannot be questioned. In other words, any one who goes through the research report, feels that the study has been carried out objectively. In case of multicountry research studies, this aspect becomes all the more important. In such studies, the researchers should ensure the comparability of responses that are obtained with similar instruments of measurement. This, no doubt, is quite challenging which can be taken care of by an experienced and skilled researcher.

International Marketing Research (I.M.R.)

1. **Single-Country Research:** At times the researcher is interested in formulating and implementing of marketing strategies in a foreign country market. This is undertaken when one finds that there is good scope of exporting products from the home country.
2. **Multicountry Research:** Multicountry research can take three different forms as discussed below.
 - (a) **Independent Multicountry Research:** This is the most common form of I.M.R. Such studies are normally conducted by subsidiaries or branches of MNCs independently on the same product in a number of countries. This approach has two limitations. First, there is duplication of effort such as preparation of questionnaires, etc. Second, such studies are conducted at different time periods. They are not done simultaneously in a number of countries.
 - (b) **Sequential Multicountry Research:** As the name implies, multicountry research is conducted in a sequential manner. First, one or two countries are taken up for study. On the basis of experience gained in these countries, other countries are subsequently involved in the research programme. This approach seems to be quite beneficial as the problems encountered in conducting research in the first one or two countries, can be avoided in subsequent countries. Another merit of this approach is that due to experience gained, the researcher can apply better focus on the subsequent countries. Yet, another merit is that costs of conducting the research are spread over a longer time period. It is advisable to have a well-prepared overall research plan right at the beginning so that research studies on different countries follow the same procedure and, as a result, spurious international differences can be avoided.

(c) Simultaneous Multicountry Research: Here, as the name suggests research is undertaken in several countries at the same time. This approach is considered the “purest” form of international marketing research. This form of research is complicated and involves unique problems since the situation in each country can vary significantly. Obviously, this approach offers great challenge to the researcher who should be intelligent and dynamic in quickly understanding varied problems.

Problems in international Marketing research

First, marketing researcher may have to analyse several national markets instead of a single national market, if the company wants to be well informed. Since each of the national markets has unique characteristics, the marketing researcher has to bring them out distinctly in his analysis. As small markets may have low profit potential, it may be advisable to undertake marketing research on a modest scale in respect of such markets. The marketing researcher may have to use such research techniques which are suitable in view of modest profit potential.

Second, the problem of reliability of secondary data available in the concerned country/countries becomes extremely relevant. At times it is felt that the statistics available in developing countries are not realistic and they are manipulated in order to show a rosy or gloomy picture on account of political and other considerations.

Third, if research involves the collection of primary data through a survey in a foreign country, the export marketing researcher may sometimes find it difficult to collect such data. This may be on account of the reluctance of respondents to give the required information to foreigners who are strangers. This problem is further accentuated especially in rural areas which account for a sizeable proportion of total population and where the level of education is very low.

Fourth, when a survey is to cover two or more countries, differences in economic and social environment, demographic aspects, physical distribution facilities, legal constraints etc., would affect the comparability of data.

Fifth, the availability of media may also affect the comparability of data for two or more countries. In most of the developing countries, for instance, telephonic interviewing would be quite inappropriate as a large proportion of households do not own telephones. Further, as a vast majority of households do not own TV sets in developing countries, the effect of TV advertising may not be comparable with that in advanced countries where TV sets are owned by a good majority of households.

Finally, religious and cultural customs vary from country to country. These may pose obstacles to marketing researchers particularly when they undertake field surveys. For example, in the Middle East, interviewing housewives may pose a problem on account of the purdah system. In view of these special difficulties in international marketing research, one has to be extremely careful in conducting such a study, particularly, if it is to be based on a field survey.

Scope of export Marketing Research

The scope of any given export marketing research will depend on the following considerations:

- (i) the objective of the proposed research;
- (ii) the nature of the product, its market and marketing arrangements, and the availability of relevant data about them;
- (iii) the availability of financial resources and time; and
- (iv) the competence, experience and training of the marketing researcher.

Use of secondary data (or Desk research)

Export marketing research can be undertaken on the basis of either secondary data or primary data or a combination of both types of data. In the literature on export marketing research, the term 'desk research' is used to indicate the collection and analysis of secondary data. Through proper desk research, it is possible to conduct a preliminary screening. This will enable the marketing researcher to identify those export markets which are potentially attractive. This preliminary screening should be reasonably comprehensive so that one may not overlook more prospective export markets. One should not only know the most promising overseas markets but should also know why certain markets do not need any further investigation. International agencies such as the United Nations, International Monetary Fund, the OECD provide data on such items as population, education, national and per capita income and position with regard to foreign exchange. In particular, the OECD's World Trade Statistics and the United Nation's International Trade Statistics are useful sources of secondary data. In addition, national government publications are available on import regulations, customs duties and related legislation affecting marketing. Many countries bring out yearbooks or statistical abstracts that are immensely useful to an exporter.

Sources of Secondary Data in India

A major source of the most authentic data on foreign trade is the Government of India's publication entitled Monthly Statistics related to India's Foreign Trade. These statistics are published in separate volumes for export and import trade. The statistics contained in this publication are quite comprehensive. A potential exporter can know from this source and nature and extent of exports to different countries, the rate of change in exports, etc.

