4 Managing Marketing Information to Gain Customer Insights

Chapter Preview

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

Let's start with a good story about marketing research and customer insights in action at P&G, one of the world's largest and most respected marketing companies. P&G makes and markets a who's who list of consumer megabrands, including the likes of Tide, Crest, Bounty, Charmin, Puffs, Pampers, Pringles, Gillette, Dawn, Ivory, Febreze, Swiffer, Olay, Cover Girl, Pantene, Scope, NyQuil, Duracell, and dozens more. The company's stated purpose is to provide products that "improve the lives of the world's consumers." P&G's brands really do create value for consumers by solving their problems. But to build meaningful relationships with customers, you first have to understand them and how they connect with your brand. That's where marketing research comes in.

P&G: Deep Customer Insights Yield Meaningful Customer Relationships

Creating customer value. Building meaningful customer relationships. All this sounds pretty lofty, especially for a company like P&G, which sells seemingly mundane, low-involvement consumer products such as detergents, shampoos, toothpastes, fabric softeners, toilet paper, and disposable diapers. Can you really develop a meaningful relationship between customers and a laundry detergent? For P&G, the resounding answer is yes. But first you have to get to know your customers well—really well.

More than 60 years ago, P&G's Tide revolutionized the industry as the first detergent to use synthetic compounds rather than soap chemicals for cleaning clothes. Tide really does get clothes clean. For decades, Tide's marketers have positioned the brand on superior functional performance, with hard-hitting ads showing before-and-after cleaning comparisons. But as it turns out, to consumers, Tide means a lot more than just getting grass stains out of that old pair of jeans.

So for several years, P&G has been on a consumer research mission: to unearth and cultivate the deep connections that customers have with its products. Under this mandate, a few years back, the Tide marketing team decided that it needed a new message for the brand. Tide's brand share, although large, had been stagnant for several years. Also, as a result of its hard-hitting functional advertising, consumers saw the Tide brand as arrogant, self-absorbed, and very male. The brand needed to recapture the hearts and minds of its core female consumers.

The Tide team set out to gain a deeper understanding of the emotional connections that women have with their laundry. Rather than just conducting the usual focus groups and marketing research surveys, however, marketing executives and strategists from P&G and its longtime ad agency, Saatchi & Saatchi, conducted research at a deeper level. They engaged in a two-week consumer immersion in which they tagged along with women in Kansas City, Missouri, and Charlotte, North Carolina, as they worked, shopped, and ran errands. The team also sat in on discussions to hear women talk about what's important to them.

"We got to an incredibly deep and personal level," says a Tide marketing executive. "We wanted to understand the role of laundry in their life." But "one of the great things," adds a Saatchi strategist about the research effort, "is we didn't talk [to consumers] about their laundry habits [and practices]. We talked about their lives, what their needs were, how they felt as women. And we got a lot of rich stuff that we hadn't tapped into before."

> **P&G, one of the world's most respected marketing companies, knows that to build meaningful relationships with customers, you must first understand them and how they connect with your brand. That's the role of marketing research.**

The immersion research produced some remarkable consumer insights. The Tide marketers learned that, although Tide and laundry aren't the most important things in customers' lives, women are very emotional about their clothing. For example, "there was the joy a plus-size, divorced woman described when she got a whistle from her boyfriend while wearing her "foolproof (sexiest) outfit." According to one P&G account: "Day-to-day fabrics in women's lives hold meaning and touch them in many ways. Women like taking care of their clothes and fabrics because they are filled with emotions, stories, feelings, and memories. The fabrics in their lives (anything from jeans to sheets) allow them to express their personalities, their multidimensions as women, their attitudes."

The marketing research impacted everything the brand did moving forward. Tide, the marketers decided, can do more than solve women's laundry problems. It can make a difference in something they truly care about—the fabrics that touch their lives. Based on these insights, P&G and Saatchi developed an award-winning advertising campaign, built around the theme "Tide knows fabrics best." Rather than the mostly heartless demonstrations and side-by-side comparisons of past Tide advertising, the new campaign employed rich visual imagery and meaningful emotional connections.

The initial "Tide knows fabrics best" ads had just the right mix of emotional connections and soft sell. In one television commercial, a pregnant woman dribbled ice cream on the one last shirt that still fit. It's Tide with Bleach to the rescue, so that "your clothes can outlast your cravings." Another ad showed touching scenes of a woman first holding a baby and then cuddling romantically with her husband, all to the tune of "Be My Baby." Tide with Febreze, said the ad, can mean "the difference between smelling like a mom and smelling like a woman." In all, the "Tide knows fabrics best" campaign showed women that Tide really does make a difference in fabrics that touch their lives.

The most recent incarnation of the Tide campaign—"Style Is an Option. Clean Is Not."—connects Tide's cleaning prowess with powerful emotions such as style and self-expression. Linking laundry to style and self-expression isn't really that big a leap. "In watching consumers use [their detergent], many of them talked about how it maintained their clothes in the same way that shampoo and conditioner nurtured one's hair," says a Tide assistant brand manager. In the "Style Is an Option. Clean Is Not" campaign, "Tide celebrates the expression of personal style and helps to give people . . . a sense of pride and dignity when they walk out the door knowing that what they wear is clean," says another Tide marketer. It links Tide and cleaning "to something that is really important to people: our clothes, and the way we look."

So . . . back to the original question: *Can* you develop a relationship with a laundry detergent brand? Insights gained from P&G's deep-immersion consumer research showed that

YOU MAKE IT WORK. WE'LL KEEP IT CLEAN.
STYLE IS AN OPTION. CLEAN IS NOT.

The Tide marketing teams' deep immersion research with consumers revealed some important insights. The most recent Tide campaign connects Tide's cleaning prowess with powerful emotions such as style and self-expression.

such relationships aren't just possible—they're inevitable. The key is to really understand the true nature of the relationship and shape it by creating real value for customers. Such an understanding comes from marketing research, not only on a company's products and marketing programs but also on core customer needs and brand experiences.

No brand is more successful at creating customer relationships than Tide. Incredibly, P&G's flagship brand captures a more than 40 percent share of the cluttered and competitive laundry detergent market. That's right, more than 40 percent and growing—including a 7 percent increase in the year following the start of the "Tide knows fabrics best" campaign.[1]

As the P&G Tide story highlights, good products and marketing programs begin with good customer information. Companies also need an abundance of information on competitors, resellers, and other actors and marketplace forces. But more than just gathering information, marketers must *use* the information to gain powerful *customer and market insights*.

Objective OUTLINE

Author Comment | Marketing information by itself has little value. The value is in the *customer insights* gained from the information and how these insights are used to make better marketing decisions.

Marketing Information and Customer Insights (pp 98–100)

To create value for customers and build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Companies use such customer insights to develop competitive advantage. "In today's hypercompetitive world," states a marketing expert, "the race for competitive advantage is really a race for customer and market insights." Such insights come from good marketing information.[2]

Consider Apple's phenomenally successful iPod. ◉ The iPod wasn't the first digital music player, but Apple was the first to get it right. Apple's research uncovered a key insight about how people want to consume digital music—they want to take all their music with them, but they want personal music players to be unobtrusive. This insight led to two key design goals: make it as small as a deck of cards and build it to hold 1,000 songs. Add a dash of Apple's design and usability magic to this insight, and you have a recipe for a blockbuster. Apple's expanded iPod and iPod Touch lines now capture more than a 75 percent market share. And they've spawned other Apple blockbusters such as the iPhone and the iPad.

◉ Key customer insights, plus a dash of Apple's design and usability magic, have made the iPod a blockbuster. It now captures a more than 75 percent market share and has spawned other Apple blockbusters such as the iPhone and the iPad.

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

Today's marketers have ready access to plenty of marketing information. With the recent explosion of information technologies, companies

can now generate information in great quantities. Moreover, consumers themselves are now generating tons of "bottom-up" marketing information.

Not long ago, the only way a consumer could communicate with an organization was by mailing a handwritten letter. Then came the call center, followed by e-mail, text messaging, instant messaging and, indirectly, blogging, Facebook, Twitter, and so on. Each one has contributed to a growing tidal wave of "bottom-up" information that individuals volunteer to each other and to organizations. Organizations able to . . . elicit and use such [volunteered information] will be able to gain much richer, more timely customer insights at lower cost.[3]

Far from lacking information, most marketing managers are overloaded with data and often overwhelmed by it. For example, when a company such as Pepsi monitors online discussions about its brands by searching key words in tweets, blogs, posts, and other sources, its servers take in a stunning six million public conversations a day, more than two billion a year.[4] That's far more information than any manager can digest.

Despite this data glut, marketers frequently complain that they lack enough information of the right kind. They don't need *more* information; they need *better* information. And they need to make better *use* of the information they already have.

The real value of marketing research and marketing information lies in how it is used—in the **customer insights** that it provides. Based on such thinking, many companies are now restructuring their marketing research and information functions. They are creating "customer insights teams," headed by a vice president of customer insights and composed of representatives from all of the firm's functional areas. For example, the head of marketing research at Kraft Foods is called the director of consumer insights and strategy. At Unilever, marketing research is done by the Consumer and Market Insight division, which helps brand teams harness information and turn it into customer insights.

Customer insights groups collect customer and market information from a wide variety of sources, ranging from traditional marketing research studies to mingling with and observing consumers to monitoring consumer online conversations about the company and its products. Then they *use* this information to develop important customer insights from which the company can create more value for its customers.

Thus, companies must design effective marketing information systems that give managers the right information, in the right form, at the right time and help them to use this information to create customer value and stronger customer relationships. A **marketing information system (MIS)** consists of people and procedures for assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights.

● **Figure 4.1** shows that the MIS begins and ends with information users—marketing managers, internal and external partners, and others who need marketing information.

Customer insights

Fresh understandings of customers and the marketplace derived from marketing information that become the basis for creating customer value and relationships.

Marketing information system (MIS)

People and procedures for assessing information needs, developing the needed information, and helping decision makers to use the information to generate and validate actionable customer and market insights.

● **FIGURE** | 4.1
The Marketing
Information System

This chapter is all about managing marketing information to gain customer insights. And this important figure organizes the entire chapter. Marketers start by assessing user information needs. Then they develop the needed information using internal data, marketing intelligence, and marketing research processes. Finally they make the information available to users in the right form at the right time.
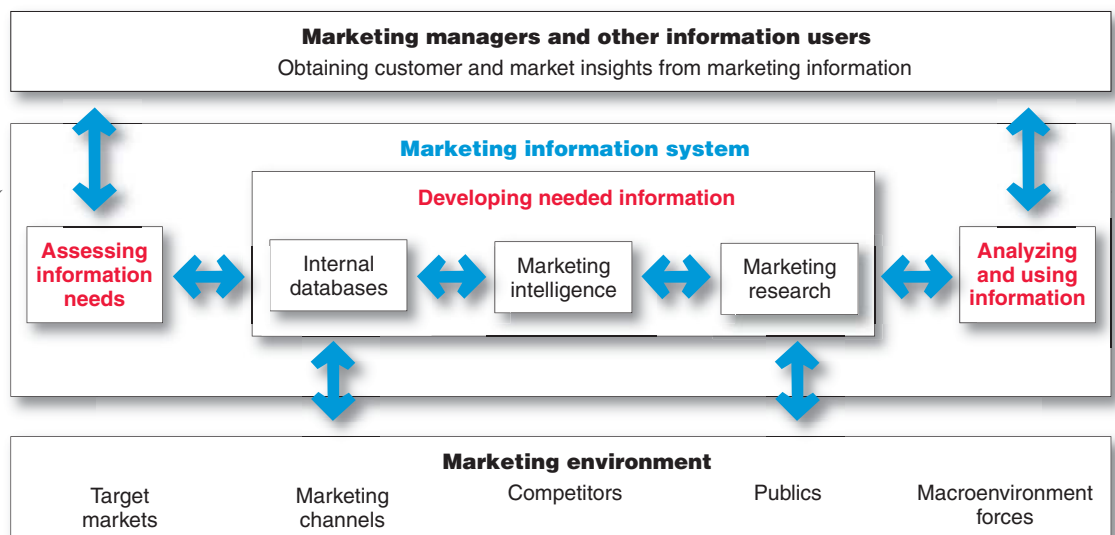
First, it interacts with these information users to *assess information needs*. Next, it interacts with the marketing environment to *develop needed information* through internal company databases, marketing intelligence activities, and marketing research. Finally, the MIS helps users to analyze and use the information to develop customer insights, make marketing decisions, and manage customer relationships.

> **Author** | The marketing
> **Comment** | information system
> begins and ends with users—assessing
> their information needs and then
> delivering information that meets
> those needs.

Assessing Marketing Information Needs (p 100)

The marketing information system primarily serves the company's marketing and other managers. However, it may also provide information to external partners, such as suppliers, resellers, or marketing services agencies. For example, Walmart's RetailLink system gives key suppliers access to information on everything from customers' buying patterns and store inventory levels to how many items they've sold in which stores in the past 24 hours.[5]

A good MIS balances the information users would *like* to have against what they really *need* and what is *feasible* to offer. The company begins by interviewing managers to find out what information they would like. Some managers will ask for whatever information they can get without thinking carefully about what they really need. Too much information can be as harmful as too little.

Other managers may omit things they ought to know, or they may not know to ask for some types of information they should have. For example, managers might need to know about surges in favorable or unfavorable consumer discussions about their brands on blogs or online social networks. Because they do not know about these discussions, they do not think to ask about them. The MIS must monitor the marketing environment to provide decision makers with information they should have to better understand customers and make key marketing decisions.

Sometimes the company cannot provide the needed information, either because it is not available or because of MIS limitations. For example, a brand manager might want to know how competitors will change their advertising budgets next year and how these changes will affect industry market shares. The information on planned budgets probably is not available. Even if it is, the company's MIS may not be advanced enough to forecast resulting changes in market shares.

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

> **Author** | The problem isn't *finding*
> **Comment** | information; the world is
> bursting with information from a glut
> of sources. The real challenge is to find
> the *right* information—from inside and
> outside sources—and turn it into
> customer insights.

