
UNIT 2: MARKETING RESEARCH AND FORECASTING

Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Concept of Marketing Research
- 2.3 Importance of Marketing Research
- 2.4 Process of Marketing Research
- 2.5 Market Information System
- 2.6 Forecasting
- 2.7 Research Tools
- 2.8 Let Us Sum Up
- 2.9 Keywords
- 2.10 Suggested Further Readings / References
- 2.11 Answers to Check Your Progress

2.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning and importance of marketing research;
- state the steps in marketing research;
- define the market information systems; and
- discuss the forecasting and determining potential.

2.1 INTRODUCTION

In the previous unit, we understood the concept and importance of marketing to business firms. All this is based on the collection and interpretation of data from various sources to study and analyze the recent trends in the environment. In this unit, we would understand the techniques to collect and manage data that would aid any business firm to plan for the future and make necessary changes in their marketing strategies to maintain and gain a competitive edge. Research is continual in nature, as it enables the marketer to understand the exact needs, wants, and demands of the buyer. It aids in understanding the changes to be made in the marketing mix strategies such as product, pricing, place (distribution), and promotion strategies. Moreover, it aids in sales and production forecasts. In short, because of marketing research, the manufacturer is able to take corrective actions quickly and accurately.

2.2 CONCEPT OF MARKETING RESEARCH

Marketing research is the systematic gathering and interpretation of information and data relevant to your organization and using this to revamp strategies.

According to Still and Cundiff “ marketing research is the systematic, gathering, recording, and analyzing the data about marketing problems towards the end of providing information useful in marketing decision making”

Phillip Kotler in his book Marketing Management – Analysis, Planning, and Control defines marketing research as “Marketing research is the systematic problem analysis model building and fact-finding for the purpose of improved decision making and control in the marketing of goods and services”

According to American Marketing Association, it is “The systematic gathering, recording, and analysis of data of problems relating to the marketing of goods and services”

In conclusion, we can define “marketing research as the process of objective, comprehensive and systematic design, collection, interpretation, and reporting on the data, to solve problems and issues linked to marketing at hand”



Fig. 2.1: Marketing Research

Source: <https://www.vectorstock.com/royalty-free-vector/word-cloud-marketing-research-vector-20553572>

2.3 IMPORTANCE OF MARKETING RESEARCH

Marketing research is indispensable to manufacturers or business firms who have to make changes in designing marketing operations in accordance with the changes in the pattern of consumption. With the help of marketing research, business firms design the marketing operations and decide on a future course of action in the terms of production and other operations. It is a very important tool to anticipate and control the changes in the environment. It aids in the development and implementation of the marketing mix strategies of marketers. Hence marketing research is very important for marketers to realize their ambitious marketing and sales plans, and implementation of the same and make necessary alterations as and when required due to the changes in the market forces. Marketing research comes to the rescue through situation analysis, strategy development, marketing programme development and implementation, and overall decision making.



Fig.2.2: Importance of Marketing Research

1. Changing environments and changing market policies

Present environments are in a situation of regular change. Marketers have to respond to such changes by changing market policies and come out with some innovative marketing strategies to realize profits at all times. To achieve all this, the business firms must consider the question of growth, maximum utilization of resources, changing customer needs, and aspects of customer satisfaction and service. Marketing research provides information to make necessary changes in all these areas

2. Marketing mix planning and effective implementation

Marketing research helps the marketer to select the most appropriate marketing mix i.e identification of the new products and services and value-added offerings for the present and also for prospective buyers. Selection and management of distribution channels, and motivation of channel members, also aids in the penetration strategy into new untapped markets where organizations see future growth opportunities. Effectively altering pricing and promotion strategies as per the requirements of the buyers and market forces, to gain and sustain competitive and profits alive at all times.

3. Salesforce management

Marketing research also gives the marketer insight into recruitment and selection of appropriate sales force, also determines the number of salespeople required in any said territory according to the present and future sales forecasts. Not only this, but it also determines the caliber of the sales force as per the territory allocated, in order to achieve the sales objectives of the organization.

