

Defining the Marketing Research Problem and Developing an Approach

MKTG 3350: MARKETING RESEARCH

Yacheng Sun
Leeds School of Business

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

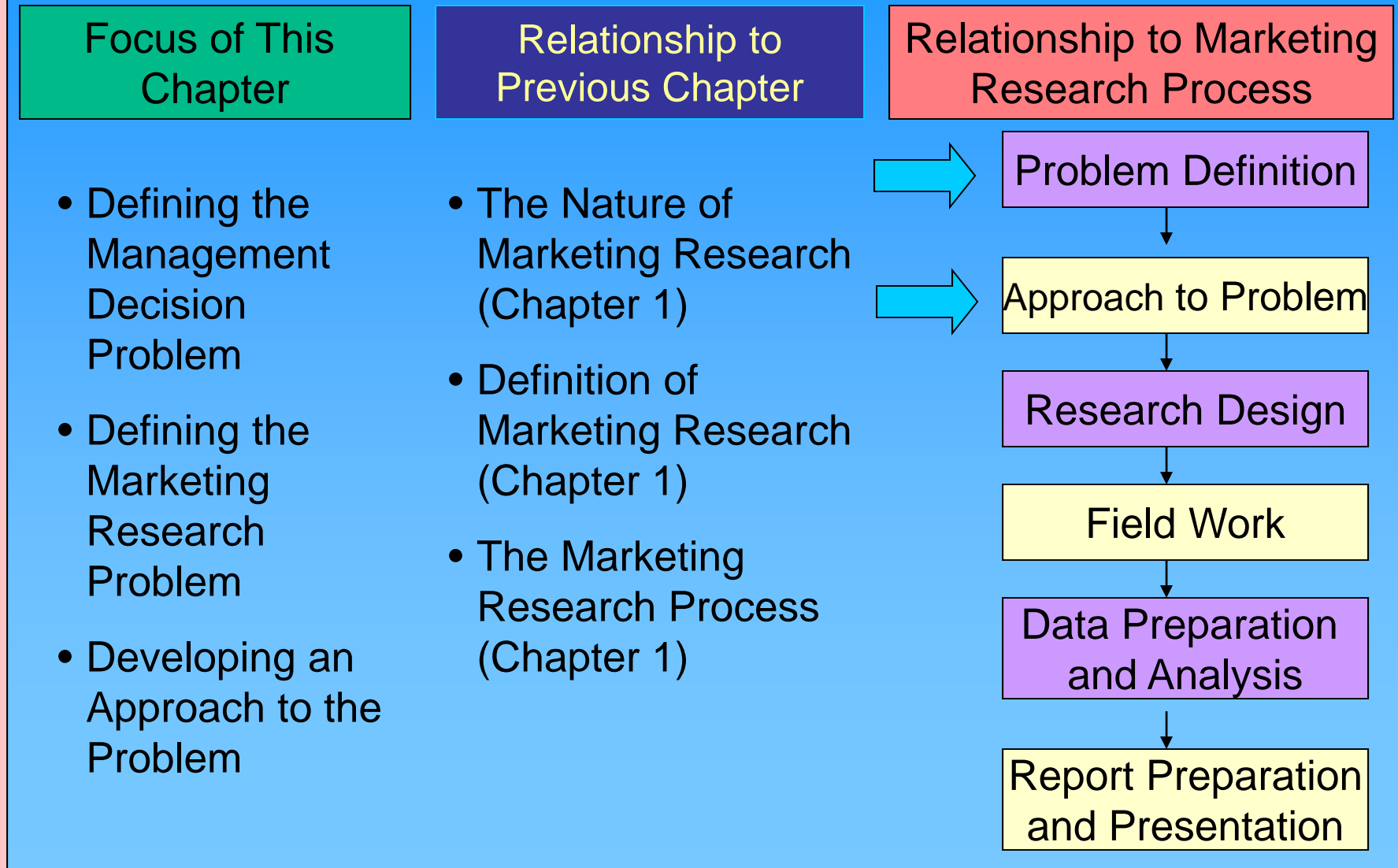


Figure 2.2 Defining the Marketing Research Process and Developing An Approach: An Overview

