

Improving Decisions with Marketing Information

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ABSTRACT

To make good marketing decisions, managers need accurate information about what is happening in the market. They usually can't get all of the information that they'd like, but part of their job is to find cost-effective ways to get the information that they really must have. One source is marketing research —procedures that develop and analyze new information about a market. Marketing research may involve use of questionnaires, interviews with customers, directly observing customers, experiments, and many other approaches. But most marketing managers have some information needs that would take too long, or cost too much, to address with one-at-a-time marketing research projects. So, in many companies, marketing managers also routinely get help from a marketing information system (MIS) —which is an organized way of continually gathering, accessing, and analyzing information that marketing managers need to make ongoing decisions.

KEYWORDS: Marketing research, information technology, communication, coordination, marketing information systems, consumer, responses, scientific methods

JEL Classification: D83, L86, M31

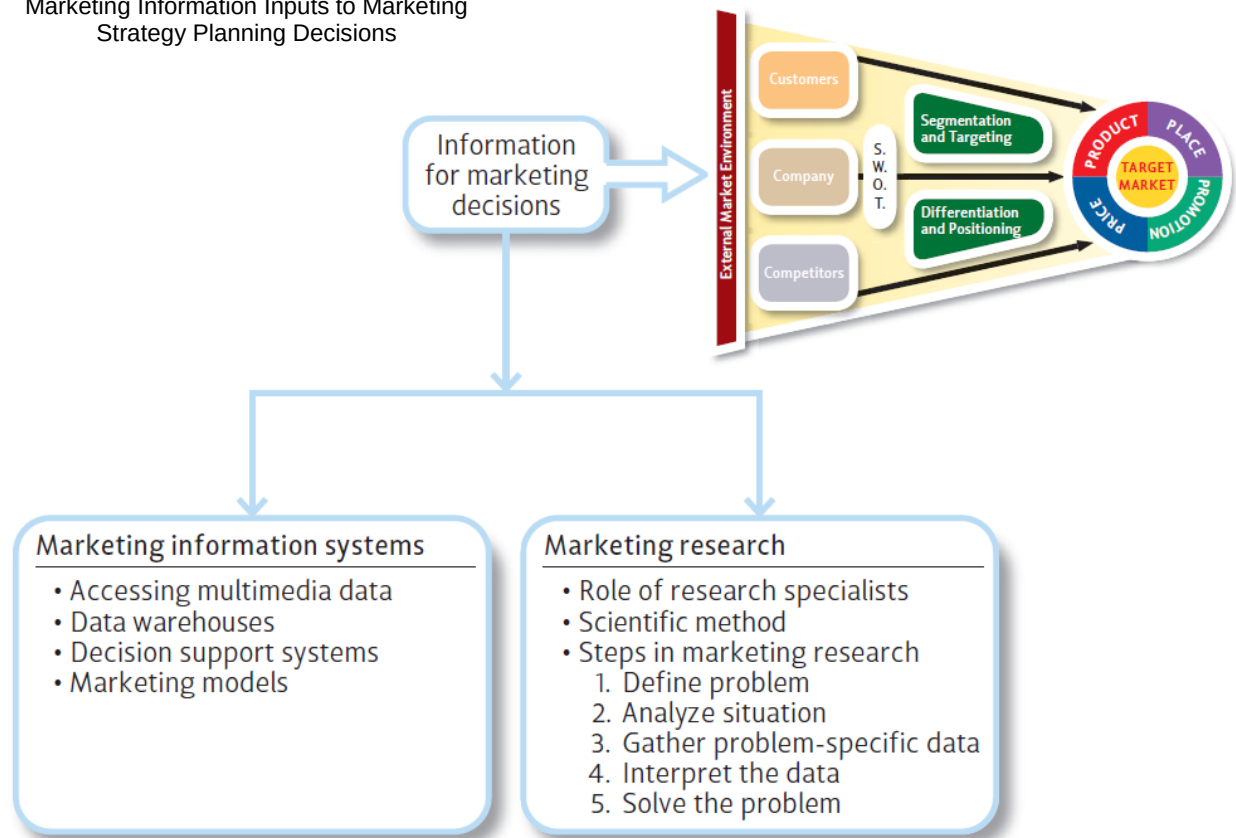
Marketing managers may need marketing research, an MIS, or a combination of both to get the information they need to make decisions during any step in the marketing strategy planning process—or to improve implementation and control. Most large companies have a separate marketing research department to plan and manage research projects. People in these departments usually rely on outside specialists to carry out the work on particular projects. Further, they may call in specialized marketing consultants and marketing research organizations to take charge of a whole project. Smaller companies usually don't have separate marketing research departments. They often depend on their salespeople or managers to conduct what research they do. In contrast, some nonprofit organizations have begun to use marketing research - usually with the help of outside specialists.