4. It is a prerequisite for mergers and acquisitions

Indian firms are following this growth strategy in India and abroad. Marketing research provides them the much-needed information of the overall financial strength, and strength and weaknesses in other related areas, marketing research, therefore, minimizes the risks associated with mergers and acquisitions. A recent example is the acquisition of Corus Steel and Jaguar Land Rover by Tata. By acquisition of Corus steel tata Steel has jumped up to the overall fifth

position from 55th in the world. This has added to the overall strength of the company and allowed to expand the business globally.

5. Forecasting

Marketing research aids in determining the market size, share, potential, consumer adoption rate, for investment, business planning and finally deciding on market entry strategies. Firms would always prefer to enter into business in which both entry and exit barriers are reasonably low, and they would prefer to enter markets that offer them growth opportunities. Effective research also gives insight into changing socio-cultural patterns of the buyer, perception of buyers towards various brands, and it also provides the opportunity to have a competitive edge by monitoring and forecasting competitor moves and strategies continuously.

6. Outlook towards business

Effective marketing research gives the business firm confidence in its moves and offers progression in the areas where the firm lacks. It generates confidence among executives concerned with marketing planning and implementation. It brings about much-needed stability to the business. Further adds value to the customer to make him/her feel important and as a very important stakeholder in business, and always be in touch with the buyer, for value addition and feedback on further improvements of strategies.

Activity 2.1
What attributes motivate you to buy apparel for yourself, do research and buy?
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Check Your Progress 2.1

- Note:** a) Use the spaces given below for your answers.
b) Check your answer with those given at the end of the unit.
- 1) Define marketing research.
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- 2) Why do organizations conduct research?
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2.4 PROCESS OF MARKETING RESEARCH

The important steps to be followed in the process of marketing research are discussed as under:



Fig. 2.3: Steps in Marketing Research

1) Problem Definition

The first step in the marketing research process is to identify a marketing problem that needs attention. This problem needs to be understood, the causes are to be diagnosed and solutions developed of the same. The problem might be pertaining to the marketing mix decision errors, competition, change in consumer tastes and preferences towards the companies offerings, and more. It is the prime task of the researcher to identify and define the problem in clear terms so that rest of the process could be carried on effectively. If perchance there is some lack of understanding of the problem, it would result in the wastage of time, effort, and money.

2) Developing an approach to the problem

Once the problem is defined clearly and in explicit terms, the next step is to develop a suitable approach. The development of approach includes theoretical/objective framework (research-based upon theory and objective evidence), analytical models (set of variables and their relationships), research questions (refined statements of listed and specific components relating to the problem at hand), and hypothesis (something taken to be true for the purpose of argument or investigation: an assumption), for example, the kids influence buying decision for a new car.

3) Research design

Research design is considered the master plan for conducting research. Broadly speaking there are three categories of research design namely Exploratory; Descriptive; and Causal.

The choice of the appropriate design depends upon the research objectives and how much information we possess about the problem and the stated objectives. The overall research design for a project may include one or more research designs.

i. Exploratory research

It is the most commonly unstructured informal research undertaken to take general and background information about the nature of the research problem. It is usually chosen when the researcher has limited information about the research

problem and needs to add information on the issue, or some recent information is desired. Exploratory research is used in the following situations:

- To gain the background information of the research problem
- To define terms explicitly
- To clarify problems and hypothesis
- To establish research priorities

The methods available to conduct exploratory research are 1. Case analysis. 2. Gathering information from focus groups. and 3. Analysis of secondary data, and projective techniques.

ii. Descriptive research

This is undertaken to describe issues like market characteristics or functions. Simply speaking it addresses the issues on who, what, where, and how.

iii. Causal research

This may be thought of as understanding a phenomenon in terms of conditional statements. Causal relationships are determined by the use of experiments, for example, trying to analyze the causes for the drop in sales or market share of any product.

4) Data collection

Data is collected as per the method selected for data collection. Data collected should be reliable, adequate, authentic, and complete in all respects.

Data may be of two types:

- (i) **Primary data** – This is the data collected firsthand from the market. This could be done by observing and recording or collecting directly from the respondent's sample.
- (ii) **Secondary data** – This refers to the data already available. This data can be collected from magazines, journals, online search engines, newspapers, and reports of the surveys done earlier on the concerned topic and most importantly the government census reports. The census data is used to study the demographic profile of the present and prospective buyers.

