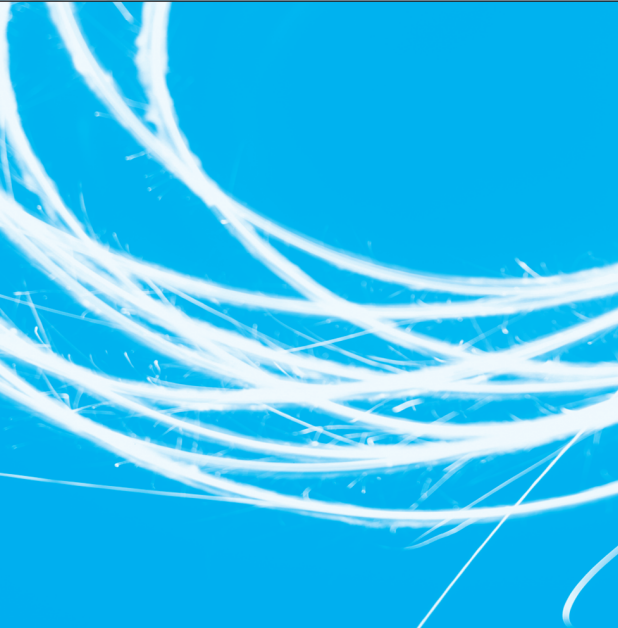


Customer analysis

4



... when the future becomes less visible, when the fog descends, the forecasting horizon that you can trust comes closer and closer to your nose. In those circumstances being receptive to new directions becomes important. You need to take account of opportunities and threats and enhance an organisation's responsiveness.

Igor Ansoff, quoted by Hill (1979)

Introduction

Information is the raw material of decision making. Effective marketing decisions are based on sound information; the decisions themselves can be no better than the information on which they are based. Marketing research is concerned with the provision of information that can be used to reduce the level of uncertainty in decision making. Uncertainty can never be eliminated completely in marketing decisions, but by the careful application of tried and tested research techniques it can be reduced.

The first section of this chapter looks at the information needed about customers to make effective marketing decisions. This is followed by a brief discussion of the various research techniques available for collecting data from the marketing environment. The use of these techniques in a typical marketing research study aimed at creatively segmenting a market and identifying current and potential product/service positions is then discussed. The chapter concludes with a discussion of how marketing-related information can be arranged within an organisation and the development of marketing decision support systems (MDSS).

4.1 What we need to know about customers

Information needed about customers can be broadly grouped into current and future information. The critical issues concerning current customers are: (1) Who are the prime market targets? (2) What gives them value? (3) How can they be brought closer? and (4) How can they be better served?

For the future, however, we also need to know: (1) How will customers and their needs and requirements change? (2) Which new customers should we pursue? and (3) How should we pursue them?

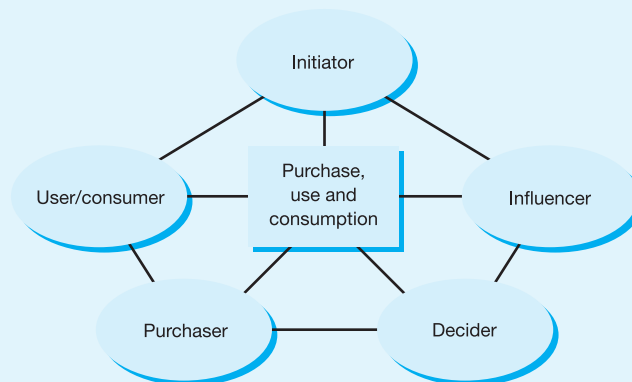
4.1.1 Information on current customers

The starting point is to define who the current customers are. The answer is not always obvious as there may be many actors in the purchase and use of a particular product or service. Customers are not necessarily the same as consumers. A useful way to approach customer definition is to recognise five main roles that exist in many purchasing situations. Often several, or even all, of these roles may be conducted by the same individuals, but recognising each role separately can be a useful step in more accurately targeting marketing activity (see Figure 4.1).

The roles are as follows:

- 1 The initiator:** This is the individual (or individuals) who initiates the search for a solution to the customer's problem. In the case of the purchase of a chocolate bar it could be a hungry child who recognises her own need for sustenance. In the case of a supermarket the reordering of a particular line of produce nearing sell-out may be initiated by a stock controller, or even an automatic order processing system.
- 2 The influencer:** Influencers are all those individuals who may have some influence on the purchase decision. A child may have initiated the search for a chocolate bar, but the parents may have a strong influence (through holding the purse

Figure 4.1 Who is the customer?



strings) on which product is actually bought. In the supermarket the ultimate customers will have a strong influence on the brands ordered – the brands they buy or request the store to stock will be most likely to be ordered.

- 3 **The decider:** Taking into account the views of initiators and influencers some individual will actually make the decision as to which product or service to purchase. This may be back to the initiator or the influencer in the case of the chocolate bar. In the supermarket the decider may be a merchandiser whose task it is to specify which brands to stock, what quantity to order, and so on.
- 4 **The purchaser:** The purchaser is the individual who actually buys the product or service. He or she is, in effect, the individual that hands over the cash in exchange for the benefits. This may be the child or parent for the chocolate bar. In industrial purchasing it is often a professional buyer who, after taking account of the various influences on the decision, ultimately places the order attempting to get the best value for money possible.
- 5 **The user:** Finally comes the end user of the product or service, the individual who consumes the offer. For the chocolate bar it will be the child. For the goods in the supermarket it will be the supermarket’s customers.

What is important in any buying situation is to have a clear idea of the various actors likely to have an impact on the purchase and consumption decision. Where the various roles are undertaken by different individuals it may be necessary to adopt a different marketing approach to each. Each may be looking for different benefits in the purchase and consumption process. Where different roles are undertaken by the same individuals different approaches may be suitable depending on what stage of the buy/consume process the individual is in at the time (see Figure 4.2).



A central theme of this book is that most markets are segmented; in other words different identifiable groups of customers require different benefits when buying or using essentially similar products or services. Identifying who the various customers are and what role they play then leads to the question of what gives them value. For each of the above members of a decision-making unit (DMU), different aspects of the purchase and use may give value.