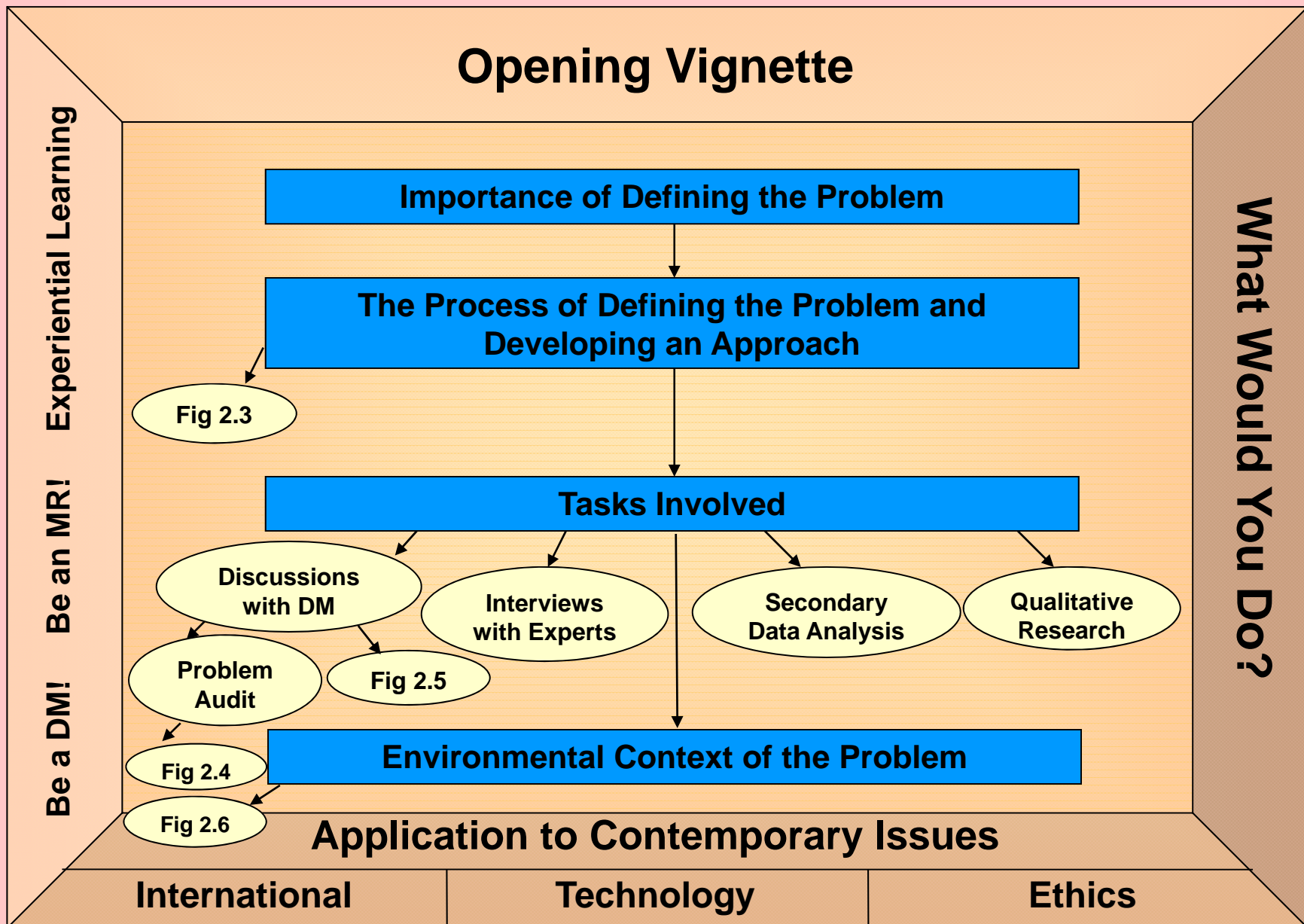


Figure 2.2 Defining the Marketing Research Process and Developing An Approach: An Overview (continued)