Developing Marketing Information (pp 100–102)

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

Internal Data

Internal databases
Electronic collections of consumer and market information obtained from data sources within the company network.

Many companies build extensive **internal databases**, electronic collections of consumer and market information obtained from data sources within the company's network. Marketing managers can readily access and work with information in the database to identify marketing opportunities and problems, plan programs, and evaluate performance. Internal data can provide strong competitive advantage. "Locked within your own records is a huge, largely untapped asset that no [competitor] can hope to match," says one analyst. Companies are "sitting on a gold mine of unrealized potential in their current customer base."[6]

Information in the database can come from many sources. The marketing department furnishes information on customer demographics, psychographics, sales transactions, and Web site visits. The customer service department keeps records of customer satisfaction or service problems. The accounting department prepares financial statements and keeps detailed records of sales, costs, and cash flows. Operations reports on production schedules, shipments, and inventories. The sales force reports on reseller reactions and competitor ac-

tivities, and marketing channel partners provide data on point-of-sale transactions. Harnessing such information can provide powerful customer insights and competitive advantage.

For example, consider upscale retailer ⦿ Barneys, which has found a wealth of information contained in online customers' browsing and buying data:[7]

> A glance at any spam folder is proof positive that most online retailers haven't yet refined their customer tracking. To wit: My spam box currently features Petco.com advertisements for kitty litter (I'm a dog person), a Staples.com ad for Windows software (I'm a Mac girl), and four ads for Viagra (enough said). But the e-mails from Barneys.com are different. Barneys knows that I like jewelry and yoga. My most recent Barneys e-mail read, "Love it! Jennifer Meyer Ohm Necklace." I do love it. How does Barneys know? It sorts through the data left by millions of anonymous people clicking around its site and predicts who's likely to buy which products, when, and at what price.

> Digging deep into such data provides a wealth of actionable insights into customer buying patterns. Barney's can target customers based on their overall habits, such as "fashionistas" who buy risky new designer products, "bottom feeders" who always buy sale items, or cosmetics zealots. "We even know when you're gonna run out of shampoo, so we might as well send you an e-mail," says Barneys director of Internet marketing. Rather than feeling spied on, customers are thrilled because the message is relevant. Barneys is now considering expanding such analysis to its stores—tracking products as well as customers—to marry its in-store and online marketing efforts.

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

Competitive Marketing Intelligence

Competitive marketing intelligence is the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketplace. The goal of competitive marketing intelligence is to improve strategic decision making by understanding the consumer environment, assessing and tracking competitors' actions, and providing early warnings of opportunities and threats.

Marketing intelligence gathering has grown dramatically as more and more companies are now busily eavesdropping on the marketplace and snooping on their competitors. Techniques range from monitoring Internet buzz or observing consumers firsthand to quizzing the company's own employees, benchmarking competitors' products, researching the Internet, lurking around industry trade shows, and even rooting through rivals' trash bins.

Good marketing intelligence can help marketers gain insights into how consumers talk about and connect with their brands. Many companies send out teams of trained observers to mix and mingle with customers as they use and talk about the company's products. Other companies routinely monitor consumers' online chatter with the help of monitoring services such as Nielsen Online or Radian6. For example, ⦿ Radian6 helps companies to keep track of almost any relevant online conversation:[8]

> Social media make it easier than ever for people to share—to have conversations and express their opinions, needs, ideas, and complaints. And they're doing it with millions of

⦿ **Internal data: Barneys has found a wealth of actionable customer insights by analyzing online customers' browsing and buying behavior at its Web site.**

Competitive marketing intelligence

The systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketing environment.

● **Many companies routinely monitor consumers' online conversations with the help of monitoring services and platforms such as Radian6.**

blogs, tweets, videos, and comments daily. Marketers face the difficult task of sifting through all the noise to find the gems about their brands. Radian6 gives companies a Web-based platform that lets them listen to, share with, learn from, and engage customers across the entire social Web. Radian6's Web dashboard provides for real-time monitoring of consumer mentions of the company, its brands, relevant issues, and competitors on millions of blog posts, viral videos, reviews in forums, sharing of photos, and twitter updates. For example, lifestyle retailer PacSun uses Radian6 to track important trends and better respond to customers in the online space. Microsoft uses Radian6 to monitor what's being said online about the company and its products and respond to problems after purchase.

Companies also need to actively monitor competitors' activities. Firms use competitive marketing intelligence to gain early warnings of competitor moves and strategies, new-product launches, new or changing markets, and potential competitive strengths and weaknesses. Much competitor intelligence can be collected from people inside the company—executives, engineers and scientists, purchasing agents, and the sales force. The company can also obtain important intelligence information from suppliers, resellers, and key customers. And it can get good information by observing competitors and monitoring their published information.

Competitors often reveal intelligence information through their annual reports, business publications, trade show exhibits, press releases, advertisements, and Web pages. The Internet has become an invaluable source for competitive intelligence. Using Internet search engines, marketers can search specific competitor names, events, or trends and see what turns up. And tracking consumer conversations about competing brands is often as revealing as tracking conversations about the company's own brands. Moreover, most competitors now place volumes of information on their Web sites, providing details of interest to customers, partners, suppliers, investors, or franchisees. This can provide a wealth of useful information about competitors' strategies, markets, new products, facilities, and other happenings.

Intelligence seekers can also pore through any of thousands of online databases. Some are free. For example, the U.S. Security and Exchange Commission's database provides a huge stockpile of financial information on public competitors, and the U.S. Patent Office and Trademark database reveals patents that competitors have filed. For a fee, companies can also subscribe to any of the more than 3,000 online databases and information search services, such as Hoover's, LexisNexis, and Dun & Bradstreet. Today's marketers have an almost overwhelming amount of competitor information only a few keystrokes away.

The intelligence game goes both ways. Facing determined competitive marketing intelligence efforts by competitors, most companies are now taking steps to protect their own information. The growing use of marketing intelligence also raises a number of ethical issues. Although the preceding techniques are legal, others may involve questionable ethics. Clearly, companies should take advantage of publicly available information. However, they should not stoop to snoop. With all the legitimate intelligence sources now available, a company does not need to break the law or accepted codes of ethics to get good intelligence.

Marketing Research (pp 103–119)

In addition to marketing intelligence information about general consumer, competitor, and marketplace happenings, marketers often need formal studies that provide customer and market insights for specific marketing situations and decisions. For example, Budweiser wants to know what appeals will be most effective in its Super Bowl advertising. Google wants to know how Web searchers will react to a proposed redesign of its site. Or Samsung wants to know how many and what kinds of people will buy its next-generation, ultrathin televisions. In such situations, marketing intelligence will not provide the detailed information needed. Managers will need marketing research.

Marketing research
The systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.

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

Some large companies have their own research departments that work with marketing managers on marketing research projects. This is how P&G, GE, and many other corporate giants handle marketing research. In addition, these companies—like their smaller counterparts—frequently hire outside research specialists to consult with management on specific marketing problems and conduct marketing research studies. Sometimes firms simply purchase data collected by outside firms to aid in their decision making.

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

Defining the Problem and Research Objectives

Marketing managers and researchers must work closely together to define the problem and agree on research objectives. The manager best understands the decision for which information is needed; the researcher best understands marketing research and how to obtain the information. Defining the problem and research objectives is often the hardest step in the research process. The manager may know that something is wrong, without knowing the specific causes.

Exploratory research
Marketing research to gather preliminary information that will help define problems and suggest hypotheses.

Descriptive research
Marketing research to better describe marketing problems, situations, or markets, such as the market potential for a product or the demographics and attitudes of consumers.

Causal research
Marketing research to test hypotheses about cause-and-effect relationships.

After the problem has been defined carefully, the manager and the researcher must set the research objectives. A marketing research project might have one of three types of objectives. The objective of **exploratory research** is to gather preliminary information that will help define the problem and suggest hypotheses. The objective of **descriptive research** is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product. The objective of **causal research** is to test hypotheses about cause-and-effect relationships. For example, would a 10 percent decrease in tuition at a private college result in an enrollment increase sufficient to offset the reduced tuition? Managers often start with exploratory research and later follow with descriptive or causal research.

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

| Defining the problem and research objectives | → | Developing the research plan for collecting information | → | Implementing the research plan—collecting and analyzing the data | → | Interpreting and reporting the findings |
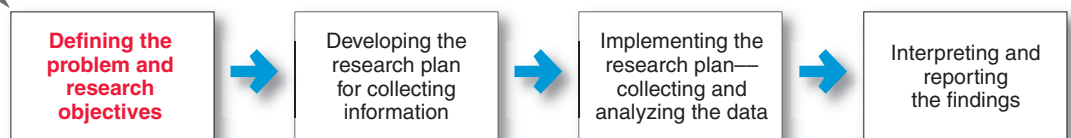
◉ **FIGURE** | **4.2**
The Marketing Research Process

Developing the Research Plan

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

Research objectives must be translated into specific information needs. ◉ For example, suppose that Red Bull wants to conduct research on how consumers would react to a proposed new vitamin-enhanced water drink in several flavors sold under the Red Bull name. Red Bull currently dominates the worldwide energy drink market. However, in an effort to expand beyond its energy drink niche, the company recently introduced Red Bull Cola ("Why not?" asks the company; it's strong and natural, just like the original Red Bull energy drink). A new line of enhanced waters—akin to Glacéau's VitaminWater—might help Red Bull leverage its strong brand position even further. The proposed research might call for the following specific information:

◉ A decision by Red Bull to add a line of enhanced waters to its already successful mix of energy and cola drinks would call for marketing research that provides lots of specific information.

- The demographic, economic, and lifestyle characteristics of current Red Bull customers. (Do current customers also consume enhanced-water products? Are such products consistent with their lifestyles? Or would Red Bull need to target a new segment of consumers?)

- The characteristics and usage patterns of the broader population of enhanced-water users: What do they need and expect from such products, where do they buy them, when and how do they use them, and what existing brands and price points are most popular? (The new Red Bull product would need strong, relevant positioning in the crowded enhanced-water market.)

- Retailer reactions to the proposed new product line: Would they stock and support it? Where would they display it? (Failure to get retailer support would hurt sales of the new drink.)

- Forecasts of sales of both the new and current Red Bull products. (Will the new enhanced waters create new sales or simply take sales away from current Red Bull products? Will the new product increase Red Bull's overall profits?)

Red Bull's marketers will need these and many other types of information to decide whether and how to introduce the new product.

The research plan should be presented in a *written proposal*. A written proposal is especially important when the research project is large and complex or when an outside firm carries it out. The proposal should cover the management problems addressed, the research objectives, the information to be obtained, and how the results will help management decision making. The proposal also should include estimated research costs.

Secondary data
Information that already exists somewhere, having been collected for another purpose.

Primary data
Information collected for the specific purpose at hand.

To meet the manager's information needs, the research plan can call for gathering secondary data, primary data, or both. **Secondary data** consist of information that already exists somewhere, having been collected for another purpose. **Primary data** consist of information collected for the specific purpose at hand.

Gathering Secondary Data

Researchers usually start by gathering secondary data. The company's internal database provides a good starting point. However, the company can also tap into a wide assortment of external information sources, including commercial data services and government sources (see ◉ **Table 4.1**).

⦿ **TABLE | 4.1**   Selected External Information Sources

Business Data

The Nielsen Company (http://nielsen.com) provides point-of-sale scanner data on sales, market share, and retail prices; data on household purchasing; and data on television audiences.

Experian Consumer Research (Simmons) (http://smrb.com) provides detailed analysis of consumer patterns in 400 product categories in selected markets.

Symphony IRI Group (www.symphonyiri.com) provides supermarket scanner data for tracking grocery product movement and new product purchasing data.

IMS Health (www.imshealth.com) tracks drug sales, monitors the performance of pharmaceutical sales representatives, and offers pharmaceutical market forecasts.

Arbitron (http://arbitron.com) provides local market and Internet radio audience and advertising expenditure information, among other media and ad spending data.

J.D. Power and Associates (www.jdpower.com) provides information from independent consumer surveys of product and service quality, customer satisfaction, and buyer behavior.

Dun & Bradstreet (http://dnb.com) maintains a database containing information on more than 50 million individual companies around the globe.

comScore (http://comscore.com) provides consumer behavior information and geodemographic analysis of Internet and digital media users around the world.

Thomson Dialog (www.dialog.com) offers access to more than 900 databases containing publications, reports, newsletters, and directories covering dozens of industries.

LexisNexis (www.lexisnexis.com) features articles from business, consumer, and marketing publications plus tracking of firms, industries, trends, and promotion techniques.

Factiva (http://factiva.com) specializes in in-depth financial, historical, and operational information on public and private companies.

Hoover's, Inc. (http://hoovers.com) provides business descriptions, financial overviews, and news about major companies around the world.

CNN (www.cnn.com) reports U.S. and global news and covers the markets and news-making companies in detail.

Government Data

Securities and Exchange Commission Edgar database (http://sec.gov/edgar.shtml) provides financial data on U.S. public corporations.

Small Business Administration (http://sba.gov) features information and links for small business owners.

Federal Trade Commission (http://ftc.gov) shows regulations and decisions related to consumer protection and antitrust laws.

Stat-USA (http://stat-usa.gov), a Department of Commerce site, highlights statistics on U.S. business and international trade.

U.S. Census (www.census.gov) provides detailed statistics and trends about the U.S. population.

U.S. Patent and Trademark Office (www.uspto.gov) allows searches to determine who has filed for trademarks and patents.

Internet Data

ClickZ (www.clickz.com) brings together a wealth of information about the Internet and its users, from consumers to e-commerce.

Interactive Advertising Bureau (www.iab.net) covers statistics about advertising on the Internet.

Forrester.com (www.forrester.com/rb/research) monitors Web traffic and ranks the most popular sites.

Companies can buy secondary data reports from outside suppliers. For example, Nielsen sells shopper insight data from a consumer panel of more than 260,000 households in 27 countries worldwide, with measures of trial and repeat purchasing, brand loyalty, and buyer demographics. Experian Consumer Research (Simmons) sells information consumer panel data on more than 8,000 brands in 450 product categories, including detailed consumer profiles that assess everything from the products consumers buy and the brands they prefer to their lifestyles, attitudes, and media preferences. The

Commercial online databases
Collections of information available from online commercial sources or accessible via the Internet.