For example, in the child's purchase of a chocolate bar a number of benefits may emerge. The child/initiator/decider/user gets a pleasant sensory experience and a filled stomach. The parent/influencer gets a feeling of having steered the child in the direction of a product that is nutritious and good value for money. In a business purchase, such as a tractor, the users (drivers) may be looking for comfort and ease of operation, the deciders (top management) may be looking for economical performance, while the purchaser (purchasing officer) may be looking for a bulk purchase deal to demonstrate his/her buying efficiency. Clearly the importance of each actor in the decision needs to be assessed and the benefits each gets from the process understood.

Having identified the motivators for each actor attention then shifts to how they can be brought closer to the supplier. Ways of offering increased benefits (better sensory experiences, enhanced nutritional value, better value for money) can be examined. This may involve extending the product service offering through the 'augmented' product (see Levitt, 1986).

For business purchases a major route to bringing customers closer is to develop mutually beneficial alliances that enhance value for both customer and supplier. A characteristic of Japanese businesses is the closeness developed with suppliers so as to ensure continuity of appropriate quality supply of semi-finished material 'just in time' for production purposes.

Better service is at the heart of improving customer relations and making it difficult for customers to go elsewhere. Surveys in the United States have shown that, of lost business, less than 20 per cent is down to poor products and only 20 per cent down to high (relative) prices. The major reason for losing business is predominantly poor service – more than 40 per cent of cases.

4.1.2 Information on future customers

The above issues have been concerned with today's customers. Of importance for the future, however, is how those customers will change. There are two main types of change essential to customer analysis.

The first is changes in existing customers: their wants, needs and expectations. As competition intensifies so the range of offerings open to customers increases. In addition, their experiences with various offers can lead to increased expectations and requirements. A major way of dealing with this type of change is continuous improvement (or the *Kaizen* approach of the Japanese).

In the hi-fi market continuous product improvements, coupled with some significant innovations such as the MP3 player, have served to increase customer expectations of both the quality of sound reproduction and the portability of equipment. A manufacturer still offering the products of the 1980s or even 1990s in the 2000s would soon find its customers deserting in favour of competitors' offerings.

The second type of change comes from new customers emerging as potentially more attractive targets. Segments that may be less attractive at one point in time might become more attractive in the future. As social, cultural and economic change has affected living standards so has it affected the demand for goods and services. There is now, for example, increased demand for healthy or organically grown foods, green energy equipment and services such that markets which might have been less attractive in the 1990s or even the beginning of the 2000s are now booming or starting to grow.

The main ways in which organisations go about analysing their customers is through marketing research (to collect relevant data on them) and market modelling (to make sense of that data). Each is discussed below.

4.2 Marketing research

The use of marketing research services by a variety of organisations, from commercial firms to political parties, has increased dramatically in recent years. The sector is worth more than £500 million annually in the United Kingdom alone. Not only large companies and organisations benefit from marketing research. It is possible, through creative design of research studies, for organisations with smaller budgets to benefit from marketing research studies. Commercial research organisations will conduct studies for clients costing as little as £2,000, depending on the research being undertaken.

The advent of the Internet and the ubiquitous e-mail have opened the way for new marketing research methods and approaches. These are discussed in Chapter 12.

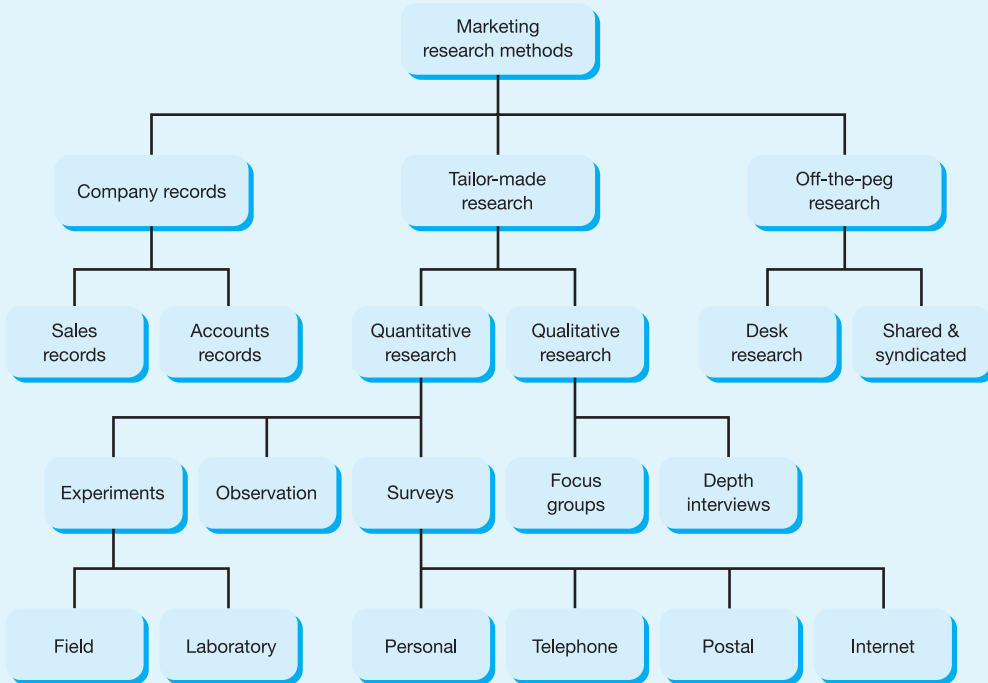
Figure 4.3 shows the range of marketing research activities engaged in by research agencies. In the United Kingdom there are currently over 200 agencies providing research services. Some companies, such as NOP and AGB, offer a wide variety of services. Others specialise in particular types of research (e.g. A.C. Nielsen specialises in retail audits). For a full listing of companies in the United Kingdom providing marketing research services, and where appropriate their specialisations, see the Market Research Society Yearbook. Each type of research is discussed below.

4.2.1 Company records

An obvious, but often under-utilised, starting point for gathering marketing data is through the effective use of the company's own records. Often large amounts of data that can be used to aid marketing decisions (both strategic and tactical) are held in unlikely places within the company (e.g. in the accounts department). Data on factors such as who purchases and how much they purchase may be obtained from invoice records. Similarly purchase records may show customer loyalty patterns, identify gaps in customer purchasing and highlight the most valuable customers.

