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1

Nature and Scope of Marketing Research

OBJECTIVES

After reading this chapter, the readers will be able to understand:

- the concept of marketing research as distinct from information gathering
- the need for marketing research
- the scope of marketing research
- the role of marketing research in marketing decision-making

INTRODUCTION

The concept of marketing is relevant only in a competitive environment. In a controlled or monopolistic market, with limited options for the satisfaction of a consumer's need, the marketer has little or no incentive to understand this need or to find the 'best' means of satisfying it. It is enough to be present in the market, and sometimes not even that—the customer has no choice but to wait for the market to change. As competition grows, the consumer is presented with alternative means of need satisfaction and marketing comes into its own. In order to garner a share of the consumer's purse, it becomes imperative for each player in the market to try and offer the consumer a means of satisfying the need that is demonstrably better than what the competitors offer.

Examples of such changed market circumstances abound in all economies. There is the case of the first commercially marketed automobile, the Model 'T' Ford. The story has gone down in marketing history as the prime example of marketing arrogance in the absence of competition, since Mr Henry Ford decreed that customers could have the car in any colour, 'as long as it was black'. Today, if a company wants to sell more cars, it is not only the colour of the car that is governed by consumer choice, but just about every aspect of the vehicle.

The Indian economy offers an endless list of such examples from the 'pre-liberalization era' till today. One such famous instance is the manner in which the Indian market for domestic air travel has changed from the time Indian Airlines (now called 'Indian') ruled the Indian skies in solitary splendour to the crowded skies of today, where Jet Airways, Air Sahara, and now Air Deccan, all vie for an ever-increasing share of the same business. Under these changed circumstances, it has become imperative to spend time and effort trying to understand consumer requirements in order to stay ahead of other players in the game and succeed in any venture.

As the market gets more competitive, at times it becomes more crucial to not merely understand but even anticipate consumer requirements. Concepts of marketing as well as commonsense thus tell us that success in business is greatly dependent on identifying stated or latent customer needs and satisfying them better than the competition. Briefly put, marketing research is this process of identifying customer needs and determining how best to satisfy them.

The need for marketing research has grown in the past few decades with growth in the quantum and sophistication of competition on the one hand, and the consumer's ability, with rising incomes, to use choice criteria other than the lowest price on the other hand. Marketing research is no longer regarded as merely a 'large company activity', but is increasingly being seen as an essential tool for corporate survival. The relevance of marketing research in Indian markets will increase multifold as the economy opens up in the coming decades. As markets evolve and competition intensifies, marketing research will be needed more than ever for effective and speedy decision-making, in order to

- (a) reduce the cost of wrong decisions,
- (b) reduce time-to-market when getting there ahead of the competition is critical for survival and growth, and
- (c) find ways of keeping the customer.

The sections that follow in this chapter discuss these issues in greater detail. First, we look at the concept of marketing research and its role in marketing decision-making. Then we distinguish marketing research from data and information. This distinction is an important one in marketing decision-making. Both data and information are essential components of research, but will not always suffice by themselves for decision-making.

MARKETING RESEARCH

An organization may adopt four distinct routes when introducing a new market-offering (be it products, services, or ideas):

- (a) utilization of existing physical resources
- (b) utilization of skills and knowledge available within the organization
- (c) identification of a gap in the market, i.e., identified or latent consumer dissatisfaction with the current means of need satisfaction
- (d) identification of an unmet need

The first two are internal methods, i.e., based on the organization's strengths, while the third and the fourth are external, owing their origin to identification of opportunities

in the market environment. Similarly, long-term strategies for organizational survival and growth may adopt any of these four routes.

Companies may often develop and introduce new market-offerings/marketing strategies on the strength of their resources and skills rather than on any detailed study of anticipated consumer needs or market opportunities. However, developing a product or a strategy on the basis of an organization's strengths without considering consumer requirements involves the inherent risk that there may not be much demand for what has been developed, or that the strategy may have been devised without taking all relevant environmental factors into account and may, therefore, fail to deliver the objectives it aims at.

The Need for Marketing Research

Can we assume that there can be no success in business without identification of consumer needs and developing the means of satisfying them, i.e., without marketing research? Organizations and individuals have been running businesses ever since humans can remember, and success has been achieved at least as often as failure. This success has not always been based on formal marketing research, which is a relatively new discipline. Thus, marketing research is not essential to business in the sense that production and finance are.

Why and when is marketing research needed? The basic function of all information is to reduce risk, and marketing research in particular serves to reduce marketing risk embedded in the 'consumer need identification' activity mentioned earlier. The greater the understanding of consumer needs, the higher are the chances of the organization

Sony's Walkman

The Sony walkman is today counted among those new products of the twentieth century that changed the definition of what a 'new product' meant—to the consumers and to the manufacturers. In the dictionary of new product development, it is treated as a classic example of what 'discontinuous innovation' means. It changed forever the way consumers listened to music and extended the definitions of 'privacy', 'mobility', and 'convenience' in the context of listening to music. How did the product originate? This is what Akio Morita, the founder of Sony, has to say: 'Our plan is to lead the public with new products rather than ask them what kind of products they want. The public does not know what is possible, but we do. So instead of doing a lot of market research, we refine our thinking on a product and its use and try to create a market for it by educating and communicating with the

public... I knew from my own experience at home that young people cannot seem to live without music. Almost everybody has a stereo at home and in the car. In New York, even in Tokyo, I had seen people with big tape players and radios perched on their shoulders blaring out music... Ibuka's complaint set me into motion. I ordered our engineers to take one of our reliable small cassette tape recorders we called Pressman, strip out the recording circuit and the speaker, and replace them with a stereo amplifier. I outlined the other details I wanted, which included very lightweight headphones that turned out to be one of the most difficult parts of the Walkman project... The idea took hold and from the very beginning the Walkman was a runaway success.' Marketing research seems to have had no role to play in the development and marketing of an innovation of this kind.

being able to develop a market-offering that answers these needs accurately and substantially, assuming of course that the organization has the competencies to develop and market such an offering.