MONITOR service by Yankelovich sells information on important social and lifestyle trends. These and other firms supply high-quality data to suit a wide variety of marketing information needs.[9]

Using **commercial online databases**, marketing researchers can conduct their own searches of secondary data sources. General database services such as Dialog, ProQuest, and LexisNexis put an incredible wealth of information at the keyboards of marketing decision makers. Beyond commercial Web sites offering information for a fee, almost every industry association, government agency, business publication, and news medium offers free information to those tenacious enough to find their Web sites. There are so many Web sites offering data that finding the right ones can become an almost overwhelming task.

Internet search engines can be a big help in locating relevant secondary information sources. However, they can also be very frustrating and inefficient. For example, a Red Bull marketer Googling "enhanced water products" would come up with some 200,000 hits! Still, well-structured, well-designed Web searches can be a good starting point to any marketing research project.

Secondary data can usually be obtained more quickly and at a lower cost than primary data. Also, secondary sources can sometimes provide data an individual company cannot collect on its own—information that either is not directly available or would be too expensive to collect. For example, it would be too expensive for Red Bull's marketers to conduct a continuing retail store audit to find out about the market shares, prices, and displays of competitors' brands. But it can buy the InfoScan service from SymphonyIRI Group, which provides this information based on scanner and other data from 34,000 retail stores in markets around the nation.[10]

Secondary data can also present problems. The needed information may not exist; researchers can rarely obtain all the data they need from secondary sources. For example, Red Bull will not find existing information about consumer reactions about a new enhanced-water line that it has not yet placed on the market. Even when data can be found, the information might not be very usable. The researcher must evaluate secondary information carefully to make certain it is *relevant* (fits research project needs), *accurate* (reliably collected and reported), *current* (up-to-date enough for current decisions), and *impartial* (objectively collected and reported).

Primary Data Collection

Secondary data provide a good starting point for research and often help to define research problems and objectives. In most cases, however, the company must also collect primary data. Just as researchers must carefully evaluate the quality of secondary information, they also must take great care when collecting primary data. They need to make sure that it will be relevant, accurate, current, and unbiased. ⏺ **Table 4.2** shows that designing a plan for primary data collection calls for a number of decisions on *research approaches*, *contact methods*, the *sampling plan*, and *research instruments*.

⏺ **TABLE | 4.2**   Planning Primary Data Collection

Research Approaches	Contact Methods	Sampling Plan	Research Instruments
Observation	Mail	Sampling unit	Questionnaire
Survey	Telephone	Sample size	Mechanical instruments
Experiment	Personal	Sampling procedure	
	Online		

Research Approaches

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

Observational research
Gathering primary data by observing relevant people, actions, and situations.

Observational Research. **Observational research** involves gathering primary data by observing relevant people, actions, and situations. For example, Family Dollar might evaluate possible new store locations by checking traffic patterns, neighborhood conditions, and the location of competing discount retail stores.

Researchers often observe consumer behavior to glean customer insights they can't obtain by simply asking customers questions. For instance, Fisher-Price has established an observation lab in which it can observe the reactions of little tots to new toys. The Fisher-Price Play Lab is a sunny, toy-strewn space where lucky kids get to test Fisher-Price prototypes, under the watchful eyes of designers who hope to learn what will get them worked up into a new-toy frenzy. Similarly, in its research labs, using high-tech cameras and other equipment, Gillette observes men and women shaving and uses the insights to design new razors and shaving products.

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

Observational research can obtain information that people are unwilling or unable to provide. In contrast, some things simply cannot be observed, such as feelings, attitudes, motives, or private behavior. Long-term or infrequent behavior is also difficult to observe. Finally, observations can be very difficult to interpret. Because of these limitations, researchers often use observation along with other data collection methods.

Ethnographic research
A form of observational research that involves sending trained observers to watch and interact with consumers in their "natural environments."

A wide range of companies now use **ethnographic research**. Ethnographic research involves sending observers to watch and interact with consumers in their "natural environments." The observers might be trained anthropologists and psychologists or company researchers and managers (see Real Marketing 4.1). Consider this example:[11]

⦿ **Ethnographic research: Kraft Canada sent out its president (above center) and other high-level executives to observe actual family life in diverse Canadian homes. Videos of their experiences helped marketers and others across the company to understand the role of Kraft's brands in people's lives.**

⦿ Kraft Canada recently sent its president and other high-level Kraft executives to observe actual family life in a dozen diverse Canadian homes. "We went out with the purpose of understanding the Canadian family, what's going on in their homes, particularly the kitchen," says Kraft Canada's vice president of consumer insights and strategy. After viewing hours of video of all 12 families visited, the consumer insights group found some unifying themes across Kraft's diverse markets. It learned that almost all families faced the same "mad rush to have something ready to feed the family, a hectic-ness, last-minute decisions, the need to balance the child's needs and different food needs." Kraft shared a compilation of the videos with marketing and sales teams, who used it as a basis for brainstorming sessions, and even put the video on an internal Web site for Kraft's 4,500 employees across Canada to view. The experience

Real Marketing 4.1

Ethnographic Research:
Watching What Consumers *Really* Do

A girl walks into a bar and says to the bartender, "Give me a Diet Coke and a clear sight line to those guys drinking Miller Lite in the corner." If you're waiting for a punch line, this is no joke. The "girl" in this situation is Emma Gilding, corporate ethnographer at ad agency Ogilvy & Mather. In this case, her job is to hang out in bars around the country and watch groups of guys knocking back beers with their friends. No kidding. This is honest-to-goodness, cutting-edge marketing research—ethnography style.

As a videographer filmed the action, Gilding kept tabs on how close the guys stood to one another. She eavesdropped on stories and observed how the mantle was passed from one speaker to another, as in a tribe around a campfire. Back at the office, a team of trained anthropologists and psychologists pored over more than 70 hours of footage from five similar nights in bars from San Diego to Philadelphia. One key insight: Miller is favored by groups of drinkers, while its main competitor, Bud Lite, is a beer that sells to individuals. The result was a hilarious series of ads that cut from a Miller Lite drinker's weird experiences in the world—getting caught in the subway taking money from a blind musician's guitar case or hitching a ride in the desert with a deranged trucker—to shots of him regaling friends with tales over a brew. The Miller Lite ads got high marks from audiences for their entertainment value and emotional resonance.

Today's marketers face many difficult questions: What do customers *really* think about a product and what do they say about it to their friends? How do they *really* use it? Will they tell you? *Can* they tell you? All too often, traditional research simply can't provide accurate answers. To get deeper insights, many companies use ethnographic research, watching and interacting with consumers in their "natural environments."

Ethnographers are looking for "consumer truth." In surveys and interviews, customers may state (and fully believe) certain preferences and behaviors, when the reality is actually quite different. Ethnography provides an insider's tour of the customer's world, helping marketers get at what consumers *really* do

rather than what they *say* they do. "That might mean catching a heart-disease patient scarfing down a meatball sub and a cream soup while extolling the virtues of healthy eating," observes one ethnographer, "or a diabetic vigorously salting his sausage and eggs after explaining how he refuses jelly for his toast."

By entering the customer's world, ethnographers can scrutinize how customers think and feel as it relates to their products. Here's another example:

Kelly Peña, also known as "the kid whisperer," was digging through a 12-year-old boy's dresser drawer one recent afternoon. Her undercover mission: to unearth what makes him tick and help the Walt Disney Company reassert itself as a cultural force among boys. Peña, a Disney researcher, zeroed in on a ratty rock 'n' roll T-shirt. Black Sabbath? "Wearing it makes me feel like I'm going to an R-rated movie," said Dean, the shy redheaded boy under scrutiny. Jackpot! Peña and her team of anthropologists have spent 18 months peering inside the heads of incommunicative boys in

search of just that kind of psychological nugget.

Disney is relying on Peña's insights to create new entertainment for boys 6 to 14, who account for $50 billion a year in spending worldwide. With the exception of "Cars," Disney—home to more girl-focused fare such as the "Princesses" merchandising line; "Hannah Montana," and "Pixie Hollow"—has been notably weak on hit entertainment for boys. Peña's research is sometimes conducted in groups; sometimes it involves going shopping with a teenage boy and his mother. Walking through Dean's house, Peña looked for unspoken clues about his likes and dislikes. "What's on the back shelves that he hasn't quite gotten rid of will be telling," she said beforehand. "What's on his walls? How does he interact with his siblings?" One big takeaway from the two-hour visit: Although Dean was trying to sound grown-up and nonchalant in his answers, he still had a lot of little kid in him. He had dinosaur sheets and stuffed animals at the bottom of his bed. "I think he's trying to push a lot of boundaries for the first time," Peña said later.

Children can already see the results of Peña's scrutiny on Disney XD, a new cable channel and Web site. It's no accident, for instance, that the central character on "Aaron Stone" is a mediocre basketball player. Peña told producers that boys identify with protagonists who try hard to grow. "Winning isn't nearly as important to boys as Hollywood thinks," she said.

Ethnographic research: To better understand the challenges faced by elderly shoppers, this Kimberly-Clark executive tries to shop while wearing vision-impairment glasses and bulky gloves that simulate arthritis.

Ethnographic research often yields the kinds of intimate details that just don't emerge from traditional focus groups and surveys. For example, focus groups told the Best Western hotel chain that it's men who decide when to stop for the night and where to stay. But videotapes of couples on cross-country journeys showed it was usually the women. And observation can often uncover problems that customers don't even know they have. By videotaping consumers in the shower, plumbing fixture maker Moen uncovered safety risks that consumers didn't recognize—such as the habit some women have of shaving their legs while holding on to one unit's temperature control. Moen would find it almost impossible to discover such design flaws simply by asking questions.

Experiencing first-hand what customers experience can also provide powerful insights. To that end, consumer products giant Kimberly-

Clark even runs a program that puts executives from retail chains such as Walgreens, Rite Aid, and Family Dollar directly into their customers' shoes—literally. The executives shop in their own stores with glasses that blur their vision, unpopped popcorn in their shoes, and bulky rubber gloves on their hands. It's all part of an exercise designed to help marketers understand the physical challenges faced by elderly shoppers, who will represent 20 percent of the total U.S. population by 2030.

The vision-blurring glasses simulate common vision ailments such as cataracts, macular degeneration, and glaucoma. Unpopped popcorn in shoes gives a feel for what it's like to walk with aching joints. And the bulky gloves simulate the limitations to manual dexterity

brought on by arthritis. Participants come back from these experiences bursting with ideas for elderly friendly store changes, such as bigger typefaces and more eye-friendly colors on packaging and fliers, new store lighting and clearer signage, and instant call buttons near heavy merchandise such as bottled water and laundry detergent.

Thus, more and more, marketing researchers are getting up close and personal with consumers—watching them closely as they act and interact in natural settings or stepping in to feel first-hand what they feel. "Knowing the individual consumer on an intimate basis has become a necessity," says one research consultant, "and ethnography is the intimate connection to the consumer."

Sources: Adapted excerpts and other information from Brooks Barnes, "Disney Expert Uses Science to Draw Boy Viewers," *New York Times*, April 14, 2009, p. A1; Linda Tischler, "Every Move You Make," *Fast Company*, April 2004, pp. 73–75; and Ellen Byron, "Seeing Store Shelves Through Senior Eyes," *Wall Street Journal*, September 14, 2009, p. B1.

of "living with customers" helped Kraft's marketers and others understand how the company's brands help customers by providing more convenient products that reduce the stress of getting meals on the table.

Beyond conducting ethnographic research in physical consumer environments, many companies now routinely conduct "Webnography" research—observing consumers in a natural context on the Internet. Observing people as they interact online can provide useful insights into both online and off-line buying motives and behavior.[12]

Observational and ethnographic research often yields the kinds of details that just don't emerge from traditional research questionnaires or focus groups. Whereas traditional quantitative research approaches seek to test known hypotheses and obtain answers to well-defined product or strategy questions, observational research can generate fresh customer and market insights. "The beauty of ethnography," says a research expert, is that it "allows companies to zero in on their customers' unarticulated desires." Agrees another researcher, "Classic market research doesn't go far enough. It can't grasp what people can't imagine or articulate. Think of the Henry Ford quote: 'If I had asked people what they wanted, they would have said faster horses.'"[13]

Survey research

Gathering primary data by asking people questions about their knowledge, attitudes, preferences, and buying behavior.

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

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

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

Experimental research

Gathering primary data by selecting matched groups of subjects, giving them different treatments, controlling related factors, and checking for differences in group responses.

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

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

Contact Methods

Information can be collected by mail, telephone, personal interview, or online. ◉ **Table 4.3** shows the strengths and weaknesses of each contact method.

Mail, Telephone, and Personal Interviewing. *Mail questionnaires* can be used to collect large amounts of information at a low cost per respondent. Respondents may give more honest answers to more personal questions on a mail questionnaire than to an unknown interviewer in person or over the phone. Also, no interviewer is involved to bias respondents' answers.

However, mail questionnaires are not very flexible; all respondents answer the same questions in a fixed order. Mail surveys usually take longer to complete, and the response rate—the number of people returning completed questionnaires—is often very low. Finally, the researcher often has little control over the mail questionnaire sample. Even with a good mailing list, it is hard to control *whom* at a particular address fills out the questionnaire. As a result of the shortcomings, more and more marketers are now shifting to faster, more flexible, and lower cost e-mail and online surveys.

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

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

Personal interviewing takes two forms: individual interviewing and group interviewing. *Individual interviewing* involves talking with people in their homes or offices, on the street, or

◉ **TABLE** | **4.3**   Strengths and Weaknesses of Contact Methods

	Mail	**Telephone**	**Personal**	**Online**
Flexibility	Poor	Good	Excellent	Good
Quantity of data that can be collected	Good	Fair	Excellent	Good
Control of interviewer effects	Excellent	Fair	Poor	Fair
Control of sample	Fair	Excellent	Good	Excellent
Speed of data collection	Poor	Excellent	Good	Excellent
Response rate	Poor	Poor	Good	Good
Cost	Good	Fair	Poor	Excellent

Source: Based on Donald S. Tull and Del I. Hawkins, *Marketing Research: Measurement and Method,* 7th ed. (New York: Macmillan Publishing Company, 1993). Adapted with permission of the authors.

in shopping malls. Such interviewing is flexible. Trained interviewers can guide interviews, explain difficult questions, and explore issues as the situation requires. They can show subjects actual products, advertisements, or packages and observe reactions and behavior. However, individual personal interviews may cost three to four times as much as telephone interviews.

