Defining the Marketing Research Problem and Developing an Approach
Sales is low in Northeast
Why Northeast?
When did it start becoming low?
Was it ever high?
• Marketing Problem vs. Research Question
Decision Problem: Develop a new package

Research Question: Evaluate alternative package designs

- Black: sexy, bad boy & bad girl image
- Blue and purple: fun, pure, healthy
Figure 2.1 Relationship of Problem Definition and Approach to the Previous Chapter and the Marketing Research Process

Focus of This Chapter

- Defining the Management Decision Problem
- Defining the Marketing Research Problem
- Developing an Approach to the Problem

Relationship to Previous Chapter

- The Nature of Marketing Research (Chapter 1)
- Definition of Marketing Research (Chapter 1)
- The Marketing Research Process (Chapter 1)

Relationship to Marketing Research Process

- Problem Definition
- Approach to Problem
- Research Design
- Field Work
- Data Preparation and Analysis
- Report Preparation and Presentation
Opening Vignette

Importance of Defining the Problem

The Process of Defining the Problem and Developing an Approach

Tasks Involved

Environmental Context of the Problem

Application to Contemporary Issues

International Technology Ethics

Fig 2.2 Defining the Marketing Research Process and Developing An Approach: An Overview

Tasks Involved:
- Discussions with DM
- Interviews with Experts
- Secondary Data Analysis
- Qualitative Research

Fig 2.3

Fig 2.4

Fig 2.5

Fig 2.6

What Would You Do?

Be a DM!

Experiential Learning

Be a MR!

Opening Vignette

What Would You Do?
Figure 2.2  Defining the Marketing Research Process and Developing An Approach: An Overview (continued)

Opening Vignette

Management Decision Problem

Definition of the Marketing Research Problem

Approach to the Problem

- Analytical Framework & Models
- Research Questions & Hypothesis
- Specification Of Information Needed

Table 2.1

Figs 2.7-2.8

Fig 2.9

Application to Contemporary Issues (Figs 2.10, 2.11)

International | Technology | Ethics
Figure 2.3 The Problem Definition and Approach Development Process

Tasks Involved
- Discussions with Decision Makers
- Interviews with Experts
- Secondary Data Analysis
- Qualitative Research

Environmental Context of the Problem

Step 1: Problem Definition
- Management Decision Problem
- Marketing Research Problem

Step 2: Approach to the Problem
- Analytical Framework and Models
- Research Questions and Hypotheses
- Specification of Information Needed

Step 3: Research Design
Tasks Involved in Problem Definition

- Discussions with Decision Makers
- Interviews with Industry Experts
- Secondary Data Analysis
- Qualitative Research
The Problem Audit

The problem audit is a comprehensive examination of a marketing problem with the purpose of understanding its origin and nature.

1. The events that led to the decision that action is needed; the history of the problem.
2. The alternative courses of action available to the DM.
3. The criteria that will be used to evaluate the alternative courses of action.
4. The potential actions that are likely to be suggested based on the research findings.
5. The information that is needed to answer the DM's questions.
6. The manner in which the DM will use each item of information in making the decision.
7. The corporate culture as it relates to decision making.
The Seven Cs of Interaction

The interaction between the DM and the researcher should be characterized by the seven Cs:

1. Communication
2. Cooperation
3. Confidence
4. Candor
5. Closeness
6. Continuity
7. Creativity
Figure 2.4 Conducting a Problem Audit

- History of the Problem
- Alternative Courses of Action Available to DM
- Criteria for Evaluating Alternative Courses
- Nature of Potential Actions Based on Research
- Information Needed to Answer the DM’s Questions
- How Will Each Item of Information Be Used by the DM?
- Corporate Decision-Making Culture
Figure 2.5 Discussion Between the Researcher and the DM

Focus of the DM

Symptoms
• Loss of Market Share

Focus of the Researcher

Underlying Causes
• Superior Promotion by Competition
• Inadequate Distribution of Company’s Products
• Lower Product Quality
• Price Undercutting by a Major Competitor

Discussion
Table 2.1
Problem Definition Based on Symptoms Can Be Misleading

<table>
<thead>
<tr>
<th>Firm</th>
<th>Symptoms</th>
<th>Based on Symptoms</th>
<th>Underlying Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer of orange soft drinks</td>
<td>Consumers say the sugar content is too high</td>
<td>Determine consumer preferences for alternative levels of sugar content</td>
<td>Color. The color of the drink is a dark shade of orange giving the perception that the product is too “sugary.”</td>
</tr>
<tr>
<td>Manufacturer of machine tools</td>
<td>Customers complain prices are too high</td>
<td>Determine the price elasticity of demand</td>
<td>Channel management. Distributors do not have adequate product knowledge to communicate product benefits to customers.</td>
</tr>
</tbody>
</table>
Figure 2.6 Factors to be Considered in the Environment
Context of the Problem