The value of internally collected data is dependent, however, on how it is collected in the first place. Unfortunately sales data are often not collected or maintained in a form that facilitates use for marketing decision making. As a general rule it is desirable to collect routine data on as detailed a basis as possible to allow for unforeseen data analysis requirements. For example, sales records should be kept by customer,

Figure 4.3 Marketing research methods



customer type, product, product line, sales territory, salesperson and detailed time period. Data of this type would allow the isolation of profitable and unprofitable customers, territories and product lines, and identify trends in the marketplace.

In direct marketing it is said that the best customer prospects are often existing customers. Adequate sales records should reveal frequencies of purchase, latent and lapsed customers, and may suggest alternative products that could be of interest. In the mail order business, catalogue companies keep records of the types of product customers have bought from them. This enables additional catalogues, more specialist in nature, to be targeted at the most likely prospects.

The British supermarket Tesco is successfully using its loyalty card – Clubcard – to build profiles of its customers so that it can ‘generate a map of how an individual thinks, works and, more importantly, shops. The map classifies consumers across 10 categories: wealth, promotions, travel, charities, green, time poor, credit, living style, creature of habit and adventurous’ (*The Guardian*, 20 September 2005). Still in the UK, ASDA does not have a loyalty card but still manages to hold a lot of information on how their customers spend their money. For example, the retailer discovered that the purchase of champagne is likely to be accompanied by that of a gift bag: the result is that gift bags are now located next to the champagne in the stores (*The Sunday Times*, 19 December 2004).

Tesco Clubcard



4.2.2 Off-the-peg research

As the name implies, off-the-peg research consists of tapping into existing research services, often locating and using data that are already in existence but held externally to the company. Much basic information, such as market sizes and growth rates, broad social and economic trends, customer firms and competitor firms, is already available in some form or another. Crouch and Housden (1996) classify three main types of off-the-peg research:

- 1 Research using the very large body of already published data, usually termed secondary or desk research.
- 2 Research using data available from regular market surveys of syndicated research. Both the costs of the research and the data collected are shared by the syndicate of research buyers.
- 3 Research in which the method of data collection is shared, but the data are not. Off-the-peg research instruments, such as omnibus surveys, are employed to collect client-specific data.

Secondary desk research

Secondary desk research uses data that have already been published by someone else. The researcher is a 'secondary' user of the research. Secondary data have the advantages of being relatively cheap and quick to obtain (when you know where to look!), and can also be reliable and accurate. Unfortunately secondary data are often out of date and not specific enough to answer the majority of marketing questions. Secondary data will, for example, often tell you how many customers buy each competitor's offering but won't tell you why.

In the United Kingdom there are very many sources of secondary data; the major problem facing the inexperienced researcher is finding them. The government publishes a great deal of statistical information about industry, trade, commerce and social trends. Most of these data are free, or charged for at the cost of publishing only. The starting point for identifying relevant government statistics is the booklet *Government Statistics: A brief guide to sources*. Increasingly it is possible to use online information services such as Harvest (<http://harvest.sourceforge.net/>) to search through alternative sources and to scan quickly what data are already available.

Secondary data vary dramatically in quality, both from country to country and from supplier to supplier within a particular country. In assessing the accuracy of secondary data the following questions should be borne in mind:

- 1 Who collected the data and why?
(Are they likely to be biased in their reporting?)
- 2 How did they collect the data?
(Sample or census? Sampling method? Research instruments?)
- 3 What level of accuracy do they claim?
(Does the methodology support the claim?)
- 4 What use did they put the data to?
(Is its use limited?)

Primary research

Primary, or field, research is undertaken where the secondary sources cannot provide the detail of information required to solve a particular problem or to sufficiently aid the decision making. Primary research involves the collection of new data, often directly from customers, or from distribution intermediaries (such as retailers or wholesalers).

Syndicated research

Syndicated research occurs where a group of research buyers share the costs and the findings of research among themselves. The majority of such syndicated research services are conducted by the larger marketing research agencies and the results are sold to whoever will buy.

In the United Kingdom syndicated research is carried out in a wide variety of markets, though primarily in consumer markets. The most widely used services are the Retail Audits of A.C. Nielsen, the Television Consumer Audit (TCA) (a consumer panel) of AGB, the Target Group Index (TGI) of British Market Research Bureau Ltd (BMRB) and the various media research services, including the National Readership Survey currently administered by Research Bureau Ltd (RBL), and the television viewing survey, BARB, researched and administered by AGB.

There are a great many sources of syndicated research covering a wide variety of markets. They have the major advantages that the methodology is usually tried and tested, the samples are often bigger than individual companies could afford to survey on their own and they are considerably cheaper than conducting the research for one company alone.

The disadvantages are that the data are limited in their usefulness to monitoring sales over time, identifying trends in markets and competitors and tracking advertising and other promotional activity. They do not allow further probing of motivations for purchase, nor indeed any additional, company-specific questioning.

Shared research

The final type of research to be classified as off the peg is research where some of the costs and fieldwork are shared by a number of companies but the results are not. Omnibus surveys are regular research surveys that are being undertaken using a pre-determined (off-the-peg) sampling frame and methodology. Individual clients then 'buy a seat' on the omnibus by adding their own questions. These are asked, along with the questions of other clients, and the results tabulated against such factors as social class, ACORN category, age, etc.

Typical omnibus surveys in the United Kingdom are the NOP Random Omnibus of 2,000 adults per week, the RSGB Motoring Omnibus of 1,000 motorists monthly and the BMRB National Children's Survey of 1,100 7–17-year-olds monthly. Omnibus research has the major advantages of low cost (as the fieldwork costs are shared by all participating companies) and added flexibility, in that each client can ask his or her own questions of a typically large sample of respondents. The number of questions that can be added to an omnibus is, however, generally limited to between 6 and 10 and, because the respondent will be asked questions about a variety of product fields in the same interview, questions are best kept short and factual to avoid respondent fatigue.

In summary, there is a wide variety of off-the-peg sources from which the company or organisation wishing to conduct market or social research can choose. They have the advantages over conducting primary research in that they have established methodologies and are relatively quick and cheap to tap into. The disadvantages lie in the scope and number of questions that can be asked. Before undertaking costly primary research, however, marketing managers are well advised to examine the possibilities that off-the-peg research offers.