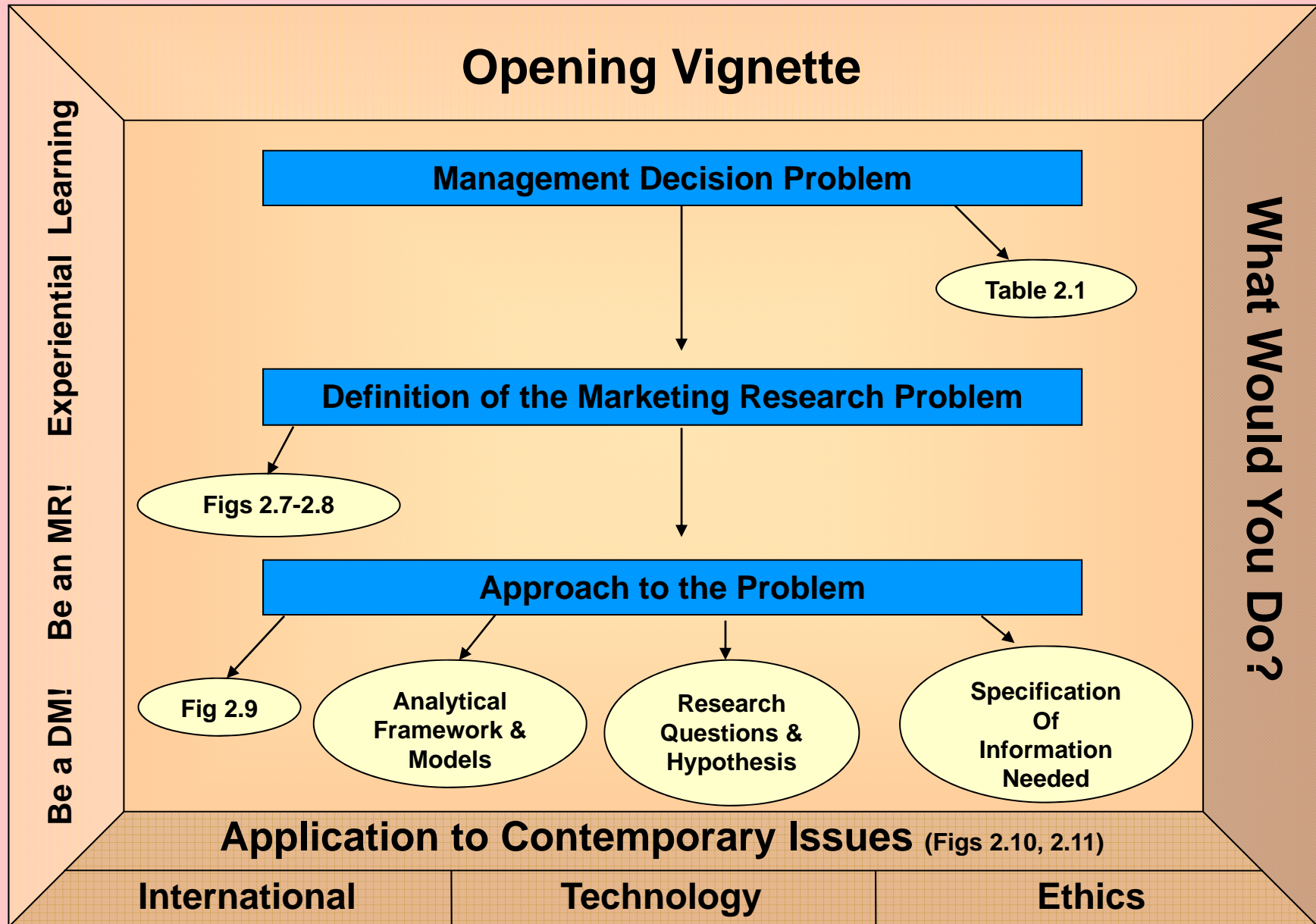
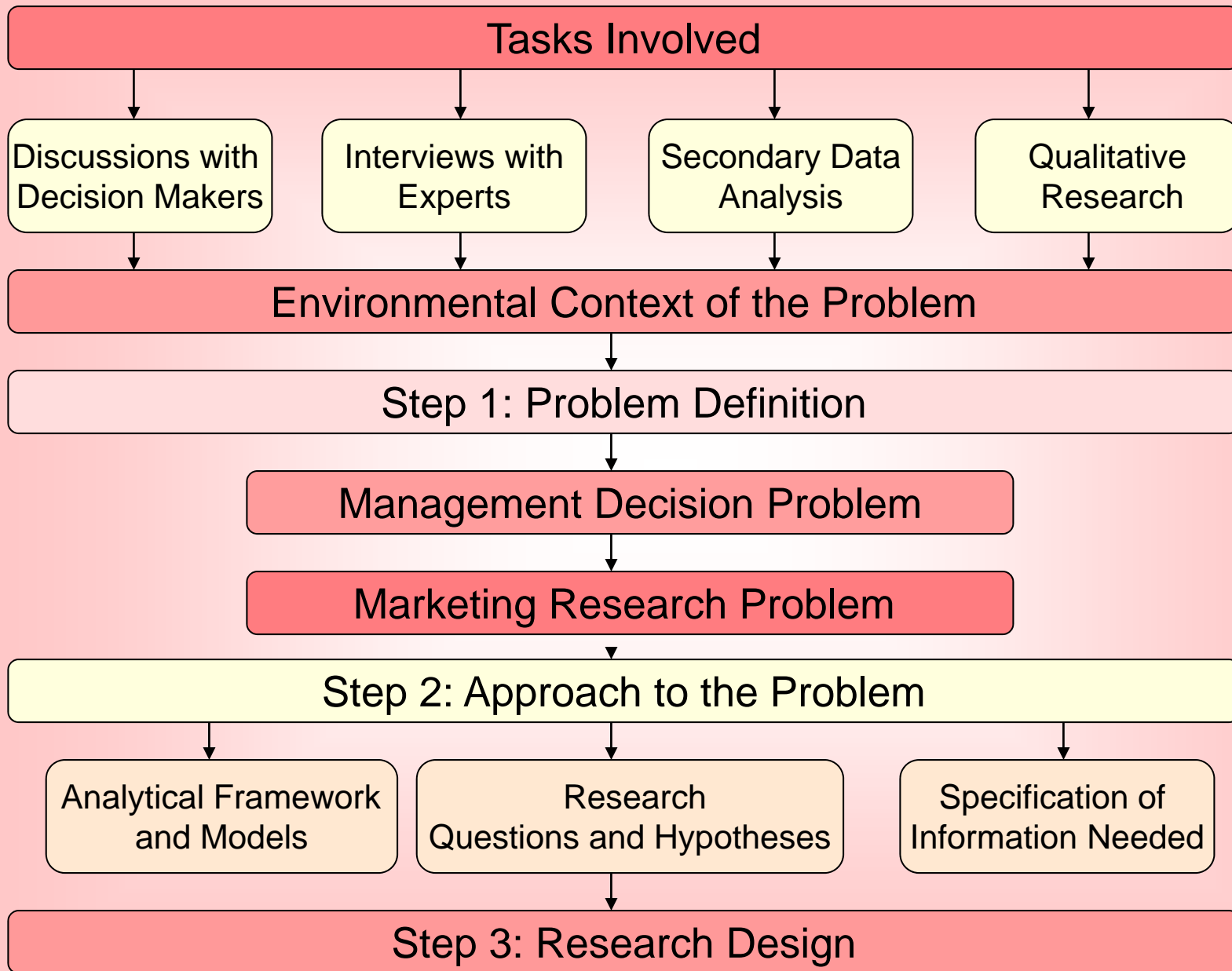


