



# MARKETING RESEARCH AND BUYER BEHAVIOUR

# 2

## STRUCTURE

- Introduction
- The Context of Marketing Decisions
- Definition
- Purpose of Marketing Research
- Scope of Marketing Research
- Characteristics of Good Marketing Research
- Marketing Research Design Procedure
- Precautions to be Taken in Designing a Good Questionnaire
- Types of Marketing Research
- Applications of Marketing Research
- Marketing Research in Indian Perspective
- The Measurement Concept
- Marketing Decision Support System
- Quantitative Tools Used in MDSS
- Marketing Information System
- Buyer Behaviour
- Importance of Consumer Behaviour
- Models of Buyer/Consumer Behaviour
- Determinants of Buyer/Consumer Behaviour
- The Consumer Decision Process
- Marketing Implications of Consumer Behaviour

## 2.4 PURPOSE OF MARKETING RESEARCH

The general purpose of Marketing Research (MR) is to facilitate the decision-making process. A manager has before him a number of alternative solutions to choose from in response to every marketing problem and situation. In the absence of marketing information, he may make the choice on the basis of his hunch. By doing so, the manager is taking a big risk because he has no concrete evidence of this alternative in comparison with others or to assess its problem's outcome. But with the help of information provided by marketing research the manager can reduce the number of alternative choices to one, two or three and the possible outcome of each choice is also known. Thus, the decision-making process becomes a little easier.

The second purpose of marketing research is that it helps to reduce the risk associated with the process of decision-making. The risk arises because of two types of uncertainties; uncertainty about the expected outcome of the decision will always remain no matter how much information you may have collected to base your decision on hard facts. Unforeseen factors have the uncanny ability of upsetting even the most stable apple cart. In the mid-1950s, Ford company in USA had a 25% market share of the automobile market. The company wanted to introduce a new car model which would appeal to young executives and professionals. The decision was based on research which revealed that this market segment accounted for 25% market share and was expected to grow to about 40%. Ford spent colossal amounts researching and designing the new model which was named Edsel. When introduced in the market the car was utter flop. This happened because of three unforeseen events.

*First, the youthful car market segment did not grow as rapidly as the market research had indicated.*

*Secondly, the recession also set in at about this time and people began looking for economical means of transportation.*

*Thirdly, there was a sudden change in customer tastes, with people turning away from flashy exteriors, and the flamboyant Edsel was totally out of time with new taste for austerity and functional simplicity.*

The above example highlights the fact despite best research effort the outcome can still be unpredictable. As Reynolds, a former Ford executive, commenting on the Edsel fiasco, commented, "it is hard to see how anyone could, given the kind of car market that existed in 1955 and 1956 have anticipated such trends." The techniques of market research are based on scientific methods of collecting, analysing and interpreting data, its findings and projections, at the least provide a definite trend of scenarios for future decision-making.

The third purpose of market research is that it helps firms in discovering opportunities which can profitably be exploited. These opportunities may exist in the form of untapped customer needs or wants not catered to by the existing firms.

## 2.5 SCOPE OF MARKETING RESEARCH

Marketing Research (MR) is concerned with all the aspects of marketing, relating to product design and development, product-mix, pricing, packaging, branding, and sales, distribution, competition, target customer segments and their buying behaviour, advertising and its impact.

Specifically, the scope of MR includes customers, products, distribution, advertising competitive information and macro-level phenomenon.

- (i) Marketing is concerned with identifying and fulfilling customer needs and wants. Thus, MR should precede marketing. The unfulfilled wants should first be identified and translated into technically and economically feasible product ideas which then should be marketed to the customers. Mere identification of customer wants is not enough. Marketing requires continuous effort to improve the existing product, increase sales and beat the competition. For this, it is important to know who the customers are for your products (whether housewives, teenagers, children), what their socio-economic profile is (in terms of income, education, cultural, religious and professional background) and where they are concentrated in terms of location. Besides this information, it is also important for you to know the process by which a prospective customer arrives at a decision to buy your product. If you know the sequential steps in the purchase process positive impact on them, and thus ensure an actual purchase. The study of consumers and their purchase behaviour is so important that there is a separate, special body of knowledge known as consumer behaviour.
- (ii) The second area which is of direct concern for MR is the product and product design. MR is helpful in determining the final design of the product and its physical attributes of colour, size, shape, packaging, and brand name. It is useful in arriving at the right combination of product mix, the number of variations of the basic product, accessories and attachments. It can also help decide the quantities to be produced according to the projected demand estimates. MR can also be used to gauge customer reactions to different prices.
- (iii) Marketing research helps in discovering what types of distribution channels and retail outlets are most profitable for your product. On the basis of comparative information for different channels and different types of outlets, you can choose the

combination most suitable for your product. Distributor, stockist, wholesaler, retailer may represent most kind of distribution channel in contrast to another in which you may use only the distributor and retailer. Consider the below given example:

*A firm is marketing refrigerators through distributors and retailers in the eastern zone. The understanding between the firm and distributors is that the latter will provide the after-sales service. Analysing the sales figures, the firm finds that the sales level in eastern zone is much lower than in the other zones. Marketing research reveals that one of the reasons for this low sales performance is the poor after-sales service provided by the distributor. In a high value, durable product such as refrigerator the quality of after-sales service is an important factor influencing the customers' purchase decision regarding the specific brand to buy. The firm decides to do away with the distributor and instead opens its own branch office. The new distribution channel comprising branch office and retailers is operationally more expensive, but the company can now control the quality of after-sales service as well as the other marketing inputs. The result is improved sales and the incremental cost associated with the new distribution network is justified.*

- (iv) Most companies provide advertising support for their products. In some cases the amount spent on advertising may be small, while in others it may run into crores of rupees. Irrespective of the actual amount spent on advertising, each firm would like to maximise the return on every rupee that it spends. Marketing research can help the firm to do this. Research can provide information on the most cost-effective media to help determine the advertising budget, measure the effectiveness of specific advertisements; advertising campaigns and the entire advertising strategy. Research also provides information on the size and type of audiences for different advertising media channels. This information can be used to refine the advertising strategy to make it more relevant and sharply focused. Advertising research is also useful in determining customer perceptions about the image of specific branches and companies. The various research tools applied in marketing area is impacted for further studies such as:
- (a) Demand forecasting
  - (b) Consumer behaviour
  - (c) Measuring advertising effectiveness
  - (d) Media selection for advertising
  - (e) Test marketing
  - (f) Product positioning
  - (g) Product potential.
- (v) Marketing research is being increasingly used at the macro level. Government spends colossal amounts on various socio-economic development schemes and projects. If

the objectives of these projects are not in tune with the prevailing consumer tastes, attitudes and values, the entire amount may prove to be a total waste. Just as a business organisation needs MR to monitor the efficacy of its strategy in achieving the objectives, so does the government, and its departments.

- vi) Organisation research is an interdisciplinary field. Since the men who do the research in organisations, come from a variety of backgrounds. They tend to bring with them different tools, different concepts and different methodological concepts. The organisation research enables the managers to get exposed to many theories and research findings have relevance to organisations.

The role of the manager and the research scientists are often viewed as very different; many of the day-to-day problems are similar to those faced by researchers. For example, a manager is confronted with the problem of high absenteeism in one department. Once the problem is identified and the need to take corrective actions is being recognised, the manager must collect reliable information about the problem. The manager should have adequate knowledge of various research methods through which he/she can solve the problems.

- (vii) Industrial research laboratory is presumably a pragmatic organisation. This kind of research is benefit for the future prosperity of a particular company. The specific objectives of industrial research are:

- (a) To improve the quality of products
- (b) To minimise the cost
- (c) To run with standardisation
- (d) To make innovative methods to capture new markets
- (e) To make complete relations with the customer group.

- (viii) Production research organisation is never static (constant). It keeps on changing in an innovative manner. But the changes always bring difficulties, if not troubles. Thus, research acts as a backbone for smooth production process in a continuous method. Production research activities normally fall in three categories:

- (a) Investigation of a new production method
- (b) Investigation of methods of standards and control
- (c) Troubleshooting (problem solving)

Marketing researchers have steadily expanded their activities and techniques which is mentioned in the list where 36 marketing activities and the percentage of companies carrying on each activity are given. These activities have been benefited from increasingly sophisticated techniques.

Type of Research	Area	Per cent Doing
(a) Business/Economic and corporate research	1. Industry	83
	2. Acquisition	53
	3. Market-share analysis	79
	4. Internal employee studies	54
(b) Pricing	5. Cost analysis	60
	6. Profit analysis	59
	7. Price elasticity	45
	8. Demand analysis	
	a) Market potential	74
	b) Sales potential	69
(c) Product	c) Sales potential	67
	9. Competitive pricing analysis	63
	10. Concept dev. & testing	68
	11. Brand testing	38
	12. Test marketing	45
	13. Product testing	47
	14. Packaging design studies	31
15. Competitive studies	58	
(d) Distribution	16. Plan/warehouse location	23
	17. Channel performance	29
	18. Channel coverage studies	26
	19. Export and international	19
(e) Promotion	20. Motivation research	37
	21. Media research	57
	22. Copy research	50
	23. Advertising effectiveness	65
	24. Competitive advertising	47
	25. Public image studies	60
	26. Sales force compensation	30
	27. Sales force quota studies	26
	28. Sales force territory	31
	29. Studies of premiums	36
(f) Buying behaviour	30. Brand preference	54
	31. Brand attributes	53
	32. Product satisfaction	68
	33. Purchase behaviour	61
	34. Purchase intentions	60
	35. Brand awareness	59
	36. Segmentation studies	60

Source: Thomas C. Kinnear and Ann R Root, Eds, 1988, Survey of marketing research operations, functions, budget, compensation (Chicago American Marketing Association, 1989) p. 43.

## 2.6 CHARACTERISTICS OF GOOD MARKETING RESEARCH

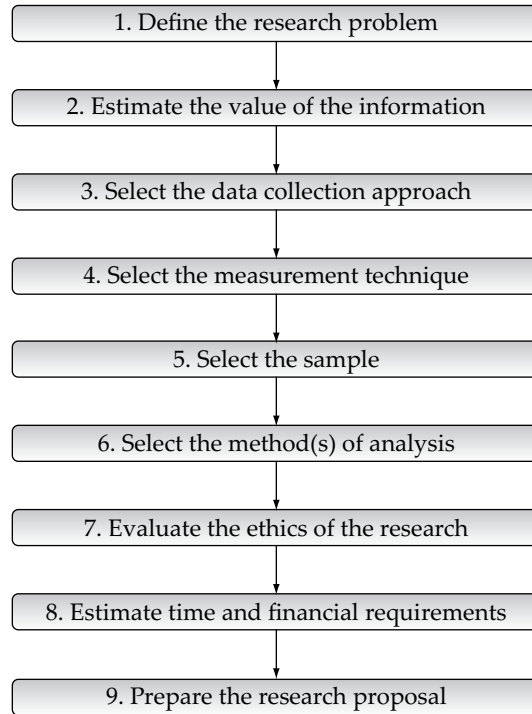
1. **Scientific Method:** Effective marketing research uses the principles of the scientific method, careful observation, formulation of hypothesis, prediction, and testing.

