In this chapter, we continue our exploration of how marketers gain insights into consumers and the marketplace. We look at how companies develop and manage information about important marketplace elements: customers, competitors, products, and marketing programs. To succeed in today’s marketplace, companies must know how to turn mountains of marketing information into fresh customer insights that will help them engage customers and deliver greater value to them.

Let’s start with a story about marketing research and customer insights in action. In order to tailor its products to the market it operates in, Italian chocolate and confectionary manufacturer Ferrero derives fresh insights on customers and the marketplace from marketing information. The company’s ability to use this information and capitalize on them by improving decision making and tailoring their offerings to the local market has been a key success factor in major and growing markets such as India.

**FERRERO: Managing Marketing Information and Customer Insights**

Ferrero SpA is an Italian manufacturer of branded chocolate and confectionery products, and the third biggest chocolate producer and confectionery company in the world. It was founded in 1946 in Alba, Italy, by Pietro Ferrero and is still privately owned by the Ferrero family. In the updated listings for the year 2016, Ferrero was named the most reputable company in the food-and-beverages sector in Reputation Institute’s Global RepTrak 100, which ranks the world’s most reputable companies on innovation, governance, and citizenship. Its revenue in the fiscal year of 2015 was $9.9 billion, a 12 percent rise from the previous year. The company employs nearly 33,219 people worldwide. Because of its consistent commitment to innovation and customer focus, the company has outperformed its competitors in many markets.

The firm concentrates on meeting high standards; thus, it manufactures only in places where it is sure it can deliver consistently and establish a secure retail supply chain. The company strives to understand market preferences and has a proven track record of successfully managing marketing information and gaining customer insights. A prime example of this is when it created a new market for premium chocolate in India with the help of sophisticated marketing analysis.

When Ferrero entered India in 2004, the country did not really have a ready market for premium chocolates. Since India is a very price-sensitive country, most brands offer products at low prices in small packs. Market leader Cadbury had been selling its flagship brand, Dairy Milk, at an entry price of $0.07 for over a decade. That has changed today due to Ferrero’s sophisticated and ongoing analysis of the local market and its customers that paved the way for a new product segment in that region. Premium chocolates now make up about 27 percent of the market in India. Besides Ferrero, several companies compete in this segment, including Cadbury, Nestlé, Mars, Hershey, and Lindt. Cadbury, with its Celebrations, Bournville, and Silk brands, is the market leader, with more than 60 percent share in the premium segment and 70 percent overall.

Within just a decade, Ferrero has garnered a 6 percent share of the Indian chocolate market. More notably, it is credited with developing the premium segment. When Ferrero launched its Rocher chocolates, the only competing brand was Cadbury Celebrations, which was priced between $1.50 and $2.65 per
box. However, Ferrero has managed to launch their product at $4.55 (per box of 12 chocolates) and make it work even at such a steep price point. So, how did the Italian confectionery giant do it?

The company rolled out Rocher chocolates across India in 2007 and followed this up in 2009 with Tic Tac and Kinder Joy, an egg-shaped chocolate that comes with a toy for children. In October 2011, it opened a factory at Baramati, in the state of Maharashtra. The factory produces one million Kinder Joy eggs and 20 million pellets of Tic Tac daily. Though the company still imports Rocher, it has made India its center for Asia and exports half its local production. Ferrero set up its branch office in Chennai because this region offered contrasting cultures with different needs and wants.

Ferrero sensed as early as 2004 that there was a set of consumers in India willing to pay a premium price for a box of chocolates. To gain and manage the appropriate marketing information and customer insights, Ferrero did not hire any market research firm when it was test-marketing Rocher. Instead, it decided to go to the market on its own to better understand the Indian customer. The company set up a specific customer insights team as a center of excellence in market research. This team provided deep insight into the local market across all relevant aspects, from the launch of new products to changing packaging, developing and modifying recipes, and finding the ideal communication channels. In order to better understand the customer and their potential needs and wants as well as their habits, the Ferrero customer insights team as well as the management traveled into the metro cities as well as out of them, to Nagpur and smaller markets in the interior. They also visited consumer homes to understand consumer habits and aspirations. As a result, Ferrero not only realized that Indians were open to buying an expensive box of chocolates, even if it was sold in a kirana store (a small neighborhood retail store in the Indian subcontinent), but they also discovered that consumers would buy expensive chocolates mostly during festivals, when they generally gift sweets.

As a consequence, Ferrero supplies Rocher round the year to modern retail stores such as Food Bazaar, but kirana stores get these chocolates typically during the festival season (from October to March). During the summer months, Ferrero distributors do not usually allow kirana stores to stock more than three to four boxes so that quality is not compromised because of a lack of refrigeration facilities. The logic is that it is better not to be present at all than give the consumer a stale product. By 2014, despite being available mostly during festivals, Ferrero Rocher had captured 14 percent share in the box chocolate category. In India, where the sheer variety of sweets is vast, where recipes vary from state to state, Ferrero has managed to lodge itself in the minds of the people as a luxury and exclusive product, and people are consuming and gifting these chocolates during local festivals in addition to other occasions when local sweets are consumed. It is worth emphasizing that Ferrero’s growth comes despite a 30 percent import duty on chocolate.

Nestlé recently launched its premium brand Alpino at $0.45 a piece for round chocolates that look like Ferrero Rocher. Although both Cadbury and Nestlé sell premium brands, they derive the major share of their revenue from mass-market products. Ferrero’s strategy is different: it does not even plan to make cheaper variants of Tic Tac and Kinder Joy, but successfully pursued a premium strategy instead. Tic Tac is priced at $0.15 while most mouth-freshener candies cost $0.01. Kinder Joy is pitched as a healthy product that contains more milk than cocoa to target mothers conscious of their children’s health.

The success behind Ferrero’s product launches lies in its ability to manage marketing information and gain customer insights. New flavors of products are introduced only after conducting thorough research on Indian requirements and preferences. After further in-depth marketing research, the company successfully introduced an Indian flavor, “Elaichi Mint,” to its Tic Tac brand in late 2014 to suit the local palate. This is the first time that the brand has introduced a local flavor in the market especially to cater to the Indian audience. The new flavored Tic Tac mint has the strong flavor of cardamom and has the tag line “The Desi Mint.” This condiment is widely used in India for its health benefits and as a mouth freshener after meals.

The Indian chocolate market has been growing at a rate of more than 15 percent over the last seven years and is projected to grow at an even higher rate in the future. Ferrero’s objective is to sell Tic Tac and Kinder Joy at 1.1 million retail stores in the next two to three years, up from 38,000 at present. Although Nestlé and Cadbury together account for the majority of the chocolate market, Ferrero is expected to overtake Nestlé in the next few years with the increasing popularity of Ferrero Rocher and Kinder Joy. The company’s ability to capitalize on its management of the marketing information by gaining customer insights and using them to improve decision-making will definitely prove to be a valuable asset in this endeavor.¹
OBJECTIVES OUTLINE

| OBJECTIVE 4-1 | Explain the importance of information in gaining insights about the marketplace and customers.  
**Marketing Information and Customer Insights (pp 124–126)** |
| OBJECTIVE 4-2 | Define the marketing information system and discuss its parts.  
**Assessing Information Needs and Developing Data (pp 126–130)** |
| OBJECTIVE 4-3 | Outline the steps in the marketing research process.  
**Marketing Research (pp 130–140)** |
| OBJECTIVE 4-4 | Explain how companies analyze and use marketing information.  
**Analyzing and Using Marketing Information (pp 140–144)** |
| OBJECTIVE 4-5 | Discuss the special issues some marketing researchers face, including public policy and ethics issues.  
**Other Marketing Information Considerations (pp 144–149)** |

AS THE FERRERO STORY highlights, good products and marketing programs begin with good customer information. Companies also need an abundance of information on competitors, resellers, and other actors and marketplace forces. But more than just gathering information, marketers must use the information to gain powerful customer and market insights.

**Marketing Information and Customer Insights**

To create value for customers and build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Such customer insights come from good marketing information. Companies use these customer insights to develop a competitive advantage.

For example, when it began six years ago, social media site Pinterest needed to differentiate itself from the dozens, even hundreds, of existing social networking options.

Pinterest’s research uncovered a key customer insight: Many people want more than just Twitter- or Facebook-like places to swap messages and pictures. They want a way to collect, organize, and share things on the internet related to their interests and passions. So Pinterest created a social scrapbooking site where people can create and share digital pinboards—theme-based image collections of things that inspire them. “Pinterest is your own little internet of only the things you love,” says the company.

Thanks to this unique customer insight, Pinterest has been wildly popular. Today, more than 100 million active monthly Pinterest users collectively pin more than 5 million articles a day and view more than 2.5 billion Pinterest pages a month. In turn, more than a half-million businesses use Pinterest to engage and inspire their customer communities. For example, L.L.Bean has 5.1 million Pinterest followers, Nordstrom has 4.3 million followers, and Lowe’s has 3.4 million followers. Some 47 percent of U.S. online shoppers have purchased something as a result of a Pinterest recommendation.

Although customer and market insights are important for building customer value and engagement, these insights can be very difficult to obtain. Customer needs and buying motives are often anything but obvious—consumers themselves usually can’t tell you exactly what they need and why they buy. To gain good customer insights, marketers must effectively manage marketing information from a wide range of sources.
Marketing Information and Today’s “Big Data”

With the recent explosion of information technologies, companies can now generate and find marketing information in great quantities. The marketing world is filled with information from innumerable sources. Consumers themselves are now generating tons of marketing information. Through their smartphones, PCs, and tablets—via online browsing and blogging, apps and social media interactions, texting and video, and geolocation data—consumers now volunteer a tidal wave of bottom-up information to companies and to each other.

Far from lacking information, most marketing managers are overloaded with data and often overwhelmed by it. This problem is summed up in the concept of big data. The term big data refers to the huge and complex data sets generated by today’s sophisticated information generation, collection, storage, and analysis technologies. Every year, the people and systems of the world generate about a trillion gigabytes of information. That’s enough data to fill 2.47 trillion good old CD-ROMs, a stack tall enough to go to the moon and back four times. A full 90 percent of all the data in the world has been created in just the past two years.3

Big data presents marketers with both big opportunities and big challenges. Companies that effectively tap this glut of data can gain rich, timely customer insights. However, accessing and sifting through so much data is a daunting task. For example, when a large consumer brand such as Coca-Cola or Apple monitors online discussions about its brand in tweets, blogs, social media posts, and other sources, it might take in a stunning 6 million public conversations a day, more than 2 billion a year. That’s far more information than any manager can digest. Thus, marketers don’t need more information; they need better information. And they need to make better use of the information they already have.

Managing Marketing Information

The real value of marketing information lies in how it is used—in the customer insights that it provides. Based on such thinking, companies ranging from PepsiCo, Starbucks, and McDonald’s to Google and GEICO have restructured their marketing information and research functions. They have created customer insights teams, whose job it is to develop actionable insights from marketing information and work strategically with marketing decision makers to apply those insights. Consider PepsiCo.4

Years ago, PepsiCo’s various marketing research departments were mainly data providers. But not anymore. Today they are integrated “customer insights teams” charged with delivering insights at the center of the brand, the business, and consumers. The teams gather insights from a rich and constantly evolving variety of sources—ranging from grocery store cash registers, focus groups and surveys, and subconscious measures to mingling with and observing customers in person and monitoring their digital and social media behaviors. The teams continually evaluate new methods for uncovering consumer truths that might predict market behavior. Then the insights teams use the data and observations, tempered by intuitive judgment, to form actionable consumer insights with real business implications. Finally, they share these insights with brand teams from Pepsi, Mountain Dew, Aquafina, and other PepsiCo brands to help them make better decisions.

Beyond just transmitting data and findings through traditional fact-based presentations, reports, and spreadsheets, the Consumer Insights teams share their insights in more engaging, accessible, and digestible ways. For example, the PepsiCo North America Beverages (NAB) Consumer Insights team has even developed a consumer insights app that disseminates custom-designed data and content to marketing and brand decision makers. More than just collecting and distributing data, the PepsiCo consumer insights teams are strategic marketing partners.

“We drive decisions that ultimately lead to sustainable growth,” says a senior PepsiCo consumer strategy and insights executive. “And everything we do impacts the bottom line.”