Figure 2.3 The Problem Definition and Approach Development Process



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

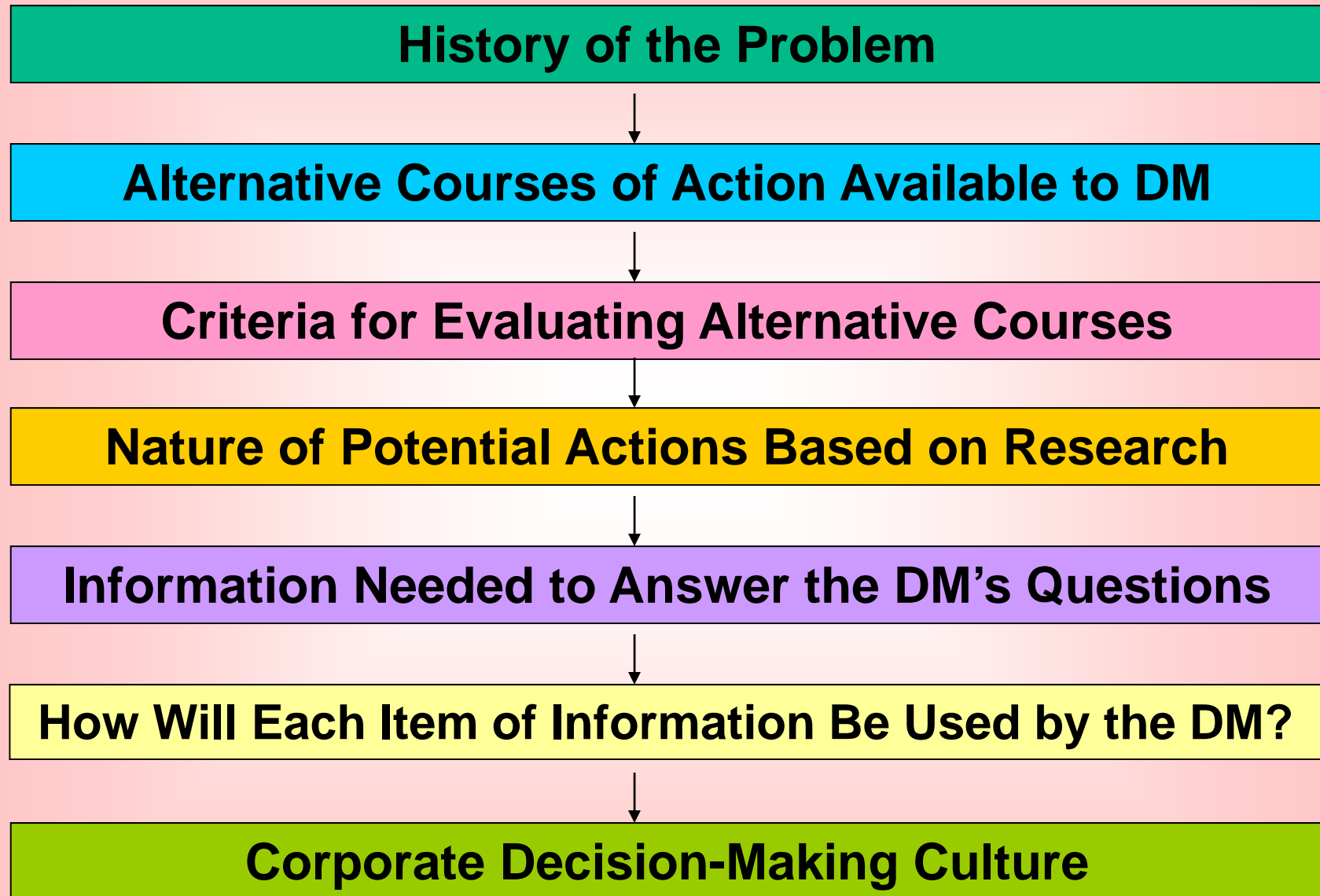


Figure 2.5 Discussion Between the Researcher and the DM

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

Problem Definition

Firm	Symptoms	Based on Symptoms	Underlying Causes
Manufacturer of orange soft drinks	Consumers say the sugar content is too high	Determine consumer preferences for alternative levels of sugar content	Color. The color of the drink is a dark shade of orange giving the perception that the product is too “sugary.”
Manufacturer of machine tools	Customers complain prices are too high	Determine the price elasticity of demand	Channel management. Distributors do not have adequate product knowledge to communicate product benefits to customers.

Figure 2.6 Factors to be Considered in the Environment Context of the Problem



Table 2.2

Management Decision Problem Versus the Marketing Research Problem

Management-Decision Problem	Marketing Research Problem
Asks what the decision maker needs to do	Asks what information is needed and how it should be obtained
Action oriented	Information oriented
Focuses on symptoms	Focuses on the underlying causes

Table 2.3 Management-Decision Problem and Marketing Research Problem

Management-Decision Problem

Should a new product be introduced?

Should the advertising campaign be changed?

Should the price of the brand be increased?

Marketing Research Problem

To determine consumer preferences and purchase intentions for the proposed new product.

To determine the effectiveness of the current advertising campaign.

To determine the price elasticity of demand and the impact on sales and profits of various levels of price changes.

Table 2.3 Management-Decision Problem and Marketing Research Problem (Cont.)