4.2.3 Tailor-made research

Tailor-made research, in contrast to off the peg, provides the organisation undertaking the research the flexibility to design the research to exactly match the needs of the client company. Depending on those needs there is a variety of techniques available (see Figure 4.3). The techniques are broadly categorised as qualitative and quantitative.

In qualitative research emphasis is placed on gaining understanding and depth in data that often cannot be quantified. It is concerned with meaning rather than numbers, usually involving small samples of respondents but probing them in depth for their opinions, motivations and attitudes. Quantitative research, on the other hand, involves larger samples, more structured research instruments (questionnaires and so on) and produces quantifiable outputs. In major studies both types of technique may be used together. Qualitative research is often used in the early, exploratory stages of research (see Figure 4.4), and quantitative research then used to provide quantification of the broad qualitative findings.

Qualitative techniques

Qualitative techniques are essentially unstructured or semi-structured interviewing methods designed to encourage respondents to reply freely and express their real feelings, opinions and motivations. There are two main techniques used in qualitative research: the group discussion (variously termed focus group or group depth interview) and the individual depth interview.

Group discussions usually take the form of a relaxed, informal discussion among 7–9 respondents with a group leader or moderator ensuring that the discussion covers areas relevant to the research brief. The discussions are typically held in the moderator's home (in the case of consumer studies) or in a hotel room (for industrial groups). The advantage of the group set-up is that it encourages interaction

Figure 4.4 Uses of qualitative research

among the participants, which can generate broader discussion than a one-to-one interview-and-answer session. Its value as a research technique rests with the quality of the group moderator (usually a trained psychologist) and his or her ability to encourage wide-ranging but relevant discussion of the topics of interest. Products can be introduced into the group for trial and comment in an informal setting conducive to evaluation.

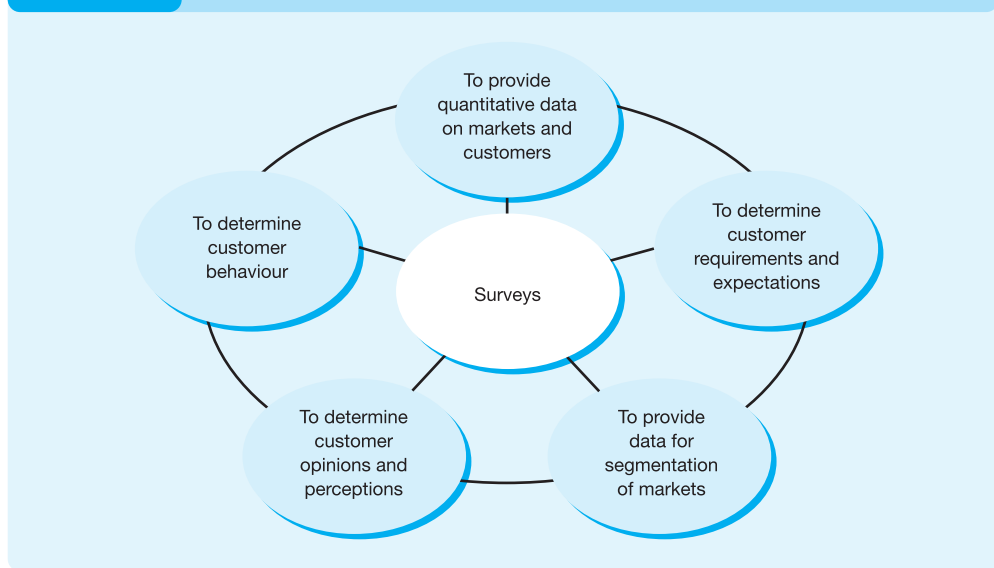
Group discussions were used effectively in the development of the advertising message 'naughty but nice' for fresh cream cakes (see Bradley, 1987). A series of group discussions discovered feelings of guilt associated with eating fresh cream cakes and that the advertising could capitalise on this by emphasising the sheer pleasure of cream cakes and the slightly naughty aspects of eating them. Feelings and emotions of this sort could not have been obtained from quantitative research. The relaxed, informal settings of the group discussion were essential to obtaining the clues that led to the advertising copy development.

The depth interview takes place between one interviewer (again often a trained psychologist) and one respondent. It is used extensively for deeper probing of motivations, especially in areas of a confidential nature, or on delicate subjects where it is necessary that rapport and trust is built up between the interviewer and the respondent. Many of the techniques used in depth interviews have been developed from clinical psychology, including the use of projective techniques such as word associations and Kelly Repertory Grids.

Qualitative research is often used as preliminary research prior to a more quantitative investigation. In this context it can help in the wording of questions on a further questionnaire, indicate what questions to ask and elicit important product and brand features and image dimensions. Qualitative research is also used on its own in motivation studies, for the development and pretesting of advertising messages, for

Figure 4.5

Uses of surveys



package design evaluation, for concept testing and new product testing. The major limitation of qualitative research is that its cost and its nature make it impossible to employ large samples and hence it can be dangerous applying the findings to large populations on the basis of the small sample involved.

Quantitative techniques

Quantitative research techniques include surveys, observation methods and experimentation of one type or another.

Surveys are a vast subject in themselves. There are three main types of survey, depending on how the interviews are conducted: personal interviews are where the interviewer and the respondent come face to face for a question-and-answer session; telephone interviews, an increasingly used research technique, are conducted over the telephone; and postal surveys use the mail services to send self-completion questionnaires to respondents. Figure 4.5 shows the main uses to which surveys are put.

Each technique has its advantages and drawbacks. Personal interviews are the most expensive to conduct, but offer the greatest flexibility. They are particularly useful where respondents are asked to react to attitudinal statements and more complex questions that may require some clarification by the interviewer.

Telephone interviews are particularly useful when data are required quickly. They do not entail the costs of physically sending interviewers into the field, can be closely controlled and the data collected entered directly on to a computer for analysis. The majority of opinion polls are now conducted in this manner, facilitating next-day reporting in the sponsoring newspapers. The drawbacks of telephone interviews are that not everybody has a telephone and hence the sample achieved may be biased towards the more affluent in society (this problem is less acute than a few years ago as more households now have telephones) and that the interview is less

personal than a face-to-face encounter, requiring it to be kept relatively short. It is not possible to show prompts and other stimuli during a telephone conversation.