Thus, companies must design effective marketing information systems that give managers the right information, in the right form, at the right time and help them to use this information to create customer value, engagement, and stronger customer relationships. A marketing information system (MIS) consists of people and procedures dedicated to assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights.
Figure 4.1 shows that the MIS begins and ends with information users—marketing managers, internal and external partners, and others who need marketing information and insights. First, it interacts with these information users to assess information needs. Next, it interacts with the marketing environment to develop needed information through internal company databases, marketing intelligence activities, and marketing research. Finally, the MIS helps users to analyze and use the information to develop customer insights, make marketing decisions, and manage customer engagement and relationships.

Assessing Information Needs and Developing Data

Assessing Marketing Information Needs

The marketing information system primarily serves the company’s marketing and other managers. However, it may also provide information to external partners, such as suppliers, resellers, or marketing services agencies. For example, Walmart’s Retail Link system gives key suppliers access to information on everything from customers’ buying patterns and store inventory levels to how many items they’ve sold in which stores in the past 24 hours.

A good marketing information system balances the information users would like to have against what they really need and what is feasible to offer. Some managers will ask for whatever information they can get without thinking carefully about what they really need. And in this age of big data, some managers will want to collect and store vast amounts of digital data simply because technology lets them. But too much information can be as harmful as too little. In contrast, other managers may omit things they ought to know, or they may not know to ask for some types of information they should have. The MIS must monitor the marketing environment to provide decision makers with information and insights they should have to make key marketing decisions.

Finally, the costs of obtaining, analyzing, storing, and delivering information can mount quickly. The company must decide whether the value of insights gained from additional information is worth the costs of providing it, and both value and cost are often hard to assess.

Developing Marketing Information

Marketers can obtain the needed information from internal data, marketing intelligence, and marketing research.

This chapter is all about managing marketing information to gain customer insights. And this important figure organizes the entire chapter. Marketers start by assessing user information needs. Then they develop the needed information using internal data, marketing intelligence, and marketing research processes. Finally, they make the information available to users in the right form at the right time.
Internal Data

Many companies build extensive **internal databases**, collections of consumer and market information obtained from data sources within the company’s network. Information in an internal database can come from many sources. The marketing department furnishes information on customer characteristics, in-store and online sales transactions, and web and social media site visits. The customer service department keeps records of customer satisfaction or service problems. The accounting department provides detailed records of sales, costs, and cash flows. Operations reports on production, shipments, and inventories. The sales force reports on reseller reactions and competitor activities, and marketing channel partners provide data on sales transactions. Harnessing such information can provide powerful customer insights and competitive advantage.

For example, insurance and financial services provider USAA uses its internal database to create an incredibly loyal customer base:6

- USAA provides financial services to U.S. military personnel and their families, largely through direct marketing via the phone, the internet, and mobile channels. It maintains a huge customer database built from customer purchase histories and information collected directly through customer surveys, transaction data, and browsing behavior at its online sites. USAA uses the database to tailor direct marketing offers to the needs of individual customers. For example, for customers looking toward retirement, it sends information on estate planning. If the family has college-age children, USAA sends those children information on how to manage their credit cards.

One delighted reporter, a USAA customer, recounts how USAA even helped him teach his 16-year-old daughter to drive. Just before her birthday, but before she received her driver’s license, USAA sent a “package of materials, backed by research, to help me teach my daughter how to drive, help her practice, and help us find ways to agree on what constitutes safe driving later on, when she gets her license.” Through such skillful use of its database, USAA serves each customer uniquely, resulting in legendary levels of customer satisfaction and loyalty. More important, the $24 billion company retains 98 percent of its customers.

Internal databases usually can be accessed more quickly and cheaply than other information sources, but they also present some problems. Because internal information is often collected for other purposes, it may be incomplete or in the wrong form for making marketing decisions. Data also age quickly; keeping the database current requires a major effort. Finally, managing and mining the mountains of information that a large company produces require highly sophisticated equipment and techniques.

Competitive Marketing Intelligence

**Competitive marketing intelligence** is the systematic monitoring, collection, and analysis of publicly available information about consumers, competitors, and developments in the marketing environment. The goal of competitive marketing intelligence is to improve strategic decision making by understanding the consumer environment, assessing and tracking competitors’ actions, and providing early warnings of opportunities and threats. Marketing intelligence techniques range from observing consumers firsthand to quizzing the company’s own employees, benchmarking competitors’ products, online research, and monitoring social media buzz.

Good marketing intelligence can help marketers gain insights into how consumers talk about and engage with their brands. Many companies send out teams of trained observers to mix and mingle personally with customers as they use and talk about the company’s products. Other companies—such as PepsiCo, Mastercard, Kraft, and Dell—have set up sophisticated digital command centers that routinely monitor brand-related online consumer and marketplace activity (see Real Marketing 4.1).
4.1 Social Media Command Centers: Listening to and Engaging Customers in Social Space

Today’s social space is alive with buzz about brands and related happenings and trends. As a result, many companies are now setting up state-of-the-art social media command centers with which they track or even help shape the constant barrage of social media activity surrounding their brands.

Some social media command centers are event-specific. For example, Jaguar set up “The Villain’s Lair,” a social media command center for the express purpose of managing engagement with its Super Bowl ads featuring famous movie villains. But many other organizations, ranging from financial institutions and consumer products companies to not-for-profit organizations, have opened permanent digital command centers to harness the power of today’s burgeoning social media chatter.

For example, Mastercard’s digital intelligence command center—called the Conversation Suite—monitors, analyzes, and responds in real time to millions of online conversations around the world. It monitors online brand-related conversations across 43 markets and 26 languages. It tracks social networks, blogs, online and mobile video, and traditional media—any and every digital place that might contain relevant content or commentary on Mastercard.

At Mastercard’s Purchase, New York, headquarters, Conversation Suite staff huddle with managers from various Mastercard departments and business units in front of a giant 40-foot LED screen that displays summaries of ongoing global brand conversations, refreshed every four minutes. A rotating group of marketing and customer service people spends two or three hours a day in the command center. “It’s a real-time focus group,” says a Mastercard marketing executive. “We track all mentions of Mastercard and any of our products, plus the competition.”

Mastercard uses what it sees, hears, and learns in the Conversation Suite to improve its products and marketing, track brand performance, and spark meaningful customer conversations and engagement. Mastercard is even training “social ambassadors,” who can join online conversations and engage customers and brand influencers directly. “Today, almost everything we do [across the company] is rooted in insights we’re gathering from the Conversation Suite,” says another manager. “It’s transforming the way we do business.”

PepsiCo’s Gatorade was one of the first brands to set up a social media command center, called Gatorade Mission Control. The center conducts extensive real-time monitoring of brand-related social media activity. Whenever someone mentions anything related to Gatorade (including competitors, Gatorade athletes, and sports nutrition-related topics) on major social media or blogs, it pops up in various visualizations and dashboards on one of six big screens. Gatorade Mission Control staffers also monitor digital ad, web, and mobile site traffic, producing a consolidated picture of the brand’s internet image. Gatorade uses what it sees and learns at the center to improve its products, marketing, and interactions with customers.

Gatorade Mission Control also lets the brand engage consumers in real time, sometimes adding to or even shaping the online discourse. For example, during Game One of the 2014 NBA Finals, when then-Miami Heat forward LeBron James was carried off of the 2014 NBA Finals, when then-Miami Heat forward LeBron James was carried off the court with leg cramps, Twitter exploded with comments that Gatorade had failed to prevent James’s cramps. Although the former Gatorade spokesman had recently switched to rival Powerade, a Coca-Cola brand, most fans still associated King James with Gatorade. However, at the same time that fans were tweeting concerns about the brand, the Gatorade Mission Control team was countering with its own humorous responses, such as “The person cramping isn’t our client. Our athletes can take the Heat.” When one fan tweet asked where Gatorade was when LeBron James needed it, the team replied, “Waiting on the sidelines, but he prefers to drink something else.” Thus, real-time social media monitoring helped Gatorade turn potentially negative online chatter into a game-winning shot at the buzzer.

All kinds of organizations are now setting up social media command centers, even not-for-profits. For example, the American Red Cross partnered with Dell to create its Digital Operations Center in Washington, DC, which helps the humanitarian relief organization improve its responses to emergencies and natural disasters. The Red Cross got serious about monitoring social media after an opinion poll revealed that 80 percent of Americans expect emergency responders...
to monitor social networks, and one-third presumed that they could get help during a disaster within an hour if they posted or tweeted a request. Modeled after Dell’s own iconic social media center, the Red Cross Digital Operations Center broke new ground with an innovative digital volunteer program, adding thousands of trained volunteers around the country to help handle the massive volume of social media traffic that occurs during a disaster.

The Digital Operations Center helps improve the Red Cross’s everyday relief efforts, such as responses to an apartment fire in a large metropolitan area. “Not only are we scanning the social media landscape looking for actionable intelligence,” says a Red Cross manager, “we are also scanning the space to see if there are people out there who need information and emotional support.”

But it’s the major disasters that highlight the center’s biggest potential. For example, during the week of Hurricane Sandy, one of the biggest natural disasters in U.S. history, the Digital Operations Center played a crucial role in directing Red Cross relief efforts. In addition to the usual data from government partners, on-the-ground assessments, and damage reports from traditional media, the center pored through and acted on millions of tweets, Facebook posts, blog entries, and photos posted online. In all, it tracked more than 2 million posts and responded directly to thousands of people. In at least 88 cases, social media posts had a direct effect on Red Cross actions. “We put trucks in areas where we saw a greater need, we moved cots to a shelter where we needed more supplies,” says the Red Cross manager. Even a lack of social media activity was an important indicator. A social media “black hole” in a specific area probably meant that factors were preventing people in that area from tweeting and that they needed help.

So whether it’s Mastercard, Gatorade, or the American Red Cross, a social media command center can help marketers scour the digital environment, analyze brand-related conversations in real time to gain marketing insights, and respond quickly and appropriately. Ultimately, social media listening gives consumers another voice, to the benefit of both customers and the brand. “It enables us to give the public a seat at our response table,” says the Red Cross manager. Wells Fargo’s Director of Social Media agrees: “Consumers want to be a part of how companies serve them,” she says. “Our nirvana is that if someone offers us an idea, tip, or feedback that really helps us, we respond directly.”

Companies also need to actively monitor competitors’ activities. They can monitor competitors’ web and social media sites. For example, Amazon’s Competitive Intelligence arm routinely purchases merchandise from competing sites to analyze and compare their assortment, speed, and service quality. Companies can use the internet to search specific competitor names, events, or trends and see what turns up. And tracking consumer conversations about competing brands is often as revealing as tracking conversations about the company’s own brands.

Firms use competitive marketing intelligence to gain early insights into competitor moves and strategies and to prepare quick responses. For example, Samsung routinely monitors real-time social media activity surrounding the introductions of Apple’s latest iPhones, iPads, and other devices to quickly shape marketing responses for its own Galaxy S smartphones and tablets. At the same time that Apple CEO Tim Cook is onstage unveiling the latest much-anticipated new models, Samsung marketing strategists are huddled around screens in a war room hundreds of miles away watching the introductions unfold. They carefully monitor not only each new device feature as it is presented but also the gush of online consumer commentary flooding blogs and social media channels. Even as the real-time consumer and competitive data surge in, the Samsung team is drafting responses. Within only a few days, just as Apple’s new models are hitting store shelves, Samsung is already airing TV, print, and social media responses that rechannel the excitement toward its own Galaxy line.

Much competitor intelligence can be collected from people inside the company—executives, engineers and scientists, purchasing agents, and the sales force. The company can also obtain important intelligence information from suppliers, resellers, and key customers. Intelligence seekers can also pour through any of thousands of online databases. Some are free. For example, the U.S. Security and Exchange Commission’s database provides a huge stockpile of financial information on public competitors, and the U.S.
Patent Office and Trademark database reveals patents that competitors have filed. For a fee, companies can also subscribe to any of the more than 3,000 online databases and information search services, such as Hoover’s, LexisNexis, and Dun & Bradstreet. Today’s marketers have an almost overwhelming amount of competitor information only a few keystrokes away.

The intelligence game goes both ways. Facing determined competitive marketing intelligence efforts by competitors, most companies take steps to protect their own information. One self-admitted corporate spy advises that companies should try conducting marketing intelligence investigations of themselves, looking for potentially damaging information leaks. They should start by “vacuuming up” everything they can find in the public record, including job postings, court records, company advertisements and blogs, web pages, press releases, online business reports, social media postings by customers and employees, and other information available to inquisitive competitors.7

The growing use of marketing intelligence also raises ethical issues. Some intelligence-gathering techniques may involve questionable ethics. Clearly, companies should take advantage of publicly available information. However, they should not stoop to snoop. With all the legitimate intelligence sources now available, a company does not need to break the law or accepted codes of ethics to get good intelligence.