Past Information and Forecasts

Resources and Constraints

Objectives of the Decision Maker

Buyer Behavior

Legal Environment

Economic Environment

Marketing and Technological Skills
### Table 2.2

Management Decision Problem Versus the Marketing Research Problem

<table>
<thead>
<tr>
<th>Management-Decision Problem</th>
<th>Marketing Research Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asks what the decision maker needs to do</td>
<td>Asks what information is needed and how it should be obtained</td>
</tr>
<tr>
<td>Action oriented</td>
<td>Information oriented</td>
</tr>
<tr>
<td>Focuses on symptoms</td>
<td>Focuses on the underlying causes</td>
</tr>
</tbody>
</table>
### Table 2.3 Management-Decision Problem and Marketing Research Problem

<table>
<thead>
<tr>
<th>Management-Decision Problem</th>
<th>Marketing Research Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should a new product be introduced?</td>
<td>To determine consumer preferences and purchase intentions for the proposed new product.</td>
</tr>
<tr>
<td>Should the advertising campaign be changed?</td>
<td>To determine the effectiveness of the current advertising campaign.</td>
</tr>
<tr>
<td>Should the price of the brand be increased?</td>
<td>To determine the price elasticity of demand and the impact on sales and profits of various levels of price changes.</td>
</tr>
</tbody>
</table>
Table 2.3 Management-Decision Problem and Marketing Research Problem (Cont.)

<table>
<thead>
<tr>
<th>Management-Decision Problem</th>
<th>Marketing Research Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>What can Subaru do to expand its automobile market?</td>
<td>To determine the various needs of the automobile users and the extent to which those needs were being satisfied by the current product offering</td>
</tr>
</tbody>
</table>
Figure 2.7 Errors in Defining the Market Research Problem

Common Errors

Problem Definition is too Broad
- Does Not Provide Guidelines for Subsequent Steps
- e.g., Improving the Company’s Image

Problem Definition is too Narrow
- May Miss Some Important Components of the Problem
- e.g., Changing Prices in Response to a Competitor’s Price Change
The New Coke Fiasco

• Worried about “The Pepsi Challenge,” Coke conducts blind taste tests on 200,000 consumers, at a cost of $4 mil. in 1984.

• These taste tests reveal that consumers overwhelmingly prefer its new formula to both its old formula and Pepsi!

• Coke retires its old formula and introduces “New Coke” in 1985.

• “New Coke” is a big flop, with consumers boycotting the product and crying bloody murder!
What went wrong?

- Consumer preferences for Coke were not driven by taste!
- Consumer preferences for Coke were driven by emotional factors.
- Coke revived “Classic Coke” after 3 months and made “New Coke” a line extension.
- Now, “brand cluster loyalty” drives existence of different types of Coke (Classic, New, Cherry).
Figure 2.8  Proper Definition of the Marketing Research Problem

Marketing Research Problem

SPECIFIC COMPONENTS

Component 1  Component 2  Component 3

Broad Statement
Subaru Vignette

Management-Decision Problem:
• “What can Subaru do to expand its share of the automobile market?”

Marketing Research Problem:
• Determining the various needs of automobile users and the extent to which current product offerings were satisfying those needs.
Subaru: Specific Components

1. What needs do buyers of passenger cars, station wagons, and sports utility vehicles seek to satisfy?
2. How well do existing automobile product offerings meet these needs?
3. Is there a segment of the automobile market whose needs are not being adequately met?
4. What automobile features does the segment identified in number 3 desire?
5. What is the demographic and psychographic profile of the identified segment?
Components of an Approach

- Analytical Framework and Model
- Research Questions and Hypotheses
- Specification of the Information Needed
Models

An **analytical model** is a set of variables and their interrelationships designed to represent, in whole or in part, some real system or process.

In **verbal models**, the variables and their relationships are stated in prose form. Such models may be mere restatements of the main tenets of a theory.
Graphical Models

Graphical models are visual. They are used to isolate variables and to suggest directions of relationships but are not designed to provide numerical results.

Awareness

Understanding: Evaluation

Preference

Patronage
Mathematical models explicitly specify the relationships among variables, usually in equation form.

\[ y = a_0 + \sum_{i=1}^{n} a_i x_i \]

Where
\[ y \] = degree of preference

\[ a_0, a_i \] = model parameters to be estimated statistically
Components of the Marketing Research Problem

Research Questions

Hypotheses

Analytical Framework and Models

Figure 2.9 Development of Research Questions & Hypothesis
Research Questions and Hypotheses

• **Research questions** (RQs) are refined statements of the specific components of the problem.