Postal surveys are the cheapest method of all. They are useful in locating geographically disperse samples and for situations where the questionnaire is long and detailed. Response rates, however, can be low and there is little control over who responds. The lack of personal contact requires a very clearly laid out questionnaire, well pretested to ensure clarity.

Observation techniques can be particularly useful where respondents are unlikely to be able or willing to give the types of information required. Crouch and Housden (1996) cite the example of research into what items a shopper has taken from a supermarket shelf, considered for purchase but not bought. Direct questioning after the shopping trip is unlikely to produce accurate data as the respondent simply will not remember. Observation of shopping behaviour in the store can provide such data.

Observation can be conducted by individuals, as in the case of the supermarket behaviour noted above, or observation of traffic density on particular roads, or by instruments designed to monitor behaviour. The prime example of the latter is the 'PeopleMeter' recording device used in television viewing research. A black box is attached to the television sets of a sample of viewers and records when the set was turned on and what channel it was tuned to. Each individual in the household has a code key that is activated when he or she is in the room. Data are transmitted from the home to the research company via the telephone network overnight, enabling rapid analysis of viewing data. In recent years PeopleMeters have been widely adopted throughout the developed and developing world as methods of monitoring TV viewing and audiences.

The final type of quantitative research of interest here is experimentation. Experiments are either carried out in the field or in-house (laboratory). Field experiments take place in the real world and the subjects of the experiments typically do not know that they are part of an experiment. The prime example is test marketing, where a new product will be marketed in a limited geographic region prior to a decision on whether to launch the brand nationally or internationally. In-house experiments are conducted in a more controlled but less realistic setting where the respondents know they are taking part. Figure 4.6 shows the main uses for experiments in marketing.

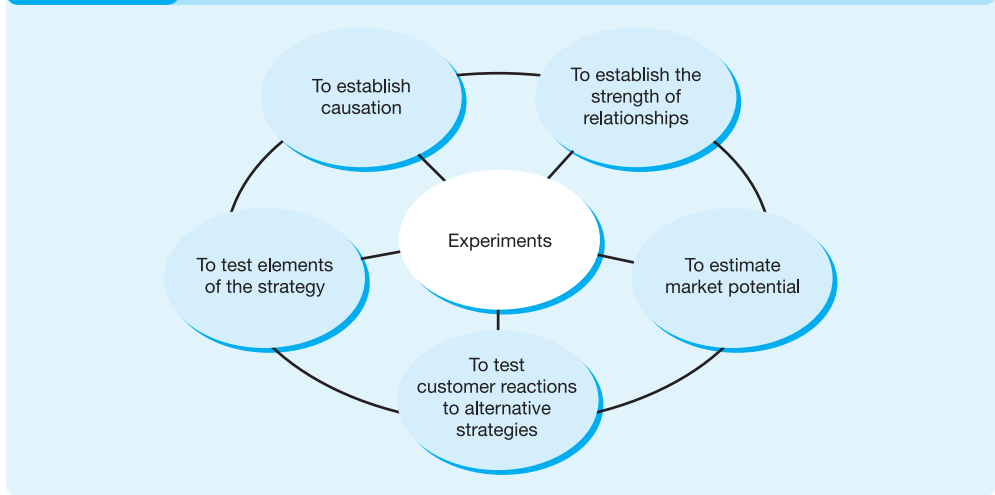
Broadbent (1983) describes the use of regional experiments in the development and testing of advertising copy for Cadbury Flake. Cadbury Flake competes in the confectionery countline market. The brand sales had grown steadily until the total countline market went into decline. Flake sales, however, declined at twice the market rate. An attitudinal study was undertaken that showed a high proportion of lapsed users found the product too messy/crumbly. As this represented the major reason for purchase by the heavy users of the brand it was not considered desirable to change the product design.

An alternative advertising message was developed emphasising 'every little piece of flake is sheer enjoyment' and making an art out of eating Flake. There were various techniques shown for getting the last crumbs – tipping back the chair, using a paper plate and sucking the last crumbs through a straw.

The new advertisements were tested in the Lancashire and Yorkshire television regions and sales closely monitored compared with the rest of the country. Using

Figure 4.6

Uses of experimentation



syndicated sources and specially commissioned surveys it was estimated that in the 18 months of the test unit sales had increased by 16 per cent over and above what would have been expected. Both initial purchase and repeat purchase rates were shown to have increased. The campaign was judged to have turned the negative (mess) into a positive (delicious morsels of Flake) through the humour of the ads and was extended on a limited basis to other areas.

Cadbury Flake



Courtesy of Cadbury Trebor Bassett

There have been several recent innovations in test marketing. Full-scale testing, as described above, suffers from a number of problems. It is costly, time-consuming and alerts the competition to changes in marketing strategy or new products about to be launched. As a result there has been an increase in other, smaller-scale testing methods.

Mini-test markets, such as the Taylor Nelson ‘Model Test Market’ and the RBL ‘Minivan’, offer the opportunity to introduce products into the real market on a limited and controlled distribution basis. They are good at estimating initial and repeat purchase rates but poor at evaluating the overall impact of the complete marketing mix.

Simulated supermarket tests make grocery products available in a simulated environment. They can be helpful in estimating trial rates, testing purchase intents created by exposure to test advertisements and testing individual elements of the marketing mix such as packaging, pricing and branding. Supermarket panels, recruited within the shoppers of a particular chain, have their purchases recorded through laser scanning and related to purchase card numbers. These panels can be particularly useful in the limited market testing of new brands.

As with off-the-peg research, the variety of tailor-made research available is very wide. There are a great many market research agencies with varying expertise and skills. While it is still true to say that the majority of expenditure on marketing research comes from the larger, fast-moving consumer goods companies, it is possible for smaller companies to take advantage of the research services and sources available (especially off-the-peg research).

Market research techniques are also increasingly being used to investigate non-commercial problems. Research was used heavily, for example, to investigate drug abuse by young people prior to an advertising campaign designed to tackle the problem. The Oxfam charity has used survey research to help it understand the motivations behind charity donations and to help identify ‘prime donor segments’. During the run-up to the 2001 General Election in the United Kingdom both major political parties spent heavily on market and opinion research to gauge the mood of potential voters. Opinion poll results (sponsored by the media and political parties) were published almost daily in the three-week run-up to the election.