### Marketing Research

In addition to marketing intelligence information about general consumer, competitor, and marketplace happenings, marketers often need formal studies that provide customer and market insights for specific marketing situations and decisions. For example, Starbucks wants to know how customers would react to a new breakfast menu item. Yahoo! wants to know how web searchers will react to a proposed redesign of its site. Or Samsung wants to know how many and what kinds of people will buy its next-generation, ultrathin televisions. In such situations, managers will need marketing research.

**Marketing research** is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization. Companies use marketing research in a wide variety of situations. For example, marketing research gives managers insights into customer motivations, purchase behavior, and satisfaction. It can help them to assess market potential and market share or measure the effectiveness of pricing, product, distribution, and promotion activities.

Some large companies have their own research departments that work with marketing managers on marketing research projects. In addition, these companies—like their smaller counterparts—frequently hire outside research specialists to consult with management on specific marketing problems and to conduct marketing research studies. Sometimes firms simply purchase data collected by outside firms to aid in their decision making.

The marketing research process has four steps (see [Figure 4.2](#): defining the problem and research objectives, developing the research plan, implementing the research plan, and interpreting and reporting the findings.

### Defining the Problem and Research Objectives

Marketing managers and researchers must work together closely to define the problem and agree on research objectives. The manager best understands the decision for which information is needed, whereas the researcher best understands marketing research and how to obtain the information. Defining the problem and research objectives is often the hardest step in the research process. The manager may know that something is wrong without knowing the specific causes.
After the problem has been defined carefully, the manager and the researcher must set the research objectives. A marketing research project might have one of three types of objectives. The objective of exploratory research is to gather preliminary information that will help define the problem and suggest hypotheses. The objective of descriptive research is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product. The objective of causal research is to test hypotheses about cause-and-effect relationships. For example, would a 10 percent decrease in tuition at a private college result in an enrollment increase sufficient to offset the reduced tuition? Managers often start with exploratory research and later follow with descriptive or causal research.

The statement of the problem and research objectives guides the entire research process. The manager and the researcher should put the statement in writing to be certain that they agree on the purpose and expected results of the research.

Developing the Research Plan

Once researchers have defined the research problem and objectives, they must determine the exact information needed, develop a plan for gathering it efficiently, and present the plan to management. The research plan outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather new data.

Research objectives must be translated into specific information needs. For example, suppose that Chipotle Mexican Grill wants to know how consumers would react to the addition of drive-thru service to its restaurants. U.S. fast-food chains generate an estimated 24 percent of sales through drive-thrus. However, Chipotle—the sustainability-minded fast-casual restaurant that positions itself on “Food With Integrity”—doesn’t offer drive-thru service. Adding drive-thrus might help Chipotle leverage its strong brand position and attract new sales. The proposed research might call for the following specific information:

- The demographic, economic, and lifestyle characteristics of current Chipotle customers: Do current counter-service customers also use drive-thrus? Are drive-thrus consistent with their needs and lifestyles? Or would Chipotle need to target a new segment of consumers?
- The characteristics and usage patterns of the broader population of fast-food and fast-casual diners: What do they need and expect from such restaurants? Where, when, and how do they use them, and what existing quality, price, and service levels do they value? The new Chipotle service would require strong, relevant, and distinctive positioning in the crowded fast-food market.
- Impact on the Chipotle customer experience: Would drive-thrus be consistent with a higher-quality fast-casual experience like the one Chipotle offers?
- Chipotle employee reactions to drive-thru service: Would restaurant employees support drive-thrus? Would adding drive-thrus disrupt operations and their ability to deliver high-quality food and service to inside customers?
- Forecasts of both inside and drive-thru sales and profits: Would the new drive-thru service create new sales and customers or simply take sales away from current inside operations?

Chipotle’s marketers would need these and many other types of information to decide whether to introduce drive-thru service and, if so, the best way to do it.

The research plan should be presented in a written proposal. A written proposal is especially important when the research project is large and complex or when an outside
Secondary data
Information that already exists somewhere, having been collected for another purpose.

Primary data
Information collected for the specific purpose at hand.

Gathering Secondary Data
Researchers usually start by gathering secondary data. The company’s internal database provides a good starting point. However, the company can also tap into a wide assortment of external information sources.

Companies can buy secondary data from outside suppliers. For example, Nielsen sells shopper insight data from a consumer panel of more than 250,000 households in 25 countries worldwide, with measures of trial and repeat purchasing, brand loyalty, and buyer demographics. Experian Simmons carries out a full spectrum of consumer studies that provide a comprehensive view of the American consumer. The U.S. Yankelovich MONITOR service by The Futures Company sells information on important social and lifestyle trends. These and other firms supply high-quality data to suit a wide variety of marketing information needs.

Using commercial online databases, marketing researchers can conduct their own searches of secondary data sources. General database services such as ProQuest and LexisNexis put an incredible wealth of information at the fingertips of marketing decision makers. Beyond commercial services offering information for a fee, almost every industry association, government agency, business publication, and news medium offers free information to those tenacious enough to find their websites or apps.

Internet search engines can also be a big help in locating relevant secondary information sources. However, they can also be very frustrating and inefficient. For example, a Chipotle marketer Googling “fast-food drive-thru” would come up with more than 6.8 million hits. Still, well-structured, well-designed online searches can be a good starting point to any marketing research project.

Secondary data can usually be obtained more quickly and at a lower cost than primary data. Also, secondary sources can sometimes provide data an individual company cannot collect on its own—information that either is not directly available or would be too expensive to collect. For example, it would be too expensive for a consumer products brand such as Coca-Cola or Tide to conduct a continuing retail store audit to find out about the market shares, prices, and displays of its own and competitors’ brands. But those marketers can buy store sales and audit data from IRI, which provides data from 34,000 retail stores in markets around the nation.

Secondary data can also present problems. Researchers can rarely obtain all the data they need from secondary sources. For example, Chipotle will not find existing information regarding consumer reactions about new drive-thru service that it has not yet installed. Even when data can be found, the information might not be very usable. The researcher must evaluate secondary information carefully to make certain it is relevant (fits the research project’s needs), accurate (reliably collected and reported), current (up-to-date enough for current decisions), and impartial (objectively collected and reported).
Primary Data Collection

Secondary data provide a good starting point for research and often help to define research problems and objectives. In most cases, however, the company must also collect primary data. Table 4.1 shows that designing a plan for primary data collection calls for a number of decision on research approaches, contact methods, the sampling plan, and research instruments.

Research Approaches

Research approaches for gathering primary data include observation, surveys, and experiments. We discuss each one in turn.

Observational Research. Observational research involves gathering primary data by observing relevant people, actions, and situations. For example, food retailer Trader Joe’s might evaluate possible new store locations by checking traffic patterns, neighborhood conditions, and the locations of competing Whole Foods, Fresh Market, and other retail chains.

Researchers often observe consumer behavior to glean customer insights they can’t obtain by simply asking customers questions. For instance, Fisher-Price has established an observation lab in which it can observe the reactions little tots have to new toys. The Fisher-Price Play Lab is a sunny, toy-strewn space where lucky kids get to test Fisher-Price prototypes under the watchful eyes of designers who hope to learn what will get them worked up into a new-toy frenzy. In the lab, some 3,500 kids participate each year testing 1,200 products annually. “Our designers watch and learn from how [children] play,” says a Fisher-Price child research manager. “It really helps us make better products.”

Marketers not only observe what consumers do but also observe what consumers are saying. As discussed earlier, marketers now routinely listen in on consumer conversations on blogs, social media, and websites. Observing such naturally occurring feedback can provide inputs that simply can’t be gained through more structured and formal research approaches.

A wide range of companies now use ethnographic research. Ethnographic research involves sending observers to watch and interact with consumers in their “natural environments.” The observers might be trained ethnographers or company researchers and managers. For example, Coors insights teams frequent bars and other locations in a top-secret small-town location—they call it the “Outpost”—within a day’s drive of Chicago. The researchers use the town as a real-life lab, hob-knobbing anonymously with bar patrons, supermarket shoppers, restaurant diners, convenience store clerks, and other townspeople to gain authentic insights into how middle America consumers buy, drink, dine, and socialize around Coors and competing beer brands.

Global branding firm Landor launched Landor Families, an ongoing ethnographic study that has followed 11 French families intensely for the past seven years. Landor researchers visit the families twice a year in their homes, diving deeply into both their refrigerators and their food shopping behaviors and opinions. The researchers also shop with the families at their local supermarkets and look over their shoulders while they shop online. The families furnish monthly online reports detailing their shopping behaviors and opinions. The Landor Families study provides rich behavioral insights for Landor clients such as Danone, Kraft Foods, and Procter & Gamble. Today’s big data analytics can provide important insights into the whats, whens, and wheres of consumer buying. The Landor Families

Table 4.1 Planning Primary Data Collection

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<thead>
<tr>
<th>Research Approaches</th>
<th>Contact Methods</th>
<th>Sampling Plan</th>
<th>Research Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observation</td>
<td>Mail</td>
<td>Sampling unit</td>
<td>Questionnaire</td>
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<tr>
<td>Survey</td>
<td>Telephone</td>
<td>Sample size</td>
<td>Mechanical instruments</td>
</tr>
<tr>
<td>Experiment</td>
<td>Personal</td>
<td>Sampling procedure</td>
<td>Online</td>
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program is designed to explore the whys. According to Landor, “There is no better way to understand people than to observe them in real life.”

Observational and ethnographic research often yields the kinds of details that just don’t emerge from traditional research questionnaires or focus groups. Whereas traditional quantitative research approaches seek to test known hypotheses and obtain answers to well-defined product or strategy questions, observational research can generate fresh customer and market insights that people are unwilling or unable to provide. It provides a window into customers’ unconscious actions and unexpressed needs and feelings.

However, some things simply cannot be observed, such as attitudes, motives, or private behavior. Long-term or infrequent behavior is also difficult to observe. Finally, observations can be very difficult to interpret. Because of these limitations, researchers often use observation along with other data collection methods.

Survey Research. Survey research, the most widely used method for primary data collection, is the approach best suited for gathering descriptive information. A company that wants to know about people’s knowledge, attitudes, preferences, or buying behavior can often find out by asking them directly.

The major advantage of survey research is its flexibility; it can be used to obtain many different kinds of information in many different situations. Surveys addressing almost any marketing question or decision can be conducted by phone or mail, online, or in person.

However, survey research also presents some problems. Sometimes people are unable to answer survey questions because they cannot remember or have never thought about what they do and why they do it. People may be unwilling to respond to unknown interviewers or about things they consider private. Respondents may answer survey questions even when they do not know the answer just to appear smarter or more informed. Or they may try to help the interviewer by giving pleasing answers. Finally, busy people may not take the time, or they might resent the intrusion into their privacy.

Experimental Research. Whereas observation is best suited for exploratory research and surveys for descriptive research, experimental research is best suited for gathering causal information. Experiments involve selecting matched groups of subjects, giving them different treatments, controlling related factors, and checking for differences in group responses. Thus, experimental research tries to explain cause-and-effect relationships.

For example, before adding a new sandwich to its menu, McDonald’s might use experiments to test the effects on sales of two different prices it might charge. It could introduce the new sandwich at one price in one city and at another price in another city. If the cities are similar and if all other marketing efforts for the sandwich are the same, then differences in sales in the two cities could be related to the price charged.

Contact Methods

Information can be collected by mail, by telephone, by personal interview, or online. Each contact method has its own particular strengths and weaknesses.

Mail, Telephone, and Personal Interviewing. Mail questionnaires can be used to collect large amounts of information at a low cost per respondent. Respondents may give more honest answers on a mail questionnaire than to an unknown interviewer in person or over the phone. Also, no interviewer is involved to bias respondents’ answers. However, mail questionnaires are not very flexible; all respondents answer the same questions in a fixed order. And mail surveys usually take longer to complete and response rates are often low.
As a result, more and more marketers are now shifting to faster, more flexible, and lower-cost email, online, and mobile phone surveys.  