This will lower various risks, such as customer dissatisfaction, product failure, inventory pile-ups, and the resultant increase in costs. The greater the uncertainty involved in marketing decisions, for example, new product category decisions, the greater the need for information relating to an understanding of customer behaviour and the environment, or what may broadly be termed marketing research.

The Indian market has evolved to such levels only in the last few decades. As competition has grown, companies have become increasingly wary of entering the market without first acquiring an understanding of it. In the 1970s, the Indian soft drink major, Parle, first launched the tetra pack Mango Frooti, a fruit juice-based soft drink that has since gone on to set benchmarks for marketing performance of drinks of that genre. The launch was preceded by extensive marketing research, and the brand was test-marketed in Pune for a reasonably long period.

Even so, for a long time, marketing research was regarded as a 'large company activity', undertaken by MNCs and large Indian corporates, and confined primarily to high-value items or decisions crucial to corporate image, such as pre-tests of advertisements. Today, it is not unusual for an FMCG giant like Hindustan Lever to research an every-day, low-ticket item like a toothbrush before launching a new brand, or for a consumer durables/industrial products company like Godrej & Boyce to research the drivers for consumer purchase of their steel cupboard, Storewel.

Information, Data, and Research

Over the last few decades, marketers have increasingly come to understand the need for data-based decisions. What constitutes 'data'? The *Pocket Oxford Dictionary* (1996) defines data as 'known facts used for inference or in reckoning'. In everyday management jargon, it usually refers to figures and measurable facts that can be verified and are supplied by the personnel of the organization, channel members, competitors, government sources, media, or relevant agencies. Managers always need to base their decisions on such facts.

Information 'Information' differs from 'data' in that it may not always be measurable or even verifiable. It includes 'data' as a subset, but may also be an expression of opinions, perceptions, or beliefs, provided through formal or informal, written or oral communication. In order to provide an accurate basis for decisions and actions, information needs to be data-based and its veracity needs to be confirmed.

Data The most frequent kind of information sought is the opinion of other people, obtained either through personal interaction or from secondary sources such as print or audio-visual media. Data, or known facts based on recorded experience from a large group, must be clearly differentiated from unrecorded opinions or value judgements of a single individual or a small group of people.

Bias in Sample Selection

When a leading land developer and builder wanted to test the market feasibility of an Indian version of 'Home Depot', i.e., a mall providing items for home maintenance and home décor, they decided that their target customers were likely to be restricted to households belonging to the upper-middle and middle income groups. This kind of pre-selection based on the company's

biased and subjective judgement excluded the upper income groups totally from the samples selected for the study, despite the fact that this group is as likely, if not more, as the other two groups, to be interested in and informed about home décor and maintenance. Such bias in sample selection would certainly lead to an under-estimation of the market potential of the mall.

Recording assists in verification of information over long intervals of time, and the large size of the group ensures that most variations in opinion have been taken into account and the resultant information may, therefore, be treated as universally representative. Consider, for example, collection of data to determine the relative consumer preference for the three major brands of aerated soft drinks, Coca-Cola, Pepsi, and Thums Up, in the Indian market.

Data obtained from a small group of about ten students from a college might indicate more or less equally distributed preferences as Coca-Cola-3, Pepsi-4, and Thums Up-3. This data, when projected to the national level, would indicate more or less equal market shares for the three brands, an erroneous conclusion. Is data collected from ten students enough to draw conclusions about the preference patterns of a billion people? On the other hand, data collected from a large group of 10,000 respondents might yield a totally different preference pattern.

Since enough people would have been contacted to record all possible variations in preference, the data from this group may be accepted with a greater degree of credibility as representative of the true preference pattern. Again, similar data from the same group, obtained three months later, will make it possible to compare any shifts in preference patterns and draw conclusions about the impact of strategies, if the information has been recorded on both occasions and is not based on memory or impressions.

The criticality of data for managerial decisions makes it imperative that the quality of data be totally reliable. To begin with, out-of-date data could lead to inadequate and, at times, even wrong decisions, embedded as they are in a wrong context. Other limitations of data that could lead to erroneous decisions are bias and lack of objectivity. Biases could occur either in selection or interpretation of data. It is not unheard of for data to be quoted out of context or fitted to support opinions that have been arrived at in advance.

Research Marketing research, as distinct from mere data and information, is in addition the systematic collection and analysis-based interpretation of all data focused on a specific marketing issue (Fig. 1.1). We may, thus, define marketing research as the systematic, objective, and unbiased collection, analysis, and interpretation of recorded data obtained from a large sample in order to provide support to decisions on a specific marketing issue.