Group interviewing consists of inviting six to ten people to meet with a trained moderator to talk about a product, service, or organization. Participants normally are paid a small sum for attending. The moderator encourages free and easy discussion, hoping that group interactions will bring out actual feelings and thoughts. At the same time, the moderator "focuses" the discussion—hence the name **focus group interviewing**.

Researchers and marketers watch the focus group discussions from behind one-way glass and record comments in writing or on video for later study. Today, focus group researchers can even use videoconferencing and Internet technology to connect marketers in distant locations with live focus group action. Using cameras and two-way sound systems, marketing executives in a far-off boardroom can look in and listen, using remote controls to zoom in on faces and pan the focus group at will.

Focus group interviewing
Personal interviewing that involves inviting six to ten people to gather for a few hours with a trained interviewer to talk about a product, service, or organization. The interviewer "focuses" the group discussion on important issues.

Along with observational research, focus group interviewing has become one of the major qualitative marketing research tools for gaining fresh insights into consumer thoughts and feelings. However, focus group studies present some challenges. They usually employ small samples to keep time and costs down, and it may be hard to generalize from the results. Moreover, consumers in focus groups are not always open and honest about their real feelings, behavior, and intentions in front of other people.

Thus, although focus groups are still widely used, many researchers are tinkering with focus group design. For example, some companies prefer "immersion groups"—small groups of consumers who interact directly and informally with product designers without a focus group moderator present. Still other researchers are changing the environments in which they conduct focus groups. To help consumers relax and to elicit more authentic responses, they use settings that are more comfortable and more relevant to the products being researched. For example, to get a better understanding of how women shave their legs, ◉ Schick Canada and ad agency F.E.M. created "Slow Sip" sessions designed to be like a simple get-together with girlfriends.

◉ **New focus group environments: To create a more congenial setting in which women could open up and share personal shaving and moisturizing stories, Schick sponsored "Slow Sip" sessions in local cafes.**

> In these Slow Sip sessions, participants gathered together at a local café to sip coffee or tea and munch on snacks. The structure was loose, and the congenial setting helped the women open up and share personal shaving and moisturizing stories on a subject that might have been sensitive in a more formal setting. The Slow Sip sessions produced a number of new customer insights. For example, researchers discovered that the message for their Schick Quattro for Women razor—that Quattro has four-blade technology—was too technical. Women don't care about the engineering behind a razor; they care about shaving results. So Schick Canada repositioned the Quattro as offering a smooth, long-lasting shave. As a side benefit, participants enjoyed the sessions so much that they wanted to stick around for more. They became a kind of ongoing advisory board for Schick's marketers and "brand ambassadors" for Schick's products.[14]

Thus, in recent years, many companies have been moving away from traditional, more formal and numbers-oriented research approaches and contact methods. Instead, they are employing more new ways of listening to consumers that don't involve traditional questionnaire formats. "Long known for crunching numbers and being statistical gatekeepers of the marketing industry," says one marketer, "market researchers need to shift their focus toward listening and developing ideas better on the front end and away

from 'feeding the metrics monster.'" Beyond conducting surveys and tracking brand metrics, "researchers need to employ softer skills."[15]

Online Marketing Research. The growth of the Internet has had a dramatic impact on the conduct of marketing research. Increasingly, researchers are collecting primary data through **online marketing research**: Internet surveys, online panels, experiments, and online focus groups. By one estimate, U.S. online research spending reached an estimated $4.45 billion last year and is growing at 15–20 percent per year.[16]

Online marketing research
Collecting primary data online through Internet surveys, online focus groups, Web-based experiments, or tracking consumers' online behavior.

Online research can take many forms. A company can use the Web as a survey medium: It can include a questionnaire on its Web site and offer incentives for completing it. It can use e-mail, Web links, or Web pop-ups to invite people to answer questions. It can create online panels that provide regular feedback or conduct live discussions or online focus groups.

Beyond surveys, researchers can conduct experiments on the Web. They can experiment with different prices, headlines, or product features on different Web sites or at different times to learn the relative effectiveness of their offers. Or they can set up virtual shopping environments and use them to test new products and marketing programs. Finally, a company can learn about the behavior of online customers by following their click streams as they visit the Web site and move to other sites.

The Internet is especially well suited to *quantitative* research—conducting marketing surveys and collecting data. Close to three-quarters of all Americans now have access to the Web, making it a fertile channel for reaching a broad cross section of consumers. As response rates for traditional survey approaches decline and costs increase, the Web is quickly replacing mail and the telephone as the dominant data collection methodology. Online research now accounts for about 50 percent of all survey research done in the United States.[17]

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

Online research usually costs much less than research conducted through mail, phone, or personal interviews. Using the Internet eliminates most of the postage, phone, interviewer, and data-handling costs associated with the other approaches. As a result, Internet surveys typically cost 15–20 percent less than mail surveys and 30 percent less than phone surveys. Moreover, sample size has little impact on costs. Once the questionnaire is set up, there's little difference in cost between 10 respondents and 10,000 respondents on the Web.

Thus, online research is well within the reach of almost any business, large or small. In fact, with the Internet, what was once the domain of research experts is now available to almost any would-be researcher. ◉ Even smaller, less sophisticated researchers can use online survey services such as Zoomerang (www.zoomerang.com) and SurveyMonkey (www.surveymonkey.com) to create, publish, and distribute their own custom surveys in minutes.

Beyond their speed and cost advantages, Web-based surveys also tend to be more interactive and engaging, easier to complete, and less intrusive than traditional phone or mail surveys. As a result, they usually garner higher response rates. The Internet is an excellent medium for reaching the hard-to-reach—for example, the often-elusive teen, single, affluent, and well-educated audiences. It's also good for reaching

◉ Online research: Thanks to survey services such as Zoomerang, almost any business, large or small, can create, publish, and distribute its own custom surveys in minutes.

working mothers and other people who lead busy lives. Such people are well represented online, and they can respond in their own space and at their own convenience.

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

Online focus groups

Gathering a small group of people online with a trained moderator to chat about a product, service, or organization and gain qualitative insights about consumer attitudes and behavior.

A primary qualitative Web-based research approach is **online focus groups**. Such focus groups offer many advantages over traditional focus groups. Participants can log in from anywhere; all they need is a laptop and a Web connection. Thus, the Internet works well for bringing together people from different parts of the country or world, especially those in higher-income groups who can't spare the time to travel to a central site. Also, researchers can conduct and monitor online focus groups from just about anywhere, eliminating travel, lodging, and facility costs. Finally, although online focus groups require some advance scheduling, results are almost immediate.

Online focus groups can take any of several formats. Most occur in real time, in the form of online chat room discussions in which participants and a moderator sit around a virtual table exchanging comments. Alternatively, researchers might set up an online message board on which respondents interact over the course of several days or a few weeks. Participants log in daily and comment on focus group topics.

Although low in cost and easy to administer, online focus groups can lack the real-world dynamics of more personal approaches. To overcome these shortcomings, some researchers are now adding real-time audio and video to their online focus groups. For example, online research firm Channel M2 "puts the human touch back into online research" by assembling focus group participants in people-friendly "virtual interview rooms."[18]

Participants are recruited using traditional methods and then sent a Web camera so that both their verbal and nonverbal reactions can be recorded. Participants receive instructions via e-mail, including a link to the Channel M2 online interviewing room and a toll-free teleconference number to call. At the appointed time, when they click on the link and phone in, participants sign on and see the Channel M2 interview room, complete with live video of the other participants, text chat, screen or slide sharing, and a whiteboard. Once the focus group is underway, questions and answers occur in "real time" in a remarkably lively setting. Participants comment spontaneously—verbally, via text messaging, or both. Researchers can "sit in" on the focus group from anywhere, seeing and hearing every respondent. Or they can review a recorded version at a later date.

Although the use of online marketing research is growing rapidly, both quantitative and qualitative Web-based research does have some drawbacks. One major problem is controlling who's in the online sample. Without seeing respondents, it's difficult to know who they really are. To overcome such sample and context problems, many online research firms use opt-in communities and respondent panels. For example, Zoomerang offers an online consumer and business panel profiled on more than 500 attributes.[19] Alternatively, many companies are now developing their own custom social networks and using them to gain customer inputs and insights. ◉ Consider adidas:[20]

◉ Online customer social networks—such as Adidas Insiders—can help companies gain customer inputs and insights. Adidas Insiders are surprisingly willing—and even anxious—to be involved.

When adidas developed a Facebook fan page, it quickly attracted 2 million users. Ditto for its pages on Twitter and YouTube. But monitoring and analyzing postings by two million members in public online communities isn't realistic, so the sporting goods giant created its own private online community called adidas

Insiders, inviting only the most active users on its public pages to join. Through online conversations with and among adidas Insiders, company marketers can quickly gather real-time consumer feedback about brand perceptions, product ideas, and marketing campaigns. Adidas Insiders are surprisingly willing—and even anxious—to be involved. "It's a great help to [us] spending time with consumers that love the brand as much as we do," says adidas's director of digital media.

Testing strategies and concepts with the Insiders group provides fast and actionable customer insights for adidas's product marketing teams. "We're able to play with colors and materials and get instant feedback from these fans, which allows us to be more efficient in development and go-to-market planning," says the adidas marketing executive. "We've even asked about things like voiceovers for videos and received surprising feedback that's caused us to alter creative."

Thus, in recent years, the Internet has become an important new tool for conducting research and developing customer insights. But today's marketing researchers are going even further on the Web—well beyond structured online surveys, focus groups, and Web communities. Increasingly, they are listening to and watching consumers by actively mining the rich veins of unsolicited, unstructured, "bottom up" customer information already coursing around the Web. This might be as simple as scanning customer reviews and comments on the company's brand site or shopping sites such as Amazon.com or BestBuy.com. Or it might mean using sophisticated Web-analysis tools to deeply analyze mountains of consumer comments and messages found in blogs or on social networking sites, such as Facebook or Twitter. Listening to and watching consumers online can provide valuable insights into what consumers are saying or feeling about brands. As one information expert puts it, "The Web knows what you want."[21] (See Real Marketing 4.2.)

Perhaps the most explosive issue facing online researchers concerns consumer privacy. Some critics fear that unethical researchers will use the e-mail addresses and confidential responses gathered through surveys to sell products after the research is completed. They are concerned about the use of technologies that collect personal information online without the respondents' consent. Failure to address such privacy issues could result in angry, less-cooperative consumers and increased government intervention. Despite these concerns, most industry insiders predict continued healthy growth for online marketing research.[22]

Sampling Plan

Sample
A segment of the population selected for marketing research to represent the population as a whole.

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

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

Finally, *how* should the people in the sample be *chosen* (what *sampling procedure*)? ● **Table 4.4** describes different kinds of samples. Using *probability samples*, each population member has a known chance of being included in the sample, and researchers can calculate confidence limits for sampling error. But when probability sampling costs too much or takes too much time, marketing researchers often take *nonprobability samples*, even though their sampling error cannot be measured. These varied ways of drawing samples have different costs and time limitations as well as different accuracy and statistical properties. Which method is best depends on the needs of the research project.

Real Marketing 4.2

Listening Online:
The Web Knows What You Want

"Are your ears burning?" asks an online marketing analyst. "Someone's surely talking about you [on the Web], and it might be worth your while to listen in." Thanks to the burgeoning world of blogs, social networks, and other Internet forums, marketers now have near-real-time access to a flood of online consumer information. It's all there for the digging—praise, criticism, recommendations, actions—revealed in what consumers are saying and doing as they ply the Internet. Forward-looking marketers are now mining valuable customer insights from this rich new vein of unprompted, "bottom-up" information.

Whereas traditional marketing research provides insights into the "logical, representative, structured aspect of our consumers," says Kristin Bush, senior manager of consumer and market knowledge at P&G, online listening "provides much more of the intensity, much more of the . . . context and the passion, and more of the spontaneity that consumers are truly giving you [when they offer up their opinions] unsolicited."

Listening online might involve something as simple as scanning customer reviews on the company's brand site or on popular shopping sites such as Amazon.com or Best Buy.com. Such reviews are plentiful, address specific products, and provide unvarnished customer reactions. Amazon.com alone features detailed customer reviews on everything it sells, and its customers rely heavily on these reviews when making purchases. If customers in the market for a company's brands are reading and reacting to such reviews, so should the company's marketers.

Many companies are now adding customer review sections to their own brand Web sites. "Sure, it's scary to let consumers say what they will about your products on your home turf," says an analyst. "But both the positive and negative feedback provides hints to what you're doing well and where improvement is needed." Negative reviews can provide early warning of product issues or consumer misunderstandings that need to be quickly addressed.

At a deeper level, marketers now employ sophisticated Web-analysis tools to listen in on and mine nuggets from the churning mass of consumer comments and conversations in blogs, in news articles, in online forums, and on social networking sites such as Facebook or Twitter. But beyond monitoring what customers are *saying* about them online, companies are also watching what customers are *doing* online. Marketers scrutinize consumer Web-browsing behavior in precise detail and use the resulting insights to personalize shopping experiences. Consider this example:

A shopper at the retail site FigLeaves.com takes a close look at a silky pair of women's slippers. Next, a recommendation appears for a man's bathrobe. This could seem terribly wrong—unless, of course, it turns out to be precisely what she wanted. Why the bathrobe? Analysis of FigLeaves.com behavior data—from mouse clicks to search queries—shows that certain types of female shoppers at certain times of the week are likely to be shopping for men. What a given customer sees at the site might also depend on other behaviors. For example, shoppers who seem pressed for time (say, shopping from work and clicking rapidly from screen to screen) might see more simplified pages with a direct path to the shopping cart and checkout. Alternatively, more leisurely shoppers (say, those shopping from home or on weekends and browsing product reviews) might receive pages with more features, video clips, and comparison information. The goal of such analysis is to teach Web sites "something close to the savvy of a flesh-and-blood sales clerk," says a Web-analytics expert. "In the first five minutes in a store, the sales guy is observing a customer's body language and tone of voice. We have to teach machines to pick up on those same insights from movements online."