**Ex:** A mail order house was suffering from a high rate (30%) of returned merchandise. The management asked the marketing research manager to investigate the causes. The marketing researcher examined the characteristics of returned orders, such as the geographical locations of the customers, the sizes of the returned orders, and the merchandise categories. One hypothesis was that the longer the customer waited for order merchandise, the greater the profitability of its return. Statistical analysis conformed this hypothesis. The researcher estimated how much the return rate would drop for a specific speed of service. The company did this, and the prediction proved correct.

2. **Research Creativity:** At its best, marketing research develops innovative ways to solve a problem.
3. **Multiple Methods:** Competent marketing researchers shy away from over reliance on any one method, preferring to adapt the method to the problem rather than the other way around. They also recognise the desirability of gathering information from multiple sources to give greater confidence.
4. **Interdependence of Models and Data:** Competent marketing researchers recognise that the facts derive meaning from models of the problem. These models guide the type of information sought and therefore should be made as explicit as possible.
5. **Value and Cost of Information:** Competent marketing researchers show concern for estimating the value of information. It helps the marketing research determine which research projects to conduct, which research designs to use, and whether to gather more information after the initial results are out. Research costs are typically easy to quantify while the value is harder to anticipate.
6. **Ethical Marketing:** Most marketing research benefits both the sponsoring company and its consumers. Through marketing research, companies learn more about consumers needs and are able to supply more satisfying products and services. However, the misuse of marketing research can also harm consumers.
7. **Healthy Skepticism:** Competent marketing researchers will show a healthy skepticism toward given assumptions made by the managers about how the market works.

## 2.7 MARKETING RESEARCH DESIGN PROCEDURE

Marketing research is undertaken to improve the understanding about a marketing situation or problem and consequently improve the quality of decision-making related to it. The usefulness of the marketing research output will depend upon the way the research has been designed and implemented at each stage of the process. Each of these steps or stages in turn may contain a series of activities. When all these activities are completed in a satisfactory manner, a thesis is produced. The various steps in research design process are shown in the Fig. 2.1.



**Fig. 2.1** Steps in the research design process.

### Step 1: Define the Research Problem

Problem definition is the most critical part of the research process. Research problem definition involves specifying the information needed by the management. Unless the problem is properly defined, the information produced by the research process is unlikely to have any value.



Research problem definition involves four interrelated steps.

1. Management problem/opportunity clarification
2. Situation analysis
3. Model development and
4. Specification of information requirement.

### **1. Management's Problem/Opportunity Clarification**

The basic goal of problem clarification is to ensure that the decision-maker's initial description of the management decision is accurate and reflects the appropriate area of concern for research. If the wrong problem is translated into a research problem, the probability of providing the management with useful information is low.

### **2. Situation Analysis**

The situation analysis focuses on the variables that have produced the stated management problem or opportunity. The factors that have led to the problem/opportunity manifestations and the factors that have led to the management's concern should be isolated. The situation analysis is seldom limited to an armchair exercise in logic, although this may be a valuable part of it. It also involves giving careful attention to company records; appropriate secondary sources such as census data, industry sales figures, economic indicators, and so on, and interviews with knowledgeable individuals both internal and external to the firm. The persons interviewed will include the manager(s) involved and may include salespersons, other researchers, trade association officials, professionals, and consumers.

### **3. Model Development**

A situation model is a description of the outcomes that are desired, the relevant variable and the relationships of the variables to the outcomes. The researcher is therefore interested in having the manager answer the following questions.

1. What objective(s) are desired in solving the problem or taking advantage of the opportunity?
2. What variables determine whether the objective(s) will be met?
3. How do they relate to the objective(s)?

At least two sources of information may be helpful in this phase of research design. First, secondary data sources beyond those concerned directly with the situation analysis should be reviewed. These sources range from trade journal articles and special reports concerning the variable in a specific situation to more abstract theoretical treatment of the variable.

The second approach for getting information to help the researcher to develop a problem situation model involves using selected case analyses. Assume that a firm is concerned with the sales performance of its various branch offices. The case approach would involve an in-depth comparison of a “successful” branch and an “unsuccessful” branch. Those variables that differed the most between the two branches would then be considered relevant for further study.

At the end of the model development stage, the researchers will have developed a list of variables relevant to the management problem and some known or tentative sets of relationships between the variables.

#### **4. Specification of Information Requirements**

Research cannot provide solutions. Solutions require executive judgement. Research provides information relevant to the decisions faced by the executive. The output of the problem-definition process is a clear statement of the information required to assist the decision-maker. A common temptation is to try to collect data on all possible variables. Unfortunately, this is generally impractical and always costly. The best approach for ensuring that any data collected is indeed relevant is to ask questions concerning the ultimate use for the data. The emphasis is on what it will do, or at least, is likely to do, given certain findings.

- **Categories of research**

A number of researchers have found it useful to consider three general categories of research based on the type of information required. These three categories are exploratory, descriptive, and causal.

- **Exploratory research**

It is concerned with discovering the general nature of the problem and the variables that relate to it. Exploratory research is characterized by a high degree of flexibility, and it tends to rely on the secondary data, convenience or judgement samples, small-scale surveys or simple experiments, case analyses, and subjective evaluation of the results.

- **Descriptive research**

It is focused on the accurate description of the variables in the problem model. Consumer profile studies, market-potential studies, product usage studies, attitude surveys, sales analyses, media research, and price surveys are examples of descriptive research. Any source of information can be used in a descriptive study, although most studies of this nature rely heavily on the secondary data sources and survey research.

- **Causal research**

It attempts to specify the nature of the functional relationship between two or more variables in the problem model. For example, studies in the effectiveness of advertising generally attempt to discover the extent to which advertising causes sales or attitude change. We can use three types of evidence to make inferences about causation:

1. Concomitant variation
2. Sequence of occurrence
3. Absence of other potential causal factors.

**1. Concomitant variation**, or invariant association, is a common basis for ascribing the cause.

**2. Sequence of occurrence** can also provide evidence of causation. For one event to cause another, it must always precede it. An event that occurs after another event cannot be said to cause the first event.

**3.** A final type of evidence that we can use to infer causality is the *absence of other potential causal factors*. That is, if we could logically or through our research design eliminate all possible causative factors except the one we are interested with was the causative factor. Unfortunately, it is never possible to control completely or to eliminate all possible causes for any particular event. We always have the possibility that some factor of which we are not aware has influenced the results. However, if all reasonable alternatives are eliminated except one, we can have a degree of confidence in the remaining variable.

## Step 2: Estimate the Value of the Information

The principle involved in deciding whether to do more research is that the research should be conducted only when it is expected that the value of the information to be obtained will be greater than the cost of obtaining it.

Two approaches can be taken to arrive at an assessment of whether the expected value of the information in a proposed research project is greater than its estimated cost: the intuitive and the expected value approaches to the problem.

### The Intuitive Approach for Making the Research - Decided Without Research Decisions:

The intuitive approach relies entirely on the private judgement of the person making the assessment. Because it is a private process, it is not possible to specify exactly what kinds of considerations the person(s) involved took into account. We can, however, specify what minimum considerations ought to be weighed in making the decision.

1. The alternative actions that could be taken.
2. The possible states of the market and their payoffs (possible outcomes resulting from uncontrollable factors affecting the market).
3. The degree of uncertainty concerning which state of the market is the actual state.
4. The ability to forecast the actual state of the market given the research findings.
5. The risk preferences of the decision-maker(s).

### **The Expected Value Approach for Making the Research-Decide Without Research Decision**

The expected value approach uses the same five items of information just described for the intuitive approach, but it uses them within an explicit quantitative mode. This model involves the application of Bayesian statistics, a branch of statistics that allows personal (judgemental) probabilities to be used.

### **Step 3: Select the Data Collection Approach**

There are three basic data collection approaches in marketing research:

1. Secondary data
2. Survey data and
3. Experimental data

Secondary data were collected for some purpose other than helping to solve the current problem, whereas primary data are collected expressly to help solve the problem at hand. Survey and experimental data are therefore secondary data if they were collected earlier for another study; they are primary data if they were collected for the present one.

The selection of the data-collection method(s) is one of the key aspects of the research design. Although creativity and judgement play a major role in this stage of the design process, the decision is constrained by the type of information required, its value, and the characteristics of the respondents.

### **Step 4: Select the Measurement Technique**

There are four basic measurement techniques used in marketing research:

1. Questionnaires
2. Attitude scales
3. Observation and
4. Depth interviews and projective techniques

### **Step 5: Select the Sample**

Most marketing studies involve a sample or subgroup of the total populations relevant to the problem, rather than a census of the entire group. The population is generally specified as a part of the problem-definition process. The sampling process interacts with the other stages of the research design.

### **Step 6: Select the Method(s) of Analysis**

Data are useful only after analysis. Data analysis involves converting a series of recorded observations into descriptive statements and/or inferences about relationships. The types of analyses that can be conducted depend on the nature of the sampling process, the measurement instrument, and the data collection method.

It is imperative that the researcher selects the analytic techniques prior to collecting the data. Once the analytic techniques are selected, the researchers should generate fictional responses (dummy data) to the measurement instrument. These dummy data are then analysed by the analytic techniques selected to ensure that the results of this analysis will provide the information required by the problem at hand. Failure to carry out this step in advance can result in a completed research project that fails to provide some or all of the information required by the problem. Further, it sometimes reveals that unneeded data are about to be collected.

### **Step 7: Evaluate the Ethics of the Research**

It is essential that marketing researcher restricts his research activities to practices that are ethically sound. Ethically sound research considers the interests of the general public, the respondents, the client, and the research profession as well as those of the researcher.

### **Step 8: Estimate Time and Financial Requirements**

Once the research design(s) has been devised and checked for ethical soundness, the researcher must estimate the resource requirements. These requirements can be broken down into two broad categories: time and financial. Time refers to the time needed to complete the project. The financial requirement is the monetary representation of personnel time, computer time, and materials requirements. The time and finance requirements are not independent. The programme evaluation review technique (PERT) coupled with the critical path method (CPM) offers a useful aid for estimating the resources needed for a project and clarifying the planning and control process.

## **Step 9: Prepare the Research Proposal**

The research design process provides the researcher with a blueprint, or guide, for conducting and controlling the research project. This blueprint is written in the form of a research proposal. A written research proposal should precede any research project. The word precede here may be somewhat misleading obviously, a substantial amount of research effort is involved in the research planning process that must precede the research proposal. The research proposal helps ensure that the decision-maker and the researcher are still in agreement on the basic management problem, the information required, and the research approach.

## **2.8 PRECAUTIONS TO BE TAKEN IN DESIGNING A GOOD QUESTIONNAIRE**

A questionnaire is simply a formalised set of questions for eliciting information. As such, its function is measurement and it represents the most common form of measurement in marketing research. Although the questionnaire generally is associated with survey research, it is also frequently the measurement instrument in experimental designs as well. When a questionnaire is administered by means of the telephone or by a personal interviewer, it is termed an interview schedule, or simply schedule.

Questionnaire construction involves seven major decision areas:

1. Preliminary considerations
2. Decisions about question content
3. Decisions about question wording
4. Decisions about the response format
5. Decisions about the question sequence
6. Physical characteristics of the questionnaire
7. Decisions about the pretest.

### **2.8.1 Preliminary Decision**

Prior to constructing the actual questionnaire, the researcher must decide exactly what information is to be collected from which respondent by what techniques.

#### **Required Information**

Data gained from questionnaires are of limited value if they are on the wrong topic (surrogate information error) or if they are incomplete. The collection of data that are

### 3. Ability of the Respondent to Answer Accurately

Inability to answer a question arises from three major sources: (1) having never been exposed to the answer, (2) having been exposed to the answer but forgetting, and (3) being unable to verbalise the answer. The first two categories are concerned primarily with factual information, whereas the third is concerned more with attitudes and motives.