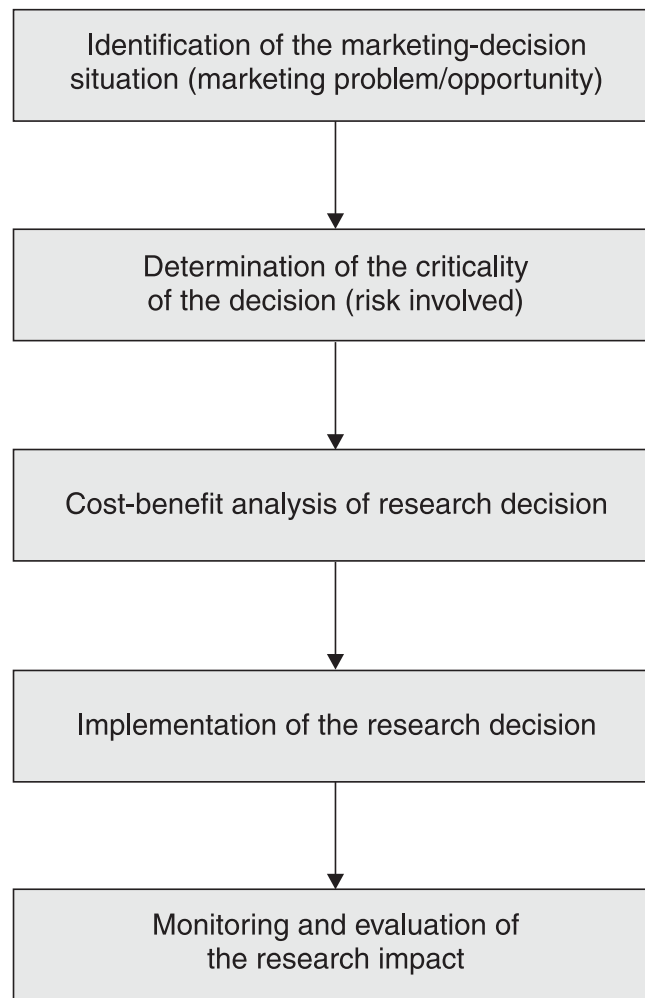


Fig. 1.1 Role of Marketing Research in Marketing Programme Development

As the Sony Walkman case cited earlier suggests, consumers are not always consciously aware of their needs or even of dissatisfaction with the available modes of satisfying certain needs. It is then left to a savvy marketer to anticipate non-trivial improvements in these current modes of need-satisfaction. Equally important, the marketer must ensure that the market-offerings incorporating these improvements are perceived by the consumer as unique, innovative, and relevant. Everett Rogers' theory of product innovation and diffusion puts most completely 'new-to-the-world' product/service concepts in this category. The very novelty of these ideas implies that they carry a higher than usual risk, and need to be tested out through marketing research. Otherwise, the success of one Sony Walkman may come at the expense of a large number of other failed ideas.

MARKETING DECISION-MAKING

The discussion so far delineates three kinds of decision situations in marketing, which have been discussed here. Whether aimed at consumers or industries, each carries a certain amount of risk. The risk arises from a lack of adequate understanding of

consumers' purchase motivations and satisfaction levels with the status quo. Research as a means of risk reduction is, thus, needed to enhance the efficacy of marketing decisions at three increasing levels of complexity.

- (a) To identify need-gaps or conscious dissatisfactions with existing ways of satisfying needs. This is the least complex of situations demanding research, as the consumer is already aware of the kind of problems with current market-offerings and is, therefore, well able to define expectations from a better product.

Research into satisfaction levels with anti-allergic drugs, for example, may reveal that all the brands currently available in the market suffer from a major limitation of inducing drowsiness, thereby making it impractical to take them during the day. This would obviously interfere with treatment patterns by encouraging patients to have less than the required dosage, would reduce the efficacy of the treatment, and might even lead to unanticipated side-effects like building up resistance to the drug. The opportunity for a new anti-allergic drug which would either not cause drowsiness or require only night-time consumption, thus, gets defined easily.

- (b) To identify opportunities for offering a 'product-plus' in situations when the consumer has latent but not articulated dissatisfactions with existing ways of satisfying needs. Most advances in product categories, or what Everett Rogers (1995) refers to as 'dynamic continuous innovations', occur as a result of research of this kind.

Toilet soaps as a product category do not usually experience much stated consumer dissatisfaction. However, when Dove soap was introduced by Hindustan Lever as '25% moisturizing cream', it was adopted enthusiastically by users as an improved brand, since it brought home to the user the fact that most soaps dry the skin.

Research of this nature, which would usually reveal latent and unmet consumer expectations, is needed not just for protecting or growing an incumbent's market share, as in the case of Johnson & Johnson. It is also particularly useful

Johnson & Johnson's Band-Aid

When Johnson & Johnson's introduced the 'wash and dry' plastic version of their Band-Aid adhesive bandages, the original version of the brand had held sway in the market for a very long time, with no apparent user dissatisfaction, and market shares in the region of 80% and above. However, research revealed that for a middle-class housewife who was often getting her hands wet doing household chores and for children who often get

cuts and scratches that require covering for two or three days at a stretch and who could not be expected to keep their wounds dry, the brand did suffer from the limitation that it frayed frequently and came off when it got wet. A plastic Band-Aid with better adhesion and better aesthetics was the company's solution to the problem that had not yet been articulated by the users.