It is not possible to collect primary data through every respondent hence the sampling technique is applied. The sample refers to the respondents chosen from the entire population who comes under the preview of the research question in mind.

Sampling is of two types:

- (i) **Probability sampling:** Anyone having a known chance of being selected,
- (ii) **Non-probability sampling:** This is more subjective than probability sampling as it requires more judgment on the part of the researcher.

The type of probability sampling is

- (i) Random sampling: All respondents have an equal chance of being selected.
- (ii) Stratified sampling: Population is divided into different groups or strata on some assigned parameters.

Primary data can be collected by the following methods – personal interviews, telephone, online, mail. This method is resisted by the respondents due to shortage of time and some respondents are sceptical in passing personal information such as name, telephone number, age, income, etc, to the researcher. The respondents are motivated to give the needed information by giving some offers, for example, you go to the service station to get your car serviced, after the job you are given a questionnaire to rate the service quality. As an incentive, the service station holds a lucky draw of offering free oil change on the next service for the respondents who have sent the forms duly filled.

Questionnaires should be meticulously prepared in order to gather the desired information from the respondent. The questions should be framed in simple language so it is understood properly by the respondent.

There are majorly three types of questions formats used.

- (i) Open-ended questions for example – what are your views about our customer service?
- (ii) Dichotomous – Do you own a car? yes or no
- (iii) Multiple Choice – Which part of Delhi do you reside – north, east, south, west, or central

5) Data analysis and interpretation

The duly filled-in questionnaires are not good enough for tabulation and drawing conclusions. The collected data needs to be organized and processed correctly for inferring outcomes of the research. This processing of data involves the following steps.

1. Preliminary screening of data
2. Editing of the data collected
3. Proper coding of the data
4. Classification of data into meaningful categories
5. Tabulation of data for easy, quick, and meaningful analysis and interpretation.

To draw effective conclusions it is necessary to arrange them in an orderly manner. For this purpose, we could take the help of other members of the team. But the same has to be carried on under strict supervision of the researcher. This is a lengthy and cumbersome process and needs top precision to be completed, hence on some occasions, some specialists are hired for the job. There is also the option of using advanced statistical techniques in the analysis and interpretation of data. It is just like making a diagnosis of the problem and offering a

remedy to eradicate the problem, and further, it becomes much easier to follow up on the issue. As the marketing scenario keeps changing fast it becomes all the more important for proper follow-up and plan and implement strategies that would sustain the profits of the business firms.

6) Report preparation and presentation

The researcher is supposed to submit the report to the marketing strategies decision-makers. The report would be critically scrutinized by the decision-makers and conclude implementing certain aspects of the report in making effective marketing decisions. The report can come back to the research panel in case any clarifications are needed by the experts.

2.5 MARKET INFORMATION SYSTEM

The marketing information system is a very essential activity for any marketer, these are set of methods and procedures particularly designed to gather, analyze and disseminate information to the marketing department and all other concerned departments to improve the products or services of the organization. This information is also very essential to make continuous changes in the marketing mix elements to create and sustain the brand equity and market share. This information is stored and utilized further in strategic planning, effective implementation, and for taking important managerial decisions.

This is a continuous process as the marketing environment is fast changing today. All data which is gathered stored and analyzed aids the business firm in ensuring the longevity of the business, especially in the tough competitive scenario.

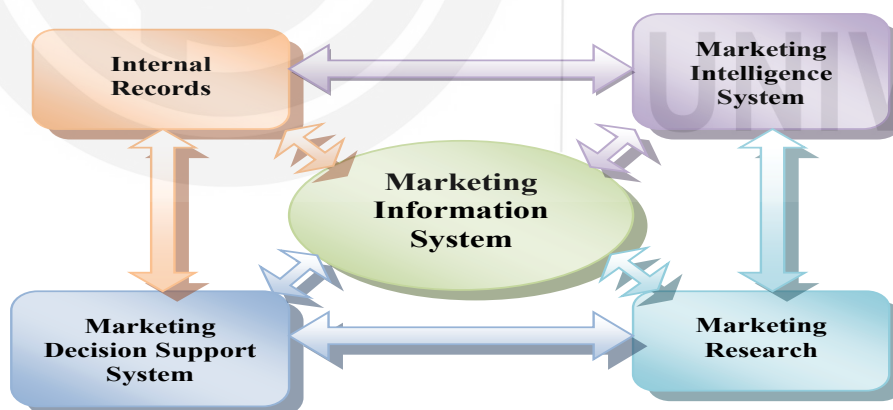


Fig.2.4: Market Information System

The marketing department needs the latest information to cater to the changing needs, wants, and demand of the consumers. This need is met by the marketing intelligence network. This contains three components.