Management-Decision Problem

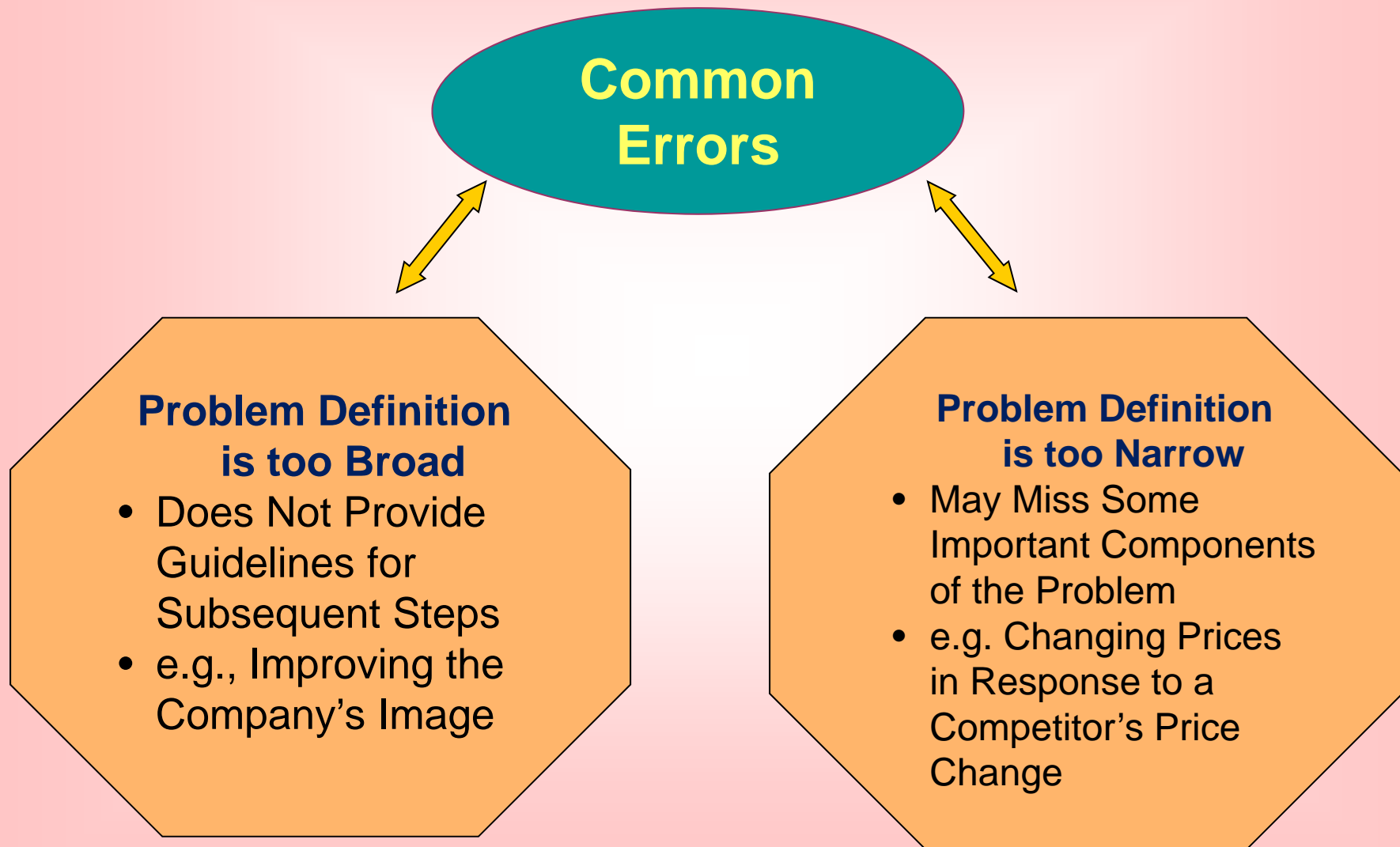
What can Subaru do to expand its automobile market?

Marketing Research Problem

To determine the various needs of the automobile users and the extent to which those needs were being satisfied by the current product offering



