Marketing Research 8th edition Burns Solutions Manual

SKU: 9780134167404-SOLUTIONS

CHAPTER 2

THE MARKETING RESEARCH INDUSTRY

LEARNING OBJECTIVES

In this chapter you will learn:

2-1 To learn a brief history of the marketing research industry

2-2 To learn the different types of marketing research firms

2-3 To be aware of the industry structure of marketing research

2-4 To be aware of challenges to the marketing research industry

2-5 To appreciate the areas of ethical sensitivity in the marketing research process and to be aware of industry initiatives for self-improvement

2-6 To learn about careers in the marketing research industry

CHAPTER OUTLINE

The Marketing Research Industry

Evolution of an Industry

- Earliest studies
    - *Charles Coolidge Parlin* gathered information on customers and markets to help sell advertising space; considered the "Father of Marketing Research"
- Why did the industry grow?
    - *The Industrial Revolution* and the desire to sell goods in distant markets
- The 20th century led to a "mature industry"

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- A. C. Nielson, Gallup polls, and focus groups became collectively considered qualitative marketing research
- Computer revolution and increased use of the Internet in the 1990s and 2000s

Who Conducts Marketing Research?

- *Client-side* marketing research used to understand customers, distributors, competitors, or the environment in which a firm operates.
- *Do-it-yourself research* is one of the most important emerging trends in client-side marketing. This includes online survey platforms, social media monitoring tools, data analysis and visualization dashboards
- *Supply-side* marketing research uses outside agencies or suppliers to generate research for a firm.

The Industry Structure

- Firm size by revenue
- Types of firms and their specialties
  - *Full-service supplier* firms conduct the entire marketing research project for the buyer; defining the problem, research design, data collection and analysis
  - *Limited-service supplier* firms specialize in one or a few marketing research activities

Industry Performance

- Industry revenues and profits
- Qualitative evaluations of the industry

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Challenges to the Marketing Research Industry

- New and evolving sources of data and methods
    - Electronic surveys result in more primary data
    - *Passive data* is data gathered without overt questioning or other types of interaction with consumers
- The effective communication of results
- Need for talented and skilled employees
- Methodologies are one of the biggest challenges faced today

Industry Initiatives

- Industry initiatives
- Best practices
- Maintaining public credibility of research
    - The *Transparency Initiative* was launched in 2014 to encourage disclosure of research methods in an attempt to prevent *sugging*, the practice of using opinion surveys as lead-ins for sales pitches, and *frugging*, the practice of raising funds under the guise of research
- Monitoring industry trends
- Improving ethical conduct
    - Fair dealings with respondents including voluntary participation, confidentiality, professionalism, being told the truth and working with minors

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- Fair dealings with clients and subcontractors include confidentiality, work carried out according to the agreement, safe guarding of client identity, use of secondary research, ownership of research, the ability to monitor studies and following profession codes, laws, and regulations
- Maintaining research integrity including not falsifying data and reported results accurately and honestly
- Concern for society by ensuring transparency in information, and upholding the public's confidence in research
- Certification of qualified research professionals
- Continuing education including conferences, workshops, webinars, and other forms of education

A Career in Marketing Research

Where You've Been and Where You're Headed

KEY TERMS

Professional Researcher Certification (PRC)	Agency
Charles Coolidge Parlin	Supplier
Client-side research	Supply-side research
Agency	MRS
Full-service supplier firms	Limited-service supplier
Sugging	ESOMAR
Frugging	Transparency Initiative
AAPOR	MRA
CASRO	MRIA

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National Do Not Call Registry

Do-it-yourself (DIY) research

ESOMAR

MRS

TEACHING SUGGESTIONS

1. Instructors may want to bear in mind that the historical development of marketing research is not as interesting to students as it is to instructors. Most students will relate only to the present-day. If you have personal experiences or observations to illustrate some of the changes in marketing research over time, use them, but you should be aware that, depending how far back in history you give personal examples, you will be dating yourself. Most students were born after 1990.