Concorde: Too Costly to Fly

Consider the withdrawal from the skies of Concorde, one of the most technologically innovative and expensive means of air travel introduced in the world to date. Proper and detailed marketing research would perhaps have pointed out in advance that the exorbitant cost of travelling by the Concorde and the noise it made far outweighed in the user's mind the benefits of speedy

travel it offered and that, as a result, it was likely to remain an uneconomical, if delightful, mode of travel for all but the very rich. Given the size of the aircraft, this would mean mostly vacant seats and, thus, lack of economic viability. Prior research into such situations is critical for the success of an innovation.

for late entrants in a growing product category, where every brand has its loyal adherents, offering the opportunity to enter the market with an 'augmented product'.

- (c) To determine consumer acceptance of new-to-the-world ideas. The failure rate of new products is phenomenally high. Estimates vary from 60% to 73% and this includes new brands with little product differentiation, augmented products, as also completely new product concepts that require a change in consumer lifestyles—those that Rogers refers to as 'discontinuous innovations'.

Introduction of new marketing channels is fraught with the same risk. When Amway first introduced the concept of multi-level marketing, it was hailed in the Western world as a major advance in distribution strategy. However, attempts to introduce the same concept in India have met with only limited success in spite of all apparent advantages. Some post-facto research conducted by independent agencies suggests three reasons for this: (a) the dependence of the success of the channel on the personality of the 'distributor', who must be a gregarious and extroverted person, (b) the opportunity to choose between a variety of brands that the dealer outlet offers—this is very important in purchase of the large array of low-involvement, low-differentiation items, and (c) the relationship that develops between the dealer and the buyer, where the dealer is seen not only as a supplier of goods, but also as a source of information and an adviser on the best brands to buy. Because of the long-standing relationship, the dealer comes to understand the buying motives and the preferences of the buyer, and the buyer develops a sense of loyalty to the outlet even more than to the brand. This is reinforced by the existence of the large unbranded market in India.

SCOPE OF MARKETING RESEARCH

In a September 2003 article in *Strategic Marketing*, Muder Chiba said, 'The chances of making an error in judgement is mainly because of dealing with consumers who(m) the marketer doesn't know, in places he has never seen, in situations he's never been.

MR then is to be used to reduce the chances of making an error.... And the decision to research or not would depend on the likely cost of the error.'

Parameters Governing Complexity and Nature of Research

In the preceding section, we have discussed the need for marketing research for marketing decision-making at three increasing levels of complexity. Chiba (2003) sums up the need for and scope of research quite comprehensively in his article. Whatever the level of complexity of marketing issues for which research is required, the scope of all research is dependent on certain variables that define its framework. These variables have been discussed below.

Objectives of the decision

Green and Tull (1978) have identified six kinds of management decisions requiring data, namely,

- recognition and definition of problems,
- prioritization and selection of problems,
- solution of the selected problem,
- implementation of the solution,
- modification of the solution based on observation of results, and
- establishing policy.

Marketing Experiment

Mr Saxena, the brand manager for Company A's largest selling brand of detergents 'Bright', is faced with the problem of falling brand sales in the first two quarters of the current year. He is aware that this situation has arisen because of acute shortage of soda ash, one of the major ingredients of the product, at the beginning of the financial year. The shortage had continued for almost the entire first quarter due to a strike in a major supplier's factory. The decline in sales has not been uniform across all states. He needs to decide what kind of marketing support to provide to the brand in order to make up for lost sales, now that the soda ash problem has been solved. In order to decide on the quantum of support required by various states, he needs to determine the state-wise loss in sales of Bright. Let us now assume that Mr Saxena has

received data on the state-wise pattern of decline in sales of Bright and is planning a strategy to provide support to marketing effort through one of three methods: sales-promotion drive, stepped-up media advertising, or door-to-door marketing. Because of a limited budget, he has to choose one of the three. Since the brand is not new, the major purpose of the exercise is not to increase awareness, but to increase demand. This is a situation requiring marketing research or, more specifically, a marketing experiment, which is one method of research in marketing. He would need to choose three matched regions, try one of the three alternative methods in each simultaneously for a defined period of time, and compare the increase in sales in the three regions in order to decide the most effective method.

These may also be treated as six stages in decision-making, each requiring information inputs of different types. In the marketing context, some, and only some, of these decisions need to be based on marketing research.

Routine marketing information is usually available as brand-wise and state-wise sales analysis within the organization, with the sales administration department or some equivalent function. Though the decision required relates to the brand's marketing mix, and will be dependent on market data, it should not need marketing research. Marketing problems whose solutions are based on routine information, in other words, do not need marketing research. Also, as Aaker et al (1999) suggest, 'Research should not be conducted to satisfy curiosity or confirm the wisdom of previous decisions.' Such research has no relevance to decision-making.

Therefore, marketing research is essential for new information needed for strategic decisions, though not usually for routine decisions. The need for marketing research in decisions that have a combination of routine and strategic elements has to be decided on a case-to-case basis.