In the context of competitive positioning, market research provides the raw data with which it is possible to segment the market creatively and it can help to identify current and potential product positionings. For example, Customer Care Research, which draws on the techniques mentioned above but follows the story of a purchase (a case study), is helping marketers refine their positions in ‘job-to-be-done’ segments. One such marketer discovered that his milkshakes were not just competing with other milkshakes but also with donuts, bagels, bananas and, more importantly, boredom, and was then able to improve his product to do the job better (see Christensen *et al.*, 2007; also Berstell and Nitterhouse, 2005).

4.3 The marketing research process

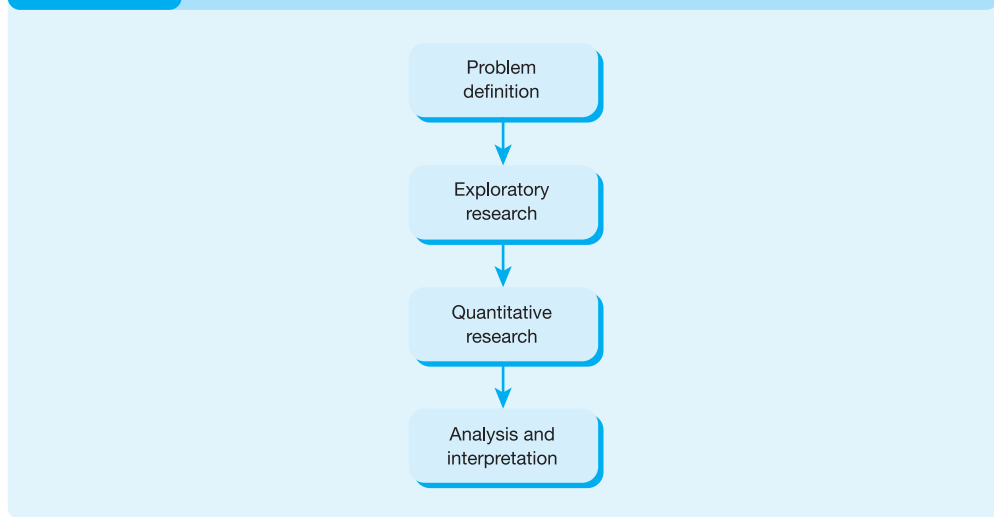
A typical segmentation and positioning research project might combine the use of several of the techniques described above to investigate a particular market. Figure 4.7 shows the various stages.

Problem definition

The first step is to define clearly the problem to be tackled. Typically, a series of discussions between marketing research personnel (internal or external to the

Figure 4.7

Stages in a comprehensive marketing research project



company) and marketing decision-makers are necessary to ensure that the research project is tackling the correct issues.

Exploratory research

As part of problem definition, and a starting point in the research process itself, exploratory research will be used to identify information gaps and specify the need for further research.

Initially, secondary sources can be utilised. Company records can be employed, alongside off-the-peg desk research, to quantify the market and draw its preliminary boundaries.

Qualitative research might then be used to explore with customers and/or potential customers why and how the particular product was used. At this stage, group discussions may be relevant in many consumer markets. In industrial markets, while group discussions are successfully employed, a preferred route is often personal, depth interviews with key customers.

In a segmentation and positioning study the focus of this qualitative research will be to identify the prime motivators to purchase (i.e. the major benefits being sought) and any demotivators. The research should also seek to identify relevant competitors and explore their strengths and weaknesses in serving the market. Finally, hypotheses about how the market could be segmented should be developed that can be further researched during the later stages of the research project.

Quantitative research

While qualitative research will help in formulating hypotheses about how the market is segmented and what factors influence purchase, because of the small and normally non-representative samples involved it is unlikely to be adequate in itself for

segmentation purposes. Typically it will be followed by a quantitative study (a personal survey most often) utilising a sufficiently large and random sample to enable market segment sizes to be estimated and strength of opinions to be gauged.

Such a quantitative study might ask respondents to evaluate competing products on a series of attributes that have been identified as important during the qualitative research. Further, respondents could be asked to rate how important to them personally each attribute is and to express what characteristics their 'ideal' product would have. Background customer characteristics could also be collected to enable any market segments uncovered to be described in ways helpful to further marketing activity (see Chapter 8).

Experimentation might also be used in the quantitative phase of a segmentation and positioning study. Product samples might be placed with existing and potential customers to gauge reaction to new or improved products. Conjoint analysis experiments might be used to estimate reaction to hypothetical product combinations.

Analysis and interpretation

Following data collection, statistical techniques and models can be employed to turn the data generated into meaningful information to help with the segmentation. Factor analysis might be used to reduce a large number of attitudinal statements to their underlying dimensions, or underlying factors. Cluster analysis could be used to group respondents on the basis of several characteristics (attitudes, likes, dislikes or background demographics) into meaningful segments. Perceptual mapping techniques could be employed to draw models of customer perceptions on two, three or more relevant dimensions. These techniques are discussed in more detail in Chapter 9.

Finally, the results will be presented to and discussed with the senior marketing decision-makers to aid their interpretation of the market in which they are operating.

The essence of a successful research project is to use the data-gathering and analysis techniques that are relevant both to the product type being investigated and the stage in the research project where they are being employed. By utilising innovative techniques and looking at markets afresh it is often possible to gain new insights into market structure and hence aid the sharpening of target market definition.

