

MARKETING

Considerations on marketing research

Marketing research involves a process where the researcher continuously considers trade-offs. Each decision taken at one stage will often have an effect on issues at a later stage. Albert Caruana considers a few questions related to marketing research.

What is the role of marketing research in a marketing information system? Should the manager rush straight into market research? What is secondary research and when should it be used? When a decision to carry out research is taken, what are some of the measurement issues that need to be considered? What implications will this have on the type of analysis that can latter be carried out?

The marketing manager must make decisions about issues related to marketing. How does he or she make those decisions? They can be made on gut feeling. When this is based on a good understanding of the situation and of customer needs and wants, this can be a useful way of proceeding. However there are times when the probability of predicting an outcome incorrectly may not be high, yet the consequences of a wrong decision may be significant. In such a situation risk is still high. Risk requires a consideration of both the probability of getting something wrong as well as its consequences. In such circumstances the issue may require deeper research.

Research is by no means carried out for only this reason. Many other issues can give rise to research. It can be used to settle an internal political issue, it can be used as a way of being seen to be doing something, and so on. Research plays an advisory role. Its main output is information - information that can help management make decisions. Normally market research can provide significant amounts of information and can help management decide on a particular issue.

However management involves making not one but a series of

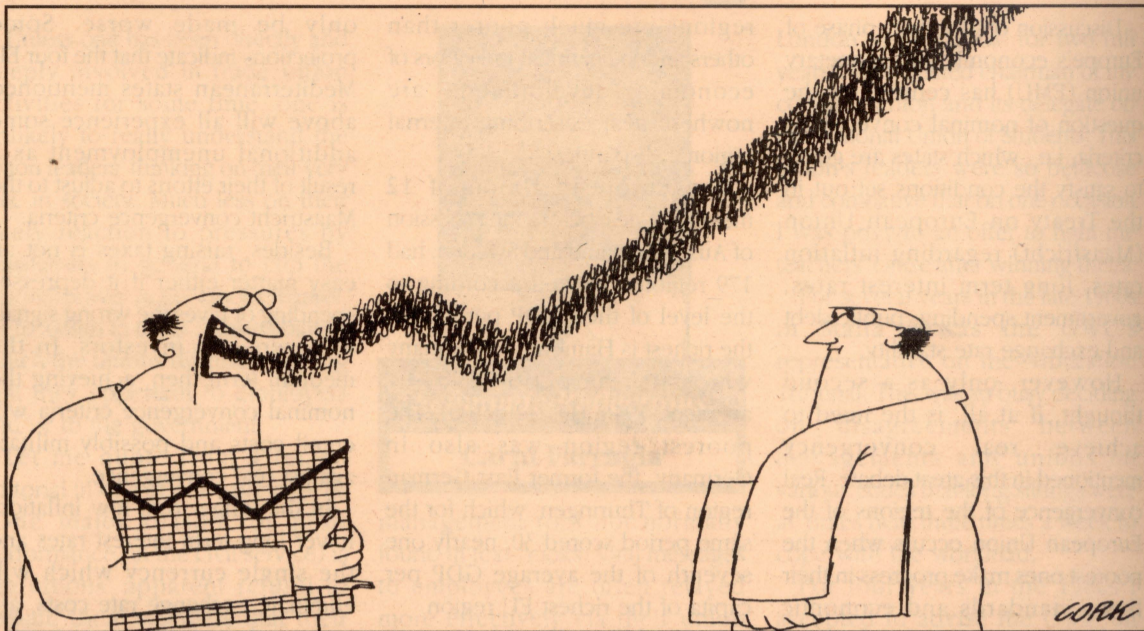
decisions. It is therefore necessary that an organisation has the capability to generate a continuous stream of information that can facilitate decision making. It requires a system, often referred to as a management information system. It is perhaps for this reason that market research has been likened to a flash gun that can provide a lot of light on a particular focus while the management information system can be likened to a candle - always burning and providing a little light all the time.