1. Continuous scanning and monitoring is a procedure by which the changing environment is regularly viewed.
2. Marketing research is a tool used to obtain information on particular marketing issues faced by the company also can be termed data mining

3. Data warehousing involves the retention of all types of relevant company records, as well as information collected through continuous monitoring and marketing research carried on by the business firm, using both primary and secondary research.

The marketer has to be consistent; the MIS system needs orderliness and should be complete. This should form the platform of planning and implementation of all marketing plans, i.e. data collected and interpreted from the information sought from the marketing intelligence networks.

The advantages of an effective marketing information system are.

1. Organized data collection by the firm through various sources
2. A broad perspective to decide on the future marketing planning and implementation
3. Storing the important data
4. Sounds an alarm for crises, so it can be avoided
5. Coordinated marketing plans and proper implementation
6. Speed in obtaining sufficient information to make decisions
7. Data gathered can be stored over a long period
8. The ability to conduct a cost-benefit analysis to keep a check on the marketing cost and plan marketing budgets effectively.

There are some disadvantages of marketing information system such as high costs in the beginning, costs and the time taken. Moreover, it is a tedious and complex process of setting up of information system. Marketers often lack quality marketing information. The solution to this is to have effective marketing information systems.

The information needed by marketing managers is gathered from the following sources.

1. Companies internal records – as past sales figures, customers profiles, inventory, customers service reports, and most important feedbacks
2. Marketing intelligence – It is all about becoming aware of the surroundings. This could be based upon information gathered from the competition, suppliers, customers, channel partners, etc. This includes gathering information about the changes in the environment such as demographic, consumption patterns, pricing, socio-cultural factors of the present and the potential buyers, and one of the most important facets is the changes in the lifestyle of the buyer, as the concept of rurbanization is catching up that is rural population turning urban. Along with this is the concept of change in media. All this information could be gathered by the organization themselves provided they have the expertise, or the option of outsourcing is always there with the marketer. There are specialist firms like ORG, IDC, MARG many financial consultants as price water house coopers. KPMG also are in the field of marketing intelligence and provides data to the firms as and when required.

- Marketing research – Business firms need to undertake specific studies pertaining to various issues at hand to support the planning and implementation of marketing strategy.

Activity 2.2

What steps you would follow to conduct research for why consumers prefer handwash over traditional soap?

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2.6 FORECASTING

Demand forecasting is the estimation of the quantity of product or a service that consumers would purchase. It is crucial for any manufacturer, supplier, or retailer. For example, the future demands of fertilizer in a particular district. Forecast of future demand is very essential as it would determine the quantity of raw material to be purchased, production planning, and the quantity of finished goods to be shipped. The entire process of logistics, as it is popularly termed, is very time consuming and the depth of stock at all levels should be monitored very carefully as out-of-stock situations can harm the competitive advantage enjoyed by the marketer. Moreover, it gives a chance to the customer to explore some other options due to the non-availability of the stock in the marketplace. Hence, the business firms cannot wait for the demand to emerge and then react to the situation. They should anticipate and plan for the future demand, they are advised to follow a proactive approach so that they have stocks to meet the customers' demands at all times, and depth of stock is maintained at levels of the factory and throughout the distribution channels. The ability to accurately forecast demand also provides the firm opportunities to control costs through leveling its production quantities, rationalizing its transportation, and generally planning for efficient logistics operations.

In general practice, accurate demand forecasts lead to efficient operations and high levels of customer service, while inaccurate forecasts will inevitably lead to inefficient, high-cost operations and/or poor levels of customer service, they can employ the just-in-time approach. In many supply chains, the most important action we can take to improve the efficiency and effectiveness of the logistics process is to improve the quality of the demand forecasts.