2. Ask students if they can detect the three main causes for the changes in marketing research over its history. One is evolution of markets where we moved from local markets where buyers and sellers were neighbors to global ones where buyers and sellers are from completely different cultures. This drives the need for information about the marketing environment. Another is changes in technology ranging from questionnaire design to computerization that have been adopted by marketing research. The third cause is the combination of PC technology (namely the Internet) and globalization effected by online research. Class discussion and examples of one or all three of these forces can be fruitful. Select a company that has global marketing aspirations and have students identify what research questions are relevant as it moves into different countries and cultures

3. Some topics that you might want to describe to students to open their eyes up to the impact of technology on marketing research are the following: (1) single source data where purchases of a family's (for example) grocery products are captured across several weeks, (2) focus groups that take place over the Internet using video cameras and chat software, or (3) handheld computers that administer customer satisfaction questionnaires to existing customers at (for example) automobile dealership service centers.

4. Students may not understand the distinctions between the three internal research suppliers: (a) formal department, (b) single individual, and (c) no one responsible. If possible, have a representative from each organizational type come to the class and discuss how marketing research takes place in his/her company. Alternatively, describe the situations based on your knowledge of representative companies.

5. Most students will think that all marketing research companies are full-service. One way to help them understand about the limited service companies is to say that they are practicing niche marketing. They have found niches in the research industry, and they specialize in performing their functions very well.

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6. Save copies of the *Marketing News* and bring them to class. After reviewing full-service and limited-service marketing research firms, hand out the newspapers and have students look at the marketing research company ads. Let selected students summarize the services of companies they have singled out. Alternatively, select the ads yourself, make overhead transparencies or PowerPoint slides, and use them in class when you cover this topic in your class presentation. Another approach, if you have multimedia classroom capability, is to find the Internet sites for various types of marketing research firms and to illustrate the products and services of these different firms during class.

7. If your college has a business research division, invite its director to come to class and describe the various research activities that take place there. Alternatively, such divisions sometimes have Internet sites with descriptions and examples of their products, services, and activities that can be viewed in a classroom with multimedia capabilities.

8. The chapter indicates that formal marketing research departments are typically only found in large companies, and often they are very small. Ask students what this implies about a career in marketing research. You might tie this discussion in with the careers in marketing research appendix. Points to be made are: (1) it will probably take a master's degree to break into the management level, (2) you will probably have to locate in a major metropolitan area, but (3) there will be opportunities for sharp managers who know something about marketing research in medium- and small-sized companies because they don't have marketing research personnel.

9. Many students are surprised that the research industry has not performed at an outstanding level. As an opening to this class discussion, you can ask, "What does it take to start up a marketing research company?" Students will mistakenly say it will take a degree in marketing research, a master's degree, or even a Ph.D.! However, there are no formal requirements, and literally anyone can say he/she is a marketing researcher. This revelation may shed some light on the performance deficiency or otherwise point out the need for a certification system.

10. It is important that students come to realize the ethical issues in marketing research early on, and this is why this topic is introduced in chapter 2. Also, they need to be made aware that philosophical differences exist. Going over the various ethical issue areas is worthwhile, but sugging and frugging invariably generate the most class interest and story-telling.

11. The right to privacy issue is a major worry in the research industry. Ask students what they believe are their personal privacy rights and how they enforce them when they are violated. Then turn the tables by telling them that they have taken on a job as a telephone interviewer where they will be compensated $5 for each completed interview. What would they do to make money? Sometimes students do an about face on privacy when they are worried about making enough money to pay their rent.

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How far students seem willing to go to pay the rent in this situation can be a good springboard to discuss ethical versus practical issues.

12. It is always fun to ask students if they have been "sugged" or "frugged" recently. Those who have not read the chapter will be immediately obvious, as sugging and frugging invariably stick in students' minds. Those who have no clue obviously did not read the chapter before class.

ACTIVE LEARNING EXERCISE

Learn More about the Firms in the Marketing Research Industry

Go to the American Marketing Association website at: www.marketingpower.com. At the top of the web page, choose "Resource Library." At the left margin, click on "AMA Publications" and then select "Marketing News." On the right side you should see both Honomichl reports listed. These will be pdf files that you can navigate to learn more about research companies.

This exercise is intended to expose students to the deeply to the marketing research industry by reading descriptions of the top companies. Both documents contain detailed descriptions of the operations, services, and products of the major marketing research companies.

There is definitely too much material for a single student, so one strategy is to assign a company to each student to do a report or short presentation. The students should also visit the company website for news, new products, white papers, testimonials, success stories, etc.