- **Uninformed Respondents**

Respondents are frequently asked questions on topics about which they are uninformed. “Uninformed” in this sense means that they have never known the answer to the question. Uninformed respondents become a source of measurement error because of reluctance by people to admit a lack of knowledge on a topic. This becomes particularly acute when the content or wording of the question implies that the individual should know the answer.

- **Forgetful Respondents**

Three aspects of forgetting are of concern to the researcher: (1) omission, which occurs when an individual is unable to recall an event that actually took place; (2) telescoping, which occurs when an individual remembers an event as occurring more recently than it actually occurred; and (3) creation, which occurs when an individual “remembers” an event that did not occur.

- **Unaided Recall**

Questions that rely on unaided recall result in an understatement of some specific events, such as brands in a choice set, shows watched, or small items purchases. In addition, more popular and known brands tend to be overstated in response to questions asking for this kind of information.

- **Aided Recall**

Aided recall provides respondents with descriptions of all or some aspects of the original events. The difference between an aided recall and unaided recall questions is similar to the difference between a multiple-choice and an essay examination question.

- **Inarticulate Respondents**

We buy things from habit, for vanity, and other reasons of which we are not consciously aware. However, when we are asked why we buy a given product or brand we may respond with conventional reasons rather than the actual reasons.

#### 4. Willingness of the Respondent to Answer Accurately

A refusal to answer a question may take on three forms. First, the respondent may refuse to answer the specific question or questions that offend and still complete the remainder of the questionnaire. This is called item non-response.

Another effect of an improper question (from the respondent's viewpoint) is refusal to complete the remainder of the questionnaire. In mail surveys, this generally results in failure to return the questionnaire. In telephonic interviews, it may result in a broken connection.

The third way of "refusing" to answer a question is through distortion providing an incorrect answer deliberately. Thus, the respondent may avoid a particular question by providing acceptable but inaccurate information. This type of refusal is the most difficult to deal with because it is hard to detect.

Why would a respondent refuse to answer one or more questions accurately? There are at least three possible reasons. The information request may be perceived by the respondents as (1) personal in nature, (2) embarrassing, or (3) reflecting on prestige.

- **Requests for Personal Information**

Most people will provide answers to questions that they think are legitimate. By legitimate, we mean that the questions are reasonable in light of the situation and the role of the person asking the question. However, many respondents who have willingly answered a lengthy series of questions on purchasing and shopping patterns will refuse when suddenly asked without an explanation for their income, age, occupation, or other data.

- **Requests for Embarrassing Information**

Answers to questions that ask potentially embarrassing information are subject to distortion especially when personal or telephone interviews are used. Questions on the consumption of alcoholic beverages, use of personal hygiene products, readership of certain magazines, and sexual or aggressive feelings aroused by particular advertisements are examples of topics on which questions are subject to refusals or distortions by the respondents.

Intuitively, it would seem that anonymity would enhance the likelihood that respondents would answer, and answer accurately sensitive questions. However, studies indicate that assurances of anonymity have little effect. Two additional approaches to seeking potentially embarrassing information are the use of counter biasing statements and randomised response techniques.

- **Counter Biasing Statements**

Counter biasing statements involve beginning a question with a statement that will make the potentially embarrassing responses seem common. Counter biasing effects can also be obtained by carefully structuring the response options to multiple-choice questions.



- **Randomised Response Techniques**

Another approach to overcoming non-response and measurement errors caused by embarrassing questions is the randomised response technique. It presents the respondent with two questions, one sensitive or potentially embarrassing, the other harmless or even meaningless. The respondent then flips a coin, looks at the last number on his or her social security card to see if it is odd or even, or in some other random manner selects, which question to answer. The chosen question is then answered with a “yes” or “no” without telling the researcher which question is being answered.

- (a) A sensitive question to which the researchers desire a “yes” or “no” answer.
- (b) A neutral question which has known proportions of “yes” and “no” responses.
- (c) A random means of assigning one of the questions to each respondent such that the question assigned a particular respondent is known only to that respondent, but the percentage of respondents assigned each question is known.

### **Requests for “Prestige” or “Normative” Information**

Prestige-oriented questions, such as those dealing with education obtained, income earned, or amount of time spent in reading newspapers, typically, produce answers with an upward bias. For example, readership of low-prestige magazines is often understated when self-report techniques are utilised. The reported consumption of both “negative” products, such as alcoholic beverages, and “positive” products, such as milk, is also subject to distortion.

Similarly, questions with a normative or socially accepted answer tend to have a consistent bias toward social norms. For example, the percentage of survey respondents who claim to have voted in the last election always exceeds the percentage of the population that actually voted.

### **2.8.3 Decisions About Question Phrasing**

Question phrasing is the translation of the desired question content into words and phrases that can be understood easily and clearly by the respondents. In general, questions should be as simple and straightforward as possible.

The primary concern with question phrasing is to ensure that the respondents and the researcher assign exactly the same meaning to the question. There are five general issues involved in question phrasing. (1) Are the words, singularly and in total, understandable to the respondents? (2) Are the words biased or “loaded” in any respect? (3) Are all the

## **Frame of Reference**

The working of the question will often determine which frame of reference or viewpoint the respondent will assume. Consider the following versions of a question to be answered by recent claimants of an automobile insurance company.

Does Allstate provide satisfactory or unsatisfactory settlement of claim?

Do you believe that Allstate provide satisfactory or unsatisfactory settlement of claims?

Were you satisfied or unsatisfied with Allstate's settlement of your recent claim?

Each of these versions provides the respondent with a somewhat different frame of reference. The first version calls for an objective answer that may include the respondent's perceptions of other people's standards for claims settlement and how adequately Allstate meets these expectations. The third question involves only the individuals' own standards and perceptions of the firm's reaction to his or her last claim. The second question probably elicits responses somewhere between the first and the third. Which question is best depends upon the purpose of the research.

### **2.8.4 Decisions About the Response Format**

The first question is an example of an open or open-ended question. The respondent is free to choose any response deemed appropriate, within the limits implied by the question. The second question is an example of a multiple choice response format. Here the respondent must select from among three or more pre-specified responses. The final question represents a dichotomous question. Multiple-choice and dichotomous questions are often referred to as closed questions.

The decision as to which form of question to use must be based on the objective for the particular question. Each has its particular uses, advantages and disadvantages. Most questionnaires contain all three types of questions.

#### **Open-Ended Question**

Open-ended questions leave the respondent free to offer any replies that seem appropriate in light of the question.

The degree of openness will vary from question to question. The question "What do you think about cigarettes?" allows almost total freedom to the respondent who may discuss cigarettes in general, particular brands, advertising slogans, health issues, ethics, and a host of other issues. The question "What brand of cigarettes do you generally smoke?"

offers much less freedom. In this case, the respondent is constrained (we hope) to merely naming the brand generally smoked.

### **Advantages of Open-Ended Questions**

Open-ended questions do not influence the respondent with a pre-stated set of response categories. Thus, opinions can be expressed that are quite divergent from what the researcher expected or what others had expressed. Related to this is the fact that open-ended questions particularly suitable for exploratory and problem-identification research.

Open-ended questions can provide the researcher with a basis for judging the actual values and views of the respondents that are often different to capital with more structured techniques. This “feel” for the quality of the information can be conveyed in the final report by the inclusion of quotes from representative responses. Finally, respondents generally like to have at least a few opportunities to express themselves openly.

### **Disadvantages of Open-Ended Questions**

Open-ended questions should be limited on self-administered questionnaires because most respondents will seldom write elaborate answers. Furthermore, these questions are subject to two important sources of error. First, they may measure respondent articulateness. Some respondents will answer clearly and in depth on almost any topic, whereas others, who may have equal knowledge, may be more reluctant to express themselves.

A second source of error is interviewer effects. Interviewers will vary in this ability to record the respondents answers, in their intensity of probing, and in their objectivity.

As an alternative to central coding, each interviewer can code or categorise the respondent’s answer without showing the respondent the list of response alternatives. This technique is generally called preceding. The interviewer has, in effect, a multiple-choice question that is presented to the respondent as an open-ended question. The interviewer must select the appropriate response category based on the respondent’s verbal reply.

### **Multiple-Choice Questions**

The essential feature of a multiple-choice question is that it presents, either in the questions proper or immediately following the question, the list of possible answers from which the respondent must choose.

### **Advantage of Multiple-Choice Questions**

Multiple-choice questions generally offer a number of advantages over open-ended questions. They are generally easier for both the interviewer and the respondent. Indeed,

they tend to reduce the interviewer bias and bias caused by varying levels of respondent articulateness. In addition, tabulation and analysis are much simpler. Multiple-choice questions have an advantage over dichotomous questions whenever the answer naturally involves more than two choices or when some measure of gradation or degree is desired.

### **Disadvantages of Multiple-Choice Questions**

The development of a sound set of multiple-choice questions (or dichotomous questions) requires considerable effort. In addition, showing the respondents the list of potential answers can cause several types of distortion in the resulting data.

If all possible the alternatives are not listed, no information can be gained on the omitted alternatives. Even if an “other (specify)” category is included, there is a strong tendency for respondents to choose from among those alternatives listed. This may occur simply because one of the alternatives sounds familiar or logical, and “not thought about before” may be selected over the alternatives that would have been thought of independently. This particular feature may be good or bad, depending on the precise purpose of the question.

### **Issue with Multiple-Choice Questions**

**Number of Alternatives:** A crucial issue in multiple-choice questions is how many alternatives to list. The standard answer to this question is that “each alternative should appear only once and all possible alternatives should be included.” However, it is frequently impractical to include all possible alternatives. A list of all possible brands of cigarettes, for example, would have to include not only American brands but also all foreign brands that are available in local tobacco shops. A researcher is seldom interested in those brands or alternatives that only a few people will select. Therefore, the general approach is to list the more prevalent choices and an “Other” category, which is often accompanied by a “Please specify” and a short space to write in the answer. If the original list somehow excluded a major alternative, the “Other” category may uncover it.

**Balanced or Unbalanced Alternatives:** Another important issue concerns the number of alternatives on each side of issue. For example, consider the following two lists of alternatives for the same question:

*Is Scars’ advertising truthful or misleading?*

- Extremely misleading
- Very misleading
- Somewhat misleading
- Neither misleading nor truthful
- Truthful

Versus

## **Dichotomous Questions**

Dichotomous questions which represent an extreme form of the multiple-choice questions, allow only two responses, such as “agree-disagree,” “male-female. . . female,” and “did-did not.” Often the two categories are supplemented by a neutral category such as “don’t know”, “no opinion”, “both,” or “neither.”

The advantages of the dichotomous question are similar to those of the multiple-choice questions. It is particularly well suited for determining certain points of fact, such as “Did you purchase a new model car in the past year?” and other clear-cut issues on which the respondents are likely to hold well-crystallised views. However, the researcher needs to be sure that the respondents think about the issue in dichotomous terms before using such questions.

### **2.8.5 Decisions about the Question Sequence**

Question sequence, the specific order in which the respondents receive the questions, is a potential source of error. A number of general guidelines will reduce the probability of generating measurement error caused by the sequence of the questions.