More broadly, information about what consumers do while trolling the vast expanse of the Internet—what searches they make, the sites they visit, what they buy—is pure gold to marketers. And today's marketers are busy mining that gold.

On the Internet today, everybody knows who you are. In fact, legions of Internet companies also know your gender, your age, the neighborhood you live in, that you like pickup trucks, and that you spent, say, three hours and 43 seconds on a Web site for pet lovers on

Online listening, behavioral targeting, social targeting—wherever you go on the Internet, marketers are looking over your shoulder to mine consumer insights. Is it smart marketing or just "a little bit creepy"?

a rainy day in January. All that data streams through myriad computer networks, where it's sorted, cataloged, analyzed, and then used to deliver ads aimed squarely at you, potentially anywhere you travel on the Web. It's called *behavioral targeting*—tracking consumers' online behavior and using it to target ads to them. So, for example, if you place a cell phone in your Amazon.com shopping cart but don't buy it, you might expect to see some ads for that very type of phone the next time you visit your favorite ESPN site to catch up on the latest sports scores.

That's amazing enough, but the newest wave of Web analytics and targeting take online eavesdropping even further—from *behavioral* targeting to *social* targeting. Whereas behavioral targeting tracks consumer movements across Web sites, social targeting also mines individual online social connections.

"It's getting back to the old adage that birds of a feather flock together," says a social targeting expert. Research shows that consumers shop a lot like their friends and are five times more likely to respond to ads from brands friends use. So identifying and targeting friends of current prospects makes sense. Social targeting links customer data to social interaction data from social networking sites. In effect, it matches a prospect with his or her closest connections and targets them as well.

This can stretch a marketing campaign that would have reached one million prospects into one that reaches eight million or ten million prospects, most of them new.

Online listening. Behavioral targeting. Social targeting. All of these are great for marketers as they work to mine customer insights from the massive amounts of consumer information swirling around the Web. The biggest question? You've probably already guessed it. As marketers get more adept at trolling blogs, social networks, and other Web domains, what happens to consumer privacy? Yup, that's the downside. At what point does sophisticated Web research cross the line into consumer stalking? Proponents claim that behavioral and social targeting benefit more than abuse consumers by feeding back ads and products that are more relevant to their interests. But to many consumers and public advocates, following consumers online and stalking them with ads feels more than just a little creepy. Behavioral targeting, for example, has already been the subject of congressional and regulatory hearings.

Despite such concerns, however, online listening will continue to grow. And, with appropriate safeguards, it promises benefits for both companies and customers. Tapping into online conversations and behavior lets companies "get the unprompted voice of the consumer, the real sentiments, the real values, and the real points of view that they have of our products and services," says P&G's Bush. "Companies that figure out how to listen and respond . . . in a meaningful, valuable way are going to win in the marketplace." After all, knowing what customers really want is an essential first step in creating customer value. And, as one online information expert puts it, "The Web knows what you want."

Sources: Adapted excerpts, quotes, and other information from Stephen Baker, "The Web Knows What You Want," *BusinessWeek*, July 27, 2009, p. 48; Brian Morrissey, "Connect the Thoughts," *Adweek*, June 29, 2009, pp. 10–11; Paul Sloan, "The Quest for the Perfect Online Ad," *Business 2.0*, March 2007, p. 88; Abbey Klaassen, "Forget Twitter; Your Best Marketing Tool Is the Humble Product Review," *Advertising Age*, June 29, 2009, pp. 1, 17; David Wiesenfeld, Kristin Bush, and Ronjan Sikdar, "Listen Up: Online Yields New Research Pathway," *Nielsen Consumer Insights*, August 2009, http://en-us.nielsen.com/; and Elizabeth A. Sullivan, "10 Minutes with Kristin Bush," *Marketing News*, September 30, 2009, pp. 26–28.

⊙ **TABLE** | **4.4**   Types of Samples

Probability Sample

Simple random sample	Every member of the population has a known and equal chance of selection.
Stratified random sample	The population is divided into mutually exclusive groups (such as age groups), and random samples are drawn from each group.
Cluster (area) sample	The population is divided into mutually exclusive groups (such as blocks), and the researcher draws a sample of the groups to interview.

Nonprobability Sample

Convenience sample	The researcher selects the easiest population members from which to obtain information.
Judgment sample	The researcher uses his or her judgment to select population members who are good prospects for accurate information.
Quota sample	The researcher finds and interviews a prescribed number of people in each of several categories.

Research Instruments

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

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

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

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

Mechanical Instruments. Although questionnaires are the most common research instrument, researchers also use mechanical instruments to monitor consumer behavior. Nielsen Media Research attaches people meters to television sets, cable boxes, and satellite systems in selected homes to record who watches which programs. Retailers use checkout scanners to record shoppers' purchases.

Other mechanical devices measure subjects' physical responses. For example, consider Disney Media Networks' new consumer research lab in Austin, Texas:[23]

A technician in a black lab coat gazed at the short, middle-aged man seated inside Disney's secretive new research facility, his face shrouded with eye-tracking goggles. "Read ESPN.com on that BlackBerry," she told him soothingly, like a nurse about to draw blood. "And have fun," she added, leaving the room. In reality, the man's appetite for sports news was not of interest. (The site was a fake version anyway.) Rather, the technician and her fellow researchers from Disney Media Networks—which includes ABC, ESPN, and other networks—were eager to know how the man responded to ads of varying size. How small could the banners become and still draw his attention? A squadron of Disney executives scrutinized the data as it flowed in real time onto television monitors in an adjacent room. "He's not even looking at the banner now," said one researcher. The man clicked to another page. "There we go, that one's drawing his attention." The tools are advanced: In addition to tracking eye movement, the research team uses heart-rate monitors, skin temperature readings, and facial expressions (probes are attached to facial muscles) to gauge reactions. The goal: to learn what works and what does not in the high-stakes game of new media advertising.

Still other researchers are applying "neuromarketing," measuring brain activity to learn how consumers feel and respond. Marketing
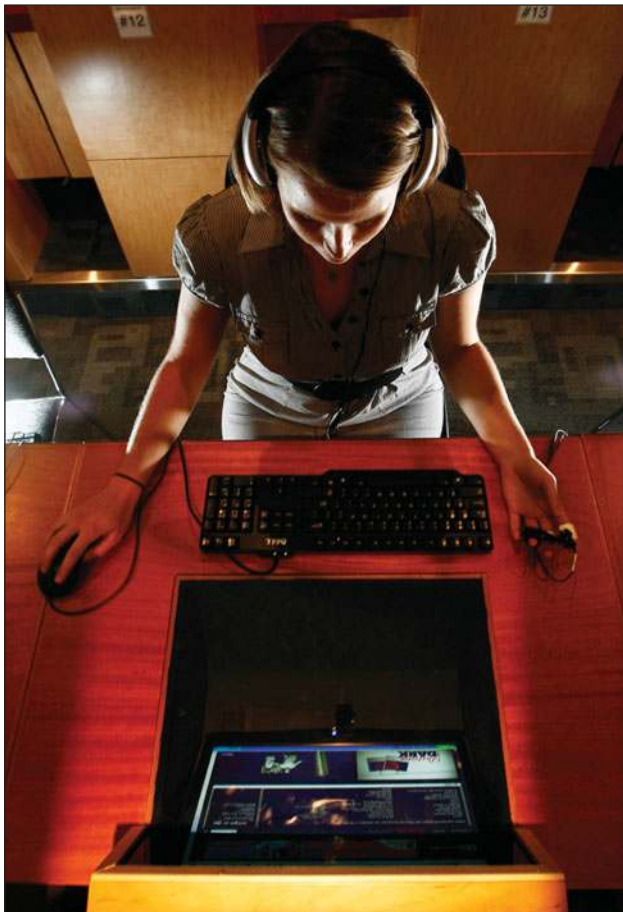
⦿ **Mechanical instruments: To find out what ads work and why, Disney researchers have developed an array of devices to track eye movement, monitor heart rates, and measure other physical responses.**

scientists using MRI scans and EEG devices have learned that tracking brain electrical activity and blood flow can provide companies with insights into what turns consumers on and off regarding their brands and marketing. "Companies have always aimed for the customers heart, but the head may make a better target," suggests one neuromarketer. "Neuromarketing is reaching consumers where the action is: the brain."[24]

Companies ranging from Hyundai and PepsiCo to Google and Microsoft now hire neuromarketing research companies such as NeuroFocus and EmSense to help figure out what people are really thinking.[25]

Thirty men and women are studying a sporty silver test model of a next-generation Hyundai. The 15 men and 15 women are asked to stare at specific parts of the vehicle, including the bumper, the windshield, and the tires. Electrode-studded caps on their heads capture the electrical activity in their brains as they view the car for an hour. That brain-wave information is recorded in a hard drive each person wears on a belt. Hyundai believes that their brain activity will show preferences that could lead to purchasing decisions. "We want to know what consumers think about a car before we start manufacturing thousands of them," says Hyundai America's manager of brand strategy. He expects the carmaker will tweak the exterior based on the EEG reports, which track activity in all parts of the brain.

Similarly, PepsiCo's Frito-Lay unit uses neuromarketing to test commercials, product designs, and packaging. Recent EEG tests showed that, compared with shiny packages showing pictures of potato chips, matte beige bags showing potatoes and other healthy ingredients trigger less activity in an area of the brain associated with feelings of guilt. Needless to say, Frito-Lay quickly switched away from the shiny packaging. And eBay's PayPal began pitching its online payment service as "fast" after brain-wave research showed that speed turns consumers on more than security and safety, earlier themes used in eBay ad campaigns.

Although neuromarketing techniques can measure consumer involvement and emotional responses second by second, such brain responses can be difficult to interpret. Thus, neuromarketing is usually used in combination with other research approaches to gain a more complete picture of what goes on inside consumers' heads.

Implementing the Research Plan

The researcher next puts the marketing research plan into action. This involves collecting, processing, and analyzing the information. Data collection can be carried out by the company's marketing research staff or outside firms. Researchers should watch closely to make sure that the plan is implemented correctly. They must guard against problems with interacting with respondents, with the quality of participants' response, and with interviewers who make mistakes or take shortcuts.

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

Interpreting and Reporting the Findings

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

However, interpretation should not be left only to researchers. They are often experts in research design and statistics, but the marketing manager knows more about the problem and the decisions that must be made. The best research means little if the manager blindly accepts faulty interpretations from the researcher. Similarly, managers may be

biased; they might tend to accept research results that show what they expected and reject those that they did not expect or hope for. In many cases, findings can be interpreted in different ways, and discussions between researchers and managers will help point to the best interpretations. Thus, managers and researchers must work together closely when interpreting research results, and both must share responsibility for the research process and resulting decisions.

Analyzing and Using Marketing Information (pp 119–121)

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

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

Author Comment | We've talked generally about managing customer relationships throughout the book. But here, "customer relationship management" (CRM) has a much narrower data-management meaning. It refers to capturing and using customer data from all sources to manage customer interactions and build customer relationships.

Customer relationship management (CRM)
Managing detailed information about individual customers and carefully managing customer touch points to maximize customer loyalty.

Customer Relationship Management

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

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

CRM first burst onto the scene in the early 2000s. Many companies rushed in, implementing overly ambitious CRM programs that produced disappointing results and many failures. More recently, however, companies are moving ahead more cautiously and implementing CRM systems that really work. Last year, companies worldwide spent $7.8 billion on CRM systems from companies such as Oracle, Microsoft, Salesforce.com, and SAS, up 14.2 percent from the previous year. By 2012, they will spend an estimated $13.3 billion on CRM systems.[26]

CRM consists of sophisticated software and analytical tools that integrate customer information from all sources, analyze it in depth, and apply the results to build stronger customer relationships. CRM integrates everything that a company's sales, service, and marketing teams know about individual customers, providing a 360-degree view of the customer relationship.

CRM analysts develop *data warehouses* and use sophisticated *data mining* techniques to unearth the riches hidden in customer data. A data warehouse is a company-wide electronic database of finely detailed customer information that needs to be sifted through for gems. The purpose of a data warehouse is not only to gather information but also pull it together into a central, accessible location. Then, once the data warehouse brings the data together, the company uses high-powered data mining techniques to sift through the mounds of data and dig out interesting findings about customers.

These findings often lead to marketing opportunities. For example, Walmart's huge database provides deep insights for marketing decisions. A few years ago, as Hurricane Ivan roared toward the Florida coast, reports one observer, the giant retailer "knew exactly what to rush onto the shelves of stores in the hurricane's path—strawberry Pop Tarts. By

● Grocery chain Kroger works with data mining firm Dunnhumby to dig deeply into data obtained from customer loyalty cards. It uses the customer insights gained for everything from targeting coupons to locating and stocking its stores.

mining years of sales data from just prior to other hurricanes, [Walmart] figured out that shoppers would stock up on Pop Tarts—which don't require refrigeration or cooking."[27]

● Grocery chain Kroger works with the data mining firm Dunnhumby, which it co-owns with successful London-based retailer Tesco, to dig deeply into data obtained from customer loyalty cards. It uses the customer insights gained for everything from targeting coupons to locating and stocking its stores:[28]

> Lisa Williams has never liked sorting through coupons, and she no longer has to at Kroger grocery stores. Every few weeks, a personalized assortment of coupons arrives from Kroger in Williams' Elizabethtown, Kentucky, mailbox for items she usually loads into her cart: Capri Sun drinks for her two children, Reynolds Wrap foil, Hellmann's mayonnaise. While Kroger is building loyalty—with 95 percent of a recent mailing tailored to specific households—Williams is saving money without searching through dozens of pages of coupons. Although the recent recession revived penny-pinching, Americans are still redeeming only 1 percent to 3 percent of paper coupons. In contrast, Kroger says as many as *half* the coupons it sends to regular customers do get used.
>
> Kroger digs deep into the reams of information from its more than 55 million shopper cards and uses the resulting insights, augmented with customer interviews, to guide strategies for tailored promotions, pricing, placement, and even stocking variations from store to store. Such personalization creates more value for customers and makes them feel more appreciated. In turn, Kroger's ability to turn data into insights builds customer loyalty and drives profitable sales. Says Kroger's CEO, "This level of personalization is a direct link to our customers that no other U.S. grocery retailer can [match]."

