Defining the Market Research Problem

Defining the Marketing Research Problem and Developing an Approach

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Defining the Market Research Problem

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One day I received a phone call from a research analyst who introduced himself as one of our alumni. He was working for a restaurant chain in town and wanted help analyzing the data he had collected while conducting a marketing research study.

When we met, he presented me with a copy of the questionnaire and asked how he should analyze the data. My first question to him was, "What is the problem being addressed?"
Chain Restaurant Study

When he looked perplexed, I explained that data analysis is not an independent exercise.

Rather, the goal of data analysis is to PROVIDE INFORMATION RELATED TO THE PROBLEM COMPONENTS.

Chain Restaurant Study

I was surprised to learn that he did not have a clear understanding of the marketing research problem and that a written definition did not exist. So before going any further, I had to define the marketing research problem.

Once that was done, I found that much of the data collected was not relevant to the problem. In this sense, the whole study was a waste of resources. A new study had to be designed and implemented to address the problem defined.
tasks involved in problem definition

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

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

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

The Seven Cs of Interaction

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

1. Communication
2. Cooperation
3. Confidence
4. Candor
5. Closeness
6. Continuity
7. Creativity
Defining the Market Research Problem

Factors to be Considered in the Environmental Context of the Problem

- Past Information and Forecasts
- Resources and Constraints
- Objectives
- Buyer Behavior
- Legal Environment
- Economic Environment
- Marketing and Technological Skills

Management Decision Problem Vs. Marketing Research Problem

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

**Proper Definition of the Research Problem**

Marketing Research Problem

Broad Statement

Specific Components

**Problem Definition**

In the department store project, the marketing research problem is to determine the relative strengths and weaknesses of Sears, vis-à-vis other major competitors, with respect to factors that influence store patronage. Specifically, research should provide information on the following questions.

1. What criteria do households use when selecting department stores?
2. How do households evaluate Sears and competing stores in terms of the choice criteria identified in question 1?
3. Which stores are patronized when shopping for specific product categories?
4. What is the market share of Sears and its competitors for specific product categories?
5. What is the demographic and psychological profile of the customers of Sears? Does it differ from the profile of customers of competing stores?
6. Can store patronage and preference be explained in terms of store evaluations and customer characteristics?
Defining the Market Research Problem

### Components of an Approach

- Objective/Theoretical Foundations
- Analytical Model
- Research Questions
- Hypotheses
- Specification of the Information Needed

### The Role of Theory in Applied Marketing Research

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<th>Research Task</th>
<th>Role of Theory</th>
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<td>1. Conceptualizing and identifying key variables</td>
<td>Provides a conceptual foundation and understanding of the basic processes underlying the problem situation. These processes will suggest key dependent and independent variables.</td>
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<td>2. Operationalizing key variables</td>
<td>Theoretical constructs (variables) can suggest independent and dependent variables naturally occurring in the real world.</td>
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<td>3. Selecting a research design</td>
<td>Causal or associative relationships suggested by the theory may indicate whether a causal or descriptive design should be adopted.</td>
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<td>4. Selecting a sample</td>
<td>The theoretical framework may be useful in defining the population and suggesting variables for qualifying respondents, imposing quotas, or stratifying the population (see Chap. 11).</td>
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<td>5. Analyzing and interpreting data</td>
<td>The theoretical framework (and the models, research questions and hypotheses based on it) guide the selection of a data analysis strategy and the interpretation of results (see Chap. 14).</td>
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<td>6. Integrating findings</td>
<td>The findings obtained in the research project can be interpreted in the light of previous research and integrated with the existing body of knowledge.</td>
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An **analytical model** is a set of variables and their interrelationships designed to represent, in whole or in part, some real system or process.