The first question should be simple, objective, and interesting. If the respondents cannot answer the first question easily, or if they find them interesting, they may refuse to complete the remainder of the questionnaire. Similarly, if the questions arose suspicions in anyway, such as causing the impression that the interview really may be a sales call, respondents may distort the answers to later questions. Therefore, it is essential that the first few questions relax and assure the respondent.

### **2.8.6 Physical Characteristics of the Questionnaire**

The physical characteristics of the questionnaire should be designed to make it easy to use. The first and most important objective is to minimise the possibility of recording mistakes. The questionnaire must be designed so that the interviewer or respondent can easily move from one question to the next. This is particularly important when skip, or branching instructions are involved. These instructions require the respondent to answer different questions based on the answer to the current questions.

Branching instructions have been found to confuse respondents in mail surveys and should be avoided if possible.

## 2.8.7 Decisions about the Pretest

A pretest requires five types of decisions.

- First, what items should be pretested?
- Second, how should the pretest be conducted?
- Third, who should conduct the pretest?
- Fourth, which respondents should be involved in the pretest?
- Fifth, how many respondents should be used?

## 2.8.8 Errors in Research Design

1. **Measurement Error:** Measurement error is caused by a difference between the information desired by the researcher and the information provided by the measurement process. In other words, not only it is possible to seek the wrong type of information but it is also possible to gather information that is different from what is being sought. This is one of the most common and serious errors. For example, respondents may exaggerate their income in order to impress an interviewer. Measurement error is particularly difficult to control because it can arise from many different sources.
2. **Experimental Error:** Experiments are designed to measure the impact of one or more independent variables on a dependent variable. Experimental error occurs when the effect of the experimental situation itself is measured rather than the effect of the independent variable.  
  
For example, a retail chain may increase the price of selected items in four outlets and leave the price of the same items constant in four similar outlets, in an attempt to discover the best pricing strategy. However, unique weather patterns, traffic conditions activities may affect the sales at one set of stores and not the others.
3. **Population Specification Error:** Population specification error is caused by selecting an inappropriate universe or population from which to collect data. This is potentially a serious problem in both industrial and consumer research. A firm wishing to learn the criteria that are considered most important in the purchase of certain machine tools might conduct a survey among purchasing agents.
4. **Frame Error:** The sampling frame is the list of population members from which the sample units are selected. An idea frame identifies each member of the population once and only once. Frame error is caused by using an inaccurate or incomplete sampling frame.

5. **Sampling Error:** Sampling error is caused by the generation of a non-representative sample by means of a probability sampling method, for example, a random sample of one hundred university students could produce a sample? Composed of all females (or all seniors or all business majors) such sample would not be representative of the overall student body. Yet it could be using probability sampling techniques. Sampling error is the focus point of concern in classical statistics.
6. **Selection Error:** Selection error occurs when a non-representative sample is obtained by non-probability sampling methods.  
For example, one of the authors talked with an interviewer who was afraid of dogs. In surveys that allowed any freedom choice, this interviewer avoided homes with dogs present. Obviously, such a practice may introduce error into the survey results. Selection error is a major problem in non-probability samples.
7. **Non-response Error:** Non-response error is caused by (i) The failure to contact all members of a sample and (ii) The failure of some contacted members of the sample to respond to all of specific parts of the measurement instruments. Individuals who are difficult to contact or who are relatively easy to contact or who readily cooperate. If these differences include the variable of interest, non-response error has occurred.

For example people are more likely to respond to a survey on a topic that interests them.

*If a firm were to conduct a mail survey to estimate the incidence of the athlete's foot among adults, non-response error would be of major concern. Why? Those most likely to be interested in athlete's foot and thus most likely to respond to the survey are current or recent sufferers of the problem. If the firm were to use the percentage of those responding who report having athlete's foot as an estimate of the total population having athlete's foot, the company would probably greatly overestimate the extent of the problem.*

## 2.9 TYPES OF MARKETING RESEARCH

The research always starts with a problem or question and its purpose is to find answers for the related problem in a scientific method and systematic and intensive towards a more complete knowledge of the subject studied. In this aspect, there are various types of research methods which are broadly classified as:

1. **Pure Research:** Pure research is undertaken to satisfy the researcher's thirst for knowledge and it is mainly goaded by the researcher's curiosity, it may be undertaken for designing tools to tackle practical problems. It concerns with singular situation and not suitable to a wide area. The pure research is also applied for the problems

associated. It should be remembered by the researcher while gathering information in this category research he/she must be careful about bias and extravagance that may creep at every stage of the study, designing the methods of data collection, selecting sampling, and analysing that data and reporting the findings.

5. **Other Types of Research:** The remaining types of research are variations of one or more of the aforementioned methods. They vary in terms of the purpose of research or the research may either be in the nature of one-time or longitudinal research. While the research is restricted to a single time-period in the former case, it is conducted over several time-periods in the latter case. Depending upon the environment in which the research is to be conducted, it may also be laboratory research or field-setting research, or simulation research, besides being diagnostic or clinical in nature. Under such research, in-depth approaches or case-study methods may be employed to analyse the basic causal relations. These studies usually conduct a detailed in-depth analysis of the causes of things or events of interest and use very small samples and a sharp data collecting method. The research may also be explanatory in nature. Formalised research studies consist of substantial structure and specific hypotheses to be verified. As regards historical research, sources include philosophy of persons and groups of the past or any remote point of time. Research is also categorised as decision-oriented and conclusion-oriented. In the case of decision-oriented research, it is always carried out for the need of a decision-maker and hence, the researcher has no freedom to conduct the research as per his/her own desires. Whereas, under conclusion-oriented research, the researcher is free to choose the problem, redesign the enquiry as it progresses and even change conceptualisation as he/she wishes to. Further, operations research is a kind of decision-oriented research, because it is a scientific method which provides the executive departments a quantitative basis for decision-making with respect to the activities under their purview.

## **2.10 APPLICATIONS OF MARKETING RESEARCH**

The broad areas of application for marketing research are sales and market analysis, product research, advertising, business economics and corporate research, and corporate responsibility.

### **(i) Sales and Market Analysis**

- (a) *Determination of market potential:* The market potential is the total amount of a product or product group which could be sold to a market in a specified time period and under the given conditions. Market potential is applicable in case of



a new product, a modified version of an existing product, or an existing product to be introduced in a new geographical market.

- (b) *Determination of market share:* In case of an existing product, a company may be interested to know the percentage share of the market which their brand commands.
- (c) *Sales forecasting:* Sales forecasting is an attempt to predict the sales level at a given point in the future on the basis of the existing information. Sales forecasting is applicable to both existing products as well as new products. The sales may be calculated either in units or in value. Basically, there are two types of forecasts—short-term and long-term. The short-term forecast takes into account seasonal growth pattern of the industry to which the product belongs and the business cycle operating in the industry.
- (d) *Design of market segmentation studies:* A market is a group of potential customers which has something in common. The common factors may be a geographical area, sex (after shave lotion is used only by men), age (toys for children under 5, between 5-7, etc.), physical characteristics (weak eyesight, overweight), income, lifestyle.

Children comprise the market for toys. But in this broad category, the market can be viewed to be made up of many smaller markets or segments: one market for pre-schoolchildren, another for school-going children, one market comprised of educational toys, one for mechanical toys, one for electrical toys, one for indoor games, etc. The choice before the marketing manager is whether to cater to the broad market of toys or to only one or two of the specific market segments. MR can help answer questions such as “To what extent should the market segmentation strategy be pursued?” and “What should be the basis for segmentation?”

- (e) *Test Market:* This is a controlled experiment to predict sales or profit consequences of the various marketing strategies. It refers to trying out something in a particular market before extending it on a larger scale. You may have noticed advertisements for soaps, or snack foods which sometimes carry the message ‘available only in Hyderabad’ or ‘available only in Kolkata.’ The firm selling these products is probably test marketing the product. The results of the market test provide the research data for taking a decision whether to extend the marketing to other areas or drop the idea totally. Test marketing also yields information which helps to modify the product and marketing strategy to give it a better chance for success.
- (f) *Distribution channel studies:* Market research can be used to determine the most effective and profitable distribution channels for different types of products.

- (g) *Determination of market characteristics:* Research surveys can be conducted to collect information about the market characteristics which would help a new entrance plan in entry or help an existing company focus its strategy more sharply for increasing market share. Information can be collected on the number of brands competing in the market, state-of-technology prevailing in the market, geographical concentration and dispersal of customers, nature of outlets selling the products, number of such retail outlets, etc.
- (h) *Determination of competitive information:* Research can provide information on the marketing strategies used by various competing brands and the 'unique selling proposition' of each.

## (ii) **Product Research**

This can be used for:

- (a) Evaluation of new product ideas
- (b) Testing for new product acceptance
- (c) Evaluating the need for change in product formulation
- (d) Testing package design in terms of aesthetic appeal, protection for the product, and ability to withstand transportation and stocking ordeals.
- (e) Testing for product positioning. Should a new brand of tea be positioned on the basis of its fragrance and taste, or colour and strength, or price.

## (iii) **Business Economics and Corporate Research**

- (a) Studies of business trends to determine industries with growth potential and those facing a stagnant future.
- (b) Pricing studies to estimate the demand level at different prices. Such studies reveal the extent to which customers are sensitive to price changes and provide valuable clues to the market or in assessing the impact of price increase or decrease on the sales.
- (c) Diversification studies: These provide information on the profitable new opportunities of business growth which a firm can consider for diversification. The diversification may be into totally new and unknown areas or into allied areas.
- (d) Product-mix studies: If a firm considering diversifying into allied product areas, it may like to find out the product mix combinations which would optimise its existing resources and provide synergy for growth. A company in the business of cooking oil would like to do research into one or more of the following products for arriving at a synergistic product-mix: butter, vanaspati, ghee, spices, dehydrated foods, frozen foods, instant food mixes, custard powder, branded wheat flour and rice.

- (e) Plant and warehouse location studies: Research is also needed to determine the best possible location for setting up a new plant. Before arriving at a decision, a firm would need to research into factors such as availability of raw material and labour, proximity to marketplace, telecommunication and transport infrastructure, financial, taxation and other incentives applicable to each location. In case of warehouse location, you would research into movement patterns of goods to different cities, high sale potential areas versus low potential areas, number of checks for quality needed en route the destination of final customer, benefit of conducting these checks against the cost of acquiring and maintaining a warehouse and convenient rail/road connections.

#### (iv) Advertising Research

- (a) Audience measurement for advertisements appearing in different media such as newspapers, magazines, journals, radio, TV, outdoor hoardings, kiosks, bus side panels, etc. The objective of this type of research is to estimate the audience size of each media channel (e.g., press) and within that the specific media vehicle (*India Today*, *Readers Digest*, *The Indian Express*, etc.). Given the audience size, you would be interested in knowing its age, sex, socio-economic and cultural profile to focus your advertising strategy.
- (b) Determining the most cost-effective media plan: Each media channel has its unique advantages and disadvantages, and each media vehicle has its own cost structure. Research can be used to find out the best media vehicle by matching the product characteristics with the audience profiles of different media vehicles and the respective cost of advertising in these.
- (c) Copy testing: One approach for researching into the effectiveness of the copy is to test the following elements:
- Basic themes, ideas, appeals
  - Headlines, baseline, pictures, jingle, story sequence
  - Pre-testing whole advertisements in rough or finished form
  - Pre-testing the effect of repetition to simulate a campaign (all the above can be tested under simulated conditions)
  - After the advertisements have been released, post-testing them individually in their normal media
  - The other approach for conducting research is to assess the copy or the entire advertisement/campaign for the following:
    - Assessing for its attention value, interest value and arousal
    - Test for communication clarity
    - Test for their effect on consumer attitudes
    - Test for their effect on purchase behaviour.