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

CRM benefits don't come without costs or risk, either in collecting the original customer data or in maintaining and mining it. The most common CRM mistake is to view CRM as a technology and software solution only. Yet technology alone cannot build profitable customer relationships. Companies can improve customer relationships by simply installing some new software. Instead, CRM is just one part of an effective overall *customer relationship management strategy*. "There's lots of talk about CRM and these days it usually has to do with a software solution," says one analyst. But marketers should start by adhering to "some basic tenets of actual customer relationship management—and *then* empower them with high-tech solutions."[29] They should focus first on the *R*; it's the *relationship* that CRM is all about.

Distributing and Using Marketing Information

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

But marketing managers may also need nonroutine information for special situations and on-the-spot decisions. For example, a sales manager having trouble with a large cus-

tomer may want a summary of the account's sales and profitability over the past year. Or a retail store manager who has run out of a best-selling product may want to know the current inventory levels in the chain's other stores. These days, therefore, information distribution involves entering information into databases and making it available in a timely, user-friendly way.

Many firms use a company *intranet* and internal CRM systems to facilitate this process. The internal information systems provide ready access to research information, customer contact information, reports, shared work documents, contact information for employees and other stakeholders, and more. For example, the CRM system at phone and online gift retailer 1-800-Flowers gives customer-facing employees real-time access to customer information. When a repeat customer calls, the system immediately calls up data on previous transactions and other contacts, helping reps make the customer's experience easier and more relevant. For instance, "if a customer usually buys tulips for his wife, we [talk about] our newest and best tulip selections," says the company's vice president of customer knowledge management. "No one else in the business is able to connect customer information with real-time transaction data the way we can."[30]

In addition, companies are increasingly allowing key customers and value-network members to access account, product, and other data on demand through *extranets*. Suppliers, customers, resellers, and select other network members may access a company's extranet to update their accounts, arrange purchases, and check orders against inventories to improve customer service. ⦿ For example, Penske Truck Leasing's extranet site, MyFleetAtPenske.com, lets Penske customers access all the data about their fleets in one spot and provides an array of tools and applications designed to help fleet managers manage their Penske accounts and maximize efficiency.[31]

Who's talking about your brand?

Social media makes it easier than ever for people to share. To have conversations and express their opinions, needs, ideas, complaints. And they're doing it with millions of blogs, tweets, videos, and comments.

But as a business, how do you pinpoint all the conversations happening about your brand? Radian6 gives you a complete platform to listen, share, learn, and engage – both inside your company, and with your customers across the entire social web.

Your brand is defined by the sum of all conversations.
Listen and join the dialogue with Radian6.

radian⁶

⦿ **Extranets: Penske Truck Leasing's extranet site, MyFleetAtPenske.com, lets Penske customers access all of the data about their fleets in one spot and provides tools to help fleet managers manage their Penske accounts and maximize efficiency.**

Thanks to modern technology, today's marketing managers can gain direct access to the information system at any time and from virtually any location. They can tap into the system while working at a home office, from a hotel room, or from the local Starbucks through a wireless network—anyplace where they can turn on a laptop or BlackBerry. Such systems allow managers to get the information they need directly and quickly and tailor it to their own needs.

Author Comment | We finish this chapter by examining three special marketing information topics.

Other Marketing Information Considerations (pp 121–126)

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

Marketing Research in Small Businesses and Nonprofit Organizations

Just like larger firms, small organizations need market information and the customer and market insights that it can provide. Managers of small businesses and nonprofit organizations often think that marketing research can be done only by experts in large companies with big research budgets. True, large-scale research studies are beyond the budgets of most

Before opening Bibbentuckers dry cleaner, owner Robert Byerley conducted research to gain insights into what customers wanted. First on the list: quality.

small businesses. However, many of the marketing research techniques discussed in this chapter also can be used by smaller organizations in a less formal manner and at little or no expense. Consider how one small-business owner conducted market research on a shoe-string before even opening his doors:[32]

After a string of bad experiences with his local dry cleaner, Robert Byerley decided to open his own dry-cleaning business. But before jumping in, he conducted plenty of market research. He needed a key customer insight: How would he make his business stand out from the others? To start, Byerley spent an entire week in the library and online, researching the dry-cleaning industry. To get input from potential customers, using a marketing firm, Byerley held focus groups on the store's name, look, and brochure. He also took clothes to the 15 best competing cleaners in town and had focus group members critique their work. Based on his research, he made a list of features for his new business. First on his list: quality. His business would stand behind everything it did. Not on the list: cheap prices. Creating the perfect dry-cleaning establishment simply didn't fit with a discount operation.

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

"Too [few] small-business owners have a . . . marketing mind-set," says a small-business consultant. "You have to think like Procter & Gamble. What would they do before launching a new product? They would find out who their customer is and who their competition is."[33]

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

In summary, secondary data collection, observation, surveys, and experiments can all be used effectively by small organizations with small budgets. However, although these informal research methods are less complex and less costly, they still must be conducted with care. Managers must think carefully about the objectives of the research, formulate questions in advance, recognize the biases introduced by smaller samples and less skilled researchers, and conduct the research systematically.[34]

International Marketing Research

International marketing research has grown tremendously over the past decade. International researchers follow the same steps as domestic researchers, from defining the research problem and developing a research plan to interpreting and reporting the results. However, these researchers often face more and different problems. Whereas domestic researchers deal with fairly homogeneous markets within a single country, international researchers deal with diverse markets in many different countries. These markets often vary greatly in their levels of economic development, cultures and customs, and buying patterns.

Nielsen Pop Quiz #19

HOW MANY COUNTRIES DOES IT TAKE TO BE THE WORLD'S LEADING GLOBAL INFOR MATION COMPANY?

WANT THE ANS WER? JUST ASK NIELSEN.

We know you're hard at work trying to navigate the global economy. You've got a company to run, or a division to overhaul, or a new product to launch, or an old product to revamp. You need information and insight that will help your business perform more successfully, whether it's in your backyard or the Kingdom of Bhutan.

That's where Nielsen can help.

From launching a new energy drink to introducing a social networking site to pinpointing the best location for the next smoothie shop, Nielsen works with Fortune 500 companies, start-ups and every size in-between to provide continuous understanding on issues that help shape the future. From working to learning, traveling, watching, blogging, eating, recycling, playing, texting and (occasionally) sleeping.

So if you're looking for a partner to cover broad swaths of the marketplace — or a single consumer in Dallas, Dakar or Delhi —Nielsen is here. There. And everywhere.

more questions? justasknielsen.com

nielsen

A) 1   B) 5   C) 28   D) 67   E) 102

ANSWER: E) Nielsen has more than 35,000 employees and serves clients in more than 100 nations. That's why Nielsen is proud to be considered the world's leading global information and media company.

⦿ **Some of the largest research services firms have large international organizations. The Nielsen Company has offices in more than 100 countries.**

In many foreign markets, the international researcher may have a difficult time finding good secondary data. Whereas U.S. marketing researchers can obtain reliable secondary data from dozens of domestic research services, many countries have almost no research services at all. Some of the largest international research services do operate in many countries. ⦿ For example, The Nielsen Company (the world's largest marketing research company) has offices in more than 100 countries, from Schaumburg, Illinois, to Hong Kong to Nicosia, Cyprus.[35] However, most research firms operate in only a relative handful of countries only. Thus, even when secondary information is available, it usually must be obtained from many different sources on a country-by-country basis, making the information difficult to combine or compare.

Because of the scarcity of good secondary data, international researchers often must collect their own primary data. For example, they may find it difficult simply to develop good samples. U.S. researchers can use current telephone directories, e-mail lists, census tract data, and any of several sources of socioeconomic data to construct samples. However, such information is largely lacking in many countries.

Once the sample is drawn, the U.S. researcher usually can reach most respondents easily by telephone, by mail, on the Internet, or in person. Reaching respondents is often not so easy in other parts of the world. Researchers in Mexico cannot rely on telephone, Internet, and mail data collection; most data collection is door to door and concentrated in three or four of the largest cities. In some countries, few people have phones or personal computers. For example, whereas there are 74 Internet users per 100 people in the United States, there are only 21 Internet users per 100 people in Mexico. In Kenya, the numbers drop to 8 Internet users per 100 people. In some countries, the postal system is notoriously unreliable. In Brazil, for instance, an estimated 30 percent of the mail is never delivered. In many developing countries, poor roads and transportation systems make certain areas hard to reach, making personal interviews difficult and expensive.[36]

Cultural differences from country to country cause additional problems for international researchers. Language is the most obvious obstacle. For example, questionnaires must be prepared in one language and then translated into the languages of each country researched. Responses then must be translated back into the original language for analysis and interpretation. This adds to research costs and increases the risks of error.

Translating a questionnaire from one language to another is anything but easy. Many idioms, phrases, and statements mean different things in different cultures. For example, a Danish executive noted, "Check this out by having a different translator put back into English what you've translated from English. You'll get the shock of your life. I remember [an example in which] 'out of sight, out of mind' had become 'invisible things are insane.'"[37]

Consumers in different countries also vary in their attitudes toward marketing research. People in one country may be very willing to respond; in other countries, nonresponse can be a major problem. Customs in some countries may prohibit people from talking with strangers. In certain cultures, research questions often are considered too personal. For example, in many Muslim countries, mixed-gender focus groups are taboo, as is videotaping female-only focus groups. Even when respondents are *willing* to respond, they may not be *able* to because of high functional illiteracy rates.

Despite these problems, as global marketing grows, global companies have little choice but to conduct such international marketing research. Although the costs and problems associated with international research may be high, the costs of not doing it—in terms of missed opportunities and mistakes—might be even higher. Once recognized, many of the problems associated with international marketing research can be overcome or avoided.

Public Policy and Ethics in Marketing Research

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

Intrusions on Consumer Privacy

Many consumers feel positive about marketing research and believe that it serves a useful purpose. Some actually enjoy being interviewed and giving their opinions. However, others strongly resent or even mistrust marketing research. They don't like being interrupted by researchers. They worry that marketers are building huge databases full of personal information about customers. Or they fear that researchers might use sophisticated techniques to probe our deepest feelings, peek over our shoulders as we shop, or eavesdrop on our conversations and then use this knowledge to manipulate our buying.

There are no easy answers when it comes to marketing research and privacy. For example, is it a good or bad thing that marketers track and analyze consumers' Web clicks and target ads to individuals based on their browsing and social networking behavior? Similarly, should we applaud or resent companies that monitor consumer discussions on YouTube, Facebook, Twitter, or other public social networks in an effort to be more responsive? For example, Dell uses Radian6 to routinely track social media conversations and often responds quickly. Someone commenting about Dell on a popular blog might be surprised by a response from a Dell representative within only a few hours. Dell views such monitoring as an opportunity to engage consumers in helpful two-way conversations. However, some disconcerted consumers might see it as an intrusion on their privacy.

Consumers may also have been taken in by previous "research surveys" that actually turned out to be attempts to sell them something. Still other consumers confuse legitimate marketing research studies with promotional efforts and say "no" before the interviewer can even begin. Most, however, simply resent the intrusion. They dislike mail, telephone, or Web surveys that are too long or too personal or that interrupt them at inconvenient times.

Increasing consumer resentment has become a major problem for the marketing research industry, leading to lower survey response rates in recent years. Just as companies face the challenge of unearthing valuable but potentially sensitive consumer data while also maintaining consumer trust, consumers wrestle with the trade-offs between personalization and privacy. Although many consumers willingly exchange personal information for free services, easy credit, discounts, upgrades, and all sorts of rewards, they also worry about the growth in online identity theft.

A study by TRUSTe, an organization that monitors the privacy practices of Web sites, found that more than 90 percent of respondents view online privacy as a "really" or "somewhat" important issue. More than 75 percent agreed with the statement, "The Internet is not well regulated, and naïve users can easily be taken advantage of." And 66 percent of Americans do not want marketers to track their online behavior and tailor advertisements to their interests. So it's no surprise that they are now less than willing to reveal personal information on Web sites.[38]

The marketing research industry is considering several options for responding to this problem. One example is the Marketing Research Association's "Your Opinion Counts" and "Respondent Bill of Rights" initiatives to educate consumers about the benefits of marketing research and distinguish it from telephone selling and database building. The industry also has considered adopting broad standards, perhaps based on the International Chamber of Commerce's International Code of Marketing and Social Research Practice. This code outlines researchers' responsibilities to respondents and the general public. For example, it says that researchers should make their names and addresses available to participants. It also bans companies from representing activities such as database compilation or sales and promotional pitches as research.[39]

Most major companies—including IBM, Facebook, Citigroup, American Express, and Microsoft—have now appointed a chief privacy officer (CPO), whose job is to safeguard the privacy of consumers who do business with the company. IBM's CPO claims that her job requires "multidisciplinary thinking and attitude." She needs to get all company departments, from technology, legal, and accounting to marketing and communications working together to safeguard customer privacy.[40]

In the end, if researchers provide value in exchange for information, customers will gladly provide it. For example, Amazon.com's customers do not mind if the firm builds a database of products they buy as a way to provide future product recommendations. This saves time and provides value. Similarly, Bizrate users gladly complete surveys rating online seller sites because they can view the overall ratings of others when making purchase decisions. The best approach is for researchers to ask only for the information they need, use it responsibly to provide customer value, and avoid sharing information without the customer's permission.