Figure 2.7 Errors in Defining the Market Research Problem



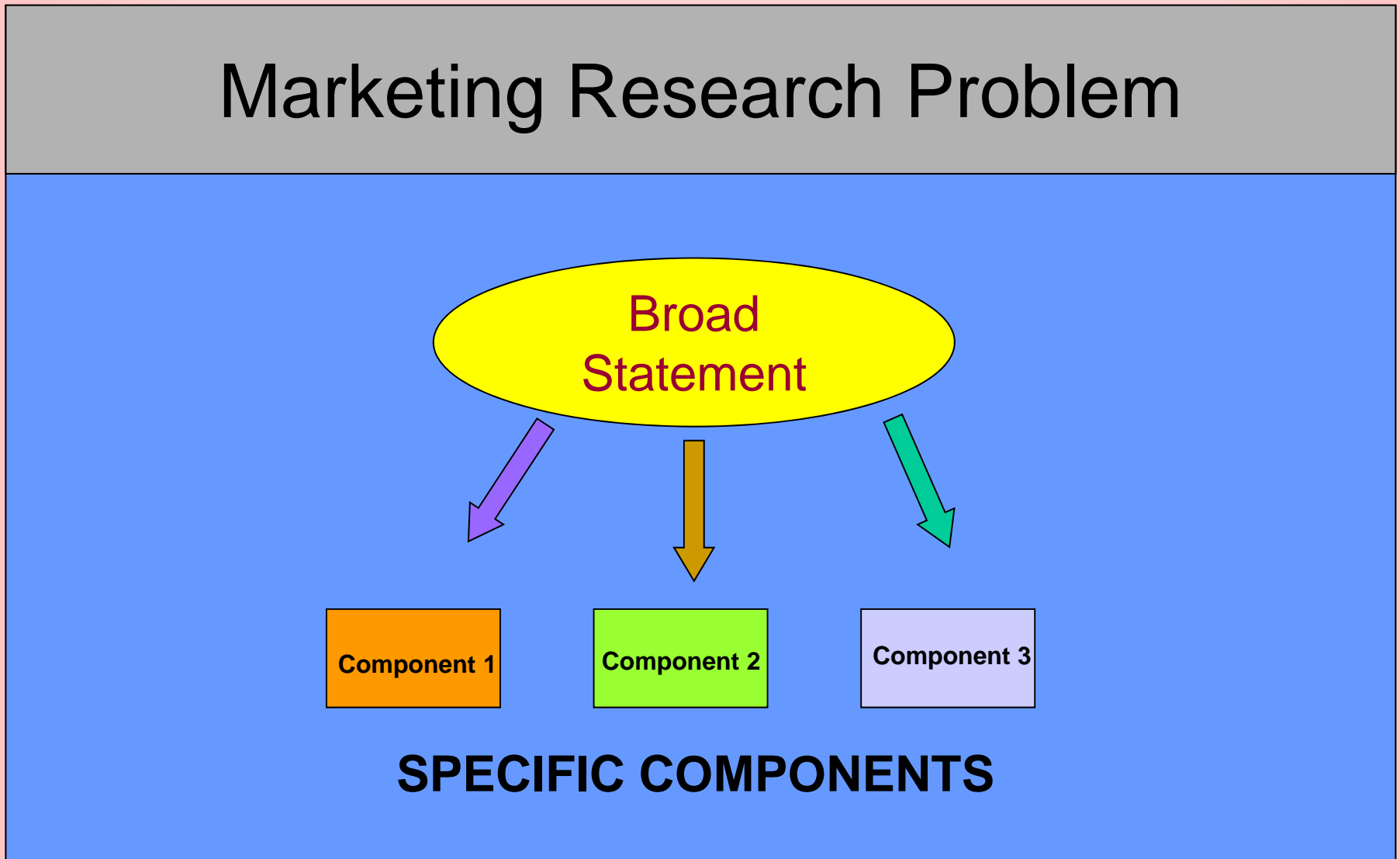
The New Coke Fiasco

- 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



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**

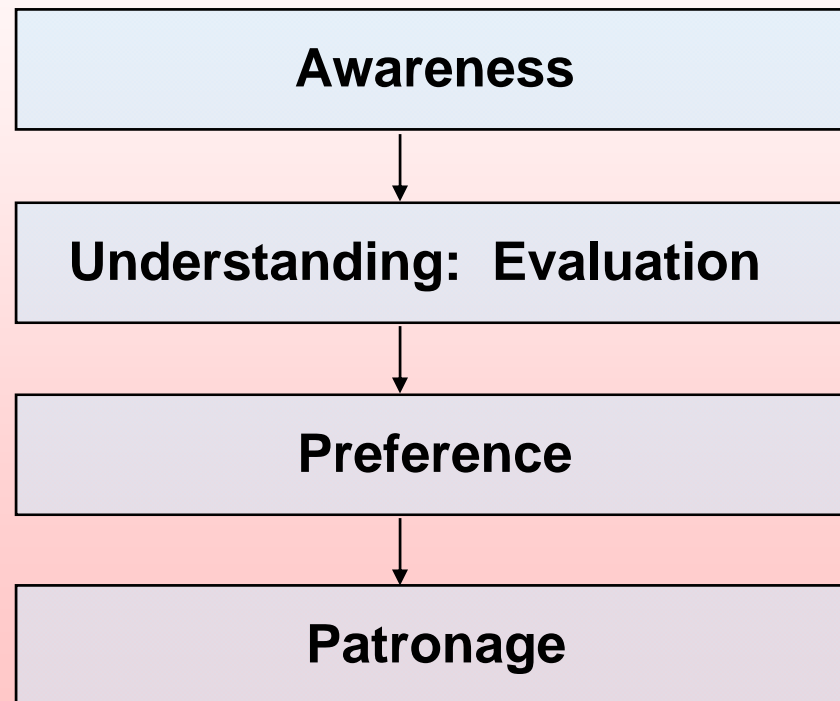
Models

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.