- Marketing and Business Associates
- Pathfinders India

Marketing research is used equally by companies in both the private and the public sectors. The only difference is that private sector companies tend to use MR more for decisions on diversification, new product, market segmentation, product positioning, and measuring customer satisfaction than do public sector organisations.

The manner in which marketing research is conducted is revealed in the table below.

#### Marketing Research Channel used by Indian Organisations

Type of Channel	Per cent
Company sales staff	69%
Market research agencies	52%
In-house market researchers	44%
Advertising agencies	35%
Consultants	34%
Syndicate research services	22%
Companies use more than one kind of channel and so the percentage adds up to more than 100	

(Source: Business India)

### 2.11.1 Problems of Conducting Marketing Research in India

The biggest problem confronting anyone who sets out to conduct research in India is the meagre secondary data. The census which contains a wealth of data takes many years to be compiled and released for public usage. Data contained in journals and handbooks is usually two to three years old. Thus, whatever data is available is usually obsolete and this greatly reduces its utility.

In collecting primary data, the problems are those of widely scattered sampling units, location of some sampling units in remote and inaccessible areas, and poor communication facilities which compounds the problem of inaccessibility. If the sampling units are the industrial units in the unorganised sector, there is no guide for locating these units. The other kind of problem encountered in collecting primary data is the uncooperative attitude of respondents arising out of sheer lack of knowledge about the nature of MR and its utility. Respondents often view interviewers with suspicion and may refuse to give any information.

Most of the market research organisations are located in the cities and have an urban-bias

to the extent that they have neither a penetration/base in the rural areas and nor can they communicate properly with the rural people. Most market research is conducted in the cities for products used by city dwellers.

The state-of-the-art in marketing research has not reached the sophisticated levels as in America or Europe. The marketing research techniques used in India are still relatively unsophisticated and simplistic.

## **2.12 THE CONCEPT OF MEASUREMENT**

Measurement may be defined as the assignment of numbers to characteristics of objects, persons, states, or events, according to rules. What is measured is not the object, person, do not measure the object itself but only its characteristic of being present. We never measure people, only their age, height, weight, or some other characteristics.

The term number in the definition of measurement does not always correspond to the usual meaning given this term by the non-researcher. It does not necessarily mean number that can be added, subtracted, divided, or multiplied. Instead, it means that numbers are used as symbols to represent certain characteristics of the object. The nature of the meaning of the numbers/symbols depends on the nature of the characteristics they are to represent and how they are to represent them.

### **Measurement and Concepts**

A concept is simply an invented name for a property of an object, person, state, or event. The terms construct and concept are sometimes used interchangeably. We use concepts such as sales, market share, attitude, and brand loyalty to signify abstractions based on observations of numerous particular happenings. Thus, the concept car refers to the generalisation of the characteristics that all cars have in common. The concept car is closely related to a physical reality.

Many concepts in marketing research do not have such easily observed physical referents. It is impossible to point to a physical example of an attitude, product image, or social class. Two approaches are necessary to define a concept adequately:

1. Conceptual definition
2. Operational definition

#### **1. Conceptual Definition**

A conceptual definition (sometimes called a constitutive definition) defines a concept in terms of other concepts. It states the central idea or essence of the concept. A good

A nominally scaled number serves only as a label for a class or category. The objects in each class are viewed as equivalent with respect to the characteristic represented by the nominal number.

*An example of the use of nominal measurement is the case of a manager of restaurant located in a shopping centre who wants to determine whether noon customers select the establishment primarily because of its location or primarily because of its menu. The manager randomly selects and questions 100 customers and finds that 70 state that they eat there because of the location and 30 because of the menu. This represents a simple analysis using nominal data. The manager has formed a two-category scale, counted the number of cases in each category, and identified the modal category.*

A mean or a median cannot be calculated for nominal data. A mode can be used, however. In the example given, location was the modal reason for choosing the restaurant among the males and the menu was the model reason among females. The percentages of items falling within each category also can be determined. A chi-square statistical test can be conducted to determine if differences between the numbers falling in the various categories is likely to be the result of chance or randomness.

### **Ordinal Measurements**

Ordinal scales represent numbers, letters, or other symbols used to rank items. Items can be classified not only as to whether they share some characteristic with another item but also whether they have more or less of this characteristic than some other object. However, ordinarily scaled numbers do not provide information on how much more or less of the characteristic various items possess.

A significant amount of marketing research relies on ordinal measures. The most common usage of ordinal scales is in obtaining preference measurements. For example, a consumer or a sample of experts may be asked to rank preferences for several brands, flavours, or package designs.

A mode or a median may be used, but not a mean. Then model quality rating is "2" as it is for the median. A mean should not be calculated because the differences between ordinal scaled values are not necessarily the same. The branch of statistics that deals with ordinal (and nominal) measurements is called non-parametric statistics.

### **Interval Measurements**

Interval scales represent numbers used to rank items such that numerically equal distances on the scale represent equal distances in the property being measured. However, the

location of the zero point is not fixed. Both the zero point and the unit of measurements are arbitrary. The most familiar examples of interval scales are the temperature scales, both centigrade and Fahrenheit. The same natural phenomenon, the freezing point of water, is assigned a different value on each scale, 0 on centigrade and 32 on Fahrenheit. The 0 position, therefore, is arbitrary. The difference in the volume of mercury is the same between 20 and 30 degrees. A value on either scale can be converted to the other by using the formula  $F = 32 + 9/5C$ .

The most frequent form of interval measurement in marketing is index numbers. Are index numbers calculated by setting one number, such as sales, for a particular year equal to 100. This is known as the base period or base value. Other numbers for subsequent years are then expressed as percentages of the base value. The Department of Labour provides a consumer price index with 1967 as the base year (1985 = 320), whereas the Federal Reserve System uses 1977 as the base year for its industrial production index. Since any year or value, including a completely arbitrary value, can serve as the base value, index numbers have an arbitrary zero point and equal intervals between scale values.

Another common type of marketing research data generally treated as interval scale data is attitude measures. A Likert scale, for example, requires the respondents to state their degree of agreement or disagreement with a statement by selecting a response from a list such as the following one:

1. Agree very strongly
2. Agree fairly strongly
3. Agree
4. Undecided
5. Disagree
6. Disagree fairly strongly
7. Disagree very strongly

It is doubtful that the interval between each of these items is exactly equal. However, most researchers treat the data from such scales as if they were equal intervals in nature since the results of most standard statistical techniques are not affected greatly by small deviations from the interval requirement. Where this is a concern, there are ways to transform most ordinal data used by marketers into workable interval data.

Virtually the entire range of statistical analyses can be applied to interval scales. Such descriptive measures as the mean, median, mode, range, and standard deviation are applicable. Bivariate correlation analyses, t-test, analysis of variance tests, and most multivariate techniques applied for purpose of drawing inferences can be used on internally scaled data.

## Ratio Measurements

Ratio scales consist of numbers that rank items such that numerically equal distances on the scale represent equal distances in the property being measured and have a meaningful zero. In general, simple counting of any set of objects produces a ratio scale of the characteristic being measured exists. Thus, such common measurements as sales, costs, market potential, market share, and number of purchasers are all made using ratio scales.

**Table 2.1** Scales of Measurement

Scale	Basic Empirical		Typical Statistics	
	Operations	Typical Usage	Descriptive	Inferential
<b>Nominal</b>	Determination of equality	Classification: Male-female, purchaser, non-purchaser, social class	Percentages, mode	Chi-square, binomial test
<b>Ordinal</b>	Determination of greater or less	Ranking: Preference data, market position, attitude, measures, many psychological measures	Median	Mann-Whitney U, Friedman two-way ANOVA rank-order correlation
<b>Interval</b>	Determination of equality of intervals	Index numbers, attitude measures, level of knowledge about brands	Mean, range, standard deviation	Product moment correlation t-test, factor analysis, ANOVA
<b>Ratio</b>	Determination of equality of ratios	Sales, units number of customers, cost	Produced	Coefficient of variation

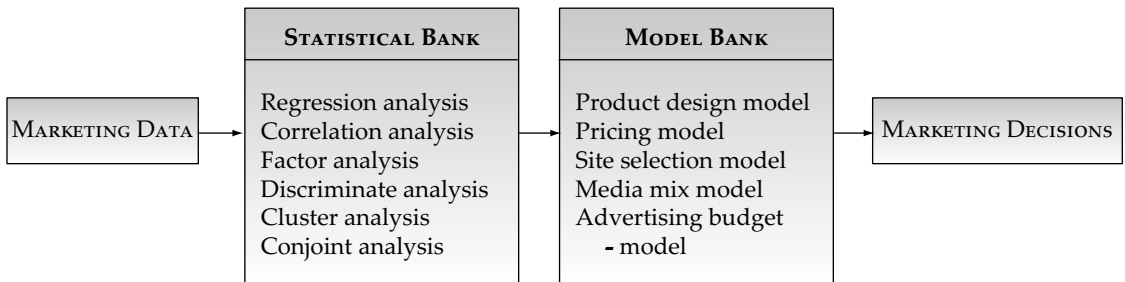
## 2.13 MARKETING DECISION SUPPORT SYSTEM

A growing number of organisations have added a fourth information service a marketing decision support system (MDSS) to help their marketing managers make better decisions. Little defines an MDSS as:



“A coordinated collection of data, systems, tools and techniques with supporting software and hardware by which an organisation gathers and interprets relevant information from business and environment and turns it into a basis for marketing action”.

This is shown in Fig. 2.2.



**Fig. 2.2** Marketing decision support system.

Suppose a marketing manager needs to analyse a problem and take action. The manager puts questions to the appropriate model in the MDSS. The model draws up data, which are analysed statistically. The manager can then use a program to determine the optimum course of action. The manager takes this action and the action along with other forces, affect the environment and result in new data.

Marketing managers in a growing number of companies now have available computer marketing workstations. These workstations are to marketing managers what the cockpit controls are to airline pilots arming managers with the means of flying the business in the right direction.

New software programs regularly appear to help marketing managers analyse, plan, and control their operations. *Marketing News*, April 27, 1992, lists over 92 different marketing and sales software programs. They provide support for designing marketing research studies, segmenting markets, setting prices and advertising budgets, analysing media, planning sales force activity, and so on. Here are examples of decision models that have been used by marketing managers.

### **Brand Aid**

A flexible marketing mix model focused on consumer-packaged goods whose elements are manufacturers, competitors, retailers, consumers, and the general environment. The model contains sub-models for advertising, pricing and competition. The model is calibrated with a creative blending of judgement, historical analysis, tracking, field experimentation, and adaptive control.

3. **Sales response model:** This is a set of models which estimate functional relations between one or more marketing variables—such as sales force size, advertising expenditure, sales-promotion expenditure, etc. and the resulting demand level.
4. **New product pretest model:** This model involves estimating functional relations between buyer states of awareness, trial, and repurchase based on consumer preferences and actions in a pre-test situation of the marketing offer and campaign. Among the well-known models are ASSESSOR, COMP, NEWS and SPRINTER.

