

16.5.7: The Value of marketing research

It is important to point out that it is not always necessary to conduct research before attempting to solve a problem in marketing management. The manager may feel that he already knows enough to make a good decision. In a few instances, there may be no choice among alternatives and hence no decision to make. It is rather pointless to study a problem if there is only one possible solution. But in most business situations, the manager must make a choice among two or more courses of action. This is where fact-finding enters in to help make the choice.

Even if a manager would like more information in order to make a decision, it is not always wise for him or her to conduct the research that would be required. One reason is that the time involved may be too great. Another more compelling reason is that the cost of the research may exceed its contribution. In principle, it is easy to understand how such a cost test might be applied. If the cost of conducting the research is less than its contribution to the improvement of the decision, the research should be carried out. If its cost is greater, it should not be conducted. The application of this principle in actual practice is somewhat more complex. Finally, good research should help integrate marketing with the other areas of the business.

Integrated marketing

Research brings it together

It is the bane of modern business: too many data, not enough information. Computers are every—to extract significance from the blizzard of numbers, facts, and stats. Help is on the way, in the form of a new class of software technology known broadly as data-mining. First developed to help scientists make sense of experimental data, this software has enough smarts to "see" meaningful patterns and relationships—to see patterns that might otherwise take tens of man-years to find. That is a huge leap beyond conventional computer databases, which are powerful but unimaginative. They must be told precisely what to look for. Data-mining tools can sift through immense collections of customer, marketing, production, and financial data, and, using statistical and artificial intelligence techniques, identify what is worth noting and what is not.

The payoffs can be huge, as MCI Communications is learning. Like other phone companies, MCI wants to keep its best customers. One way is to identify early those who might be considering jumping to a rival. If it can do that, the carrier can try to keep the customer with offers of special rates and services, for example.

How to find the customers you want to keep from among the millions? MCI's answer has been to comb marketing data on 140 million households, each evaluated on as many as 10,000 attributes—characteristics such as income, lifestyle, and details about past calling habits. But which set of those attributes is the most important to monitor, and within what range of values? A rapidly declining monthly bill may seem like a dead give-away, but is there a subtler pattern in international calling to be looking for, too? Or in the number of calls made to MCI's customer-service lines?

To find out, MCI regularly fires up its IBM SP/2 supercomputer, its "data warehouse", which identifies the most telling variables to keep an eye on. So far, the SP/2 has compiled a set of 22 detailed—and highly secret—statistical profiles based on repeated crunching of historical facts. None of them could have been developed without data-mining programs, says Lance Boxer, MCI's Chief Information Officer.

Data-mining in itself is a relatively tiny market: sales of such programs will grow to maybe USD 750 million by 2001. But the technology is crucial in getting a big payoff from what information technology executives think will be an immensely important growth area in coming years: data warehousing. There are the enormous collections of data—sometimes trillions of bytes—compiled by mass marketers, retailers, or service companies as they monitor transactions from millions of customers. Data warehouses, running on ultrafast computers with specialized software, are the basis on which companies hope to operate in real time—constantly adjusting product mix, inventory levels, cash reserves, marketing programs, or other factors to changing business conditions.^[1]

The Wall Street Journal (wsj.com)

In practice

Marketing research is a scientific and controlled process, but ultimately, decisions are based on a blend of facts and intuition. Understanding marketing research allows managers to intelligently evaluate findings and recommendations.

Determining the purpose and scope of the research is the first critical activity in any marketing research project. All subsequent decisions are results of this process. Creating the research design, conducting the investigation, and processing the data are the remaining critical activities. Both primary and secondary data are accumulated when conducting research. Using this information to produce good research allows managers to integrate marketing with other areas of the business.

Secondary sources of data online include associations and business information sites. Check out the American Marketing Association's website at www.ama.org/resource for a list of resources and guides. For links to business directories, media sites, and marketing-related resource check out A Business Researcher's Interests at www.brint.com.

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Deliverable

With the information provided in this section about Web resources, use the Interactive journal and relevant Web links to conduct market research on recent trends in e-commerce. Find at least five sources of secondary data online that will help you identify relevant trends in e-commerce advertising, marketing, and business strategies.

Questions

- How can marketing research help managers create successful product lines and customer relationships?
- Most people conduct research when buying certain "big ticket" items like cars or computers. How do you conduct marketing research for these types of items?
- How has the Internet impacted consumers and their purchase decisions? What about the impact on companies?

Capsule 7: Review

1. The following steps are involved in conducting marketing research:

- (a) making a preliminary investigation
- (b) creating the research design
- (c) conducting the investigation
- (d) processing the data/deliver the results

1. [1]Sources: John W. Verity, "Coaxing Meaning out of Raw Data," *Business Week*, February 3, 1997, pp. 134-138; "Researchers Integrate Internet Tools in Their Work," *R&D Magazine*, June 2000, vol. 24, No.6, p. E13; "Smarter Kids. Com Chooses Quadstons—The Smartest Customer Data Mining Solution," *Business Week*, July 31, 2000.

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