Misuse of Research Findings

Research studies can be powerful persuasion tools; companies often use study results as claims in their advertising and promotion. Today, however, many research studies appear to be little more than vehicles for pitching the sponsor's products. In fact, in some cases, the research surveys appear to have been designed just to produce the intended effect. Few advertisers openly rig their research designs or blatantly misrepresent the findings; most abuses tend to be more subtle "stretches." ⊙ Consider the following example:

> Based on a scientific study, the Kellogg Company recently proclaimed in ads and on packaging for Frosted Mini-Wheats that the cereal was "clinically shown to improve kids attentiveness by nearly 20%." When challenged by the Federal Trade Commission, however, the claims turned out to be a substantial stretch of the study results. Fine print at the bottom of the box revealed the following: "Based upon independent clinical research, kids who ate Kellogg's Frosted Mini-Wheats cereal for breakfast had up to 18 percent better attentiveness three hours after breakfast than kids who ate no breakfast." That is, as one critic noted, "Frosted Mini-Wheats are (up to) 18 percent better than starving." Moreover, according to the FTC complaint, the clinical study referred to by Kellogg actually showed that children who ate the cereal for breakfast *averaged* just under 11 percent better in attentiveness than children who ate no breakfast, and that only about one in nine improved by 20 percent or more. Kellogg

⊙ Misuse of research findings: The Federal Trade Commission recently challenged research-based advertising and packaging claims that Kellogg's Frosted Mini-Wheats were "clinically shown to improve kids attentiveness by nearly 20%."

settled with the FTC, agreeing to refrain from making unsubstantiated health claims about Frosted Mini-Wheats or other products and from misrepresenting the results of scientific tests.[41]

Recognizing that surveys can be abused, several associations—including the American Marketing Association, the Marketing Research Association, and the Council of American Survey Research Organizations (CASRO)—have developed codes of research ethics and standards of conduct. For example, the CASRO Code of Standards and Ethics for Survey Research outlines researcher responsibilities to respondents, including confidentiality, privacy, and avoidance of harassment. It also outlines major responsibilities in reporting results to clients and the public.[42]

In the end, however, unethical or inappropriate actions cannot simply be regulated away. Each company must accept responsibility for policing the conduct and reporting of its own marketing research to protect consumers' best interests and its own.

REVIEWING Objectives AND KEY Terms

To create value for customers and build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Such insights come from good marketing information. As a result of the recent explosion of marketing technology, companies can now obtain great quantities of information, sometimes even too much. The challenge is to transform today's vast volume of consumer information into actionable customer and market insights.

Objective 1 **Explain the importance of information in gaining insights about the marketplace and customers.** (pp 98–100)

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

Objective 2 **Define the marketing information system and discuss its parts.** (pp 100–102)

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

The MIS first *assesses information needs.* The MIS primarily serves the company's marketing and other managers, but it may also provide information to external partners. Then the MIS *develops information* from internal databases, marketing intelligence activities, and marketing research. *Internal databases* provide information on the company's own operations and departments. Such data can be obtained quickly and cheaply but often needs to be adapted for marketing decisions. *Marketing intelligence* activities supply everyday information about develop-

ments in the external marketing environment. *Market research* consists of collecting information relevant to a specific marketing problem faced by the company. Lastly, the MIS helps users analyze and use the information to develop customer insights, make marketing decisions, and manage customer relationships.

Objective 3 **Outline the steps in the marketing research process.** (pp 103–119)

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

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

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

Objective 4 **Explain how companies analyze and use marketing information.** (pp 119–121)

Information gathered in internal databases and through marketing intelligence and marketing research usually requires more analysis. To analyze individual customer data, many companies have now acquired or developed special software and analysis

techniques—called *customer relationship management* (*CRM*)—that integrate, analyze, and apply the mountains of individual customer data contained in their databases.

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

Objective 5 **Discuss the special issues some marketing researchers face, including public policy and ethics issues. (pp 121–126)**

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

KEY Terms

OBJECTIVE 1
Customer insights (p 99)
Marketing information system (MIS) (p 99)

OBJECTIVE 2
Internal databases (p 100)
Competitive marketing intelligence (p 101)

OBJECTIVE 3
Marketing research (p 103)
Exploratory research (p 103)
Descriptive research (p 103)
Causal research (p 103)
Secondary data (p 104)
Primary data (p 104)
Commercial online databases (p 106)
Observational research (p 107)
Ethnographic research (p 107)

Survey research (p 109)
Experimental research (p 110)
Focus group interviewing (p 111)
Online marketing research (p 112)
Online focus groups (p 113)
Sample (p 114)

OBJECTIVE 4
Customer relationship management (CRM; p 119)

PEARSON
mymarketinglab

- Check your understanding of the concepts and key terms using the mypearsonmarketinglab study plan for this chapter.
- Apply the concepts in a business context using the simulation entitled **Marketing Research**.

DISCUSSING & APPLYING THE Concepts

Discussing the Concepts

1. Discuss the real value of marketing research and marketing information and how that value is attained. (AACSB: Communication)

2. Discuss the sources of internal data and the advantages and disadvantages associated with this data. (AACSB: Communication)

3. Explain the role of secondary data in gaining customer insights. Where do marketers obtain secondary data, and what are the potential problems in using such data? (AACSB: Communication)

4. What are the advantages of Web-based survey research over traditional survey research? (AACSB: Communication)

5. Compare open-ended and closed-ended questions. When and for what is each type of question useful in marketing research? (AACSB: Communication; Reflective Thinking)

6. What are the similarities and differences when conducting research in another country versus the domestic market? (AACSB: Communication)

Applying the Concepts

1. Perform an Internet search on "social media monitoring" to find companies that specialize in monitoring social media. Discuss two of these companies. Then find two more sites that allow free monitoring and describe how marketers can use these to monitor their brands. Write a brief report on your findings. (AACSB: Communication; Use of IT; Reflective Thinking)

2. Summarize an article describing a marketing research study. Describe how the data were collected. Is the research objective exploratory, descriptive, or causal? Explain your conclusions. (AACSB: Communication; Reflective Thinking)

3. Focus groups are commonly used during exploratory research. A focus group interview entails gathering a group of people to discuss a specific topic. In a small group, research how to conduct a focus group interview and then conduct one with six to ten other students to learn what services your university could offer to better meet student needs. Assign one person in your group to be the moderator while the others observe and interpret the responses from the focus group participants. Present a report of what you learned from this research. (AACSB: Communication; Reflective Thinking)

FOCUS ON Technology

Picture yourself with wires hooked up to your head or entering a magnetic tube that can see inside your brain. You must be undergoing some medical test, right? Think again—it's marketing research! Marketing research is becoming more like science fiction with a new field called neuromarketing, which uses technologies such as magnetic resonance imaging (MRI) to peer into consumers' brains in an attempt to understand cognitive and affective responses to marketing stimuli. One company, Thinkingcraft, uses a methodology called "neurographix" to help marketers develop messages that fit the way customers think. The Omnicon advertising agency uses "neuroplanning" to determine the appropriate media mix for a client. One study found that consumers preferred Pepsi over Coke in blind taste tests but preferred Coke when

they could see the names of the brands tasted. Different areas of the brain were activated when they knew the brand compared to when they did not, suggesting that what marketers make us believe is more persuasive than what our own taste buds tell us.

1. Learn more about neuromarketing and discuss another example of its application. (AACSB: Communication; Technology)

2. Critics have raised concerns over the usefulness and ethics of this type of marketing research. Discuss both sides of the debate surrounding this methodology. (AACSB: Communication; Ethical Reasoning)

FOCUS ON Ethics

Marketing information helps develop insights into the needs of customers, and gathering competitive intelligence (CI) data supplies part of this information. CI has blossomed into a full-fledged industry, with most major companies establishing CI units. But not all CI gathering is ethical or legal—even at venerable P&G. In 1943, a P&G employee bribed a Lever Brothers (now Unilever) employee to obtain bars of Swan soap, which was then under development, to improve its Ivory brand. P&G settled the case by paying Unilever almost $6 million (about $60 million in today's dollars) for patent infringement—a small price to pay given the market success of Ivory. In 2001, P&G once again paid a $10 million settlement to Unilever for a case that involved a contractor rummaging through a trash dumpster outside Unilever's office, an infraction that was actually reported by P&G itself. More recently, the U.S. Attorney General's office halted a corporate espionage lawsuit be-

tween Starwood Hotels and Hilton Hotels because it is already pursuing criminal charges against Hilton and two executives it hired away from Starwood. The U.S. Secret Service estimates that employees commit 75 percent of intellectual property theft. The threat is not just internal, though. The FBI is tracking approximately 20 countries actively spying on U.S. companies.

1. Find another example of corporate espionage and write a brief report on it. Did the guilty party pay restitution or serve prison time? Discuss what punishments, if any, should be levied in cases of corporate espionage. (AACSB: Communication; Ethical Reasoning)

2. How can businesses protect themselves from corporate espionage? (AACSB: Communication; Reflective Thinking)

MARKETING & THE Economy

Harrah's Entertainment

Over the past decade, Harrah's Entertainment has honed its CRM skills to become bigger and more profitable than any other company in the gaming industry. The foundation of its success is Total Rewards, a loyalty program that collects a mother lode of customer information and mines it to identify important customers and meet their specific needs through a personalized experience. But in recent times, Harrah's has seen its flow of customers slow to a trickle. Not only are customers visiting less often, but the normally $50 gamer is now playing only $25. As a result, Harrah's revenues have slid for the past two years in a row. Harrah's isn't alone; the rest of the industry is also suffering as more people save their money or

spend it on necessities rather than entertainment. Harrah's CRM efforts have always focused on delighting every customer. The company claims that customer spending increases 24 percent with a happy experience. But even Harrah's uncanny ability to predict which customers will be motivated by show tickets, room upgrades, or free chips has not made Harrah's immune to the woes of an economic downturn.

1. Is the dip in Harrah's business unavoidable given recent economic troubles or can Harrah's find new ways to connect with customers? What would you recommend?

2. In difficult economic times, is it responsible for Harrah's to try to get people to spend more money on gambling?

MARKETING BY THE Numbers

Have you ever been disappointed because a television network cancelled one of your favorite television shows because of "low ratings"? The network didn't ask your opinion, did it? It probably didn't ask any of your friends, either. That's because estimates of television audience sizes are based on research done by the Nielsen Company, which uses a sample of 9,000 households out of the more than 113 million households in the United States to determine national ratings for television programs. That doesn't seem like enough, does it? As it turns out, statistically, it's significantly more than enough.

1. Go to http://www.surveysystem.com/sscalc.htm to determine the appropriate sample size for a population of 113 million households. Assuming a confidence interval of 5, how large should the sample of households be if desiring a 95 percent confidence level? How large for a 99 percent confidence level? Briefly explain what is meant by *confidence interval* and *confidence level*. (AACSB: Communication; Use of IT; Analytical Reasoning)

2. What sample sizes are necessary at population sizes of 1 billion, 10,000, and 100 with a confidence interval of 5 and a 95 percent confidence level? Explain the effect population size has on sample size. (AACSB: Communication; Use of IT; Analytical Reasoning)

VIDEO Case

Radian6

As more and more consumers converse through digital media, companies are struggling to figure out how to "listen in" on the conversations. Traditional marketing research methods can't sift through the seemingly infinite number of words flying around cyberspace at any given moment. But one company is helping marketers get a handle on "word-of-Web" communication. Radian6 specializes in monitoring social media, tracking Web sites ranging from Facebook to Flickr. Radian6's unique software opens a door to an entirely different kind of research. Instead of using questionnaires, interviews, or focus groups, Radian6 scans online social media for whatever combination of keywords a marketer might specify. This gives companies valuable insights into what consumers are saying about their products and brands.

After viewing the video featuring Radian6, answer the following questions.

1. What benefits does Radian6 provide to marketers over more traditional market research methods? What shortcomings?

2. Classify Radian6's software with respect to research approaches, contact methods, sampling plan, and research instruments.

3. How is Radian6 helping companies develop stronger relationships with customers?

COMPANY Case

Harrah's Entertainment:
Hitting the CRM Jackpot

Joseph, a 30-something New Yorker, recently went on a weekend trip to Atlantic City, New Jersey, where he hoped to stay at one of his favorite Harrah's resorts and enjoy some gaming and entertainment. Unfortunately for Joseph, he picked a weekend when all the hotels were booked solid. But after swiping his Harrah's Total Rewards card to play the tables, the pit boss came by and directed him to the front desk. He was told that a room had become available, and he could stay in it for a reduced rate of $100 a night. When he checked out two nights later, Joseph was told that all the room charges were on the house.

Was this sudden vacancy a case of lady luck smiling down on an Atlantic City visitor? Or was it a case of a company that knows what managing customer relationships truly means? If you ask any of Harrah's Total Rewards program members, they will tell you without hesitation that it's the latter. "They are very good at upgrading or in some cases finding a room in a full hotel," Joseph reported later. "And I always liked the fact that no matter where I gambled, Atlantic City, Vegas, Kansas City, or New Orleans, or which of their hotels I gambled in, I was always able to use my [Total Rewards card]."

Harrah's customers like Joseph aren't the only ones praising its customer-relationship management (CRM) capabilities. In fact, Harrah's program is considered by CRM experts to set the gold standard. With the Total Rewards program at the center of its business and marketing strategies, Harrah's Entertainment has the ability to gather data, convert that data into customer insights, and use those insights to serve up a customer experience like no other.

GATHERING DATA

One thing that makes Total Rewards so effective is that Harrah's has a customer relationship culture that starts at the top with president and CEO Gary Loveman. In 1998, Loveman joined the company and turned its existing loyalty program into Total Rewards. The program worked well from the start. But through smart investments and a continued focus, Harrah's has hit the CRM jackpot.

The mechanics of the program go something like this: Total Rewards members receive points based on the amount they spend at Harrah's facilities. They can then redeem the points for a variety of perks, such as cash, food, merchandise, rooms, and hotel show tickets.

The simplicity of Total Rewards gains power in volume and flexibility. Through numerous acquisitions over the past decade, Harrah's has grown to more than 50 properties under several brands across the United States, including Harrah's, Caesars, Bally's, Planet Hollywood, the Flamingo, and Showboat. Total Rewards members swipe their card every time they spend a dime at one of these properties: checking into 1 of 40,000 hotel rooms, playing 1 of 60,000 slot machines, eating at 1 of 390 restaurants, picking up a gift at 1 of 240 retail shops, or playing golf at 1 of its 7 golf courses. Over 80 percent of Harrah's customers—40 million in all—use a Total Rewards card. That's roughly one out of six adults in the United States. That's a big pile of data points. Added to this, Harrah's regularly surveys samples of its customers to gain even more details.