The emphasis of an information system should be on the generation and utilisation of the information it provides rather than on the technicalities of its storage and distribution. The truly market oriented firm is involved in the gathering of such market intelligence; it disseminates it across the whole organisation ensuring that all managers respond within the context of the market they are operating in.

Secondary data

Research conjures up images of people running around with clipboards and asking respondents sets of questions. This is one form of research, but by no means the only type. Secondary data - sometimes referred to as market research, can be a very useful source. Secondary research consists of data that is collected by someone for some purpose other than helping to solve the current problems. Indeed, before rushing into collecting new data, it can be very useful to look at both internal and external sources of secondary data.

Clearly, internal data is generated from sources within the organisation as by products of



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certain functions. Thus the financial and accounting records can provide a wealth of information relating to such things as details of customers, their locality, their purchases, the type of brands and pack size bought, etc. Internal sales records can provide details of sales by salesperson, by locality, by customer type, and so on.

An important source of internal data could be the salesforce of an organisation. This can be thought of as a permanent research team, that is in daily contact with the market. Salespersons get to know prices, competitor activity, and much more. Yet how many organisations tap into this valuable source and collect information in a systematic way? It is true that not everything the salespersons report back is to be taken at face value. However it is often the case that the salesforce is aware of things that it may not divulge, simply because management may neither have shown any interest to know or shows little inclination to use any information supplied.

In such circumstances no information feedback will flow back to the organisation. We have so far only considered internal sources of secondary data. A considerable amount of data can also be available from sources that are external to the organisation. It is generally rather unlikely that the issue currently being investigated has not interested someone else before, and absolutely nothing has been written about it. The sources of information

can be varied and can include government reports, statistics, trade associations, and various subscription services. I hasten to state that it is true that some of the statistics provided by the government can at times take months or years until they are published.

Here probably lies a marketing opportunity for the government statistics office. Many businesses would probably be quite willing to subscribe to such data provided this is readily available and up to date. Indeed the whole area of subscription services is rather weak locally. Of course, one constraint is the relatively small number of firms in Malta, particularly in certain sectors, that would be interested in buying the data. This does not provide a sufficient market for a research firm to recoup its cost of obtaining the data.

Measurement

In conducting primary research, the aspect of measurement is something that needs to be given considerable attention. It is an aspect that should be tackled at an early stage in the research process. Measurement is important for it has implications on both the data analysis that can be performed and the choice of multivariate method of analysis that will be used at a later stage.

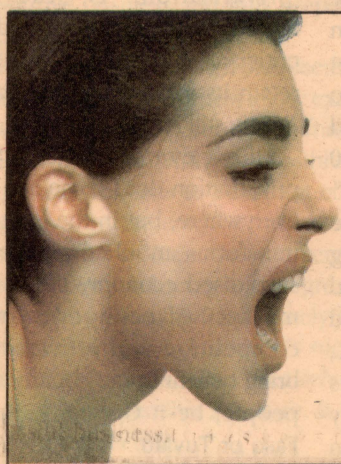
Measurement can be undertaken with various types of scales. When nominal scales are used, these will

involve assigning numbers that are used to label or identify subjects or objects. Nominal scales provide the least precise type of measurement, since the data consists merely of the number of occurrences in each category of the variable being studied. Therefore the numbers assigned to the objects have no quantitative meaning beyond indicating the presence or absence of the characteristic under investigation. Examples would be an individual's sex, status and yes/no type questions.

With many issues it is often not just a question of a yes or a no type answer but rather different degrees of agreement or disagreement. Such scales are called ordinal scales and represent the next higher level of measurement precision. Numbers utilised on ordinal scales are nonquantitative as they indicate only relative positions in an ordered series. Most scales in marketing and the other behavioural sciences fall into this ordinal category.

When the distance between any two adjacent points on a scale are treated as equal, such scales can be regarded as interval scales. These scales permit nearly all mathematical operations and the use of various statistical techniques. They enable the provision of results that go beyond simple percentages and frequencies.

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A QUIET WORD

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