### **Optimization Routines**

1. **Differential Calculus:** This technique allows finding the maximum or minimum value along a well-behaved function.
2. **Mathematical Programming:** This technique allows finding the values that would optimise some objective functions that are subject to a set of constraints.
3. **Statistical Decision Theory:** This technique allows determining the course of action that produces the maximum expected value.
4. **Heuristics:** This involves using a set of rules of thumb that shorten the time or work required to find a reasonably good solution in a complex system.

## **2.15 MARKETING INFORMATION SYSTEM**

Marketing information system is an internal arrangement designed to support management decision-making and action. Marketing information system provides the management with:

- (a) Current or conditional future states of the market environment
- (b) The market responses to company and/or competitor actions.

According to Professor Brien and Professor Stafford, a marketing information system is *“a structured interchanging 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 decision-making in specified responsibility areas of marketing management.”*

In the words of Professor Alder Lee, marketing information system is *“an interaction, continuing, future-oriented structure of people, equipment and procedure designed to generate and process an information flow which can aid business executives in the management of their marketing programmes.”*

Thus, marketing information system is an interacting, ongoing and future-oriented structure of persons machines and procedures designed to generate an orderly flow of evaluated data from internal and external sources for the use of managerial decision-making in the dynamic area of marketing. It collects, sorts out, classifies, analyses and evaluates the data and stores for future decision-making.

The concept of a marketing information system (MIS) is illustrated in Fig. 2.3. As shown marketing research is but one subsystem—the others are concerned with the following.

(i) **Internal Reports**

The internal accounting system that reports such items as sales and order.

(ii) **Marketing Intelligence**

Provides information about relevant developments in the marketing environment.

(iii) **Analytical Marketing**

Consists of advanced techniques for analysing data and problems, includes a statistical bank and a model bank.

The activities performed by an MIS and its subsystems include information discovery, collection, interpretation (which may involve validation and filtering), analysis, and intra-company disseminating (storage, transmission, and/or dumping).

More specifically, the MIS can be tied directly to the decision process. A good MIS will contribute in some way to every part of this process, although not necessarily equally.

The MIS should have the capability to

1. Store and retrieve data easily.
2. Generate reports and analyses, both standard and ad hoc as required.
3. Provide modelling and “what-if” (i.e., spreadsheet-type) analysis.
4. Create high quality visual aids (e.g., graphics)
5. Integrate all of the functions listed above.

A highly developed marketing information system has four major components or divisions, namely:

- Internal marketing information
- Marketing intelligence

on in the marketplace. It is essentially an organised feedback process in the overall marketing information system of any organisation.

### 3. Marketing Research System

There has been some confusion regarding the usage of these two phrases “marketing research” and “marketing information system.” A close look at these two makes it amply clear that marketing research can only be a part of marketing information system as the latter has wider connotations and coverage. Marketing research offers special in-depth information to the marketing executive on request face and combat typical marketing problems.

The MR efforts are project-oriented involving the studies of behaviour, product or brand preferences, product usage, advertising awareness, sales promotions dealer behaviour, physical distribution, competition and the like hire, the management poses the specific problems or problems which are researched to arrive at the most agreeable solution.

### 4. The Management Science System

In a nutshell, marketing information system with these four subsystems is a link between the marketing environment and the marketing executives who make decisions. It received the marketing data from the environment evaluates into useful information to the needy and busy executives enabling them to make sounder and quicker decisions.

In a nutshell, marketing information system with there four subsystems is a link between the marketing data from the environment evaluates into useful information to the needy and busy executives enabling them to make sounder and quicker decision.

## 2.15.1 Questionnaire—A Market Survey on Mineral Water

### Questionnaire for Retail Outlets

1. For how many years have you been stocking mineral water?
  - Less than 1 year
  - 1-3 years
  - 3-7 years
  - More than 7 years

2. Which brand of mineral water do you stock?

- Mohan Meakin
- Bisleri
- Any other (please specify) \_\_\_\_\_

3. If you stock only one brand, why do you stock only this brand?

- Customers usually ask for this brand.
- It comes in plastic bottles.
- It is natural spring water.
- It is cheaper.
- We get a large dealer discount.
- We have a contract with the manufacturer.
- Better relations with the company salesman.
- We have had negative experience with the other manufacturers.

---

Please specify who

---

(Any other, please specify)

4a. Do you use any display material for the mineral water?

- Posters
- Stickers
- Neon lighting
- Hangers

---

Please specify who

---

4b. Who pays for the display material?

---

5. If no display material is being used, how do you let the customers know that you stock mineral water?

---

6. Are you satisfied with the present display set?

- Not satisfied
- Satisfied

7. What improvements do you suggest?

---

8. Are you satisfied with the existing level of advertising done by the manufacturers?

- Yes
- No

9. When customers ask for mineral water, do they ask for a specific brand?

- Yes
- No

Which brand \_\_\_\_\_

---

9a. Do you give credit to your customers?

- Yes
- No

9b. Do you give credit to your customers for other purchases?

- Yes
- No

10. Do you provide home delivery to your customers?

- Yes
- No

11a. What percentage of your customers?

- Carry the bottle away? \_\_\_\_\_
- Drink the mineral water in the shop? \_\_\_\_\_

11b. What percentage of your customers are?

- Foreigners? \_\_\_\_\_
- Indians? \_\_\_\_\_

12. In case of the foreigners, can you tell us the ranking of the following categories of customers?
- Resident foreigners \_\_\_\_\_
  - Student (resident) \_\_\_\_\_
  - Tourists \_\_\_\_\_
13. How many bottles do your customers purchase from you at a time?
- One
  - Two
  - Three
  - Four
  - 5-7
  - 8-10
  - Over 10
14. Do you charge for the bottle in case the customers wish to carry it away?
- Yes
  - No
- How much \_\_\_\_\_
15. What is the percentage of breakages (of bottles) during delivery?
16. What is the frequency of ordering and the number of bottles ordered per lot?
- Daily \_\_\_\_\_
    - 1 case
    - 2 cases
    - 3-5 cases
  - Weekly \_\_\_\_\_
  - Fortnightly \_\_\_\_\_
    - 6-10 cases
    - Over 10 cases
  - Monthly \_\_\_\_\_
17. Could you tell us?
- The price you pay per case? \_\_\_\_\_
- The price you sell per bottle? \_\_\_\_\_
- In case of bulk sales per case? \_\_\_\_\_

18. What credit + discount do you get from the manufacturer?

Give to the customer? \_\_\_\_\_

For bulk purchases/timely payments? \_\_\_\_\_

19. What is the nature of delivery?

It is delivered to us \_\_\_\_\_

We pick it up from the manufacturer \_\_\_\_\_

Both (varying situation-wise) \_\_\_\_\_

20. Is the demand for mineral water seasonal?

Yes

No

When + Why \_\_\_\_\_

21. Name of outlet: \_\_\_\_\_

22. Address: \_\_\_\_\_

23. Profile of outlet:

(a) Softdrink vendor

(b) Pan shop

(c) General provision shop

(d) Chemist

(e) Departmental store

(f) Super bazar

(g) Any other

### Questionnaire for Potential Indian Customers

1. Do you use water from the tap for drinking purposes?

Yes

No

If yes, what do you think of the hygiene of tap water \_\_\_\_\_

If no, then why not \_\_\_\_\_

2. Could you tell us what treatment do you subject tap water to (at home) before you consider it fit for drinking?



- Departmental store
- Chemist
- Super bazaar

Any other (please specify) \_\_\_\_\_

11. What bottle size of this substitute would be most convenient for you?

- ½ litre
- 1 litre
- 1½ litre
- 2 litre

Any other (please specify) \_\_\_\_\_

12. Have you heard of mineral water?

- Yes
- No.

If yes, could you indicate the source of your information?

- Shopping displays
- On a trip abroad
- From foreign guests
- From a hotel menu card
- From reading matter

Any other (please specify) \_\_\_\_\_

13. Have you ever consumed mineral water before?

- Yes
- No.

If yes, could you indicate how often?

- Once
- Twice
- A few times
- Occasionally
- Regularly

14. If you have consumed it more than a few times could you mention the occasions of consuming mineral water?

---

- ₹12,000
- ₹16,000
- Over ₹16,000

- 19e. Name \_\_\_\_\_  
Address + Tel \_\_\_\_\_  
Status in family \_\_\_\_\_  
Age 20-30, 30-40, 40-50, 50-60, over 60

### **For Regular Consumers Only**

20. Your monthly consumption of mineral water bottles is:

- 1
- 2
- 3
- 4
- 5-10
- Above 10

21. You purchase mineral water from?

\_\_\_\_\_

22. Your brand preference is for?

- Bisleri
- Aqua Mineral
- Any other brand

Why \_\_\_\_\_

23. Your preference is for?

- Glass bottle
- Plastic bottle

Why \_\_\_\_\_

## **2.16 WHAT IS BUYER BEHAVIOUR?**

Consumer behaviour is the process through which the ultimate buyer makes purchase decisions. Here is a sample of popular definitions for consumer behaviour:

'... the study of the buying units and the exchange processes involved in acquiring, consuming, and disposing of goods, services, experiences, and ideas' (**Mowen**).

'... the decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services' (**Loudon and Della Bitta**).

'... reflects the totality of consumers' decisions with respect to the acquisition, usage and disposition of goods, services, time and ideas by (human) decision-making units (over time)' (**Jacob Jacoby**).

The definition by **Jacoby** can be further illustrated. The totality of consumers' decisions include whether to buy or not, what to buy, why to buy, how to buy, when to buy, where to buy and also how much/how often/how long. The idea of consumption not only includes purchasing and using, but also disposing. The marketer's offering can mean many things—be it product, service, time, ideas, people, and so on. The term decision-making unit obviously refers to the people involved. In a typical purchase, many people may be involved and they play different roles such as information gatherer, influencer, decider, purchaser and user. In a consumer buying context, it may mean a family or group influence whereas in the industrial buying context, it means a cross-functional team with each member of the team performing a particular role in the buying decision. The word 'time' could mean different units of time like hours, days, weeks, months and years.

## 2.17 IMPORTANCE OF CONSUMER/BUYER BEHAVIOUR

Consumer/buyer behaviour is helpful in understanding the purchase behaviour and preference of different consumers. As consumers, we differ in terms of our sex, age, education, occupation, income, family, set-up religion, nationality and social status. Because of these different background factors, we have different needs and we only buy those products and services which we think will satisfy our needs. In marketing terminology, specific types of consumers buying different products represent different market segments.

To successfully market to different market segments, the marketing manager needs appropriate marketing strategies which can be designed only when he understands the factors which account for these differences in consumer behaviour and tastes.

In today's world of rapidly changing technology, consumers' tastes are also characteristics by fast changes. To survive in the market, a firm has to be constantly innovating and understand the latest consumer trends and tastes. Consumer behaviour provides invaluable clues and guidelines to marketers on new technological frontiers which they should explore. For example, let us consider the advent of colour television in India. When we switched over from black and white transmission to colour transmission in the early eighties, the consumers exhibited a desire to purchase colour TV for closer to life picture viewing.

focus their promotion at both the user and the buyer. Consider the promotional message of Maggi Noodles and Rasna Soft Drink concentrate, the taste and fun aspects of both these products are meant to appeal to the children who are the major consumers, while the convenience and economy are meant to appeal to the mothers who are the buyers.