ANSWERS TO END-OF-CHAPTER QUESTIONS

1. *Who is known as the "Father of Marketing Research" and why?*
   Charles Coolidge Parlin is considered the "father of marketing research". He was hired by a publishing company to gather information about customers and markets to help Curtis sell advertising space. Parlin's research was successful and his researched led to an increase in advertising for the *Saturday Evening Post* magazine.

2. *Why did marketing research expand by the 1930s?*
   Markets became more geographically diverse. Previously businesses were located close to their consumer. When manufacturers began producing goods for distant markets, the need for research emerged

3. *Focus groups are considered to be what type of research?*
   Focus groups are qualitative research.

4. *Define client-side research.*

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Client-side research is research that is conducted within an organization. Larger firms often have formal departments devoted to marketing research. Large firms use this research to recognize the need to develop innovative approaches to marketing.

5. *What are some advantages and disadvantages of DIY research?*
   DIY research is helped by online access to secondary data and better knowledge of data analysis software. This research is more cost-effective, and an increasing number of tools are being developed to allow firms to conduct their own research. However, some business owners and managers do not have the time or expertise to feel confident about using DIY for important issues.

6. *Define supply-side research. What is another name for supplier firms?*
   Supply-side research is research conducted by an outside firm to fulfill a company's marketing research needs. It is often referred to as an *agency,* or simply as a *supplier.* These firms specialize in marketing research and offer their services to buyers needing information to make more informed decisions.

7. *What are full-service supplier-firms? What type of services do they provide?*
   Full-service supplier firms have the capability to conduct the entire marketing research project for buyer firms. Services provided include problem definition, specify the research design, collect and analyze the data, and prepare the final written report.

8. *Describe limited-service supplier firms.*
   Limited-service supplier firms are marketing firm that specializes in one or, at most, a few marketing research activities.

9. *Explain the meaning of the statement that the "marketing research industry thrives off derived demand."*
   The marketing research industry relies on derived demand. As client firms develop new products, expand into new markets, examine new opportunities, and develop and evaluate new promotional campaigns, they need information to guide their decisions. As the world economy continues to improve, client firms' businesses will grow and so will the revenues and profits of the marketing research firms that support them.

10. What began to drastically change the marketing research industry in the 1990s? Why?
    The Internet allowed for development of new online services such as data collection, sampling, analysis, and reporting. During the 1990s and the early 2000s, the industry, taking advantage of the Internet, developed many new online services such as data collection, sampling, analysis, and reporting. Consolidation was driven by the need to globalize. As client firms expanded their operations around the world, U.S. research firms followed their clients by either expanding or merging or acquiring firms in other countries. Likewise, research firms in other countries moved to the United States.

11. *What are three challenges facing the marketing research industry? Why?*
    With the fast speed of technological change, the marketing research industry is currently facing a number of important challenges. Three of those challenges include new and evolving sources of data and methodologies, the effective communication of results, and the need for talented and skilled employees.

12. *Is it ethical for OKCupid to conduct experiments on its users? Explain.*

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How students feel about the ethics surrounding OKCupid's practice may vary.

OKCupid has announced that it conducts experiment on its users. In one experiment, the popular online dating site falsified the "match percentage" to make it appear that potential pairs were much better matches than they actually were. The results showed that, when told they are good matches, OKCupid pairs are more likely to connect with messages. Still, the highest rate of connections occurs when pairs actually are good matches. When the experimental period was completed, OKCupid revealed to the users whose scores had been manipulated that they had been part of an experiment and then told them their real compatibility scores.

13. *What movement spawned an increase in company awareness of methods leading to improvement? Describe some of these methods.*
The move toward Total Quality Management in the 1990s spawned an increase in companies' awareness of methods leading to improvement. One such method was spelling out best practices to help companies set benchmarks for performance in key areas. Many of the professional organizations serving the marketing research industry have a program of best practices.

14. *Define sugging and frugging.*
Sugging is selling under the guise of research; Frugging is fundraising under the guise of research.

15. *What commonalities exist in the major marketing research associations' code of ethics?*
Fair dealing with respondents, fair dealings with clients and subcontractors, maintaining research integrity, concern for society

16. *What is the PRC, and what is it designed to do?*
The Professional Researcher Certification is designed to recognize the qualifications and expertise of marketing and opinion research professionals.