Telephone interviewing is one of the best methods for gathering information quickly, and it provides greater flexibility than mail questionnaires. Interviewers can explain difficult questions and, depending on the answers they receive, skip some questions or probe on others. Response rates tend to be higher than with mail questionnaires, and interviewers can ask to speak to respondents with the desired characteristics or even by name. 

However, with telephone interviewing, the cost per respondent is higher than with mail, online, or mobile questionnaires. Also, people may not want to discuss personal questions with an interviewer. The method introduces interviewer bias—the way interviewers talk, how they ask questions, and other differences that may affect respondents’ answers. Finally, in this age of do-not-call lists and promotion-harassed consumers, potential survey respondents are increasingly hanging up on telephone interviewers rather than talking with them.  

Personal interviewing takes two forms: individual interviewing and group interviewing. Individual interviewing involves talking with people in their homes or offices, on the street, or in shopping malls. Such interviewing is flexible. Trained interviewers can guide interviews, explain difficult questions, and explore issues as the situation requires. They can show subjects actual products, packages, advertisements, or videos and observe reactions and behavior. However, individual personal interviews may cost three to four times as much as telephone interviews.  

Focus Group Interviewing. Group interviewing consists of inviting small groups of people to meet with a trained moderator to talk about a product, service, or organization. Participants normally are paid a small sum for attending. A moderator encourages free and easy discussion, hoping that group interactions will bring out deeper feelings and thoughts. At the same time, the moderator “focuses” the discussion—hence the name focus group interviewing. 

In traditional focus groups, researchers and marketers watch the focus group discussions from behind a one-way mirror and video-record sessions for later study. Through videoconferencing and internet technology, marketers in far-off locations can look in and listen, even participate, as a focus group progresses. 

Focus group interviewing has become one of the major qualitative marketing research tools for gaining fresh insights into consumer thoughts and feelings. In focus group settings, researchers not only hear consumer ideas and opinions, they also can observe facial expressions, body movements, group interplay, and conversational flows. However, focus group studies present some challenges. They usually employ small samples to keep time and costs down, and it may be hard to generalize from the results. Moreover, consumers in focus groups are not always open and honest about their real feelings, behaviors, and intentions in front of other people. 

To overcome these problems, many researchers are tinkering with the focus group design. Some companies are changing the environments in which they conduct focus groups to help consumers relax and elicit more authentic responses. For example, Lexus hosts “An Evening with Lexus” dinners in customers’ homes with groups of luxury car buyers to learn up close and personal why they did or did not buy a Lexus. Other companies use immersion groups—small groups of consumers who interact directly and informally with product designers without a focus group moderator present. 

Research and innovation consultancy The Mom Complex uses such immersion groups to help brand marketers from companies such as Unilever, Johnson & Johnson, Kimberly-Clark, Kellogg, Playskool, and Walmart understand and connect with their “mom customers.”

According to The Mom Complex, America’s 80 million moms control 85 percent of household purchases, yet three out of four moms say marketers have no idea what it’s like to be a mother. To change that, The Mom Complex arranges “Mom Immersion Sessions,” in which brand marketers interact directly with groups of mothers, who receive $100 in compensation for a two-hour session. Rather than the usual focus group
practice of putting the marketers behind a one-way mirror to observe groups of moms discussing their brands, the participants and marketers sit in the same room. Guided by a discussion facilitator, the moms begin by educating the marketers about the realities of motherhood—“the raw, real ugly truth about being a mom.” Then the moms and marketers work together to address specific brand issues—whether it’s new product ideas, current product problems, or positioning and communications strategy. The goal is to “turn the challenges of motherhood into growth opportunities for brands.”

Individual and focus group interviews can add a personal touch as opposed to more numbers-oriented, big data research. They can provide rich insights into the motivations and feelings behind the numbers and analytics. “Focus groups are the most widely used qualitative research tool,” says one analyst, “and with good reason. They foster fruitful discussion and can provide unique insight into customers’ and potential customers’ needs, wants, thoughts, and feelings.” Things really come to life when you hear people say them.  

**Online Marketing Research.** The internet has had a dramatic impact on how marketing research is conducted. Increasingly, researchers are collecting primary data through **online marketing research:** internet and mobile surveys, online focus groups, consumer tracking, experiments, and online panels and brand communities.

Online research can take many forms. A company can use the internet or mobile technology as a survey medium: It can include a questionnaire on its web or social media sites or use email or mobile devices to invite people to answer questions. It can create online panels that provide regular feedback or conduct live discussions or online focus groups. Researchers can also conduct online experiments. They can experiment with different prices, headlines, or product features on different web or mobile sites or at different times to learn the relative effectiveness of their offers. They can set up virtual shopping environments and use them to test new products and marketing programs. Or a company can learn about the behavior of online customers by following their click streams as they visit the online site and move to other sites.

The internet is especially well suited to **quantitative research**—for example, conducting marketing surveys and collecting data. More than 90 percent of all Americans now use the internet, making it a fertile channel for reaching a broad cross-section of consumers. As response rates for traditional survey approaches decline and costs increase, the internet is quickly replacing mail and the telephone as the dominant data collection methodology.

Internet-based survey research offers many advantages over traditional phone, mail, and personal interviewing approaches. The most obvious advantages are speed and low costs. By going online, researchers can quickly and easily distribute surveys to thousands of respondents simultaneously via email or by posting them on selected online and mobile sites. Responses can be almost instantaneous, and because respondents themselves enter the information, researchers can tabulate, review, and share research data as the information arrives.

Online research also usually costs much less than research conducted through mail, phone, or personal interviews. Using the internet eliminates most of the postage, phone, interviewer, and data-handling costs associated with the other approaches. Moreover, sample size and location have little impact on costs. Once the questionnaire is set up, there’s little difference in cost between 10 respondents and 10,000 respondents on the internet or between local or globally distant respondents.

Its low cost puts online research well within the reach of almost any business, large or small. In fact, with the internet, what was once the domain of research experts is now available to almost any would-be researcher.

Even smaller, less sophisticated researchers can use online survey services such as Snap Surveys (www.snapsurveys.com) and SurveyMonkey (www.surveymonkey.com) to create, publish, and distribute their own custom online or mobile surveys in minutes.
Internet-based surveys also tend to be more interactive and engaging, easier to complete, and less intrusive than traditional phone or mail surveys. As a result, they usually garner higher response rates. The internet is an excellent medium for reaching the hard-to-reach consumer—for example, the often-elusive teen, single, affluent, and well-educated audiences. It’s also good for reaching people who lead busy lives, from working mothers to on-the-go executives. Such people are well represented online, and they can respond in their own space and at their own convenience.

Just as marketing researchers have rushed to use the internet for quantitative surveys and data collection, they are now also adopting qualitative internet-based research approaches, such as online focus groups, blogs, and social networks. The internet can provide a fast, low-cost way to gain qualitative customer insights.

A primary qualitative internet-based research approach is **online focus groups**. For example, online research firm FocusVision offers its InterVu service, which harnesses the power of the internet to conduct focus groups with participants at remote locations, anywhere in the world, at any time. Using their own webcams, InterVu participants can log on to focus sessions from their homes or offices and see, hear, and react to each other in real-time, face-to-face discussions. Such focus groups can be conducted in any language and viewed with simultaneous translation. They work well for bringing together people from different parts of the country or world at low cost. Researchers can view the sessions in real time from just about anywhere, eliminating travel, lodging, and facility costs. Finally, although online focus groups require some advance scheduling, results are almost immediate.

Although growing rapidly, both quantitative and qualitative internet-based research have some drawbacks. One major problem is controlling who’s in the online sample. Without seeing respondents, it’s difficult to know who they really are. To overcome such sample and context problems, many online research firms use opt-in communities and respondent panels. Alternatively, many companies have now developed their own “insight communities” from which they obtain customer feedback and insights. For example, NASCAR has built an online community of 12,000 core fans called the NASCAR Fan Council from which it obtains quick and relevant feedback from fans. Similarly, women’s magazine Allure formed its own insight community—called Beauty Enthusiasts, now 35,000 members strong—from which it solicits feedback both on its own content and on advertisers’ brands. When Beauty Enthusiast members first join the community, they provide detailed information about their demographics, product needs, and preferences. Brands can then interact online with specific segments of the Beauty Enthusiasts community about brand perceptions, product ideas, beauty trends, and marketing moves. Says one analyst, “The feedback combines the precision of quantitative research with the qualitative results of focus groups, as people write their reactions to products in their own words.”

**Online Behavioral and Social Tracking and Targeting.** Thus, in recent years, the internet has become an important tool for conducting research and developing customer insights. But today’s marketing researchers are going even further—well beyond online surveys, focus groups, and online communities. Increasingly, they are listening to and watching consumers by actively mining the rich veins of unsolicited, unstructured, “bottom-up” customer information already coursing around the internet. Whereas traditional marketing research provides more logical consumer responses to structured and intrusive research questions, online listening provides the passion and spontaneity of unsolicited consumer opinions.

Tracking consumers online might be as simple as scanning customer reviews and comments on the company’s brand site or on shopping sites such as Amazon.com or BestBuy.com. Or it might mean using sophisticated online-analysis tools to deeply analyze the mountains of consumer brand-related comments and messages found in blogs or on social media sites. Listening to and engaging customers online can provide valuable insights into what customers are saying or feeling about a brand. It can also provide opportunities for building positive brand experiences and relationships. Many companies now excel at
Behavioral targeting
Using online consumer tracking data
to target advertisements and marketing
offers to specific consumers.

Marketers watch what consumers say and do
online, then use the resulting insights to personalize
online shopping experiences. Is it sophisticated online
research or “just a little creepy”?

Andresr/Shutterstock.com

Sampling Plan
Marketing researchers usually draw conclusions about large groups of consumers by
studying a small sample of the total consumer population. A sample is a segment of the
population selected for marketing research to represent the population as a whole. Ideally,
the sample should be representative so that the researcher can make accurate estimates of
the thoughts and behaviors of the larger population.

Designing the sample requires three decisions. First, who is to be studied (what sampling unit)? The answer to this question is not always obvious. For example, to learn about
the decision-making process for a family automobile purchase, should the subject be the
husband, the wife, other family members, dealership salespeople, or all of these? Second,
how many people should be included (what sample size)? Large samples give more reliable
results than small samples. However, larger samples usually cost more, and it is not necessary
to sample the entire target market or even a large portion to get reliable results.

Finally, how should the people in the sample be chosen (what sampling procedure)?

Table 4.2 describes different kinds of samples. Using probability samples, each population
member has a known chance of being included in the sample, and researchers can
calculate confidence limits for sampling error. But when probability sampling costs too
much or takes too much time, marketing researchers often take nonprobability samples even
though their sampling error cannot be measured. These varied ways of drawing samples
have different costs and time limitations as well as different accuracy and statistical proper-
ties. Which method is best depends on the needs of the research project.
Research Instruments

In collecting primary data, marketing researchers have a choice of two main research instruments: questionnaires and mechanical devices.

Questionnaires. The questionnaire is by far the most common instrument, whether administered in person, by phone, by email, or online. Questionnaires are very flexible—there are many ways to ask questions. Closed-ended questions include all the possible answers, and subjects make choices among them. Examples include multiple-choice questions and scale questions. Open-ended questions allow respondents to answer in their own words. In a survey of airline users, Southwest Airlines might simply ask, “What is your opinion of Southwest Airlines?” Or it might ask people to complete a sentence: “When I choose an airline, the most important consideration is...” These and other kinds of open-ended questions often reveal more than closed-ended questions because they do not limit respondents’ answers.

Open-ended questions are especially useful in exploratory research, when the researcher is trying to find out what people think but is not measuring how many people think in a certain way. Closed-ended questions, on the other hand, provide answers that are easier to interpret and tabulate.

Researchers should also use care in the wording and ordering of questions. They should use simple, direct, and unbiased wording. Questions should be arranged in a logical order. The first question should create interest if possible, and difficult or personal questions should be asked last so that respondents do not become defensive.

Mechanical Instruments. Although questionnaires are the most common research instrument, researchers also use mechanical instruments to monitor consumer behavior. For example, Nielsen Media Research attaches people meters to television sets in selected homes to record who watches which programs. Retailers use checkout scanners to record shoppers’ purchases. Other marketers use mobile phone GPS technologies to track consumer movements in and near their stores.