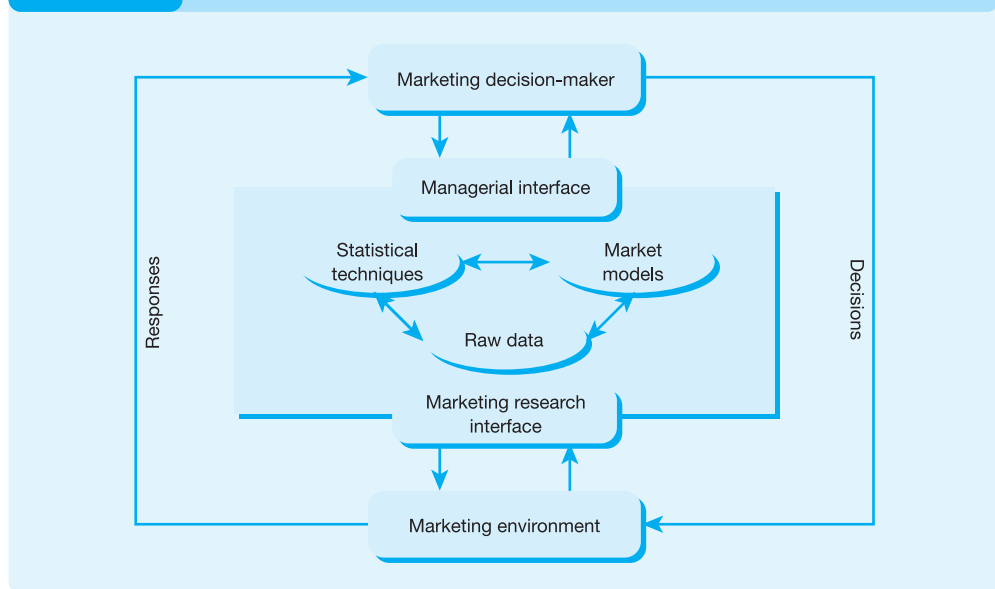
The final section in this chapter looks at how information is organised within the firm.

4.4 Organising customer information

Information is organised within the company through the marketing information system (MIS). This system may be formally structured, physically consisting of several personnel and a variety of computer hardware and software, or it may be a very informal collection of reports and statistics piled on an executive's desk or even contained in his or her head!

Conceptually, however, the system can be represented as in Figure 4.8 (developed from Little, 1979). The information system has five basic components: a market research interface concerned with collecting and gathering raw data from the mar-

Figure 4.8 Marketing decision support systems



keting environment; the raw data collected through the market research interface; statistical techniques that can be used to analyse, synthesise and collate the raw data, to turn it into information; market models that utilise both the raw data and statistical techniques to describe the marketplace, to simulate it or to predict it; and finally a managerial interface that allows the decision-maker access to the information and models to aid his or her decision making.

Raw data

As discussed above, data come into the system from a variety of sources, from internal and external, secondary and primary sources. The data are stored in various forms (e.g. on paper, in people's heads, on computer). Increasingly data are being stored on machine-readable media such as magnetic tape or hard and soft disk. The increased availability of computer hardware and software (especially with the advent of the microcomputer) has made it increasingly possible to store large amounts of data in a form that is readily accessible and easily analysed.

Statistical techniques

The processes available to synthesise and summarise the raw data are called statistics. A wide variety of statistics is available but often the most important are the simple ones that allow data to be summarised (such as averages, means, standard deviations, ranges, etc.) so that many small, often diverse observations can be condensed into a few important numbers (for a comprehensive review of statistical techniques available to analyse marketing data, see Green *et al.*, 1993; Diamantopoulos and Schlegelmilch, 1997; Hair *et al.*, 1998).

Market models

A model is a representation of the real world. Most managers have an implicit model of the markets in which they operate in their own minds. For example, they can give an expectation of the effect of changing price on sales of the product based on their experiences. This is essentially their internal model of the price/sales relationship. In examining data through the use of statistical techniques the analyst may wish to test out the model of the market he or she already has. Alternatively, the objective may be to build a new model of the market to help managerial understanding of the forces that affect demand and overall company performance. There are models covering all parts of marketing activity. Lilien *et al.* (1992) undertook a comprehensive review of these attempts 'to bring order to the chaos of collected facts'.

Managerial interface

If the information system is to be of value to the marketing decision-maker, he or she must have access to that system in such a way as to facilitate and encourage easy use. The interface between the manager and the MIS can consist of an individual (a marketing information officer), a report or set of reports produced on a regular or intermittent basis, or, increasingly commonly, a computer terminal or a microcomputer. With the relevant software to facilitate use of the MIS direct, 'hands-on' access for the decision-maker can encourage wider use of the system and experimentation with the various models developed.

Marketing decision support systems

In the 1990s there was a change in emphasis in marketing from information systems (MIS) to marketing decision support systems. The distinction may seem merely one of semantics but is, in fact, fundamental. While MIS placed emphasis on provision of information, primarily in the form of facts and figures, MDSS changes the emphasis to aiding decision making through the provision of question-and-answer facilities. In other words MDSS allows analysis rather than merely retrieval of information.

Decision support systems can have several types of output. These have been grouped into two types: data oriented and model oriented.

- 1 **Data-oriented decision support systems** focus on data retrieval and simple analysis using statistical techniques. This can include, for example, straightforward data retrieval of such items as stock levels. Systems of this type are effectively information systems rather than decision support systems as defined above.
- 2 **Model-oriented decision support systems**, on the other hand, focus on simulation and representation of aspects of the real world. Accounting models, for example, calculate the consequences of planned actions on the financial performance of the company. Representational models estimate the consequences of action of one type or another. An advertising model may estimate the effects of running a particular advertising campaign. Optimisation models provide guidelines for action by generating the optimal solutions consistent with a series of constraints. For example, given an advertising budget, a target audience and a required average viewing frequency an optimisation model could be used to select the most effective combination of media and insertions.

Implementation of MDSS in marketing has, however, been slower than predicted, but with the advent of PCs and user-friendly programs the use of decision support systems in marketing is now developing rapidly. Several characteristics of MDSS that differentiate them from their predecessors (the information systems of the 1970s) deserve emphasis.

- 1 MDSS support decisions! They are not merely data retrieval systems, but are actively designed to help managers make better decisions. In addition they support, rather than replace, managerial decision making.
- 2 MDSS are essentially interactive. They allow the manager to ask questions, receive inputs and experiment with decisions to estimate the likely outcomes. As such they are more effective where a manager has the scope to use the system directly.
- 3 MDSS should be flexible and easy to use. Ease of use is a major characteristic essential to gaining widespread use of an innovation such as MDSS poses in many organisations. Flexibility is desirable to allow the system to respond to a variety of information and decision support needs.

Expert systems for marketing decision support

More recent developments in computer hardware and software offer exciting opportunities for marketing management. The developments in expert systems and artificial intelligence that enable not only the modelling of marketing phenomena but also the decision-making processes of 'experts' in the field promise to revolutionise the whole field of decision support.