• A **hypothesis** (H) is an unproven statement or proposition about a factor or phenomenon that is of interest to the researcher. Often, a hypothesis is a possible answer to the research question.
Subaru Vignette

• **RQ:** What is the overlap between the features sought by station wagon buyers and buyers of sports utility vehicles (SUVs)?

• **H1:** The buyers of station wagons rate certain features of SUVs as important.

• **H2:** The buyers of SUVs rate certain features of station wagons as important.
Specification of Information Needed

• By focusing on each component of the problem and the analytical framework and models, research questions, and hypotheses, the researcher can determine what information should be obtained.
Subaru Vignette

Component 1

• Needs of buyers of passenger cars operationalized in terms of the attributes or features desired in an automobile.

• Needs of buyers of station wagons operationalized in terms of the attributes or features desired in an automobile.

• Needs of buyers of sports utility vehicles operationalized in terms of the attributes or features desired in an automobile.
Subaru Vignette

Component 2

• Evaluation of passenger cars on the desired attributes.

• Evaluation of station wagons on the desired attributes.

• Evaluation of sports utility vehicles on the desired attributes.
Subaru Vignette

Component 3

• No new information to be collected.

Component 4

• No new information to be collected.

Component 5

• Demographic and psychographic characteristics. Type and number of automobiles owned.
Figure 2.10 A Concept Map for Problem Definition

Problem Definition

Management Decision Problem

- What does the DM need to do

Marketing Research Problem

- Underlying Causes
- Information Oriented

Symptoms

- Action Oriented

Specific Components

- Component 1
- Component 2
- Component n

Broad Statement

- Broad Statement is broken down to

- Management wants to (take an action) therefore

We should study (topic) so that

We can explain (question)
Figure 2.11
A Concept Map for Approach to the Problem

Specific Components of the Marketing Research Problem

Approach to the Problem

Analytical Framework and Models

Research Questions and Hypotheses

Carefully broken down to possible answers

Hypotheses

Specification of Information Needed for each component

Information Needed for Component 1
Information Needed for Component 2
Information Needed for Component n
Short Intro to the Term Project

Objectives

• Appreciate the role of market research in guiding intelligent managerial decisions;

• Learn how to conduct exploratory research and use the findings thereof to pin down the right research questions;

• Learn how to set up and test hypotheses in order to provide answers to the research questions

• Familiarize with the various quantitative and qualitative techniques covered in the classroom.
<table>
<thead>
<tr>
<th>Task</th>
<th>Actions</th>
<th>Expected Results</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jointly determine the focal Business and at least two of its competitors</td>
<td>Focal business and its competitors identified.</td>
<td>• We identify the focal business as Burgers’ &amp; More; and the two competitors are B-town Burgers and Burger on the Hill[1].</td>
</tr>
</tbody>
</table>
| 2    | Search for the archive data. | Findings about the business trend, the local market, as well as recent and relevant business intelligence. | • We found that consumption of burgers have been declined in recent years.  
• We found that such reduction in consumption is particularly drastic in Boulder.  
• We found that a recent study that indicates the nation-wide reduction in consumption is mainly due to the fact that many female customers are replacing burgers with more healthy and organic food. |
## 3a Conduct observation studies

**Insights about the local consumers**

- We also found that in the presence of their girlfriends, an average female customer also seem to have better appetite for burgers.
- We found that a competitor store has a promotion program which is targeted at groups of female consumers. Such promotion program is not available in the focal business.

## 3b Conduct in-depth interviews

**Insights about the local consumers**

- We also found that such concern is likely to be lessened when the female customers are with their girlfriends.

## 3c Identify key managerial and research questions, the focal research hypotheses and the corresponding marketing mix

**The key research questions, hypotheses, and suggested marketing mix.**

- We suspect that female customers are more likely to patronage our focal store if she is going with her girlfriends.
- We formulate the hypothesis as: for a female customer, the likelihood of visiting the focal business is higher when she is with her girlfriends (vs. when she is alone).
- Q2. How many times a month do you visit Burgers & More if you are with other girls? How decide to choose that place? How does having your friends along influence how you feel about going there vs. when you’re by yourself?
### Outline

<table>
<thead>
<tr>
<th></th>
<th>Design questionnaire and sampling procedure</th>
<th>Questionnaires completed by the survey respondents</th>
<th>We decide to use a simple random sample; and determine that the sample size to be 20.</th>
<th>We design a questionnaire that (1) incorporates the key research questions; and (2) make the respondents feel comfortable answering those questions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Collect response from a representative sample of customers. Analyze data and write final report</td>
<td>Written final report</td>
<td>The findings confirmed our hypothesis, with the caveat that…</td>
<td>Based on our findings we recommend that Burgers &amp; More should introduce the group-based promotion …</td>
</tr>
<tr>
<td>5</td>
<td>Present the findings to the class.</td>
<td>Oral presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>