CASE SOLUTIONS

Case 2.1 Heritage Research Associates

Case Objective

This case provides students the opportunity to apply the MRA Code of Marketing Research Standards.

Answers to Case Questions

1. *Do you think it is ethical to use membership in an association that doesn't require any demonstration of expertise to lead customers into thinking the membership conveys some automatic claim of competency?*

   Their membership in the organization is an accurate statement.

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2. *Consult the MRA Code of Marketing Research Standards. Is the answer to question 1 covered? Explain.*

The MRA code states that members will not misrepresent themselves as having qualifications, experience, skills, resources or other facility locations that they do not possess. While Heritage Research Associates will not directly refer to membership in the Marketing Research Association as proof of competency it could be viewed as such by some consumers.

3. *What problems do you see in the future for Tim and John and Heritage Research Associates? Do you think they are likely to become the "most talked-about research firm in the world"?*

The clients are indicating what the outcome of the research should be and supplying support for this type of outcome based on the support of three highly degreed scientists from "well-known universities." This could lead Heritage Research Associates to "look" for the results that the clients would like to see. Tim and John have little experience and education and may be tempted to rely on these scientists instead of developing and creating a study that will lead to unbiased results.

Tim and John and Heritage Research Associates need to ensure that they follow the best practices and standards that are outlined in the MRA Code of Standards.

4. *Consult the MRA Code of Marketing Research Standards. Are there any standards that back up your answers to question 3?*

The MRA Code of Standards requires:
Members will never falsify or omit data for any reason at any phase of a research study or project. It is a basic tenet of the profession, and incumbent on every MRA member to conduct the business of survey and opinion research with the utmost of integrity. Falsifying data of any kind for any reason, or omitting data that do not conform to preconceived notions, will not be tolerated.

All marketing and opinion research released for public consumption (e.g. p-r release research) will comply with prevailing research standards specified in this Code and include statements disclosing (1) the method of data collection, (2) the date(s) of data collection, (3) the sampling frame, (4) the sampling method, (5) the sample size, and (6) the calculated margin of error for quantitative studies.

Public "Release research (p-r research) is research conducted for the purpose of generating media-worthy headlines. This research can be conducted solely for this purpose or can be comprised of results extracted from research whose objectives were broader but whose outcomes lend themselves to release to the media. The

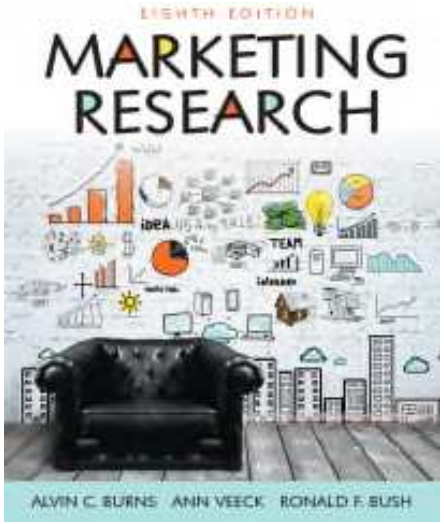
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overriding ethos regardless of the intended use of the research is to produce accurate statistics that have significance.

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CHAPTER 2

The Marketing Research Industry



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LEARNING OBJECTIVES

In this chapter you will learn:

2-1 A brief history of the marketing research industry

2-2 The different types of marketing research firms

2-3 The industry structure of marketing research

2-4 New challenges to the marketing research industry

2-5 The areas of ethical sensitivity in the marketing research process and industry initiatives for self-improvement

2-6 How to investigate careers in the marketing research industry

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Evolution: Earliest Known Studies

- Charles Coolidge Parlin, known as the “father of marketing research”, conducted the first continuous marketing research in the early 1900s for the Curtis Publishing Company.
- The purpose of Parlin’s research was to increase advertising for *Saturday Evening Post* magazine.

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Industry Growth

- The Industrial Revolution led to manufacturers producing goods for distant markets.
- Manufacturers needed to know about faraway consumers, which led to the growing need for marketing research.