Time schedules

Marketing decisions are usually time-bound and if research has to play a role in influencing these decisions, the results must be made available in time for decisions to be based on research.

No matter how well-structured and comprehensive a research study may be, it is not useful if its results are made available after the deadline for marketing decisions has gone by. If a decision has to be taken within too brief a time frame to allow for extensive research, e.g., as a response to competitive activity or in relation to modification in the marketing mix of a seasonal product, it is better to take the risk of going ahead without pre-decision research and conduct a post-facto research to examine the impact of the decision later.

This may, at times, result in wrong or expensive decisions, but that cost will have to be compared with the cost of prior research. This issue will be discussed in detail in Chapter 2, where the Bayesian decision theory in the context of marketing has been explained.

Resources

The financial cost of research is linked to the time available for research. Delayed research often results in opportunity loss because of delayed decision-making or through wrong decisions, as mentioned earlier. Another factor that normally affects the decision about the scope and especially the nature of research, is the availability of monetary and human resources.

In the example of marketing experiment for Bright detergent, conducting the experiment in three matched regions would involve three times the budget required for any one of the proposed research strategies. If the budget is limited, Mr Saxena is left with the options of reducing the sample size substantially, conducting all the experiments in one region, taking recourse to the market-simulation method instead of a full-scale experiment, or exercising his judgement in the choice of the strategy to be adopted.

None of these four methods may provide information as exhaustive or reliable as a full-scale experiment, but it is necessary to undertake a cost-benefit analysis of expensive research methods.

Experienced and knowledgeable analysts

An important issue is the availability of analysts with adequate knowledge of suitable research techniques. Sophisticated research methodologies also require a higher degree of expertise on the part of the researcher. Understanding and interpreting qualitative research data can only be done well by a trained researcher, preferably with a background in sociology or psychology. For example, the science of semiotics can contribute a great deal to a sophisticated understanding of how consumers interpret and relate to colours, symbols, etc. and relate to brands.

Unless the analyst has some degree of experience and understanding of the techniques, it is quite easy to misinterpret this data. Even older methods such as brand-personification exercises require interpretation based on an understanding of the way human consciousness works. Usage of such methodology by a non-expert may result in erroneous conclusions, leading to wrong decisions.

Similarly, in quantitative research, it is essential to have not only a knowledge of sophisticated analytical techniques, including those based on modern computer software, but also an understanding of their scope and applications.

To cite some simple examples, a researcher must have a complete understanding of the assumptions under which the association between two variables may be measured rather than correlation, or the information that a Likert scale provides vis-à-vis a semantic differential scale. In the absence of such knowledge, it is safer to use basic statistical tools of analysis and extract accurate though relatively limited conclusions, rather than to run the risk of drawing wrong inferences using unsuitable, if sophisticated, analytical techniques. Availability of knowledgeable human resources is thus another critical parameter determining the kind of research that may be safely undertaken.

The relationship between marketing mix and marketing research

Decisions relating to the marketing mix and, hence, the required marketing research vary with the life-cycle stages of the market-offering. Table 1.1 illustrates some of these requirements.

The table gives an illustrative list. Individual research requirements may vary depending upon the nature of the product, the extent of competition, environmental factors, and consumer behaviour.

The research requirements discussed in Table 1.1 would be necessary for developing marketing programmes. In addition, marketing research plays a critical role in strategic decision-making.

Role of Marketing Research in Strategic Decision-Making

Some strategic decisions are taken after detailed market research. Some such decision areas have been discussed in this section.

Table 1.1 Marketing Research Requirements During the Life of a Market Offering

Research Area	Product Life-Cycle Stages				
	Pre-launch	Introduction	Growth	Maturity	Decline
Environment	Industry structure, size, and growth; government policies			Environmental trends; changes in technology and consumer tastes; development of new markets	Growth of substitutes
Consumer	Market segments; dissatisfaction with current options; market potential of proposed option	Size/profile of innovator/early adopter groups; motivations for brand adoption	Size/profile of early adopters/early majority; relationship with the brand; motivations for brand adoption; attitudes towards the brand	Brand-response of different segments; size/profile of late majority/laggards; relationship with the brand	Consumer attitudes towards the brand; reasons for discontinuance
Product/Service	Acceptability of product concept; positioning; benefit expectations; patterns of product use	Trial/repeat purchase/adoption rates; brand switch; initial experience; brand opinion vis-à-vis competition	Repeat purchase; brand image and identity; brand loyalty; patterns of brand use	Brand loyalty levels; scope for and acceptance of brand extensions; brand identity	Scope for repositioning and selective promotion
Price	Acceptability of proposed price	Response to price; 'value-for-money'	Opportunity for price modification	Influence of price on brand image; purchase and loyalty; response to price variants	Opportunity of brand-sustenance through price discounts
Promotion		Brand awareness; brand knowledge; initial brand image; appropriate promotion channels	Efficacy of promotion media vis-à-vis brand objectives	Impact of sales promotion; opportunities for repositioning the brand; impact of advertising strategies	

(Continued)

(Table 1.1 Contd.)