Mathematical Models

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

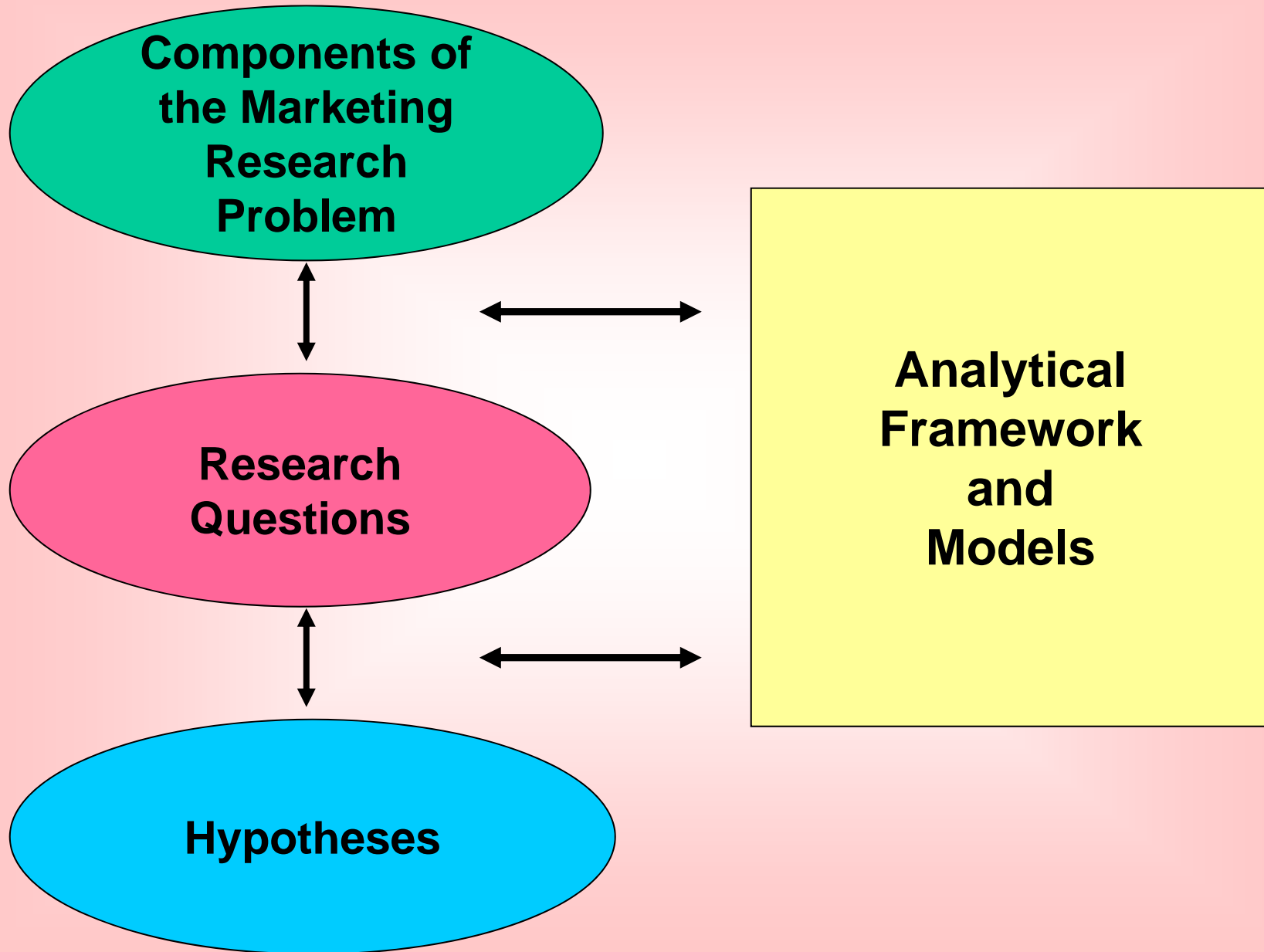
$$y = a_0 + \sum_{i=1}^n a_i x_i$$

Where

y = degree of preference

a_0, a_i = model parameters to be estimated statistically

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

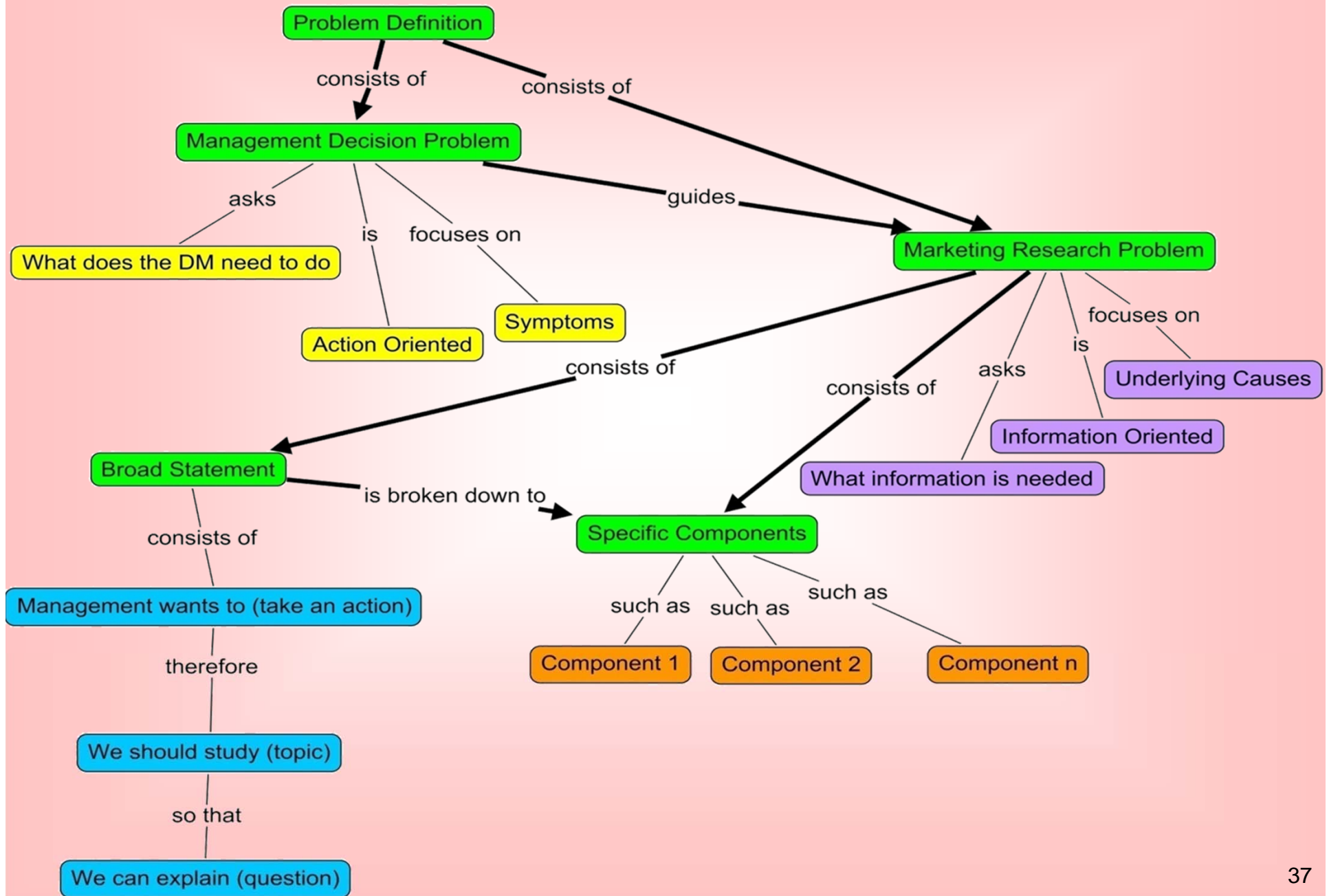
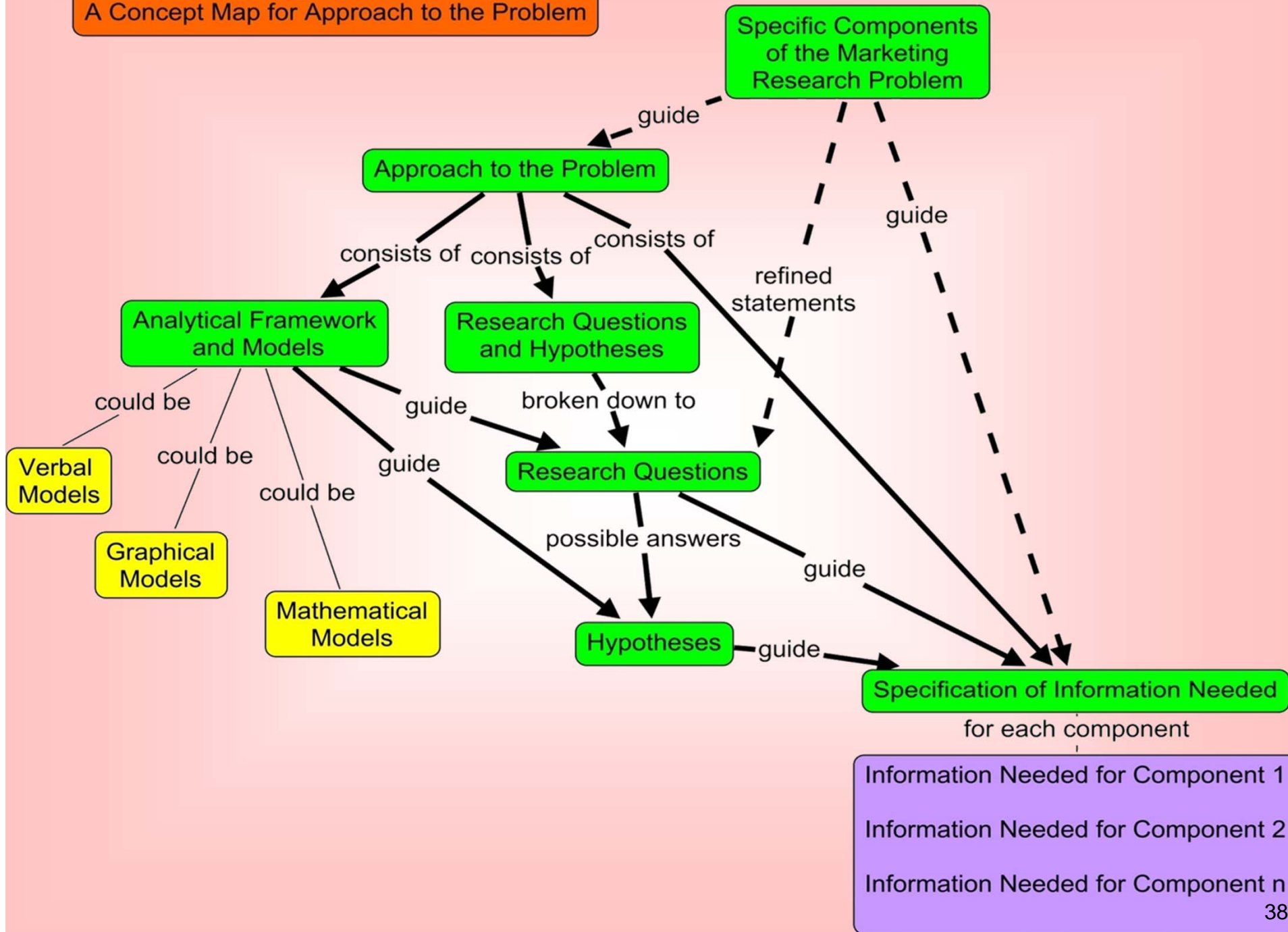


Figure 2.11
A Concept Map for Approach to the Problem



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.

Outline

<u>Task</u>	<u>Actions</u>	<u>Expected Results</u>	<u>Example</u>
1	Jointly determine the focal Business and at least two of its competitors	Focal business and its competitors identified.	<ul style="list-style-type: none"> •We identify the focal business as Burgers' & More; and the two competitors are B-town Burgers and Burger on the Hill^[1].
2	Search for the archive data.	Findings about the business trend, the local market, as well as recent and relevant business intelligence.	<ul style="list-style-type: none"> •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.

Outline

3a	Conduct observation studies	Insights about the local consumers	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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

4	Design questionnaire and sampling procedure	Questionnaires completed by the survey respondents	<ul style="list-style-type: none">• We decide to use a simple random sample; and determine that the sample size to be 20.• We design a questionnaire that (1) incorporates the key research questions; and (2) make the respondents feel comfortable answering those questions.
5	Collect response from a representative sample of customers. Analyze data and write final report	Written final report	<ul style="list-style-type: none">• The findings confirmed our hypothesis, with the caveat that...• Based on our findings we recommend that Burgers & More should introduce the group-based promotion ...
6	Present the findings to the class.	Oral presentation	