## 2.18 MODELS OF CONSUMER/BUYER BEHAVIOUR

Consumer behaviour is a dynamic, multidisciplinary process. The study of consumer behaviour builds upon an understanding of human behaviour in general. In an effort to understand why and how consumers make buying decisions, marketers borrow extensively from the sciences of psychology and sociology. The work of psychologist Kurt Lewin provides a useful classification scheme for influences on buying behaviour. Lewin's proposition is:  $B = f(P, E)$  which means that behaviour ( $B$ ) is a function ( $f$ ) of the interactions of personal influences ( $P$ ) and pressures exerted by outside environmental forces ( $E$ ). This statement is rewritten to apply to consumer behaviour as  $B = f(I, P)$  (i.e.) consumer behaviour ( $B$ ) is a function ( $f$ ) of the interactions of interpersonal influences ( $I$ ).

Such as culture, role models, friends and family—and personal factors ( $P$ ) such as attitudes, learning and perception. Therefore, inputs from others and an individual's psychological make up both affect a consumer's purchasing behaviour. This model is further explained in the following sections of this lesson. There are many other models of consumer behaviour.

The most generic model of the consumer behaviour suggests a stimulus-response pattern of understanding the consumer's behaviour (Fig. 2.4). The stimulus can be marketing stimuli (which can be manipulated by the marketer) and other external stimuli (like the economy, culture, technology, and so on). The response includes the decision to buy, product choice, dealer choice and choices regarding time, quantity, etc. The consumer is at the centre of this model. The stimulus is applied to this consumer who in turn comes up with a response. The consumer has his/her own characteristics and a multi-staged decision-making process. There are also several influencing factors acting upon the consumer. The influencing factors may include personal and interpersonal influences.

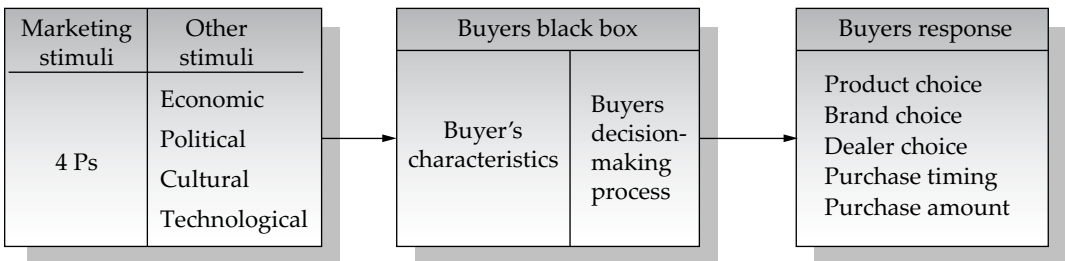


Fig. 2.4 Models of consumer behaviour.

## **2.19 DETERMINANTS OF CONSUMER BEHAVIOUR**

Consumers don't make purchase decisions in a vacuum; rather, they respond to a number of external, interpersonal influences and internal, personal factors. Consumers often decide to buy goods and services based on what they believe others expect of them. They may want to project positive images to peers or satisfy the unspoken desires of family members. Marketers recognise three broad categories of interpersonal influences on consumer behaviour: cultural influences, group influences and family influences.

### **Cultural influences**

Culture can be defined as the values, beliefs, preferences and tastes handed down from one generation to the next. Culture is the broadest environmental determinant of consumer behaviour. Therefore, marketers need to understand its role in customer decision-making. They must also monitor trends to spot changes in cultural values. Marketing strategies and business practices that work in one country may be offensive or ineffective elsewhere because of cultural variations. Hence, cultural differences are particularly important and complex to understand for international marketers. Cultures are not homogeneous entities with universal values. Each culture includes numerous subcultures—groups with their own distinct modes of behaviour.

### **Group (social) influences**

Every consumer belongs to a number of social groups. Group membership influences an individual's purchase decisions and behaviour in both overt and subtle ways. The influences may be informational and/or normative. Every group establishes certain norms of behaviour. Group members are expected to comply with these norms. Difference in group status and roles can also affect buying behaviour. The surprising impact of groups and group norms on individual behaviour has been called the Asch phenomenon because it was first documented by psychologist S.E. Asch. Discussions of the Asch phenomenon raise the subject of reference groups—groups whose value structures and standards influence a person's behaviour. Consumers usually try to coordinate their purchase behaviour with their perceptions of the values of their reference groups. Children are especially vulnerable to the influence of reference groups. They often base their buying decisions on outside forces—what is popular with their friends, what is fashionable and trendy, what is popular, what are their heroes and role models (usually, celebrities) using. In nearly every reference group, a few members act as opinion leaders. They are the trendsetters who are likely to purchase new products before others in the group and they share their experiences and opinions via word of mouth. Other members' purchase decisions are affected by the reports of the opinion leaders. Closely related to reference groups is the concept of social class. A social class is an identifiable group of individuals who tend to share similar values

that direct a person toward the goal of satisfying a felt need. The individual takes action to reduce the state of tension and return to a condition of equilibrium.

## **Perceptions**

Perception is the meaning that a person attributes to incoming stimuli gathered through the five senses—sight, hearing, touch, taste and smell. Certainly a buyer's behaviour is influenced by his or her perceptions of a good or service.

## **Attitudes**

Perception of incoming stimuli is greatly affected by attitudes. In fact, the decision to purchase a product is strongly based on currently held attitudes about the product brand, store or salesperson. Attitudes are a person's enduring favourable or unfavourable evaluations, emotional feelings or actions tendencies toward some object. Because favourable attitudes likely affect brand preferences, marketers are interested in determining consumer attitudes toward their products.

## **Learning**

In a marketing context, learning refers to immediate or expected changes in consumer behaviour as a result of experience (that of self or others). Consumer learning is the process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behaviour. Marketers are interested in understanding how consumers learn so that they can influence consumers' learning and subsequently, their buying behaviour.

## **Self-concept**

The consumer's self-concept—a person's multifaceted picture of himself or herself—plays an important role in consumer behaviour. The concept of self emerges from an interaction of many of the influences—both personal and interpersonal—that affect the buying behaviour.

Consumers complete a step-by-step process to make purchasing decisions. The length of time and the amount of effort they devote to a particular purchasing decision depends on the importance of the desired good or service to the consumer. Purchases with high levels of potential social or economic consequences are said to be high-involvement purchase decisions. Routine purchases that pose little risk to the consumer are low-involvement decisions. Consumers generally invest more time and effort to purchase decisions for high-involvement products than to those for low involvement products. For example, a car buyer will probably compare prices, spend time visiting dealer showrooms, read auto reviews and ask for advice from friends before making the final decision. Few buyers invest

The search and alternative evaluation stages of the decision process result in the eventual purchase decision and the act of making the purchase. At this stage, the consumer has evaluated each alternative in the evoked set based on his/her personal set of evaluative criteria and narrowed the alternatives down to one. Marketers can smooth the purchase decision and action by helping consumers through financing, delivery, installation, and so on.

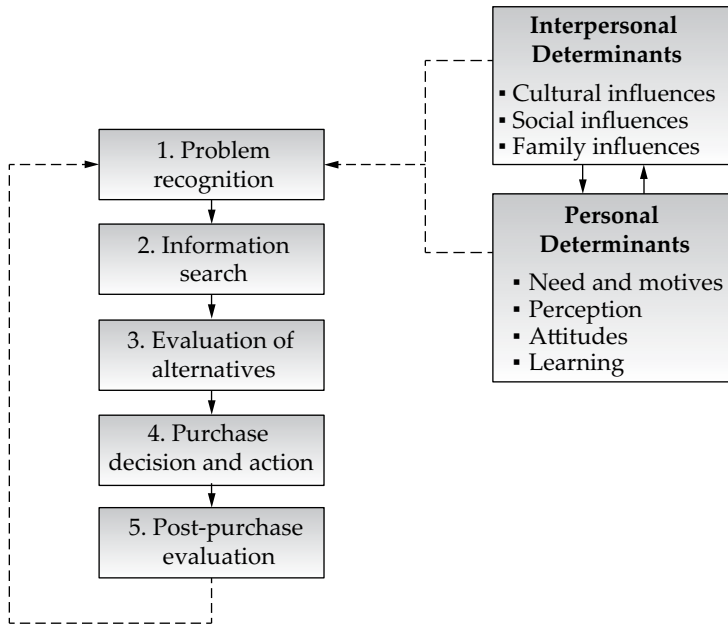
The purchase act produces one of the two results. The buyer feels either satisfaction at the removal of the discrepancy between the actual and the ideal states or dissatisfaction with the purchase. Consumers are generally satisfied if purchases meet their expectations. Sometimes, however, consumers experience some post-purchase anxieties, called cognitive dissonance. It is a perception that one has not made the right decision. The consumer attempts to reduce this dissonance by searching for additional information that confirms his/her choice. The marketer can help by providing reassuring information to the buyer and also by positive marketing communications.

## **2.20 THE CONSUMER DECISION PROCESS**

An integrated model of the consumer decision process is shown below.

Consumers complete a step-by-step process to make purchasing decisions. The length of time and the amount of effort they devote to a particular purchasing decision depends on the importance of the desired goods or services to the consumer. Purchases with high levels of potential social or economic consequences are said to be high-involvement purchase decisions. Routine purchases that pose little risk to the consumer are low-involvement decisions. Consumer generally invest more time and effort to purchase decisions for high-involvement products than to those for low-involvement products.

For example, a car buyer will probably compare prices, spend time visiting dealer showrooms, read auto reviews and ask for advice from friends before making the final decision. Few buyers invest that much effort in choosing between two brands of candies. They will still go through the steps of the consumer decision process but on a more compressed scale. Purchase decisions can be thought-based (cognitive) or feeling-based (emotive). While it is true that both cognition and emotion will be present in every purchase decision, either one of them will dominate the decision. As a result, we can construct a grid as follows to analyse different consumer purchase decisions as shown in Fig. 2.7.



**Fig. 2.7** Consumer decision process.

	Thought Based	Feeling Based
High effort	Ex: Investment Decision	Ex: Jewellery
Low effort	Ex: Home Maintenance Products	Ex: Snacks

**Fig. 2.8** Classification of consumer purchase decisions.

An integrated model of the consumer decision process shown in Fig. 2.7 consists five steps. First, the consumer recognises a problem or an unmet need. Then he/she searches for goods or services that will fill that need and evaluates the alternatives before making a purchase decision (and the actual purchase). After completing the purchase, the consumer evaluates whether he/she has made the right choice. Much of marketing involves steering the consumers through the decision process in the direction of a specific item. Consumers apply the decision process in solving problems and taking advantage of opportunities.

Such decisions permit them to correct differences between their actual and desired states. Feedback from each decision serves as additional learning experience to help guide subsequent decisions. During the first stage in the consumer decision-making process, the



Sometimes, however, consumers experience some post-purchase anxieties, called cognitive dissonance. It is a perception that one has not made the right decision. The consumer attempts to reduce this dissonance by searching for additional information that confirms his/her choice. The marketer can help by providing reassuring information to the buyer and also by positive marketing communications.

## **2.21 MARKETING IMPLICATIONS OF CONSUMER BEHAVIOUR**

Marketers study consumer behaviour because it has serious marketing implications—be it in marketing strategy (as defined by market segmentation, targeting and positioning) formulation or in designing the marketing mix (defined by the 4 Ps of marketing, viz., product, price, place and promotion). The following is a list of questions related to marketing strategy and marketing mix. The answers obviously arise from insights and findings from the study of consumer behaviour. Consider this.

- **Developing a Customer-Oriented Strategy**

Market segmentation

How is the market segmented?