CUSTOMER INSIGHTS

Analyzing all this information gives Harrah's detailed insights into its casino operations. For example, "visualization software" can generate a dynamic "heat map" of a casino floor, with machines glowing red when at peak activity and then turning blue and then white as the action moves elsewhere. More importantly, Harrah's uses every customer interaction to learn something new about individuals—their characteristics and behaviors, such as who they are, how often they visit, how long they stay, and how much they gamble and entertain. "We know if you like gold . . . chardonnay, down pillows; if you like your room close to the elevator, which properties you visit, what games you play, and which offers you redeemed," says David Norton, Harrah's chief marketing officer.

From its Total Rewards data, Harrah's has learned that 26 percent of its customers produce 82 percent of revenues. And these best customers aren't the "high-rollers" that have long been focus of the industry. Rather, they are ordinary folks from all walks of life—middle-aged and retired teachers, assembly line workers, and even bankers and doctors who have discretionary income and time. Harrah's "low-roller" strategy is based on the discovery that these customers might just visit casinos for an evening rather than staying overnight at the hotel. And they are more likely to play the slots than the tables. What motivates them? It's mostly the intense anticipation and excitement of gambling itself.

Kris Hart, vice president of brand management for Harrah's, reports on a survey of 14,000 Total Rewards members.

> We did a lot of psychographic segmenting—looking at what were the drivers of people's behavior. Were they coming because of the location? Were they coming because there were incented to do so with a piece of direct mail? Were they coming because they have an affinity for a loyalty program? And that allowed us to look at segments that clumped around certain drivers . . . and it enabled us to construct our brands and messaging . . . in a way that would capitalize on those drivers.

CUSTOMER EXPERIENCE

Using such insights, Harrah's focuses its marketing and service development strategies on the needs of its best customers. For example, the company's advertising reflects the feeling of exuberance that target customers seek. Harrah's sends out over 250 million pieces of direct mail and almost 100 million e-mails to its members every year. A good customer can receive as many as 150 pieces of mail in a given year from one or all of its properties. From the customer's perspective, that might sound like a nightmare. But Harrah's has tested customer sentiment on receiving multiple mailings from multiple locations, and they actually like it. The reason is that the information that any given customer receives is relevant to them, not annoying. That's why Harrah's has a higher-than-average direct mail response rate.

Harrah's is certainly concerned about metrics, such as response rates, click-through rates, revenue, and customer profitability. But Harrah's program is one of the best because it places emphasis on knowing how all the outcomes are linked. And because Harrah's CRM culture extends from the IT department to front line employees, the gaming giant has an uncanny ability to translate all its data into an exceptional customer experience.

Marilyn Winn, the president of three Las Vegas resorts, lives and breathes Harrah's CRM culture. "My job is to make money for Harrah's Entertainment by creating a great climate for customers and employees." She focuses on what goes on inside her properties. She spot-checks details on casino floors and in gift shops. She attends weekly employee rallies that are not only a party but also a communications tool. Winn points out how Harrah's motivates its employees to do their best. "Every week, we survey our customers. Customer service is very specific at Harrah's, systematic." Based on customer service scores, employees have their own system for accumulating points and redeeming them for a wide variety of rewards, from iPads to pool equipment. "Every property has the goal to improve service. This is just one way we do it. We also use mystery shoppers to verify we are getting the service we want and we train our employees to our standards."

Harrah's combines its service culture with the brain center of Total Rewards. After a day's gaming, Harrah's knows which customers should be rewarded with free show tickets, dinner vouchers, or room upgrades. In fact, Harrah's processes customer information in real time, from the moment customers swipe their rewards cards, creating the ideal link between data and the customer experience. Harrah's chief information officer calls this "operational CRM." Based on up-to-the-minute customer information, "the hotel clerk can see your history and determine whether you should get a room upgrade, based on booking levels in the hotel at that time and on your past level of play. A person might walk up to you while you're playing and offer you $5 to play more slots, or a free meal, or perhaps wish you a happy birthday."

Harrah's is constantly improving its technology so that it can better understand its customers and deliver a more fine-tuned experience. Most recently, Total Rewards gained the ability to track and reward nongaming spending. This is good for people who don't view themselves as big gamblers. "We wanted to make it relevant to them as well because they could spend a couple of hundred dollars on a room, the spa, food, and shows and not be treated any better than a $50-a-day customer," Norton said. This demonstrates the "total" part of Total Rewards. It isn't a program about getting people into casinos. It's a program designed to maximize the customer experience, regardless of what that experience includes.

HITTING TWENTY-ONE

Harrah's CRM efforts have paid off in spades. The company has found that happy customers are much more loyal. Whereas customer spending decreases by 10 percent based on an unhappy casino experience, it increases by 24 percent with a happy experience. And Harrah's Total Rewards customers appear to be a

happier bunch. Compared with nonmembers, member customers visit the company's casinos more frequently, stay longer, and spend more of their gambling and entertainment dollars in Harrah's rather than in rival casinos. Since setting up Total Rewards, Harrah's has seen its share of customers' average annual gambling budgets rise 20 percent, and revenue from customers gambling at Harrah's rather than their "home casino" has risen 18 percent.

Although Harrah's and the entire gaming industry were hit hard by the Great Recession, things are turning back around. Through its acquisitions and the success of its Total Rewards program, Harrah's is the biggest in its industry, with over $10 billion in revenue last year. Loveman calls Total Rewards "the vertebrae of our business," and says "it touches, in some form or fashion, 85 percent of our revenue." He says that Harrah's "customer-loyalty strategy [and] relationship-marketing . . . are constantly bringing us closer to our customers so we better understand their preferences, and from that understanding we are able to improve the entertainment experiences we offer." Companies everywhere covet the title "The world's greatest." In the gaming industry, Harrah's Entertainment rightly claims that title.

Questions for Discussion

1. Briefly discuss Harrah's marketing information system, using Figure 4.1 as a guide.

2. Describe the relationship between Harrah's marketing information system and Harrah's managers and employees.

3. Why does Harrah's system work so well compared to MIS efforts by other companies?

4. To what extent is Harrah's in danger of a competitor copying its system?

Sources: Richard Abowitz, "The Movable Buffet," *Los Angeles Times*, May 23, 2010, p. D12; Michael Bush, "Why Harrah's Loyalty Effort Is Industry's Gold Standard," *Advertising Age*, October 5, 2009, p. 8; Megan McIlroy, "Why Harrah's Opted to Roll Dice on $5 Billion Merger with Caesars," *Advertising Age*, October 15, 2007, p. 18; Daniel Lyons, "Too Much Information," *Forbes*, December 13, 2004, p. 110; John Kell, "Harrah's Loss Widens on Debt-Payment Costs," *Wall Street Journal*, April 27, 2010.

5

Consumer Markets and Consumer Buyer Behavior

Chapter Preview

In the previous chapter, you studied how marketers obtain, analyze, and use information to develop customer insights and assess marketing programs. In this chapter and the next, we continue with a closer look at the most important element of the marketplace—customers. The aim of marketing is to affect how customers think and act. To affect the *whats*, *whens*, and *hows* of buyer behavior, marketers must first understand the *whys*. In this chapter, we look at *final consumer* buying influences and processes. In the next chapter, we'll study the buyer behavior of *business customers*. You'll see that understanding buyer behavior is an essential but very difficult task.

To get a better sense of the importance of understanding consumer behavior, we begin by first looking at Apple. What makes Apple users so fanatically loyal? Just what is it that makes them buy a Mac computer, an iPod, an iPhone, an iPad, or all of these? Partly, it's the way the equipment works. But at the core, customers buy from Apple because the brand itself is a part of their own self-expression and lifestyle. It's a part of what the loyal Apple customer is.

Apple: The Keeper of All Things Cool

Few brands engender such intense loyalty as that found in the hearts of core Apple buyers. Whether they own a Mac computer, an iPod, an iPhone, or an iPad, Apple devotees are granitelike in their devotion to the brand. At one end are the quietly satisfied Mac users, folks who own a Mac and use it for e-mailing, browsing, and social networking. At the other extreme, however, are the Mac zealots—the so-called MacHeads or Macolytes. The *Urban Dictionary* defines a Macolyte as "one who is fanatically devoted to Apple products," as in "He's a Macolyte; don't even *think* of mentioning Microsoft within earshot."

The chances are good that you know one of these Mac-Heads. Maybe you *are* one. They're the diehards who buy all the latest Apple products and accessories to maximize their Mac lives. They virtually live in the local Apple store. Some have even been known to buy two iPhones—one for themselves and the other just to take apart, to see what it looks like on the inside, and maybe, just to marvel at Apple's ingenious ability to cram so much into a tight little elegant package.

There's at least a little MacHead in every Apple customer. Mac enthusiasts see Apple founder Steve Jobs as the Walt Disney of technology. Say the word *Apple* in front of Mac fans, and they'll go into rhapsodies about the superiority of the brand. Some MacHeads even tattoo the Apple logo on their bodies. According to one industry observer, a Mac or iPhone comes "not just as a machine in a box, it [comes] with a whole community" of fellow believers.

What is it that makes Apple buyers so loyal? Why do they buy a Mac instead of an HP or a Dell, or an iPhone instead of brands from Nokia, LG, or Motorola? Ask the true believers, and they'll tell you simply that Apple's products work better and do more or are simpler to use. But Apple buyer behavior has much deeper roots. Apple puts top priority on understanding its customers and what makes them tick deep down. It knows that, to Apple buyers, a Mac computer or an iPhone is much more than just a piece of electronics equipment. It's a part of the buyer's own self-expression and lifestyle—a part of what each person is. When you own a Mac, you are anything but mainstream. You're an independent thinker, an innovator, and ahead of the crowd.

Apple plays to these deep-seated customer buying needs and motives in everything it makes and sells. By one account:

Apple is the epitome of cool—a company that has gained a cultlike following because it somehow manages to breathe new life into every category it touches. From sleek laptops to the even sleeker iPhone, Apple products are imaginative, irreverent, pleasing to the eye, and fun to use. Apple has shown "a marketing and creative genius with a rare ability to get inside the imaginations

> Thanks to Apple's deep understanding of consumer behavior, the Apple brand engenders an intense loyalty in the hearts of core Apple customers. This consumer love affair with Apple has produced stunning sales and profit results.

of consumers and understand what will captivate them," says one analyst. Apple has been "obsessed with the Apple user's experience."

Apple's obsession with understanding customers and deepening their Apple experience shows in everything the company does. For example, a visit to an Apple retail store is a lot more than a simple shopping trip. Apple stores are very seductive places. The store design is clean, simple, and just oozing with style—much like an iPod or iPhone. The stores invite shoppers to stay a while, use the equipment, and soak up all of the exciting new technology:

It was two o'clock in the morning but in the subterranean retailing mecca in Midtown Manhattan, otherwise known as the Apple store, it might as well have been midafternoon. Late one night shortly before Christmas, parents pushed strollers, and tourists straight off the plane mingled with nocturnal New Yorkers, clicking through iPod playlists, cruising the Internet on Macs, and touch-padding their way around iPhones. And through the night, cheerful sales staff stayed busy, ringing up customers at the main checkout counter and on handheld devices in an uninterrupted stream of brick-and-mortar commerce.

Not only has the company made many of its stores feel like gathering places, but the bright lights and equally bright acoustics create a buzz that makes customers feel more like they are at an event than a retail store. Apple stores encourage a lot of purchasing, to be sure. But they also encourage lingering, with dozens of fully functioning computers, iPods, and iPhones for visitors to try—for hours on end. The policy has even given some stores, especially those in urban neighborhoods, the feel of a community center. You don't visit an Apple store; you experience it.

Apple's keen understanding of customers and their needs helped the brand to build a core segment of enthusiastic disciples. The most recent American Consumer Satisfaction Index gave Apple a market-leading customer-satisfaction score of 84, a full 10 points above the rest of the pack in the personal computer industry. Another survey showed that Apple commands the strongest repurchase intent of any personal computer brand: 81 percent of households with an Apple as their primary home personal computer plan to repurchase an Apple.

In turn, the consumer love affair with Apple has produced stunning sales and profit results. In the past five years, despite the worst economic conditions since the Great Depression, Apple sales have nearly tripled to a record $36.5 billion, while earnings soared more than fourfold. The company was worth only $5 billion in 2000; it's worth about $170 billion today. Apple captures more than 30 percent of the U.S. cell phone market with the iPhone and more than 73 percent of the MP3 market with the iPod and iTunes. Last year alone, it sold more than 20 million iPhones and 54 million iPods. Apple now claims a 9 percent share of the U.S. personal computer market—third behind HP and Dell. But it dominates the high-end, accounting for an amazing 90 percent of dollars spent on computers costing more than $1,000.

"To say Apple is hot just doesn't do the company justice," concludes one Apple watcher. "Apple is smoking, searing, blisteringly hot, not to mention hip, with a side order of funky. Gadget geeks around the world have crowned Apple the keeper of all things cool." Just ask your Macolyte friends. In fact—they've probably already brought it up.[1]

Apple plays to deep-seated customer buying needs in everything it makes and sells. The company has gained a cultlike following because it somehow manages to breathe new life into every category it touches.

Consumer buyer behavior
The buying behavior of final consumers—individuals and households that buy goods and services for personal consumption.

Consumer market
All the individuals and households that buy or acquire goods and services for personal consumption.

The Apple example shows that factors at many levels affect consumer buying behavior. Buying behavior is never simple, yet understanding it is an essential task of marketing management. **Consumer buyer behavior** refers to the buying behavior of final consumers—individuals and households that buy goods and services for personal consumption. All of these final consumers combine to make up the **consumer market**. The American consumer market consists of more than 308 million people who consume more than $10 trillion worth of goods and services each year, making it one of the most attractive consumer markets in the world. The world consumer market consists of more than 6.8 billion people who annually consume an estimated $70 trillion worth of goods and services.[2]