Research Area	Product Life-Cycle Stages				
	Pre-launch	Introduction	Growth	Maturity	Decline
Distribution		Availability; dealer acceptance; dealer support to brand	Availability; dealer acceptance; dealer support to brand; dealer network extension opportunity	Degree of reach and penetration; dealer support to brand; opportunities for and potential of new channels	Reasons for dealer discontinuance of the brand
Competition	Substitutes; direct competition; major players; segments dominated; competitive strategies	Early competitive response to brand	Competitive response to brand; development of the market	Market consolidation; competition growth; competitive response to brand	

Project feasibility studies

Market feasibility exploration forms an essential part of any new project feasibility analysis. Such exploration would help define the most suitable target segment, identify consumer expectations, identify competition, influence the marketing mix, and project sales over the long term, thereby providing the needed marketing inputs for the project idea.

Branding and positioning

The need for branding; the most suitable branding platform; branding strategies; positioning strategies; the need for and direction of repositioning strategies—these and all similar decisions are required to be based on marketing research in order to reduce the inherent risk.

Allen Solly

When Allen Solly considered launching women’s western wear, they needed to answer all these questions: should they target the product at women executives who have already adopted western wear or should they try to change the taste of women who currently wear salwar-kameez to work? Which age group, income group, and educational background should be targeted? What brand characteristics should they emphasize? What

positioning would be most suitable? Should they make it available through the Allen Solly retail showrooms, or place it in multi-brand department stores? How often were women consumers likely to buy such garments? All these, and a host of similar questions essential to determining the market feasibility of the brand, could only be answered through research.

Diversification

Whether and where to diversify? The choice between market development, product development, and diversification strategies has to be based on an understanding of the marketing environment and the company's relationship with it.

When companies like Hindustan Lever Limited start looking at growth avenues, this is a very real issue. Is it better to launch yet another soap or shampoo, where their reputation and experience would help quick consumer acceptance and speedier penetration, or is it better for them to enter the branded commodities market like *atta* (wheat flour), which is a nascent market with little competition and would provide synergies with their bought-out brands like Modern bread?

Once this information has been obtained through marketing research that marries the environment to company capabilities, further decisions about the direction in which the organization needs to move within the framework of any of these strategies will again be dependent on marketing research that measures the company's chances of success in any of these areas. Research would also help a company like The Times of India group to make a similar decision and to foray into 'infotainment' brands like Planet M.

Market development

Market research helps decisions regarding which markets or market segments to develop for future growth. Amul's decision to expand into dairy products other than milk with yogurt and cheese is a case in point, and so is Johnson & Johnson's extension of the baby soap, earlier aimed at the infant below one year, to the three-year plus child.

Measurement and forecast of market trends

Though this field is often treated as the preserve of economic analysis at the macro level, at the company level marketing research is required to relate this information to the organization's growth prospects.

This would often be the precursor to market-entry choices. Most pharmaceutical and FMCG companies, for example, keep track of market trends with the help of ORG-Marg's retail audit, a syndicated market research service providing monthly measures of the market, sales, market shares, and growth patterns of participating companies,

Johnson's Baby Lotion

Johnson & Johnson had positioned their Johnson's Baby Lotion brand for teenagers, on the assumption that girls were most likely to be concerned about their appearances at that age and would, therefore, be the most suitable target for a skin-care product. Research, however, revealed that the concept of 'good looks' varies with age: in her teens, with a young skin, a girl is more concerned with treatment of blemishes like pimples and with

enhancement of appearance with cosmetics, rather than with preservation of young-looking skin with moisturizers. The thirty-plus woman, on the other hand, becomes aware of the effects of aging and is certainly interested in skin-care products like moisturizers. The result was the repositioning of the brand towards the thirty-plus woman.

brands, and packs. With the help of retail audit, industry players are not only able to keep track of the attractiveness of the various markets, the data also provides a basis for forecasting future growth of the market, the product category, and the major competitors. Using this market research data, companies considering entry into a certain industry are in addition able to identify prospective competition and plan strategies to be employed in case they enter the market.

Customer satisfaction surveys

As in the case of market trends, market research is also needed to focus this environment-related input on the firm and the industry in order to identify opportunity areas. *The Wall Street Journal* in the USA regularly publishes findings of the customer satisfaction index for the US economy, prepared by the University of Michigan.

The customer satisfaction index is constructed on the basis of detailed qualitative and quantitative marketing research data, collected every quarter. It is used by the US industry as well as the government as ‘a uniform and independent measure of household consumption experience’, which ‘tracks trends in customer satisfaction and provides valuable benchmarking insights of the consumer economy for companies, industry trade associations, and government agencies’. *The Economic Times* in India has recently begun reporting a ‘customer confidence index’, which provides similar measures of customer confidence in the economy.

SUMMARY

Marketing research is required in business to reduce the risk in marketing decision-making. The need for research, therefore, increases with the degree of uncertainty in the environment and the extent of risk inherent in the marketing decision under consideration. It is needed at the product level, the brand level, and also at the strategic level. Research, as distinct from routine marketing information, is systematic, objective, and unbiased data collected from a large sample in order to arrive at answers to a specific marketing issue, which will strategically impact the organization’s performance in the long run. All marketing decisions, therefore, do not require marketing research. Major factors that affect the nature of marketing research are the marketing decision areas being investigated, and the life-cycle stage of the product, service, or idea being studied.

KEY WORDS

Market-offering is a product, service, or concept introduced in the market by an organization or entrepreneur.

Information refers to items of knowledge; news.

Data refers to facts and figures that may be used in decision-making.