How profitable is each segment?

What are the characteristics of consumers in each segment?

Are customers satisfied with existing offerings?

Selecting the target market

- **Positioning**

How are competitive offerings positioned?

How should our offerings be positioned?

Should our offerings be repositioned?

- **Developing Products or Services**

What ideas do consumers have for new products?

What attributes can be added to or changed in an existing offering?

What should our offering be called?

What should our package and logo look like?

What about guarantees?

- **Making Promotion (Marketing Communications) Decisions**

What are our advertising objectives?

What should our advertising look like?

Where advertising should be placed?

When should we advertise?

Has our advertising been effective  
 What about sales promotion objectives and tactics?  
 When should sales promotions happen?  
 Have our sales promotions been effective?  
 How many salespeople are needed to serve customers?  
 How can salespeople best serve customers?

- **Making Pricing Decisions**

What price should be charged?  
 How sensitive are consumers to price and price changes?  
 When should certain price tactics be used?

- **Making Distribution Decisions**

Where are target consumers likely to shop?  
 How should stores be designed?

Here are some specific real-life examples to emphasise the marketing implications that arise from the study of consumer behaviour.

Product positioning and competition: Remember the classic ad campaign for CoffeeBite. It talks about the positioning identities—What am I and Who am I. The Axe Deo campaigns strongly bring out the positioning identity of ‘For whom am I?’ Also the positioning of different supermarkets like FoodWorld, Nilgris, ApnaBazar and Subiksha answer the question ‘For whom am I?’. While designing the competitive marketing strategy, one question that bothers marketers is ‘Who am I competing with?’ For instance, is Xerox competing with other photocopier makers or computer printer makers or printers? With a positioning as ‘the Document Company’ it protects itself from marketing myopia and positions itself to take on competition even from the substitute products. If Style-Spa, the high-end home furniture retailer considers itself as a home expressions company, it invites competition from antique furniture shops. Similarly, Archies, a social expressions company selling cards and gifts, in reality competes with florists! These insights emerge from an understanding of the consumer needs and motives which is central to consumer behaviour.

Marketers are concerned about how consumers perceive their products. For example, brands like Strepsil (with all its colours and flavours), Crocin (with interesting mass media campaigns) can possibly confuse the consumers—are they pharmaceutical products? Self-help relievers? Are they speciality or commonplace products? Consumer perception determines the evoked set for the problem. No brand wants to be categorised with wrong competition in the evoked set! Itchguard represents a classic case of the creation of a new product category. The consumer need was always there until this brand arrived and

**Cognitive dissonance:** Post-purchase anxiety that results from an imbalance among an individual's knowledge, beliefs and attitude.

**Primary data:** Data which is collected originally for the current investigation.

**Secondary data:** Data which has already been collected by an agency or individual and available in published or unpublished form.

**Sample:** A small group drawn from the population or universe and which has all the characteristics of the population and is a true representative of it.

**Survey:** A method of collecting primary data. In the survey method data is gathered from the sample with the help of a questionnaire. The data may be gathered personally, over the telephone or by mail.

**Questionnaire:** An organised and written format which contains all the relevant questions for gathering data from the sample.

**Respondents:** An individual in his personal capacity or representing an institution who fulfils all the requirements of a sampling unit and is used for collecting data. He is known as respondent because he responds to the questionnaire.

**Perception:** Process of selection, organisation and interpretation of stimuli into cohesive, coherent picture.

**Attitudes:** Enduring and learned tendencies to act in a particular consistent way with regard to a given object or idea.

**Learning:** Process of applying results of past experiences to evaluate a new situation or modify future behaviour.

**Demographics:** The technique of measuring lifestyle using psychographic character such as attitudes, opinions, and interest.

**Lifestyle:** An individual's pattern of living in the world as expressed by the manner in which he spends money and time on various activities and interests, and the opinions that he holds.

**Social class:** Division in a society comprising people sharing same social, values, beliefs, attitudes, and exhibiting a distinct preference for certain products and brands.

**Sub-culture:** Culture within a culture distinct group of people grouped on the basis of nationality, religion, geographic region or race and having their own distinct motives, values and behaviour patterns.

**Diffusion of innovation:** Process by which the acceptance of an innovation is spread by communication to members of a society and the adoption of the innovation in terms of actual purchase of the product.

## **SUMMARY**

*Marketing Research (MR) as a tool for decision-making is gaining wide acceptance. Marketing decision involves variables which are often external to the firm, dynamic in nature, uncontrollable by the firm and interact with each other in a complex manner. Because of their dynamic and uncontrollable nature, the uncertainty associated with them is very high, which in turn leads to the situation that in most marketing decisions the associated risk factors is also very high.*

*The marketing manager is always on the lookout for ways and means to reduce this risk. One way that the risk can be reduced is through the use of MR which by providing information reduces uncertainty and converts the unknown risk factor into a known calculated risk.*

*MR can be used for gathering information about the market structure, competitors' activities, consumer behaviour, testing the efficacy of various elements of the marketing strategy and making forecasts. MR can be used for pre-testing a strategy before actually implementing it, monitor it during implementation, and after implementation monitor the results to assess its impact. Apart from its usefulness in the areas of marketing, MR is also used for monitoring socio-economic projects.*

*Every MR project involves five steps. These are: problem definition, research design, field work, data analysis and report presentation and analysis.*

*The manager must make the decision regarding the utility of MR on the basis of the cost involved in conducting the research and the benefits expected to accrue from it.*

*Measurement may be defined as the assignment of numbers to characteristics of objects, persons, states, or events, according to rules. What is measured is not the object, person, state, or events, according to rules.*

*Marketing information system is an internal arrangement designed to support management decision-making and action. Marketing information system provides the management with:*

- (a) Current or conditional future states of the market environment and*
- (b) The market responses to company and/or competitor actions.*

*A questionnaire is simply a formalised set of questions for eliciting information. As such, its function is measurement and it represents the most common form of measurement in marketing research.*

*Questionnaire construction involves seven major decision areas: (1) Preliminary considerations, (2) Question content, (3) Question wording, (4) Response format, (5) Question sequence, (6) Physical characteristics of the questionnaire, and (7) Pretest.*

## Assignment 5

1. Draft each of the following appears on a paper questionnaire that respondents find out and return to a research firm. Rephrase or reformat each question so that the respondent is more likely to provide the research firm with information it needs.
  - (a) Which brand do you like the most?
  - (b) Can you tell how many children you have? Whether they are girls or boys, and how old they are?
  - (c) How much say do you have regarding the charities that your church contributes to?
  - (d) Are auto manufacturers making satisfactory progress in controlling auto emissions?
  
2. Levi Strauss's marketing team has determined that the men buy Levi's jeans fall into five categories:
  - (a) Utilitarian jeans customer: The level Loyalist who wears jeans for work and play
  - (b) Trendy casual: High fashion customers who come to late at night
  - (c) Price shopper: Buys on the basis of price at departmental stores and discount stores
  - (d) Mainstream traditionalist: Over 45 years old and shops in departmental store accompanied by his wife
  - (e) Classical independent: Independent buyer, shops alone in speciality stores, and wants cloths that make him "look right" (the target in this case)

The marketing team wants to develop a product for the "classic independent" segment. Should the Levi name be used on the new product? Can this product be marketed successfully through Levi's current channels of distribution? What kinds of formal market research should the company conduct to help it make a sound decision on whether to purchase this segment and how?

3. Suggest creative ways to help companies research the following issues:
  - (a) A liquor company needs to estimate liquor consumption in a legally dry town.
  - (b) A magazine distribution house wants to know that many people read a specific magazine in doctors' offices.
  - (c) A men's hair tonic producer wants to know at least four alternative ways to research how men use its products.

## Assignment 6

To get preliminary idea about the study and application of consumer behaviour, complete the following table in terms of your own purchase behaviour.

## CASE STUDY

### Case Study-1

#### That CSR (Corporate Social Responsibility) Thing!

It shouldn't surprise anyone that Indian companies have just discovered the marketing pay-off of their corporate social responsibility (CSR) initiatives. They could get by with focusing on real or perceived product attributes, and with profit-mindedness being considered a coarse sentiment, any CSR programme they launched was far removed from their core businesses, brands, even consumers.

There has been a spate of corporate CSR initiatives over the past few years. Companies have been quick to respond to crises (such as the Gujarat earthquake or the Tsunami that hit the southern parts of the country) or shown inherent goodness in plugging gaps in the government's efforts to provide healthcare and education to all—in a country as vast as India, there will always be gaps—but there has been little effort to link such work to things such as marketing, even corporate strategies. Most CSR activities are, at best, charity, not very different from discrete acts of philanthropy and, at worst, a mere humane façade of a for-profit-only capitalist system.

This is why recent advertising campaigns by the country's two largest fast moving consumer goods (FMCG) companies, Hindustan Lever Limited (HLL) and ITC are significant. The first, a campaign for Surf Excel Quick Wash with the tagline *Do bucket paani ab rozana hai bachain* (I will save two buckets of water a day), has struck a chord in a country where the shortage of water is an endemic phenomenon. "We decided it would be of immense benefit to a household if a technology could be developed that would reduce the water consumed in the washing of clothes and the amount of effort required while rinsing while delivering superlative cleanliness", says an HLL spokesperson. Surf's sales, say sources in the market, have gone up by as much as 15% since the advertisement, starring actress-turned-social-activist and former Member of Parliament, Shabana Azmi, went national (the company had tested the strategy in waterstarved Tamil Nadu last year with another actress-turned-social-activist Revathy Menon).

Then, there is ITC's *working for you, working for India* campaign, one strand of which focuses on the company's e-choupal initiative, an effort that seeks to enhance rural incomes, then, sell a variety of products and services to rural customers (apart from sourcing agricultural produce from them). The tagline itself smacks of old-style image led CSR activity, but given what the e-choupal does, it is actually an attempt to build and position the company's brand around the idea of doing something for the country.

In some ways, ITC's e-choupal is a far stronger example of a CSR-brand linkage than the Surf Excel campaign. It is a programme that is obviously advantageous to the company, yet it is accomplished by enough socially relevant goodies to make it look the way a government programme targeted at rural development ideally should. HLL, coincidentally, has an initiative that fits the bill, its Project Shakthi that uses Women's self-help groups in rural areas to further its reach. "The problem with old-style CSR was that the benefactors were not in control of what they would get", says Vivek Vaidya, a brand consultant. With brand or corporate strategy driven CSR, they are.

*Source: Business Today, May 8, 2005*

### **Questions**

1. Explain the success of *Do bucket paani ab rozana hai bachain* (I will save two buckets of water a day) campaign for Surf Excel.
2. What consumer behaviour insights can you draw from this case?
3. Identify the personal and interpersonal factors that affect consumer behaviour for the product/service described in the case.

### **Case Study-2**

XYZ Corporation deals with a product 'Body Spray'. Their manufacturing set-up is in Delhi. At present, they want to enter the Chennai market. The product is to be branded and to be positioned in the market. Suppose you are the market researcher and this assignment is given to you for a market study.

### **Questions**

- (i) How will you plan the market research?
- (ii) How will you brand the product?
- (iii) How will you segment and target the product?

### **Case Study-3**

Assume that in your city a leading corporate is planning to open up its retail outlet chain stores. They wanted to know the consumer's factors like their perception and culture, value system, lifestyles. If you have given a chance to do a market research, how will you plan your market research for this corporate retail outlet?