Still other researchers apply neuromarketing, using EEG and MRI technologies to track brain electrical activity to learn how consumers feel and respond. Neuromarketing measures, often combined with biometric measures (such as heart rates, respiration rates, sweat levels, and facial and eye movements), can provide companies with insights into what turns consumers on and off regarding their brands and marketing. For example, research firm Nielsen and the Ad Council used neuromarketing to improve the effectiveness of an ad for the Shelter Pet Project, a public service campaign focused on increasing adoption rates for pets in shelters.19

Table 4.2 Types of Samples

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<td>Convenience sample The researcher selects the easiest population members from which to obtain information.</td>
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<td>Stratified random sample The population is divided into mutually exclusive groups (such as age groups), and random samples are drawn from each group.</td>
<td>Judgment sample The researcher uses his or her judgment to select population members who are good prospects for accurate information.</td>
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<td>Cluster (area) sample The population is divided into mutually exclusive groups (such as blocks), and the researcher draws a sample of the groups to interview.</td>
<td>Quota sample The researcher finds and interviews a prescribed number of people in each of several categories.</td>
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Using neuroscience methods, Nielsen charted how people’s brains responded to an existing Shelter Pet Project public service ad and the ad’s canine star, Jules the dog. Researchers used a combination of EEG and eye-tracking measurements to determine the second-by-second,
Neuromarketing helped improve the effectiveness of ads for the Shelter Pet Project, as measured by Nielsen, increasing viewer attention, emotional engagement, and memory recall and more than doubling traffic to the organization’s website. Copyrighted information ©2017 of The Nielsen Company, licensed for use herein.

Implementing the Research Plan

The researcher next puts the marketing research plan into action. This involves collecting, processing, and analyzing the information. Data collection can be carried out by the company’s marketing research staff or outside firms. Researchers should watch closely to make sure that the plan is implemented correctly. They must guard against problems with data collection techniques and technologies, data quality, and timeliness.

Researchers must also process and analyze the collected data to isolate important information and insights. They need to check data for accuracy and completeness and code them for analysis. The researchers then tabulate the results and compute statistical measures.

Interpreting and Reporting the Findings

The market researcher must now interpret the findings, draw conclusions, and report them to management. The researcher should not try to overwhelm managers with numbers and fancy statistical techniques. Rather, the researcher should present important findings and insights that are useful in the major decisions faced by management.

However, interpretation should not be left only to researchers. Although they are often experts in research design and statistics, the marketing manager knows more about the problem and the decisions that must be made. The best research means little if the manager blindly accepts faulty interpretations from the researcher. Similarly, managers may be biased. They might tend to accept research results that show what they expected and reject those that they did not expect or hope for. In many cases, findings can be interpreted in different ways, and discussions between researchers and managers will help point to the best interpretations. Thus, managers and researchers must work together closely when interpreting research results, and both must share responsibility for the research process and resulting decisions.

Analyzing and Using Marketing Information

Information gathered from internal databases, competitive marketing intelligence, and marketing research usually requires additional analysis. Managers may need help applying the information to gain customer and market insights that will improve their marketing decisions. This help may include advanced analytics to learn more about the relationships within sets of data. Information analysis might also involve the application of analytical models that will help marketers make better decisions.

Once the information has been processed and analyzed, it must be made available to the right decision makers at the right time. In the following sections, we look deeper into analyzing and using marketing information.
Customer Relationship Management (CRM)

The question of how best to analyze and use individual customer data presents special problems. In the current big data era, most companies are awash in information about their customers and the marketplace. Still, smart companies capture information at every possible customer touch point. These touch points include customer purchases, sales force contacts, service and support calls, web and social media site visits, satisfaction surveys, credit and payment interactions, market research studies—every contact between a customer and a company.

Unfortunately, this information is usually scattered widely across the organization or buried deep in separate company databases. To overcome such problems, many companies are now turning to customer relationship management (CRM) to manage detailed information about individual customers and carefully manage customer touch points to maximize customer loyalty.

CRM consists of sophisticated software and analysis tools from companies such as Salesforce.com, Oracle, Microsoft, and SAS that integrate customer and marketplace information from all sources, analyze it, and apply the results to build stronger customer relationships. CRM integrates everything that a company’s sales, service, and marketing teams know about individual customers, providing a 360-degree view of the customer relationship. For example, MetLife recently developed a CRM system that it calls “The MetLife Wall”: 20

One of the biggest customer service challenges for MetLife’s sales and service reps used to be quickly finding and getting to customer information—different records, transactions, and interactions stored in dozens of different company data locations and formats. The MetLife Wall solves that problem. The Wall uses a Facebook-like interface to serve up a consolidated view of each MetLife customer’s service experience. The innovative CRM system draws customer data from 70 different MetLife systems containing 45 million customer agreements and 140 million transactions. It puts all of a given customer’s information and related links into a single record on a single screen, updated in near real time. Now, thanks to The MetLife Wall—with only a single click instead of the 40 clicks it used to take—sales and service reps can see a complete view of a given customer’s various policies, transactions, and claims filed and paid along with a history of all the interactions the customer has had with MetLife across the company’s many touch points, all on a simple timeline. The Wall has given a big boost to MetLife’s customer service and cross-selling efforts. According to a MetLife marketing executive, it’s also had “a huge impact on customer satisfaction.”

By using CRM to understand customers better, companies can provide higher levels of customer service and develop deeper customer relationships. They can use CRM to pinpoint high-value customers, target them more effectively, cross-sell the company’s products, and create offers tailored to specific customer requirements.

Big Data and Marketing Analytics

As noted at the start of the chapter, today’s big data can yield big results. But simply collecting and storing huge amounts of data has little value. Marketers must sift through the mountains of data to mine the gems—the bits that yield customer insights.

As one marketing executive puts it, “It’s actually [about getting] big insights from big data. It’s throwing away 99.999 percent of that data to find things that are actionable.” Says another data expert, “right data trumps big data.” 21 That’s the job of marketing analytics.

Marketing analytics consists of the analysis tools, technologies, and processes by which marketers dig out meaningful patterns in big data to gain customer insights and gauge marketing performance. 22 Marketers apply marketing analytics to the large and complex sets of data they collect from web, mobile, and social media tracking; customer transactions and engagements; and other big data sources. For example, Netflix maintains a bulging customer database and uses sophisticated marketing analytics to gain insights, which it then uses to fuel recommendations to subscribers, decide what programming to offer, and even develop its own exclusive content in the quest to serve its customers better (see Real Marketing 4.2).

Another good example of marketing analytics in action comes from food products giant Kraft, whose classic brands—from JELL-O, Miracle Whip, and Kraft Macaroni and
4.2 Netflix Streams Success with Big Data and Marketing Analytics

Americans now watch more movies and TV programs streamed online than they watch on DVDs and Blu-ray discs. And with its rotating library of more than 60,000 titles, Netflix streams more movie and program content by far than any other video service. Netflix’s 81.5 million paid subscribers watch some 3.8 billion hours of movies and TV programs every month. A remarkable 51 percent of all Americans have streamed Netflix content during the past year.

All of this comes as little surprise to avid Netflixers. But members might be startled to learn that while they are busy watching Netflix videos, Netflix is busy watching them—watching them very, very closely. Netflix tracks and analyzes heaps of customer data in excruciating detail. Then it uses the big data insights to give customers exactly what they want. Netflix knows in depth what its audience wants to watch, and it uses this knowledge to fuel recommendations to subscribers, decide what programming to offer, and even develop its own exclusive content.

No company knows its customers better than Netflix. The company has mind-boggling access to real-time data on member viewing behavior and sentiments. Every day, Netflix tracks and parses member data on tens of millions of searches, ratings, and “plays.” Netflix’s bulging database contains every viewing detail for each individual subscriber—what shows they watch, at what time of day, on what devices, at what locations, even when they hit the pause, rewind, or fast-forward buttons during programs.

Netflix supplements this already-massive database with consumer information purchased from Nielsen, Facebook, Twitter, and other sources. Finally, the company employs experts to classify each video on hundreds of characteristics, such as talent, action, tone, genre, color, volume, scenery, and many, many others. Using this rich base of big data, Netflix builds detailed subscriber profiles based on individual viewing habits and preferences. It then uses these profiles to personalize each customer’s viewing experience. According to Netflix, there are 69 million different versions of Netflix, one for each individual subscriber worldwide.

For example, Netflix uses data on viewing history to make personalized recommendations. Wading through 60,000 titles to decide what to watch can be overwhelming. So when new customers sign up, Netflix asks them to rate their interest in movie and TV genres and to rate specific titles they have already seen. It then cross-references what people like with other similar titles to predict additional movies or programs customers will enjoy.

But that’s just the beginning. As customers watch and rate more and more video content, and as Netflix studies the details of their viewing behavior, the predictions become more and more accurate. Netflix often comes to know individual customer viewing preferences better than customers themselves do. How accurate are Netflix’s recommendations? Seventy-five percent of viewing activity results from these suggestions. That’s important. The more subscribers watch, the more likely they are to stay with Netflix—viewers who watch at least 15 hours of content each month are 75 percent less likely to cancel. Accurate recommendations increase average viewing time, keeping subscribers in the fold.

Increased viewing also depends on offering the right content in the first place. But adding new programming is expensive—content licensing fees constitute the lion’s share of Netflix’s cost of goods sold. With so many new and existing movies and TV programs on the market, Netflix must be very selective in what it adds to its content inventory. Once again, it’s big data and marketing analytics to the rescue. Just as Netflix analyzes its database to come up with subscriber recommendations, it uses the data to assess what additional titles customers might enjoy and how much each is worth. The goal is to maximize subscriber “happiness-per-dollar-spent” on new titles. “We always use our in-depth knowledge about what our members love to watch to decide what’s available on Netflix,” says a Netflix marketer. “If you keep watching, we’ll keep adding more of what you love.”

To get even more viewers watching even more hours, Netflix uses its extensive big data insights to add its own exclusive video content—things you can see only on Netflix. In its own words, Netflix wants “to become HBO faster than HBO can become Netflix.” For example, Netflix stunned the media industry when it outbid both HBO and AMC by paying a stunning $100 million for exclusive rights to air the first two seasons of House of Cards, a U.S. version of a hit British political drama produced by Hollywood bigwigs David Fincher and Kevin Spacey.

Netflix, big data, and CRM: While members are busy watching Netflix videos, Netflix is busy watching them—watching them very, very closely. Then it uses the big data insights to give customers exactly what they want.

© OJO Images Ltd/Alamy (photo); PR NEWSWIRE (logo)
To outsiders, the huge investment in *House of Cards* seemed highly risky. However, using its powerful database, Netflix was able to predict accurately which and how many existing members would watch the new *House of Cards* regularly and how many new members would sign up because of the show. Netflix also used its viewer knowledge to pinpoint and personalize promotion of the exclusive series to just the right members. Before *House of Cards* premiered, based on their profiles, selected subscribers saw one of 10 different trailers of the show aimed at their specific likes and interests.

Thanks to Netflix’s big data and marketing analytics prowess, *House of Cards* was a smash hit. It brought in 3 million new subscribers in just the first three months. These new subscribers alone covered almost all of the $100 million investment. More important, a Netflix survey revealed that for the average viewer, 86 percent were less likely to cancel because of the new program. Such success came as no surprise to Netflix. Its data had predicted that the program would be a hit before the director even shouted “action.”

Based on the success of *House of Cards*, Netflix has developed a number of other original series, including *Hemlock Grove*, *Lilyhammer*, *Orange Is the New Black*, *Bad Samaritans*, *Marco Polo*, and the animated series *BoJack Horseman*. For traditional broadcast networks, the average success rate for new television shows is 35 percent. In contrast, Netflix is batting almost 70 percent. To continue the momentum, Netflix committed to spending a dazzling $6 billion in new original content in 2016. Such investments promise an ever-growing slate of new and continuing Netflix original series, specials, documentaries, and films.

As more and more high-quality video streams out of Netflix, more success streams in. Netflix’s sales have surged 36 percent during the past two years. Last year alone, membership grew by more than 20 percent. Netflix thrives on using big data and marketing analytics to know and serve its customers. The company excels at helping customers figure out just what they want to watch and offering just the right content profitably. Says Netflix’s chief communications officer, “Because we have a direct relationship with consumers, we know what people like to watch, and that helps us [immensely].”


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Cheese to Oscar Mayer, Philadelphia Cream Cheese, Lunchables, and Planters nuts—are found in 98 percent of all North American households:

- Kraft has a treasure trove of marketing data, gathered from years of interactions with customers and from its social media monitoring hub called Looking Glass. Looking Glass tracks consumer trends, competitor activities, and more than 100,000 brand-related conversations daily in social media and on blogs. Kraft also reaps data from customer interactions with its *Food & Family* magazine, email communications, and the more than 100 web and social media sites that serve its large brand portfolio. In all, Kraft has 18 years’ worth of customer data across 22,000 different attributes.