Another source of information on various aspects of export marketing is available in the research studies done by the Indian Institute of Foreign Trade, India Trade Promotion Organisation and Export Promotion Councils.

At times, the financial dailies such as The Economic Times bring out special features, each time devoted to a particular country, for different countries. They contain useful and most recent information.

Like export statistics, import statistics of the selected importing countries are important. Such statistics may be available in foreign embassies or consulates in India and chambers of commerce. Besides, Indian embassies abroad may furnish some broad information to a potential exporter on request. Secondary data are becoming more plentiful in quantity. In addition, their quality has improved over the years. Studies based on secondary data are obviously much cheaper. The marketing researcher should, therefore, explore fully the availability of secondary data. However, before using such data, he must ensure their reliability and suitability for the proposed research by evaluating such data.

Collection of Primary Data (field survey)

Sometimes the information required by an exporting firm is just not available. In such a case, the marketing researcher has to be extremely vigilant in organising it. In order to conduct a field survey in a foreign country, the marketing researcher has to follow the same steps that are involved in a domestic survey.

When marketing research is to be undertaken in a country where English language is not commonly used, it is necessary to get the questionnaire translated in that foreign language. Proper translation of the questionnaire is very necessary. Again, for conducting the interviews, properly qualified interviewers have to be recruited on an ad-hoc basis for that survey only. It is advisable to hire the services of a professional marketing research agency in the country concerned. This will be extremely helpful to the firm as it will have to face several difficulties in conducting the field survey in a foreign land. However, it will indeed be quite expensive to avail

the services of a professional marketing research agency. Only large firms which are keen to export their products in overseas markets can afford to do so. Even when a company is able to afford large expenditure on marketing research after it has been convinced that it will pay off, it may not be able to do so on account of restrictions on the release of that much of foreign exchange. However, in view of liberalisation policy of the government and increase in India's foreign exchange resources, the government may release the foreign exchange as needed. A field survey in a foreign country can be of two types, viz., product-oriented survey and market oriented survey.

Product-oriented Survey

A firm which is exploring the possibilities of selling its product or products in foreign markets may undertake a product-oriented survey. Keeping in mind its own product, it will try to identify those countries where this product is consumed, the extent and pattern of its consumption, price at which it is available in the overseas market, the countries currently exporting it and the magnitude of competition. It has to be a comprehensive survey.

Market-oriented Survey

In a market-oriented survey, a firm may like to know which product or products can be sold in a particular market. Here, the firm has already identified one or more countries where it would like to export. It will be primarily interested in identifying the products that are currently imported in that market and the possibility of marketing any new product there. Such a survey may be extremely useful to an export organisation or a new unit which is interested in entering the export trade.

Major sources of error in international surveys

Definitional Error

Such an error arises on account of lack of conceptual, definitional, temporal and market structure equivalence. Conceptual differences may arise, for example, in respect of certain food products which are either not known in some countries or are used differently. Definitional equivalence is an offshoot of the conceptual problem. Further, temporal equivalence may be affected if the surveys are not conducted simultaneously in the concerned countries. The comparability of data may be vitiated on account of seasonal factors in some countries while they are non-existent in others.

Instrument Error

An instrument error may arise on account of problems of linguistic equivalence, contextual equivalence, instrument equivalence and response style equivalence. Linguistic equivalence may get distorted while translating a questionnaire into another language. A contextual equivalence may get distorted, for example, in the Middle East where the respondents may resent the visit of the interviewer to their homes on the ground that it is an intrusion into their privacy. As such, they may be reluctant to give the desired information. As regards instrument equivalence, it may be difficult to establish. But one may say that a telephone survey, for example, may not yield representative data for all countries. Finally, response style equivalence deals with the style of people responding to the interviewer. Respondents in some countries may be quite willing and cooperative while in others they may be reluctant and reserved. Between these two extremes, there may be several variations depending on the extent of cooperation.

Frame Error

This type of error arises on account of the varying sampling frames used for different countries. Some sampling frames, on the basis of which a sample is drawn, may be defective in the sense that they account

for a relatively small proportion of the population. Further, the definitions of dwelling units and households may be different in different sampling frames.

Selection Error

This type of error arises in the process of selecting respondents in two or more countries. For example, if a study is undertaken to compare consumption behaviour in respect of say, breakfast cereal, in two countries A and B, it may happen that respondents in country A may be comparable with those in country B, except their age. Country A may have proportionately more young respondents than in country B. This may have an impact on the consumer behaviour in the two countries. As a result, their consumer profiles are not strictly comparable.

Non-response Error

On account of the variation in response in two or more countries, the non-response error will arise. To a large extent, the magnitude of response will vary on account of educational and cultural differences in the countries covered in the survey.

Sampling Error

This type of error is the only one which is free from cultural differences in different countries. On the basis of statistical principles, the sampling error can be computed. Further, one should note that it is extremely difficult that a survey will be completely free from any error. Even in a domestic survey, it is rare that all errors are completely eliminated. In a multinational survey, errors are bound to arise. All the same, the marketing researcher should try to minimise the varying types of errors so that the comparability of data can be maintained.