Most companies also have a separate department with information technology specialists to help set up and maintain an MIS. Even small firms may have a person who handles all of the technical work on its computer systems—though many small and large firms are increasingly looking to outside consultants and service providers for help with information systems.

Marketing managers cannot just turn over research or MIS development activities to these internal or external specialists. Marketing managers set the firm's marketing objectives and know what data they've routinely used in the past.

Careful communication and coordination with these experts will assure that research and an MIS are useful in marketing strategy planning.¹

Exhibit 1*
Marketing Information Inputs to Marketing
Strategy Planning Decisions



Marketing research is guided by the **scientific method**, a decision-making approach that focuses on being objective and orderly in testing ideas before accepting them. With the scientific method, managers don't just assume that their intuition is correct. Instead, they use their intuition and observations to develop **hypotheses** — educated guesses about the relationships between things or about what will happen in the future. Then they test their hypotheses before making final decisions. A manager who relies only on intuition might introduce a new product without testing consumer response. But a manager who uses the scientific method might say, "I think (hypothesize) that consumers currently using the most popular brand will prefer our new product. Let's run some consumer tests. If at least 60 percent of the consumers prefer our product, we can introduce it in a regional test market. If it doesn't pass the consumer test there, we can make some changes and try again." With this approach, decisions are based on evidence, not just hunches. The scientific method forces an orderly research process. Some managers don't carefully specify what information they need. They blindly move ahead—hoping that research will provide "the answer." Other managers may have a clearly defined problem or question but lose their way after that. These hit-or-miss approaches waste both time and money.

¹ ***Exhibit 1** source: Essentials of marketing: a marketing strategy planning approach / William D. Perreault, Jr., Joseph P. Cannon, E. Jerome McCarthy. — 13th ed., Published by McGraw-Hill/Irwin, 2012

FIVE-STEP APPROACH TO MARKETING RESEARCH

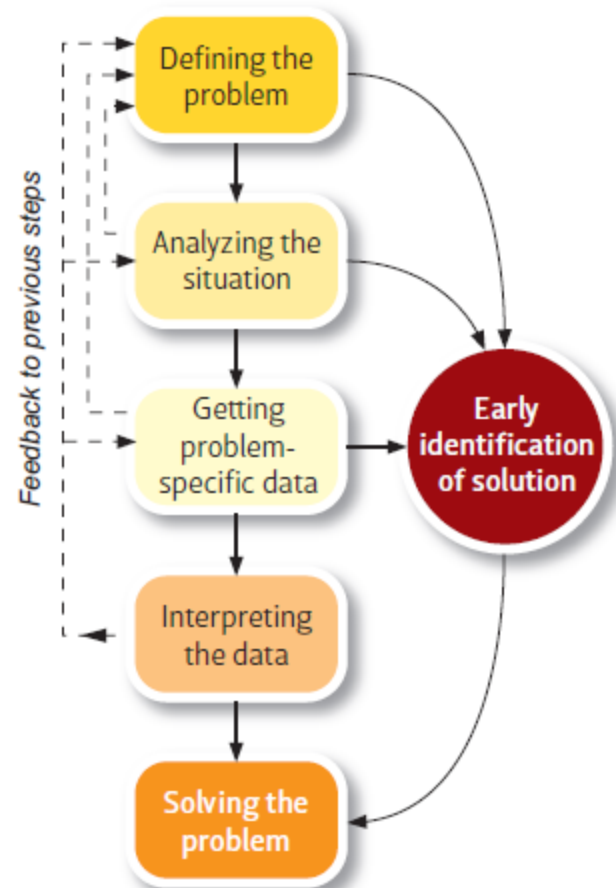
The **marketing research process** is a five-step application of the scientific method that includes:

1. Defining the problem.
2. Analyzing the situation.
3. Getting problem-specific data.
4. Interpreting the data.
5. Solving the problem.