Kraft applies high-level marketing analytics to this wealth of data to mine nuggets of customer insight. Then it uses these insights to shape big data–driven marketing strategies and tactics, from developing new products to creating more focused and personalized web, mobile, and social media content. For example, Kraft’s analytics have identified more than 500 custom target segments. Within these segments, Kraft knows in detail what consumers need and like. Says one analyst, it knows “their dietary [characteristics and] restrictions—gluten free, a diabetic, low calorie, big snacks, feeding a big family, whether they are new cooks.” Kraft uses this knowledge to personalize digital interactions with individual customers, down to the fine details. “If Kraft knows you’re not a bacon user,” says the analyst, “you will never be served a bacon ad.” Thus, sophisticated analytics let Kraft target the right customer with the right message in the right medium at the right moment.

The benefits of customer relationship management and big data analytics don’t come without costs or risks. The most common mistake is to view CRM and marketing analytics as technology processes only. Or they get buried in the big data details and miss the big picture. Yet technology alone cannot build profitable customer relationships. Companies can’t improve customer relationships by simply installing some new software. Instead, marketers should start with the fundamentals of managing customer relationships and then employ high-tech data and analytics solutions. They should focus first on the R—that it’s the *relationship* that CRM is all about.
Distributing and Using Marketing Information

Marketing information has no value until it is used to make better marketing decisions. Thus, the marketing information system must make information readily available to managers and others who need it, when they need it. In some cases, this means providing managers with regular performance reports, intelligence updates, and reports on the results of research studies.

But marketing managers may also need access to nonroutine information for special situations and on-the-spot decisions. For example, a sales manager having trouble with a large customer may want a summary of the account’s sales and profitability over the past year. Or a brand manager may want to get a sense of the amount of the social media buzz surrounding the recent launch of a new product. These days, therefore, information distribution involves making information available in a timely, user-friendly way.

Many firms use company intranet and internal CRM systems to facilitate this process. These systems provide ready access to research and intelligence information, customer transaction and experience information, shared reports and documents, and more. For example, the CRM system at phone and online gift retailer 1-800-Flowers.com gives customer-facing employees real-time access to customer information. When a repeat customer calls, the system immediately pulls up data on previous transactions and other contacts, helping reps make the customer’s experience easier and more relevant. For instance, if a customer usually buys tulips for his wife, the rep can talk about the best tulip selections and related gifts. Such connections result in greater customer satisfaction and loyalty and greater sales for the company. “We can do it in real time,” says a 1-800-Flowers.com executive, “and it enhances the customer experience.”

In addition, companies are increasingly allowing key customers and value-network members to access account, product, and other data on demand through extranets. Suppliers, customers, resellers, and select other network members may access a company’s extranet to update their accounts, arrange purchases, and check orders against inventories to improve customer service. For example, online shoes and accessories retailer Zappos considers suppliers to be “part of the Zappos family” and a key component in its quest to deliver “WOW” through great customer service. So it treats suppliers as valued partners, including sharing information with them. Through its ZUUL extranet (Zappos Unified User Login), thousands of suppliers are given full access to brand-related Zappos’s inventory levels, sales figures, and even profitability. Suppliers can also use ZUUL to interact with the Zappos creative team and to enter suggested orders for Zappos buyers to approve.

Thanks to modern technology, today’s marketing managers can gain direct access to a company’s information system at any time and from virtually anywhere. They can tap into the system from a home office, customer location, airport, or the local Starbucks—anyplace they can connect on a laptop, tablet, or smartphone. Such systems allow managers to get the information they need directly and quickly and tailor it to their own needs.

Other Marketing Information Considerations

This section discusses marketing information in two special contexts: marketing research in small businesses and nonprofit organizations and international marketing research. Then we look at public policy and ethics issues in marketing research.

Marketing Research in Small Businesses and Nonprofit Organizations

Just like larger firms, small businesses and not-for-profit organizations need market information and the customer insights that it can provide. However, large-scale research studies are beyond the budgets of most small organizations. Still, many of the marketing research
After a string of bad experiences with his local dry cleaner, Robert Byerley decided to open his own dry-cleaning business. But before jumping in, he conducted plenty of market research. He needed a key customer insight: How would he make his business stand out from the others? To start, Byerley spent an entire week online, researching the dry-cleaning industry. To get input from potential customers, using a local marketing firm, Byerley held focus groups on the store’s name, look, and brochure. He also took clothes to the 15 best competing cleaners in town and had focus group members critique their work. Based on his research, he made a list of features for his new business. First on his list: quality. His business would stand behind everything it did. Not on the list: cheap prices. Creating the perfect dry-cleaning establishment simply didn’t fit with a discount operation.

With his research complete, Byerley opened Bibbentuckers, a high-end dry cleaner positioned on high-quality service and convenience. It featured a bank-like drive-thru area with curbside delivery. A computerized barcode system read customer cleaning preferences and tracked clothes all the way through the cleaning process. Byerley added other differentiators, such as decorative awnings, TV screens, and refreshments (even “candy for the kids and a doggy treat for your best friend”). “I wanted a place … that paired five-star service and quality with an establishment that didn’t look like a dry cleaner,” he says. The market research yielded results. Today, Bibbentuckers is a thriving eight-store operation.

Thus, small businesses and not-for-profit organizations can obtain good marketing insights through observation or informal surveys using small convenience samples. Also, many associations, local media, and government agencies provide special help to small organizations. For example, the U.S. Small Business Administration offers dozens of free publications and a website (www.sba.gov) that give advice on topics ranging from starting, financing, and expanding a small business to ordering business cards. Other excellent research resources for small businesses include the U.S. Census Bureau (www.census.gov) and the Bureau of Economic Analysis (www.bea.gov). Finally, small businesses can collect a considerable amount of information at very little cost online. They can check out online product and service review sites, use internet search engines to research specific companies and issues, and scour competitor and customer web, mobile, and social media sites.

In summary, secondary data collection, observation, surveys, and experiments can all be used effectively by small organizations with small budgets. However, although these informal research methods are less complex and less costly, they still must be conducted with care. Managers must think carefully about the objectives of the research, formulate questions in advance, recognize the biases introduced by smaller samples and less skilled researchers, and conduct the research systematically.

International Marketing Research

International researchers follow the same steps as domestic researchers, from defining the research problem and developing a research plan to interpreting and reporting the results. However, these researchers often face more and different problems. Whereas domestic researchers deal with fairly homogeneous markets within a single country, international researchers deal with diverse markets in many different countries. These markets often vary greatly in their levels of economic development, cultures and customs, and buying patterns.
In many foreign markets, the international researcher may have a difficult time finding good secondary data. Whereas U.S. marketing researchers can obtain reliable secondary data from dozens of domestic research services, many countries have almost no research services at all. Some of the largest international research services operate in many countries. For example, The Nielsen Company (the world’s largest marketing research company) has offices in more than 100 countries, from Schaumburg, Illinois, to Hong Kong to Nicosia, Cyprus. However, most research firms operate in only a relative handful of countries. Thus, even when secondary information is available, it usually must be obtained from many different sources on a country-by-country basis, making the information difficult to combine or compare.

Because of the scarcity of good secondary data, international researchers often must collect their own primary data. However, obtaining primary data may be no easy task. For example, it can be difficult simply to develop good samples. U.S. researchers can use current telephone directories, email lists, census tract data, and any of several sources of socioeconomic data to construct samples. However, such information is largely lacking in many countries.

Once the sample is drawn, the U.S. researcher usually can reach most respondents easily by phone, by mail, online, or in person. However, reaching respondents is often not so easy in other parts of the world. Researchers in Mexico cannot rely on phone, internet, and mail data collection—most data collection is conducted door to door and concentrated in three or four of the largest cities. In some countries, few people have computers, let alone internet access. For example, whereas there are 84 internet users per 100 people in the United States, there are only 43 internet users per 100 people in Mexico. In Madagascar, the number drops to 2 internet users per 100 people. In some countries, the postal system is notoriously unreliable. In Brazil, for instance, an estimated 30 percent of the mail is never delivered; in Russia, mail delivery can take several weeks. In many developing countries, poor roads and transportation systems make certain areas hard to reach, making personal interviews difficult and expensive.

Cultural differences from country to country cause additional problems for international researchers. Language is the most obvious obstacle. For example, questionnaires must be prepared in one language and then translated into the languages of each country researched. Responses then must be translated back into the original language for analysis and interpretation. This adds to research costs and increases the risks of error. Even within a given country, language can be a problem. For example, in India, English is the language of business, but consumers may use any of 14 “first languages,” with many additional dialects.

Translating a questionnaire from one language to another is anything but easy. Many idioms, phrases, and statements mean different things in different cultures. For example, a Danish executive noted, “Check this out by having a different translator put back into English what you’ve translated from English. You’ll get the shock of your life. I remember [an example in which] ‘out of sight, out of mind’ had become ‘invisible things are insane.’”

Consumers in different countries also vary in their attitudes toward marketing research. People in one country may be very willing to respond; in other countries, nonresponse can be a major problem. Customs in some countries may prohibit people from talking with strangers. In certain cultures, research questions often are considered too personal. For example, in many Muslim countries, mixed-gender focus groups are taboo, as is videotaping female-only focus groups. In some countries, even when respondents are willing to respond, they may not be able to because of high functional illiteracy.
Despite these problems, as global marketing grows, global companies have little choice but to conduct these types of international marketing research. Although the costs and problems associated with international research may be high, the costs of not doing it—in terms of missed opportunities and mistakes—might be even higher. Once recognized, many of the problems associated with international marketing research can be overcome or avoided.

**Public Policy and Ethics in Marketing Research**

Most marketing research benefits both the sponsoring company and its consumers. Through marketing research, companies gain insights into consumers’ needs, resulting in more satisfying products and services and stronger customer relationships. However, the misuse of marketing research can also harm or annoy consumers. Two major public policy and ethics issues in marketing research are intrusions on consumer privacy and the misuse of research findings.

**Intrusions on Consumer Privacy**

Many consumers feel positive about marketing research and believe that it serves a useful purpose. Some actually enjoy being interviewed and giving their opinions. However, others strongly resent or even mistrust marketing research. They don’t like being interrupted by researchers. They worry that marketers are building huge databases full of personal information about customers. Or they fear that researchers might use sophisticated techniques to probe our deepest feelings, track our internet and mobile device usage, or peek over our shoulders as we shop and then use this knowledge to manipulate our buying. A recent survey showed that more than 90 percent of Americans feel that they have lost control over the collection and use by companies of their personal data and information they share on social media sites.

For example, Target made some of its customers very uneasy recently when it used their buying histories to figure out that they had a baby on the way, including eerily accurate estimates of child gender and due date:

Target gives every customer a Guest ID number, tied to his or her name, credit card, or email address. It then tracks the customer’s purchases in detail, along with demographic information from other sources. By studying the buying histories of women who’d previously signed up for its baby registries, Target found that it could develop a “pregnancy prediction” score for each customer based on her purchasing patterns across 25 product categories. It used this score to start sending personalized books of coupons for baby-related items to expectant parents, keyed to their pregnancy stages.

The strategy seemed to make good marketing sense—by hooking parents-to-be, Target could turn them into loyal buyers as their families developed. However, the strategy hit a snag when an angry man showed up at his local Target store, complaining that his high school-aged daughter was receiving Target coupons for cribs, strollers, and maternity clothes. “Are you trying to encourage her to get pregnant?” he demanded. The Target store manager apologized. But when he called to apologize again a few days later, he learned that Target’s marketers had, in fact, known about the young woman’s pregnancy before her father did. It turns out that many other customers were creeped out that Target knew about their pregnancies before they’d told even family and close friends. And they wondered what else Target might be tracking and profiling.

As one reporter concluded: “The store’s bull’s-eye logo may now send a shiver…down the closely-watched spines of some [Target shoppers].”