There are three common techniques of forecasting. It is based upon the criteria of what people say, what people do, and what people have done.

Based Upon	Methods
What People Say	Surveys of buyers intentions, Composite salesforce opinions, Expert Opinions
What People Do	Test Markets
What People Have Don	Time-series analysis, Leading indicators, Statistical demand analysis

Adapted from Principles of Marketing – Prentice Hall

1. Survey of buyers' intentions – This is a survey conducted for what would buyers ask for, or what changes they would anticipate from the marketer in the near future i.e in the terms of add-on features, advantages and benefits, pricing, and availability. For example, the purchase probability, for example, the farmers' intention to buy a tractor in the next three months. We need a scale to understand and estimate the intention of buying. This is based on the Likert scale as No chance, slight chance, fair chance, good chance, strong chance, or would certainly buy. From this, the firm can ascertain the probability of buying and would be in touch with the prospects who have shown intention of buying.
2. Composite sales force opinion – Sales force is the best media through which the company can gather and interpret market information. This information is collected by the salesmen from their own territories, and then compiled for the entire market by experts. Few companies use these figures as they consider salesmen to be naturally optimistic or pessimistic. They may underestimate demand to set their sales targets on a lower side as they would easily achieve and earn incentives on the same. Moreover, they might not have the required expertise to collect and interpret the data collected. Despite all these biases, it would be worthwhile to involve salesmen in setting sales targets as they are the frontlines' and can appraise the company on the latest trends, and provide useful information about the competition. They are the people who directly interact with the present and prospective customers.
3. Expert opinions – Business firms seek opinions and suggestions from experts in various areas while determining forecasts. These experts could be industry experts, channel partners, consultants, suppliers, and trade associations. These people are in a better position to forecast as they are experts in their own specialized areas. The business firms can have a group discussion meeting and the data collected is interpreted and made use of. This technique is known as the Delphi technique. In these group meetings, experts from production, finance, human resource, and other departments are also encouraged to participate to make these meetings more meaningful by solving queries on the spot, as we have a panel of experts and the answers could be on the spot, hence it would save time and the forecasting quality would be good.
4. Test Marketing – This is beneficial for the launch of new products. There are some specifically chosen test markets. The data is then interpreted and if any changes need to be done the same is communicated to the marketing department of the firm. This survey is done with the help of well-formulated questionnaires.
5. Past sales analysis – Future sales forecasts are based upon past sales figures. This study is based on the factor of trends, seasonal variation in sales, competitor sales figures, and sales cycle.
6. Leading indicators – Take an example of the rural market as 68% of the Indian population resides in rural areas. Moreover, with the rural

incomes growing and due to the trend of rurbanization, business firms see huge potential to market their products or services in these areas. Companies like LG, Hindustan Unilever, Procter & Gamble, etc.

2.7 RESEARCH TOOLS

As mentioned earlier there are two methods to gather data namely Primary and Secondary.

Secondary method: It is information that has been previously gathered by someone other than the researcher and/or for some other purpose than the research project at hand. This could be gathered through majorly two sources namely internal and external. Internal being the data gathered from within the firm, during the normal course of business transactions. External data is the data obtained from outside the firm.

Sources of secondary data – Textbooks, specialist books, journal papers, conference papers, magazines and business journals articles, government and industry reports, web pages, and company reports.

Primary data: Information that is gathered by the researcher specifically for the research project at hand.

Tools of gathering primary data: Questionnaires, Interviews, observation, informal conversations, structured group discussions.