Efficacy of marketing decision is the ability of a marketing decision to favourably impact the performance and the output of the organization.

Marketing mix refers to the particular combination in which an organization's monetary, knowledge, and human resources are deployed at a point in time.

Strategic decision is one that will have a long-term and major impact on the direction and results of organizational activity.

Pre-decision research is research undertaken prior to decision-making in order to gauge the potential impact of alternative decisions.

Post-decision research is research undertaken after the decision has been taken, to compare actual performance with benchmarks set before the decision and study the impact of the decision on organizational performance.

Market simulation method is a market-experimentation technique in which a market-like situation is created within the confines of a room or a hall, and the marketing element under study is tested out under these simulated market conditions with the target group, usually selected at random from the street.

CONCEPT REVIEW QUESTIONS

1. What role does marketing research play in reducing marketing risk? What factors must be taken into account while weighing the decision to undertake marketing research?
2. Research can be used for help in strategy development as well as for developing marketing programmes. How will the two be different? Give two examples of each.
3. All movies made within the country are screened by the Censor Board before they are released for public viewing. Is it possible to use the views of the Censor Board as equivalent to a marketing research study to predict whether or not a movie would be successful? Why?
4. Indian and Air India have announced a tie-up under which they will extend each other's routes and reduce competition with each other. This is a major decision that will have significant strategic impact on the profitability and operations of both companies. Do you think they should have undertaken a marketing research study before taking such a decision? Give reasons for your answer.
5. The ABC Institute of Management believes that demand exists for a competency-building diploma course in shipping management aimed at senior members of the industry who might, after a few years of service at senior levels on ships, look for opportunities in shore jobs. They are considering conducting a survey to define the nature and size of this demand. What factors should they consider before conducting such marketing research? What are the possible pitfalls they must seek to avoid while conducting the study?
6. Marketing of rural products often fails because of inadequate or poor quality research. In what way would the planning of research for rural products be different from that of urban products? What differences between the two sets of products and consumers should be kept in mind while planning such research?

PROJECT ASSIGNMENTS

1. In what areas, if any, could the following use marketing research?
 - (a) SPIC-MACAY, Society for the Promotion of Indian Classical Music and Culture Amongst Youth
 - (b) A new business school opening in your city
 - (c) Crossroads, the mall in Mumbai

Select any one of the three and suggest how the marketing research carried out by it for a marketing issue faced by it might differ from the marketing research conducted by a manufacturing company. Design the research study for any one such marketing issue.

2. Company X, the leader in the market for biscuits, has been losing sales on one of its major brands over the past two years. The marketing department in the company claims that the sales people are not doing their job properly, since the biscuit market seems to be growing. The sales management team on the other hand accuses the marketing group of setting impossible targets, without taking into account the fact that no brand can keep growing at an increasing or even a constant rate for ever. Should a marketing research study be undertaken to provide the answer? Why? Compile a detailed list of other information that should be collected prior to the research, if it is to be undertaken at all.
3. Aditya Gupta has recently taken charge of Fairever, his company's brand of fairness cream. While going through the documentation on the brand, he comes across a marketing research study commissioned by his predecessor on the possible brand extensions for Fairever. The study had been carried out six months ago, and indicated that at this stage in the life of the brand, brand extensions would detract from its equity. Aditya believes that market conditions have changed somewhat since the study was carried out, and decides to commission another study for the same purpose. Do you agree with his decision? Give reasons for your answer and also prepare the brief that Aditya Gupta would give to the marketing research agency through which he is commissioning the study.
4. Choose a major FMCG brand that has been showing stagnating sales for the past few months. Prepare a research plan to assess the brand's need for growth through market development. Discuss it with the company and compile a list of their comments.

CASE STUDIES

1. The Tale of Subbu and The Target

The folders distributed at the Regional Sales Manager's (RSM) conference contained, among other things, photocopies of an article entitled 'Strategic Planning is a Dynamic Exercise' by Walter Vieira, the well-known management consultant. Sitting in one of the middle rows in the Head Office conference hall as the speaker went interminably

on with his presentation, Ravi Subramanyam, the South Zone RSM of Bharat Agro Products Ltd, Subbu to his colleagues, idly turned its pages, scepticism writ all over his face. One paragraph had been highlighted for attention, and he ran his eyes over it. 'The company equivalent of a prepared mind is market foresight. Specifically, market foresight relies on identifying changing customer values and needs, monitoring the evolving competitive field, and anticipating which capabilities within the entire supply chain may become the basis for improved competitive advantage. A company with the capability of market foresight establishes practices for gathering and making sense of such information on a regular basis. Fortune will favour such efforts with breakthrough innovations and superior results.' Subbu broke off at that point. He knew all that. 'The same old theorization. When will these ivory tower academicians realize that no one knows the customer better than us guys in the field? What kind of morons do they take us for? Don't we know our competition? Why don't some of them come and work in the field? They are the ones who need to understand the consumer,' he muttered irritably to Srikant Bhattacharya, the East Zone RSM, who was sitting next to him. They shuffled out as the presentation finally came to an end. By long-standing tradition, the RSMs' conference was also the time for individual RSMs to meet with the General Manager—Sales, the Marketing Manager, and other marketing staff. Subbu headed for the cabin of Shirish Shukla, General Manager—Sales. 'Lambs to the slaughter,' he grinned over his shoulder at Bhattacharya, who was going to see Manikutty, the Marketing Manager. That trite remark notwithstanding, he was quite pleased with the performance of his region that quarter, and was fairly certain that he would be in the running for the 'best performer' trophy awarded every quarter. The trophy was to be announced the next day, and there had been strong indications that Subbu's region was a strong contender.