When mining customer information, marketers must be careful not to cross over the privacy line. But there are no easy answers when it comes to marketing research and privacy. For example, is it a good or bad thing that some
retailers use mannequins with cameras hidden in one eye to record customer demographics and shopping behavior in order to serve them better? Should we applaud or resent companies that monitor consumer posts on Facebook, Twitter, Instagram, YouTube, or other social media in an effort to be more responsive? Should we worry when marketers track consumers’ mobile phone usage to issue location-based information, ads, and offers? Consider this example:  

SAP’s Consumer Insight 365 service helps mobile service providers to “extract data about subscribers [and their] mobile-centric lifestyles.” It ingests as many as 300 mobile web surfing, text messaging, phone call, and other mobile events per day for each of 20 to 25 million mobile subscribers across multiple carriers. The data tell marketers in detail where customers are coming from and where they go. According to one analyst, by combining the mobile data with other information, the service can tell businesses “whether shoppers are checking out competitor prices on their phones or just emailing friends. It can tell them the age ranges and genders of people who visited a store location between 10 a.m. and noon, and link location and demographic data with shoppers’ web browsing histories. Retailers might use the information to arrange store displays to appeal to certain customer segments at different times of the day, or to help determine where to open new locations.” Although such information can help marketers target customers with more useful offers, it might be “a little too close for comfort” from a consumer privacy viewpoint.

Increasing consumer privacy concerns have become a major problem for the marketing research industry. Companies face the challenge of unearthing valuable but potentially sensitive consumer data while also maintaining consumer trust. At the same time, consumers wrestle with the trade-offs between personalization and privacy. They want to receive relevant, personalized offers that meet their needs, but they worry or resent that companies may track them too closely. The key question: When does a company cross the line in gathering and using customer data?

Failure to address privacy issues could result in angry, less cooperative consumers and increased government intervention. As a result, the marketing research industry is considering several options for responding to intrusion and privacy issues. One example is the Marketing Research Association’s “Your Opinion Counts” and “Respondent Bill of Rights” initiatives to educate consumers about the benefits of marketing research and distinguish it from telephone selling and database building.

Most major companies—including Facebook, Apple, Microsoft, IBM, American Express, and even the U.S. government—have now appointed a chief privacy officer (CPO), whose job is to safeguard the privacy of customers. In the end, however, if researchers provide value in exchange for information, customers will gladly provide it. For example, Amazon’s customers don’t mind if the firm builds a database of previous purchases as a way to provide future product recommendations. This saves time and provides value. The best approach is for researchers to ask only for the information they need, use it responsibly to provide customer value, and avoid sharing information without the customer’s permission.

Misuse of Research Findings

Research studies can be powerful persuasion tools; companies often use study results as claims in their advertising and promotion. Today, however, many research studies appear to be little more than vehicles for pitching the sponsor’s products. In fact, in some cases, research surveys appear to have been designed just to produce the intended effect. For example, a Black Flag survey once asked: “A roach disk…poisons a roach slowly. The dying roach returns to the nest and after it dies is eaten by other roaches. In turn these roaches become poisoned and die. How effective do you think this type of product would be in killing roaches?” Not surprisingly, 79 percent said effective.

Few advertisers openly rig their research designs or blatantly misrepresent the findings—most abuses tend to be more subtle “stretches.” Or disputes arise over the validity, interpretation, and use of research findings. Almost any research results can be variously interpreted depending on the researchers’ bias and viewpoints.

Recognizing that marketing research can be abused, several associations—including the American Marketing Association, the Marketing Research Association, and the Council of American Survey Research Organizations (CASRO)—have developed codes of research ethics and standards of conduct. For example, the CASRO Code of Standards and Ethics
for Survey Research outlines researcher responsibilities to respondents, including confidentiality, privacy, and avoidance of harassment. It also outlines major responsibilities in reporting results to clients and the public. In the end, however, unethical or inappropriate actions cannot simply be regulated away. Each company must accept responsibility for policing the conduct and reporting of its own marketing research to protect consumers’ best interests as well as its own.

4
Reviewing and Extending the Concepts

OBJECTIVES REVIEW AND KEY TERMS

Objectives Review

To create value for customers and build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Such insights come from good marketing information. As a result of the recent explosion of “big data” and digital technologies, companies can now obtain great quantities of information, often even too much. Consumers themselves are now generating a tidal wave of bottom-up information through their smartphones, PCs, and tablets via online browsing and blogging, apps and social media interactions, and texting and video. The challenge is to transform today’s vast volume of consumer information into actionable customer and market insights.

OBJECTIVE 4-1 Explain the importance of information in gaining insights about the marketplace and customers. (pp 124–126)

The marketing process starts with a complete understanding of the marketplace and consumer needs and wants. Thus, the company needs to turn sound consumer information into meaningful customer insights by which it can produce superior value for its customers. The company also requires information on competitors, resellers, and other actors and forces in the marketplace. Increasingly, marketers are viewing information not only as an input for making better decisions but also as an important strategic asset and marketing tool.

OBJECTIVE 4-2 Define the marketing information system and discuss its parts. (pp 126–130)

The marketing information system (MIS) consists of people and procedures for assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights. A well-designed information system begins and ends with users.

The MIS first assesses information needs. The MIS primarily serves the company’s marketing and other managers, but it may also provide information to external partners. Then the MIS develops information from internal databases, marketing intelligence activities, and marketing research. Internal databases provide information on the company’s own operations and departments. Such data can be obtained quickly and cheaply but often need to be adapted for marketing decisions. Marketing intelligence activities supply everyday information about developments in the external marketing environment, including listening and responding to the vast and complex digital environment. Market research consists of collecting information relevant to a specific marketing problem faced by the company. Last, the marketing information system helps users analyze and use the information to develop customer insights, make marketing decisions, and manage customer relationships.

OBJECTIVE 4-3 Outline the steps in the marketing research process. (pp 130–140)

The first step in the marketing research process involves defining the problem and setting the research objectives, which may be exploratory, descriptive, or causal research. The second step consists of developing a research plan for collecting data from primary and secondary sources. The third step calls for implementing the marketing research plan by gathering, processing, and analyzing the information. The fourth step consists of interpreting and reporting the findings. Additional information analysis helps marketing managers apply the information and provides them with sophisticated statistical procedures and models from which to develop more rigorous findings.

Both internal and external secondary data sources often provide information more quickly and at a lower cost than primary data sources, and they can sometimes yield information that a company cannot collect by itself. However, needed information might not exist in secondary sources. Researchers must also evaluate secondary information to ensure that it is relevant, accurate, current, and impartial.

Primary research must also be evaluated for these features. Each primary data collection method—observational, survey, and experimental—has its own advantages and disadvantages. Similarly, each of the various research contact methods—mail, telephone, personal interview, and online—has its own advantages and drawbacks.

OBJECTIVE 4-4 Explain how companies analyze and use marketing information. (pp 140–144)

Information gathered in internal databases and through marketing intelligence and marketing research usually requires
more analysis. To analyze individual customer data, many companies have now acquired or developed special software and analysis techniques—called customer relationship management (CRM)—that integrate, analyze, and apply the mountains of individual customer data to gain a 360-degree view of customers and build stronger the customer relationships. They apply marketing analytics to dig out meaningful patterns in big data and gain customer insights and gauge marketing performance.

Marketing information has no value until it is used to make better marketing decisions. Thus, the MIS must make the information available to managers and others who make marketing decisions or deal with customers. In some cases, this means providing regular reports and updates; in other cases, it means making nonroutine information available for special situations and on-the-spot decisions. Many firms use company intranets and extranets to facilitate this process. Thanks to modern technology, today’s marketing managers can gain direct access to marketing information at any time and from virtually any location.

**OBJECTIVE 4-5** Discuss the special issues some marketing researchers face, including public policy and ethics issues.  
(pp 144–149)

Some marketers face special marketing research situations, such as those conducting research in small business, not-for-profit, or international situations. Marketing research can be conducted effectively by small businesses and nonprofit organizations with limited budgets. International marketing researchers follow the same steps as domestic researchers but often face more and different problems. All organizations need to act responsibly concerning major public policy and ethical issues surrounding marketing research, including issues of intrusions on consumer privacy and misuse of research findings.

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**Key Terms**

**OBJECTIVE 4-1**

Big data (p 125)
Customer insights (p 125)
Marketing information system (MIS) (p 125)

**OBJECTIVE 4-2**

Internal databases (p 127)
Competitive marketing intelligence (p 127)

**OBJECTIVE 4-3**

Marketing research (p 130)
Exploratory research (p 131)
Descriptive research (p 131)
Causal research (p 131)
Secondary data (p 132)
Primary data (p 132)
Observational research (p 133)
Ethnographic research (p 133)
Survey research (p 134)

**OBJECTIVE 4-4**

Experimental research (p 134)
Focus group interviewing (p 135)
Online marketing research (p 136)
Online focus groups (p 137)
Behavioral targeting (p 138)
Sample (p 138)

**OBJECTIVE 4-5**

Customer relationship management (CRM) (p 141)
Marketing analytics (p 141)

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**DISCUSSION AND CRITICAL THINKING**

**MyLab Marketing**

Go to [mymktlab.com](http://mymktlab.com) to complete the problems marked with this icon 🌟

**Discussion Questions**

🌟 4-1 What is big data, and what opportunities and challenges does it provide for marketers? (AACSB: Communication; Reflective Thinking)

🌟 4-2 Explain how internal databases differ from marketing intelligence. What are some advantages and disadvantages of both? (AACSB: Communication; Reflective Thinking)

🌟 4-3 What is behavioral targeting? Provide an example of behavioral targeting. How are firms responding to consumers and public advocates that it is a form of stalking consumers? (AACSB: Communication; Reflective Thinking)

4-4 Marketers make heavy use of both open-ended and closed-ended questions in questionnaires. What are some of the benefits and drawbacks of using each of these ways to ask questions? (AACSB: Communication; Reflective Thinking)

4-5 The marketing research process has several very distinct and important stages that need to be followed. In your opinion, which is the most important? Justify your view on this. (AACSB: Communication; Reflective Thinking)
CHAPTER 4  Managing Marketing Information to Gain Customer Insights  151

Critical Thinking Exercises

4-6  In a small group, identify the steps a business organization might need to take to carry out market research in an overseas market. Discuss whether the business would be best advised to have someone do the research for them, or do it themselves. (AACSB: Communication; Reflective Thinking)

4-7  Suppose you are conducting market research for your favorite soda brand. Sales have been lagging for two quarters, and you are determined to find out why. You decide to host an in-person focus group to gain customer insights into your brand’s current product offerings. You are also interested in obtaining feedback on a new product that your brand plans to launch in the next six months. Determine the makeup of your focus group. Who should be invited to the focus group, and why? What types of information would you want to obtain? Identify possible questions to present to the focus group. (AACSB: Communication; Reflective Thinking)

4-8  Conduct an online search to learn more about the marketing research industry. Develop a presentation describing the variety of jobs in the marketing research field along with the compensation for those jobs. Create a graphical representation to communicate your findings. (AACSB: Communication; Use of IT; Reflective Thinking)

4-9  Make a detailed list of all the websites, online forums, social networks, and other web pages you have visited this week. What data have you left that could be of value to marketers? (AACSB: Communication; Information Technology)

4-10  Monetizing relevant data is the key to revealing its true value. Should marketers have access to the personal information of billions of people who use the internet? Discuss how you would use data trails left by individuals on the internet if you ran a business. (AACSB: Communication; Ethical reasoning)

4-11  Describe at least four applications you use that provide location, time, and date information that can be tied to your identity. (AACSB Communication; Reflective Thinking)

4-12  Debate whether it is ethical for marketers to use metadata to link individual consumers with specific credit card transactions. (AACSB: Communication; Ethical Reasoning)

APPLICATIONS AND CASES

Online, Mobile, and Social Media Marketing  Online Snooping

Every second of every day, personal information is being indexed and processed. Every device we use has a unique address which is being broadcast as long as you have wireless networking switched on. Many of us do not even realize that programs exist to find every picture you may have ever posted online. They can also pinpoint exactly where you were when you uploaded them. If you haven’t set the right privacy settings, it will become fairly easy to work out exactly where you live, your habits, and when you are at home and when you are out. Some services are specifically designed to scare people about the information they are unintentionally leaking to the world, such as pleaserobme.com. This shows you whether you are sharing your location and prompts you to change your privacy settings.