Exhibit 2² shows the five steps in the process. Note that the process may lead to a solution before all of the steps are completed. Or as the feedback arrows show, researchers may return to an earlier step if needed. For example, the interpreting step may point to a new question—or reveal the need for additional information—before a final decision can be made.

Good marketing research requires cooperation between researchers and marketing managers. Researchers must be sure their research focuses on real problems. Marketing managers must be able to explain what their problems are and what kinds of information they need. They should be able to communicate with specialists in the specialists' language. Marketing managers may only be “consumers” of research. But they should be informed consumers—able to explain exactly what they want from the research. They should also know about some of the basic decisions made during the research process so they know the limitations of the findings.

Exhibit 2**
Five-Step Scientific Approach to Marketing Research Process



INTERNATIONAL MARKETING RESEARCH

Marketing research on overseas markets is often a major contributor toward international marketing success. Conversely, export failures are often due to a lack of home office expertise concerning customer interests, needs, and other segmenting dimensions as well as environmental factors such as competitors' prices and products. Effective marketing research can help to overcome these problems. In many countries, it is difficult—especially for a foreigner—to gather accurate information. Let's look at the challenge in China. Because the economy is growing so rapidly, secondary data that are out of date may be much more inaccurate than would be the case in a country with slow growth. Some important secondary data (such as the China Statistical Yearbook) are now available in an English language version, but that is often not the case.

There are other problems, such as no explanation of the methods used to collect the data. That's important because the Chinese market is both large and complicated. Imagine how you would try

² ****Exhibit 2** source: Essentials of marketing: a marketing strategy planning approach / William D. Perreault, Jr., Joseph P. Cannon, E. Jerome McCarthy. — 13th ed., Published by McGraw-Hill/Irwin, 2012

to do a competitor analysis when there are over 1,000 Chinese firms that brew beer! Collecting primary data is difficult too. Western researchers feel that Chinese managers and consumers are not very receptive to direct questioning. Those who agree to cooperate may be hesitant to say anything negative about their own companies or anything favorable about competitors. So it takes experienced interviewers to carefully interpret responses.

Whether a firm is small and entering overseas markets for the first time or already large and well established internationally, there are often advantages to working with local marketing research firms. They know the local situation and are less likely to make mistakes based on misunderstanding the customs, language, or circumstances of the customers they study.

Many large research firms have a network of local offices around the world to help with such efforts. Similarly, multinational or local advertising agencies and intermediaries can often provide leads on identifying the best research suppliers. When a firm is doing similar research projects in different markets around the world, it makes sense for the marketing manager to coordinate the efforts. If the manager doesn't establish some basic guidelines at the outset, the different research projects may all vary so much that the results can't be compared from one market area to another. Such comparisons give a home office manager a better chance of understanding how the markets are similar and how they differ.

Conclusion

Marketing managers face difficult decisions in selecting target markets and managing marketing mixes, but they rarely have all the information they would like to have before making those decisions. Even less information may be available in international markets. This doesn't mean that managers have to rely solely on intuition; they can usually obtain some good information that will improve the quality of their decisions. Both large and small firms can take advantage of Internet and intranet capabilities to develop marketing information systems (MIS) that help to ensure routinely needed data are available and quickly accessible. Some questions can only be answered with marketing research. Marketing research should be guided by the scientific method. This objective and organized approach helps to keep problem solving on task. It reduces the risk of doing costly and unnecessary research that doesn't achieve the desired end — solving the marketing problem. By finding and focusing on real problems, researchers and marketing managers may be able to move more quickly to a useful solution during the situation analysis stage— without the costs and risks of gathering primary data.

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