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20th Century Led to a “Mature Industry”

The 1900s saw the birth of firms and methods

- A.C. Nielsen and Gallup
- Alfred Politz – statistical sampling theory
- Robert Merton – focus groups

Computers revolutionized the industry beginning in the 1950s

- Data analysis
- Tracking data
- Online services

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Who Conducts Marketing Research?

Client-side research: organizations that supply their own marketing research information.

- Internal suppliers: Formal departments or individuals conduct research internally.
- DYI research: facilitated by Internet, firms have access to secondary data, online survey platforms and better knowledge of data analysis software such as SPSS.

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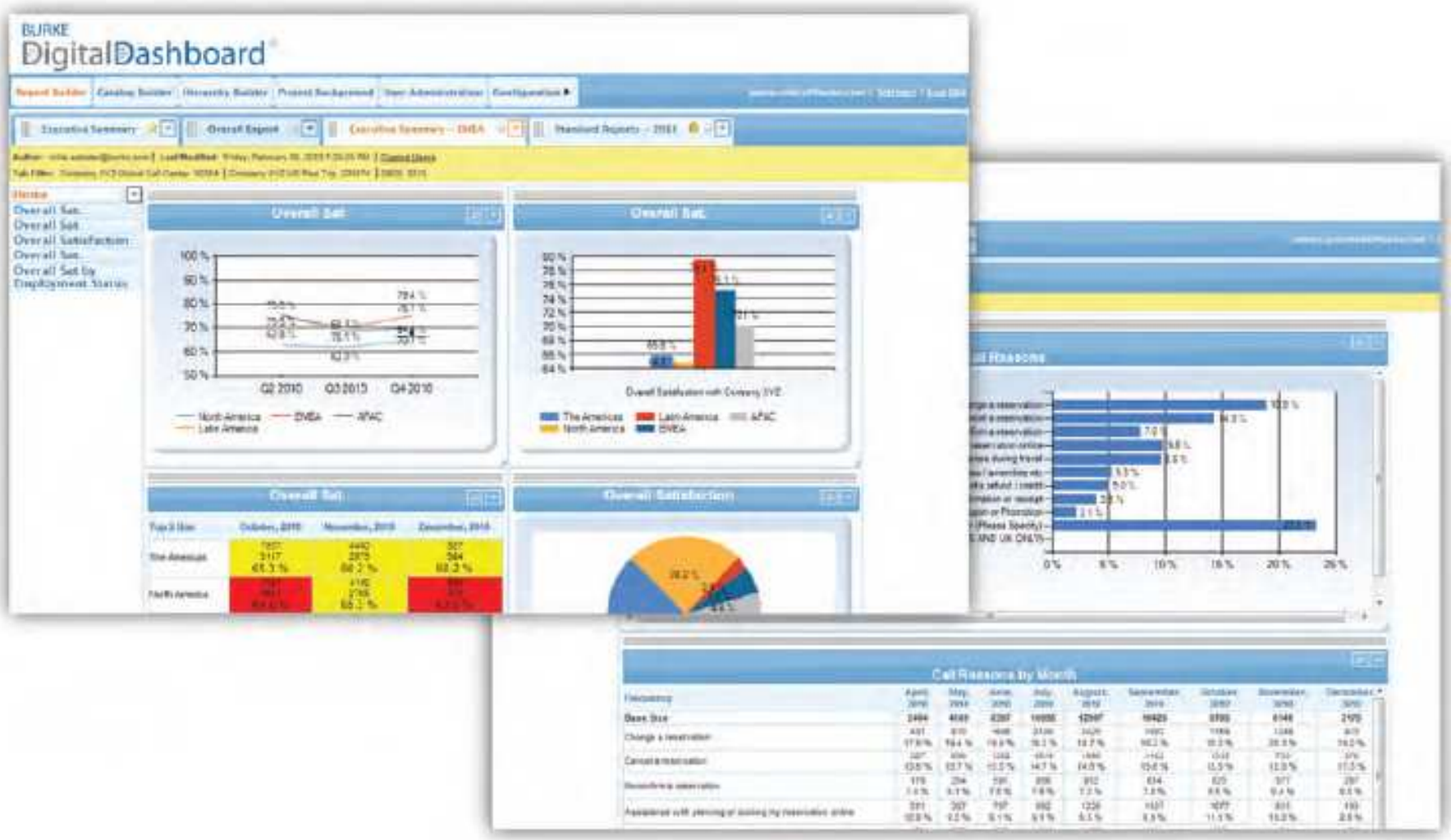
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Who Conducts Marketing Research?