Marketing Ethics  Metadata

Everyone generates metadata when using technologies such as computers and mobile devices to search, post, tweet, play, text, and talk. What many people don’t realize, however, is that this treasure trove of date, time, and location information can be used to identify them without their knowledge. For example, in analyzing more than a million anonymous credit card transactions, researchers at the Massachusetts Institute of Technology were able to link 90 percent of the transactions to specific users with just four additional bits of metadata, such as user locations based on apps such as Foursquare, the timing of an activity such as a tweet on Twitter, or playing a mobile game. Since there are more mobile devices than there are people in the United States and 60 percent of purchases are made with a credit card, marketing research firms are gobbling up all sorts of metadata that will let them tie a majority of purchase transactions to specific individuals.

Marketing by the Numbers  What’s Your Sample?

Decisions are often made by businesses on the basis of fairly small samples in relation to the actual size of the population or number of customers. Thus, the future of products and services is often determined by relatively small numbers of people. But just how reliable are small-scale samples? Larger samples cost more money; they take more time and ultimately may not be any more accurate than a smaller sample. Are businesses and organizations right to rely so heavily on these small
samples? Statistically speaking, a small sample is probably just as accurate.

4-13 Go to http://www.surveysystem.com/sscalc.htm to determine the appropriate sample size for a population in your country. Briefly explain what is meant by confidence interval and confidence level. Assuming a confidence interval of 5, how large should the sample of households be when desiring a 95 percent confidence level? How large for a 99 percent confidence level?

4-14 What sample sizes are necessary to cover the population of the whole region in which you live with a confidence interval of a 5-percent and a 95-percent confidence level? Explain the effect population size has on a required sample size. (AACSB: Written Communication; Information Technology; Analytical Thinking)

Video Case Nielsen

Most people know Nielsen as the TV ratings company. In reality, however, Nielsen is a multiplatform market research company that has constantly been evolving since 1923. Its goal is to measure and track a wide range of consumer activity in order to establish a 360-degree view of individuals and market segments. To accomplish this, Nielsen has to follow consumers wherever they may be—watching TV, online, in their homes, or in stores.

The veteran research firm has established effective methods of recording consumer activity, from retail scanner data to household panels to monitoring social networks. As data are captured, they are transferred to a Nielsen data warehouse, where they are matched to the right individual and added to the terabytes of information Nielsen already possesses. Through data sorting and analytics, Nielsen cuts through billions of daily transactions to deliver clear consumer insights to clients.

After viewing the video featuring Nielsen, answer the following questions:

4-15 What is Nielsen’s expertise?

4-16 Providing a real-world example, describe how Nielsen might discover a consumer insight.

4-17 What kinds of partnerships might Nielsen need to form with other companies in order to accomplish its goals?

Company Case Campbell Soup Company: Watching What You Eat

You might think that a well-known, veteran consumer products company like the Campbell Soup Company has it made. After all, when people think of soup, they think of Campbell’s. In the $5 billion U.S. soup market, Campbell dominates with a 44 percent share. Selling products under such an iconic brand name should be a snap. But if you ask Denise Morrison, CEO of Campbell, she’ll tell you a different story. Just a few years ago, when Morrison took over as head of the world’s oldest and best-known soup company, she faced a big challenge—reverse the declining market share of a 145-year-old brand in a mature, low-growth, and fickle market characterized by shifting consumer preferences, ever-expanding tastes, and little tolerance for price increases. Turning things around would require revitalizing the company’s brands in a way that would attract new customers without alienating the faithful who had been buying Campbell products for decades.

Morrison had a plan. A core element of that plan was to maintain a laser-like focus on consumers. “The consumer is our boss,” Morrison said. “[Maintaining a customer focus] requires a clear, up-to-the-minute understanding of consumers in order to create more relevant products.” Morrison’s plan involved transforming the traditional stagnant culture of a corporate dinosaur into one that embraces creativity and flexibility. But it also involved employing innovative methods that would allow brand managers and product developers to establish the customer understanding that was so desperately needed. In other words, marketing research at the Campbell Soup Company was about to change.

Reading Consumers’ Minds

Soup is a well-accepted product found in just about everyone’s pantry in the United States. However, not long ago, Campbell researchers discovered that marketing soups presents unique problems. People don’t covet soup. Sure, a steaming bowl of savory soup really hits the spot after coming in out of a bitingly cold rain. But soup is not a top-of-mind meal or snack choice, and it’s typically a prelude to a more interesting main course. The bottom line—consumers don’t really think much about soup, making meaningful marketing research difficult.

For years, Campbell researchers relied on good old paper-and-pencil surveys and traditional interviews to gain consumer insights for making ads, labels and packaging, and the products themselves more effective. But Campbell’s experience with such marketing research showed that traditional methods failed to capture important subconscious thoughts, emotions, and behaviors that consumers experience when shopping for soup.

So instead, to get closer to what was really going on inside consumers’ hearts and minds, Campbell researchers began employing state-of-the-art neuroscience methods. They outfitted shoppers with special vests that measured skin-moisture levels, heart rates, depth and pace of breathing, and postures. Sensors tracked eye movements and pupil width. Then, to aid interpretation, such biometric data was combined with interviews and videos that captured each shopper’s experiences.

The high-tech research produced some startling insights. Campbell knew that people hold strong emotions associated with eating soup. After all, who doesn’t remember getting a hot bowl of soup from Mom when they were sick or cold? But the new biometric testing revealed that all that warmth and those positive emotions evaporated when consumers confronted the sea of nearly identical red and white Campbell’s cans found on a typical grocery store soup aisle.
In the past, the top of a typical store shelf display featured a large Campbell’s logo with a bright red background. But the new research showed that such signs made all varieties of Campbell’s Soup blend together, creating an overwhelming browsing situation and causing shoppers to spend less time at the aisle. The biometric research methods also revealed that the soup can labels themselves were lacking—the big bowl of soup on Campbell’s labels was not perceived warmly, and the large spoon filled with soup provoked no emotional response.

Based on these research insights, in an attempt to prompt and preserve important consumer emotions surrounding soup consumption, Campbell began evaluating specific aspects of its displays, labels, and packaging. This led to seemingly small but important changes. For starters, the Campbell’s logo is now smaller and lower on the shelf, minimizing the overwhelming “sea of cans” effect. To further encourage browsing, can labels now fall into different categories, each with distinguishing visual cues. Varieties like Beef Broth and Broccoli Cheese, which are typically used as ingredients in recipes, feature a narrow blue swatch across the middle of the can with a “Great for Cooking” label. A green swatch and the label “98% Fat Free” characterize reduced-fat varieties. Tomato Chipotle & Olive Oil, part of Campbell’s “Latin Inspired” line, features a black background rather than the traditional white. And top-sellers such as Chicken Noodle, Tomato, and Cream of Mushroom feature the plain traditional label with the center medallion, immortalized by Andy Warhol’s larger-than-life recreations of Campbell’s soup cans. As for bringing out those warm emotions, Campbell’s labels are now adorned with steam rising off a larger, more vibrant picture of the featured soup in a more modern white bowl. The non-emotional spoons are gone as well.

Can such minor label changes make a real difference? Yes, they can. Campbell claims that its sales of condensed soups are up by 2 percent since making the changes. That may not sound like much, but even a small sales bump applied to a $2 billion consumer brand means real money. The sales jump also indicates that consumers are receiving greater value through a more fulfilling shopping experience.

Diving Deeper for Insights

Although the insights from Campbell’s biometric marketing research have proven valuable, it will take more to capture the attention of a new generation of customers and stay attuned to the changing nature of consumer food tastes and preferences. Additionally, the Campbell Soup Company makes and markets much more than just soup these days. Over the years, the company has added or created such brands as Pepperidge Farms, Swanson, Pace, Prego, V8, Bolthouse Farms, and Plum Organics. Today, Campbell’s house of packaged food brands includes something for just about everyone. With that kind of product portfolio, maintaining and creating relevant products based on a clear, up-to-the-minute understanding of consumers is an especially daunting proposition.

To capture clear and contemporary customer insights, Campbell researchers turn to deep dive marketing research—qualitative methods employed in the fields of anthropology and other social sciences for up-close-and-personal study. Campbell researchers and marketers dive in and spend time with consumers on their own turf. “We’re in their homes,” says Charles Vila, Campbell’s vice president of consumer and customer insights. “We are cooking with them; we’re eating with them; we’re shopping with them.” By spending hours at a time with consumers and observing them in their natural environments, researchers can unlock deep consumer insights of which customers themselves are often not aware.

By employing deep dive marketing research methods, Campbell researchers have identified six different consumer groups, each with an extensive profile. For each of these groups, Campbell has created six fully equipped kitchens at its Camden, New Jersey, headquarters, each designed to mirror the homes of consumers in the six groups. Each kitchen has a unique design, with different appliances, different features, and, most importantly, different food in the cabinets and refrigerators.

At one end of the spectrum is the group called “Uninvolved Quick Fixers.” These are individuals and families who are not acquainted with or into cooking. Their kitchens are strewn with pizza boxes, and collections of takeout menus adorn their fridges. Their stoves and ovens often look like they’ve never been touched. “They’re doing a lot of microwaving and frozen foods,” explains the manager of Campbell’s test facilities.

At the other end of the spectrum is group six, the “Passionate Kitchen Masters.” Their kitchens tend to be filled with well-used, high-end appliances. Their refrigerators are stuffed with fresh produce, dairy, and meats. Gourmet sauces and artisanal breads and pastas are complemented by a wide variety of spices.

Such levels of detail help Campbell marketers discover and understand existing and developing trends in each consumer group as well as in the general market. For example, ginger is in. Only a few years ago, this herb was something found only in ethnic restaurants or in obscure recipes. But now its popularity is soaring. Campbell expects that it will soon be an important ingredient for each of the six consumer segments, a valuable insight for developing new products.

Another conclusion from Campbell’s deep dive is that although Passionate Kitchen Masters consume far fewer prepared and packaged foods than other consumers, they still buy a lot of ingredients—such as broth. Broth flies under the radar of most consumers. But for people who like to cook, it’s a sturdy component of soups, sauces, and braised meats.

Under both the Campbell’s and Swanson brands, broth is also a $400 million business for the Campbell Soup Company. Applying the 2 percent sales boost resulting from the label changes discussed earlier translates to $8 million in sales gains for broth alone. That’s why Campbell researchers are so interested in consumer trends, big and small.

The main goal is to enhance the customer’s food experience. For example, Thai dishes are becoming more popular for foodies. But coming up with key ingredients like lemongrass is both time consuming and expensive. “Even for confident cooks, to bring those together, to go and purchase them, and actually blend them in such a way that it actually works, that’s not easy,” says Campbell’s vice president Dale Clemis, who oversees the Swanson and other Campbell brands. Add that to other insights that Campbell’s research has uncovered, and a new broth is born—Swanson Thai Ginger, a broth “infused with flavors of lime, soy sauce, coconut, lemongrass, cilantro, and ginger—a simple way to make delicious restaurant inspired global dishes at home.”
Every marketing research method has pitfalls. So Campbell combines multiple research methods to minimize the possibility of making incorrect judgments. In addition to neuroscience and deep dive research, the company still employs traditional methods of surveys and interviews. The triangulation of data across methods allows for greater accuracy as well as the ability to cover larger consumer samples.

In the packaged foods business, every little bit helps. It’s all about staying in tune with consumers and keeping up with the changes—large and small—in consumer preferences. That philosophy has worked well for the Campbell Soup Company in the past. And as Campbell has dug deeper through multiple marketing research methods, the proof is in the pudding. Over the most recent three years, Campbell’s corporate revenues rose 12.6 percent while net profits returned 6 to 10 percent each year. Campbell’s stock price also increased by more than 60 percent during that time. As the company website states, “For generations, people have trusted Campbell to provide authentic, flavorful, and readily available foods and beverages that connect them to each other, to warm memories, and to what’s important today.” With the help of Campbell’s marketing research program, it looks like consumers will continue to trust Campbell for generations to come.

Questions for Discussion
4-18 What are the strengths and weaknesses of the Campbell Soup Company’s marketing information system?
4-19 What objectives does Campbell have for the marketing research efforts described in this case?
4-20 Compare the effectiveness of Campbell’s biometric research with its deep dive research.
4-21 Describe how traditional marketing research could be integrated with Campbell’s research efforts from this case.

MyLab Marketing
Go to mymktp.com for the following Assisted-graded writing questions:

4-22 What is neuromarketing and how is it useful in marketing research? Why is this research approach usually used with other approaches?

4-23 Describe an example in which marketing research could cause harm to participants. Many companies have a review process similar to that required for following the government’s “Common Rule.” Write a brief report explaining this rule and how you would apply it to your example.