The directions in which these developments will move is difficult to predict at present (Hooley and Hussey, 1999). What is certain, however, is that marketing decisions will become more data based (there is already a data explosion in marketing) and there will be an increased need to organise those data in meaningful ways to enable them to be used quickly and effectively. In particular, increased computing and modelling power will enable decisions to be tested in simulated environments prior to implementation in the real world.

Summary

Understanding customers is central to developing a coherent positioning strategy. This chapter has examined, first, the types of information about customers that can be useful in determining competitive position and, second, the marketing research methods available for collecting that information. The process typically undertaken to identify potential market segments and their needs was then discussed. Finally, developments in organising and presenting data were examined.

Procter & Gamble



Case study

Courtesy of Procter & Gamble



Francis from Boca Raton has been short-changed by America's favourite washing powder. 'The box indicated that there were 40 loads. We used the low setting of the little cup and got 34 loads.'

'Oh my goodness!' sympathises Mary McCarthy at the other end of the telephone line, logging the complaint on her computer.

It does not take much to win Francis back. Ms McCarthy, a fabric and homecare specialist at Procter & Gamble's headquarters in Cincinnati, offers to send coupons for free Tide but Francis is a habitual user of the detergent and says that will not be necessary. His work is done already, the integrity of his washing powder restored.

If only Wall Street were so loyal. Renowned for its symbiotic relationship with consumers, P&G has recently found its dealings with the financial world more difficult. Profits excluding reorganisation costs grew by only 2 per cent, to \$4.23bn (£2.95bn), in 1999–2000 after disappointing growth

from its flagship brands. The company scaled back its growth forecasts in February.

The climate of financial suspicion was not eased by this week's \$4.95bn acquisition of Clairol, the shampoo and hair colouring business of Bristol-Myers Squibb. On Monday, after John Pepper, P&G's chairman, announced the deal the company's shares opened nearly 4 per cent down. Perhaps the company needs to spend more time with investors and less talking to the likes of Francis.

P&G does not see it that way. On the contrary, the company is pressing ahead with initiatives to generate still more information about consumers.

P&G already proclaims that consumer understanding is 'the heart and start' of everything it does. It set up one of the first market research departments, in 1924, and now receives comments from more than 4.5m consumers annually (in the UK, these are written up as a fictionalised diary of a typical family, the Hedleys).

Its attempts to get ever closer to the public depend heavily on the Internet, which promises to make research quicker and cheaper. P&G has set up a 'consumer corner' on the web, where selected users post messages about their experiences with P&G products.

In a panel devoted to Dryel, a home dry-cleaning product for clothes, which has been one of its most successful recent launches, participants were prodded into introspection by weighty requests such as: 'Tell me all the thoughts and details of what went through your mind as you completed your first Dryel load.' P&G says the responses helped it quickly learn that it needed to introduce a less fragrant version of Dryel.

P&G is also part of the growing trend for companies to send camera crews into homes around the world to collect footage of the minutiae of real lives. Like Mars, the confectioner, it is a client of Everyday Lives, a research firm based in Twickenham, London, whose guinea pigs include five households in Manchester, Birmingham, Paisley, Brighton and Ashford, Kent.

Anthropological rigour also lies behind P&G's Future Home Lab in Cincinnati, which more

resembles the showroom of a Dixons or Circuit City store than the next big thing in domesticity. P&G uses the front room, dominated by a plasma-screen NEC television set, to test consumer responses to websites. The kitchen is a hub of indecision, stuffed with competing Internet machines – although the refrigerator does contain real food.

P&G hopes that the Future Home Lab will reveal consumers' preferences and that the company will be able to discover which gadgets will dominate the household of the future.

In an ideal world, data about consumers would complement an instinct for new products. However, the fear is that, at P&G, information is a substitute for inspiration.

P&G has introduced useful small changes – selling washing powder in tablet form, adding a fancy dispenser to liquid detergent – to keep key brands fresh. Its consumer research lends itself to incremental tweaking.

But other new products from P&G look less nimble. It recently launched a \$44 tooth-whitening kit in the US under the Crest brand. Users wear flexible strips on their teeth for an hour a day over two weeks so the peroxide can seep in. A fabric spray that is supposed to release wrinkles from clothes looks equally fiddly and unconvincing.

P&G knows that it takes more than just listening to consumers to generate products that completely redefine a category. The company's recent history sorely lacks a big bang innovation in the mould of Pampers, first test-marketed in Peoria, Illinois, in 1961, or Tide, which was introduced in 1946. The initial sales boost from some of its more promising launches, such as Dryel, has not been sustained.

Moreover, by parading its plans to beef up traditional strengths such as consumer research, P&G is vulnerable to criticism that it is neglecting issues that are more pressing: the need to restore consistent earnings growth while managing huge lay-offs, the inevitable rise of own-label goods in US supermarkets and a perceived weakness in retaining the best female managers.

Burt Flickinger, a former P&G executive, says: 'P&G over-researches instead of concentrating on what is critically important.'

Mr Flickinger, now managing director of Reach Marketing, a consultancy, thinks P&G is 'fiddling, to a certain degree, while Cincinnati is burning'. One sign of the lack of innovation is P&G's recent acquisitions. In the absence of new blockbuster products, the company has been buying growth. The Clairol deal follows the purchase of Iams, the pet food group, in 1999, which followed the purchase of Tambrands, the maker of Tampax, in 1997.

'Growth through acquisition' is a less attractive slogan than 'understanding the consumer of the future', which is perhaps why P&G has been so keen to emphasise its consumer research efforts instead.

The new tools have the potential to pay their way by cutting travel bills, speeding up research projects and generating income from third parties keen to buy the research.

In the longer run, though, there is a threat to the P&G approach. The company's model of research-led product development assumes the continued participation of consumers.

Francis may be keen to allow P&G into his life – but his children, conditioned to be more sceptical of brands and consumption in general, may not.

Source: Adam Jones, 'Consumed by the consumer', Financial Times, 23 May 2001.

Discussion questions

- 1 What type of customer information is Procter & Gamble likely to obtain from the types of customer research mentioned in the case study?
- 2 Is Procter & Gamble's intensive use of customer research the cause of, or incidental to, the company's failure to develop blockbuster products? Since consumer research is only a means of gathering customer information, how can it stop the firm developing radical innovations?
- 3 What forms of consumer research could Procter & Gamble use to facilitate new product innovation and how should the information be used?