1. **Questionnaires** – These are designed keeping the research objectives in mind, and administered to the sample unit for gathering information. The questions must be set in a format that is easily understood by the respondent, and the language should be simple. The questions should be mostly closed-ended to get a quick response, and it also saves time for the respondent, and the results could be easily tabulated by the researcher. Though we could include some open-ended questions, they should be specific to the research objective. Jargon and ambiguous words should be avoided. Response bands should be used to get a quick and accurate response.
2. **Observations** – This is a tool employed to observe the consumer in their habitat. For example, if we are to infer the buying habits of a rural consumer towards consumer durable products, the researcher could observe the people visiting an outlet and asking for a product. Just by her/his observing consumer, s/he could judge whether the buyer is looking for lower prices, quality, good after-sales service, or the brand image of the product that s/he intends to purchase.
3. **Interviews** – These could be done telephonically, online, or physically keeping the research objective in mind. These interviews could be structured and sometimes unstructured also.
4. **Informal conversations** – This technique is generally used to ascertain the changes in the buying habits of the buyer. Keeping the research issue in mind, for example, trying to know the reasons why the consumer prefers brand A over brand B.
5. **Structured group interviews** – This technique could be applied to collect data from both internal and external sources. For example,

in the consumer panels, the interviews are conducted to know the perception, and preference of the respondents towards any product or service. Internal to organization it could be used for example to ascertain reasons why the sales were low during a particular month. The participants of this group are decided and a proper agenda for the discussion is prepared to gather information.

Activity 2.3

Prepare a questionnaire to ascertain the preference of television brands consumers buy.

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Check Your Progress 2.2

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) What are the steps of marketing research?

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2) What is primary and secondary research?

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2.8 LET US SUM UP

Marketing research is an ongoing activity in any business firm as the business environment is changing fast. The organizations have to keep abreast with the changing trends in techniques of doing business, to understand the changing demographics of the buyer, his tastes, preferences, perception, competition, etc. Hence, it becomes very important for any marketer to gather and interpret information. The marketer has to forecast its future business plans to keep ahead of the competition and innovate better marketing strategies. They follow different research methods and employ various tools in carrying on the research. Based on the findings they make necessary changes in products and services and the overall marketing strategy.

2.9 KEYWORDS

Forecasting: This is a technique employed by business firms to ascertain the marketing strategies to be adopted in the future and what would be the expected sales growth

Marketing research: Marketing research is the systematic gathering and interpretation of information and data relevant to your organization and using this to revamp strategies.

Primary research: This is the collection of first-hand information from the market using various tools such as questionnaires, observations, interviews, etc

Rurbanization: Rural population turning urban. This is aided by the media and the members of the rural families working in urban areas, they share their experiences with the members of the family which aids them to be exposed to the urban way of living, further it also stimulates their needs and wants.

Secondary research: This is the data collected from existing studies done on the research topic, tools could be publications, websites, journals, past records, etc.

Test marketing: This is a technique used by the marketer when they launch a new product in the market, to know the feedback of the prospects on the feasibility of the product to them.

2.10 SUGGESTED FURTHER READINGS/ REFERENCES

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Stanton, William J., Michael J. Etzel & Bruce J. Walker, "Fundamentals of Marketing" (McGraw-Hill, Inc. New York, 1994).

Theodore Levitt, The Marketing Mode (New York: McGraw-Hill, 1969).

2.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 2.1

- 1) Marketing research is systematic gathering and interpretation of information and data relevant to your organization and using this to revamp strategies. This is an ongoing process in any marketing firm to ascertain the changes in the needs, wants, and demands of the target population.
- 2) The research is an ongoing activity. Organizations research to keep abreast with the changing trends. These trends are in the terms of changes taking place in the environment such as competition, buyers tastes, and preferences, trends in lifestyle, and the overall consumer buying habits, for example now the buyer preference is that he should be able to get all those items he needs under one roof, hence the concept of hypermarkets has gained momentum in India.

Check Your Progress 2.2

- 1) The steps of conducting marketing research are as follows
 - a. Problem Definition
 - b. Developing an approach to the problem
 - c. Research design
 - d. Data collection

- e. Data analysis and interpretation
 - f. Report preparation and presentation
- 2) Primary research is the collection of first-hand data. In other words, this is the data collected by the researcher by conducting some market surveys. The tools for the collection of the primary data are questionnaires, observation methods, interviews, structured group interviews. The data collected by this method is up to date and the most authentic and provides the marketer a better option to base the future marketing strategies on this data.

Secondary research: It is the research done based on the data already available the sources of such data could be census reports, publications such as newspapers, journals, companies' annual reports, and journals. This is a fast way to collect data and also cheaper but the data might be outdated and no more relevant to the research objective.



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