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

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

- Awareness
- Understanding: Evaluation
- Preference
- Patronage
### Mathematical Models

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

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

Where

\( y \) = degree of preference

\( a_0, a_i \) = model parameters to be estimated statistically

### Development of Research Questions and Hypotheses

- **Objective/Theoretical Framework**
- **Analytical Model**
- **Components of the Marketing Research Problem**
- **Research Questions**
- **Hypotheses**
Research Questions and Hypotheses

- **Research questions** (RQs) are refined statements of the specific components of the problem.
- A **hypothesis** (H) is an unproven statement or proposition about a factor or phenomenon that is of interest to the researcher. Often, a hypothesis is a possible answer to the research question.

Department Store Project

- RQ: Do the customers of Sears exhibit store loyalty?
- H1: Customers who are store loyal are less knowledgeable about the shopping environment.
- H2: Store-loyal customers are more risk-averse than are non-loyal customers.
Department Store Project

Specification of Information Needed

Component 1
- The researcher identified the following factors as part of the choice criteria: quality of merchandise, variety and assortment of merchandise, returns and adjustment policy, service of store personnel, prices, convenience of location, layout of store, credit and billing policies. The respondents should be asked to rate the importance of each factor as it influences their store selection.

Component 2
- The researcher identified nine department stores as competitors to Sears based on discussions with management. The respondents should be asked to evaluate Sears and its nine competitors on the eight choice criteria factors.

Component 3
- Sixteen different product categories were selected, including women's dresses, women's sportswear, lingerie and body fashion, junior merchandise, men's apparel, cosmetics, jewelry, shoes, sheets and towels, furniture and bedding, and draperies. The respondents should be asked whether they shop at each of the ten stores for each of the 16 product categories.

Component 4
- No additional information needs to be obtained from the respondents.
Component 5

- Information should be obtained on the standard demographic characteristics and the psychographic characteristics of store loyalty, credit use, appearance consciousness, and combining shopping with eating.

Component 6

- No additional information needs to be obtained from the respondents.

At United, Food is Uniting the Airline with Travelers

United Airlines, as other major airlines, had to deal with passenger loyalty (management decision problem: how to attract more and more loyal passengers). The broad marketing research problem was to identify the factors that influence loyalty of airline travelers.
At United, Food is Uniting the Airline with Travelers

The basic answer is to improve service. Exploratory research, theoretical framework, and empirical evidence revealed that the consumers’ choice of an airline is influenced by: safety, price of the ticket, frequent-flyer program, convenience of scheduling, and brand name.

A graphical model stipulated that consumers evaluate competing airlines based on factors of the choice criteria to select a preferred airline. The problem was that major airlines were quite similar on these factors. Indeed, “airlines offer the same schedules, the same service, and the same fares.” Consequently, United Airlines had to find a way to differentiate itself. Food turned out to be the solution.
Secondary data, like the J. D Power & Associates' survey on "current and future trends in airline food industry," indicated that "food service is a major contributor to customers’ loyalty." This survey also emphasized the importance of food brands.

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The airline's Marketrak survey told United Airlines that "customers wanted more varied and up-to-date food."

The following research questions and hypotheses may be posed.

RQ1: How important is food for airline customers?

H1: Food is an important factor for airline travelers.

H2: Travelers value branded food.

H3: Travelers prefer larger food portions, but with consistent quality.

H4: Travelers prefer exotic food.
At United, Food is Uniting the Airline with Travelers

Characteristics which influence the research design included the identification of competing airlines (Delta, American, etc.), factors of the choice criteria (already identified), measurement of airline travel, and loyalty.

This kind of research helped United Airlines to define their marketing research problem, and develop the approach. Focus groups and surveys were conducted to check customers' perceptions of food in United Airlines' aircraft. The results provided support for all the hypotheses (H1 to H4). United Airlines then made a few changes: new "culinary menus," larger portions of food, new coffee, and branded products (e.g., Godiva chocolates). This resulted in better service, increasing customer satisfaction and fostering loyalty.
1. Define the marketing research problem in terms of domestic environmental and cultural factors.

2. Define the marketing research problem in terms of foreign environmental and cultural factors. Make no judgments.

3. Isolate the self-reference criterion (SRC) influence on the problem and examine it carefully to see how it complicates the problem.

4. Redefine the problem without the SRC influence and address it for the foreign market situation.