Supply-side research: External suppliers hired to fulfill a company's marketing research needs.

- Supplier or agency: firm specializing in marketing research that offers its services to buyers needing information to make more informed decisions.

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Industry Structure

Firms in the marketing research industry differ by:

- Size
- Type and specialty

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TABLE 2.1 The Top 10 Global Marketing Research Firms

Rank	Company	Headquarters	Website	Employees	Global Revenues
1	Nielsen Holdings N.V.	New York	Nielsen.com	42,000	$5,888,100,000
2	Kantar	London	Kantar.com	23,400	$3,389,200,000
3	IMS Health Inc.	Danbury, CT	IMSHealth.com	15,000	$2,544,000,000
4	Ipsos S.A.	Paris	Ipsos-NA.com	16,530	$2,276,600,000
5	GfK SE	Nuremberg	GfK.com	13,380	$1,985,200,000
6	IRI	Chicago	IRIWorldwide.com	4,547	$845,400,000
7	Westat Inc.	Rockville, MD	Westat.com	2,011	$582,500,000
8	dunnhumby Ltd.	London	dunnhumby.com	1,000	$462,000,000
9	INTAGE Group	Tokyo	Intage.co.jp	2,283	$402,000,000
10	Wood MacKenize	Edinburgh	WoodMac.com	957	$360,700,000

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Industry Structure

Types of firms and their specialties

- **Full-service** supplier firms: have the capability to conduct the entire marketing research project for buyer firms.
- **Limited-service** supplier firms: specialize in one or, at most, a few marketing research activities.

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TABLE 2.2 Major Types of Marketing Research Services

Type	Description	Example Firms
Syndicated Data Services	Analyze the trends and consumer behavior within an industry and sold to many companies	The Nielsen Co., SymphonyIRI Group, Arbitron
Packaged Services	Use a proprietary process to conduct a service such as test marketing or measuring customer or employee satisfaction	GfK, Video Research LTD, Burke, Inc.
Online Research Specialists	Provide client services associated with measuring online consumer behavior and measurement or online data collection	Comscore, Inc., Harris Interactive, Knowledge Networks, Toluna, Mindfield Internet Panels, FocusVision
Customized Services	Provide services customized to individual clients' needs	All of the major firms can do this. Some examples include Burke, Inc., Kantar, Ipsos SA, Synovate, Maritz
Industry or Market Segment Specialists	Specialize in a particular industry or a market segment	IMS Health, Inc., Westat Inc., Latin Facts, Inc., Olson Research Group, Inc.
Technique Specialty		
a. Eye Tracking	Track eye movement to determine better package designs, advertising copy, etc.	The PreTesting Company
b. Mobile Research	Conduct research using mobile devices such as iPads or smartphones	Kinesis Survey Technologies, Cint+Mobile, NPolls
c. Sampling	Use different sampling methods to draw samples to suit client's research objectives	SSI, uSamp, Research Now, Peanut Labs
d. Neuroimaging	Observe brain activity as consumers are exposed to stimuli such as packages or ads	Neurofocus (Nielsen), Sands
e. Market Segmentation	Determine firms' target markets, locate these consumers, and determine other characteristics of these consumers such as media habits	ESRI, Nielsen Claritas
f. Social Media Monitoring	Monitor for relevant buzz over the social media and attach meaning for companies and their brands	Decooda, Conversition
g. Field Services	Collect data using a variety of methods: telephone, online, person to person, mall intercept	MktgInc., Readex Research, I/H/R Research Group, Focus Market Research, Irwin, Fieldwork, Schlesinger Associates

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Industry Performance: Industry Revenues and Profits

- ESOMAR estimates worldwide revenues for the marketing research industry at $43 billion.
- Top 50 firms generated more than $28 billion, led by Nielsen Inc.
- The largest marketing research companies are truly international.
- Revenues vary around the world.

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Challenges Facing Marketing Research

Three major challenges are:

- New and evolving sources of data and methodologies
- Need for the effective communication of results
- Need for talented and skilled employees

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Industry Initiatives

Industry initiatives to address these challenges include:

- Establishing “best practices”
- Maintaining public credibility of research
- Monitoring industry trends
- Improving ethical conduct

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Marketing Research Codes of Conduct

Codes of conduct involve:

- Fair Dealings with Respondents
- Fair Dealings with Clients and Subcontractors
- Maintaining Research Integrity
- Concern for Society

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Fair Dealings with Respondents

- Participation is always voluntary
- Respondent confidentiality must be maintained
- Respondents will be treated professionally.
- Respondents will not be given dishonest statements to secure their cooperation
- Special provisions are required for doing research on minors

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Fair Dealings with Clients and Subcontractors

- All information obtained from clients shall remain confidential.
- All research will be carried out according to the agreement with the client.
- Client identity will not be revealed without proper authorization.
- Secondary research will not be presented to the client as primary research.
- Research results are the sole property of the client and will never be shared with other clients.

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Fair Dealings with Clients and Subcontractors

- Researchers will not collect information for more than one client at the same time without explicit permission from the clients involved.
- Clients will be provided the opportunity to monitor studies in progress to ensure research integrity.
- Researchers will not ask subcontractors to engage in any activity that does not adhere to professional codes, applicable laws, or regulations.

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Maintaining Research Integrity

- Data will never be falsified or omitted.
- Research results will be reported accurately and honestly.
- Researchers will not misrepresent the impact of the sampling method and its impact on sample data.

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Concern for Society

- Research released for public information will contain information to ensure transparency.
- Researchers will not abuse public confidence in research.
- Researchers will not represent a non-research activity to be research for the purpose of gaining respondent cooperation.

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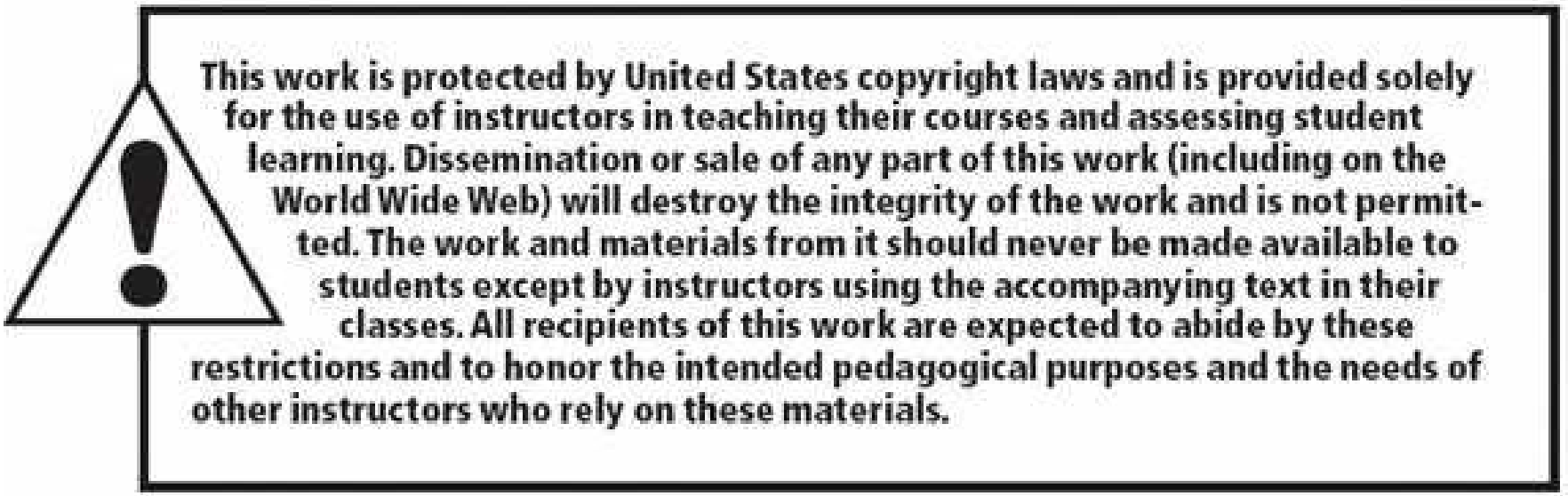
Qualified Research Professionals

Professionalism has been improved through:

- Professional Researcher Certification (PRC)
- Continuing education programs

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