His discussions with Shukla appeared to confirm this further. So when Shukla raised the subject of 'Agriguard', the company's new herbicide, Subbu was taken aback (Table 1.2). Granted that the brand had not met its target in his region, but it was a

Table 1.2 Sales Growth of Herbicides Market and Major Brands

(Rs in million)

Market and Major Brands	1996		1997			1998		
	Rs Sales	Mkt Share (in %)	Rs Sales	Growth % over 1996*	Mkt Share (in %)	Rs Sales	Growth % over 1997*	Mkt Share (in %)
Total Herbicides Market for Wheat	923.0	100.0	1100.7	19.3	100.0	1349.3	22.6	100.0
Arelon	180.2	19.5	158.2	-12.2	14.4	123.4	-22.0	9.1
Marklon	135.2	14.8	181.7	34.4	16.5	169.7	-6.6	12.6
Agriguard	80.2	8.7	102.4	27.6	9.3	160.6	56.8	11.9
Others	527.4	57.0	658.4	24.8	59.8	895.6	36.0	66.4

Note: * The table provides comparative data for the years 1996, 1997, and 1998. The growth columns provide a comparison of growth in 1997 to 1996 and growth in 1998 to 1997. Similar growth rates for 1996 over 1995 have not been included since the discussion is restricted to these three years.

relatively small brand and, on the whole, his region had over-shot the target by as much as 12%. Compared with the major competing insecticide brand 'Agrifan', Agriguard was small fry. But Shukla was talking facts and figures. 'Look, Subbu, I know you have done well on the whole. But the point is, these herbicides are a growing market. Look at this data sent out by market research,' Shukla spread a sheet out on his table. Subbu had no choice but to look at the figures, which are shown in Table 1.2.

'These are the all-India figures,' Shukla resumed. 'As you can see, herbicides are a fast-growing market, and not so small, either. And during the period that Agriguard has been growing faster than the market and is set to become the largest brand, it has been doing badly in your region.' 'But that is not true, Shirish, and you know that,' Subbu was furious. 'I don't care what these figures say, but these are not the figures for my region. And everyone knows that Agriguard is the largest seller in the South right now even though it hasn't met the target set by guys who don't know better than to sit in their air-conditioned cabins and churn out data from thin air. You have worked my market! You know nobody is doing as well as we are! Do you believe these figures? Besides, this is comparing apples with potatoes! How can anyone compare growth in market share with achievement of targets?' 'Subbu, you know that we are all expected to adhere to the targets once they have been finalized. You are consulted before finalization,' Shukla was firm.

'Look, Shirish, I have been doing my best. But a company cannot set targets on the basis of guesstimates like these and then expect managers to stick with them,' Subbu shot back. Shirish Shukla looked at Subbu for a while. There was a lot of truth in what his RSM was saying. Unlike pharmaceuticals and consumer goods, there was no independent retail-audit panel in the agrochemicals industry. The all-India figures were arrived at through mutual agreement between the companies, and different companies employed a variety of methods for calculating their final turnover figures. The financial year also varied for many companies. And for the regions, these all-India figures were used as a mere guideline. He thought for a long time. Subbu had cooled down somewhat after his outburst. He realized it was only Shukla's sense of fair play that had let him get away with such arguments and such language, though he believed his arguments were valid.

Shukla spoke after a while, 'Subbu, this problem keeps coming up every once in a while. You say you do not accept these figures. But you know that figures talk louder, longer, and more firmly than mere emotions. Why don't *you* collect figures for your region and send them to me and to Market Research? They are hampered by the lack of reliable figures. And as you can see, it will be useful to everyone, including yourself.' 'It is *their* job,' was Subbu's first, instinctive reaction. 'We field people have better things to do than go around collecting data. Besides, do you expect me to do this every month?' Shukla grinned. Subbu's last question indicated that even as he was talking, he had seen the benefit to his region of Shukla's suggestion.

'Try to do it at least once a quarter,' he told Subbu. 'Your field people, with their long-term relationship with the distributors, are more likely to be able to collect such information from them than Mukerjee's (the Market Research Manager's) team.'¹

¹ Quoted from a published article by Walter Vieira (2000).

Questions

1. According to you, whose stand do you think the figures support—Subbu's or Shukla's? Why?
2. What kind of information should Subbu collect in order to check whether his stand was right?
3. What kind of information should be collected for setting sales targets for a region, so that the people involved will have an idea about the performance of their brand vis-à-vis other brands? Who should collect this information? Why? Will it improve their decisions? How?

2. Helping Hands

Urmi Patel looked at her husband with defeated eyes. She found it difficult to accept the conclusion that he had reached and that he was trying to make her see the logic of—that her business was not going to take off. There seemed no reason for it not to. Everyone had said at the time that it was a great idea, even her husband. 'I do not deny that, Urmi. We all thought so, at the time. Perhaps we should have checked out the market,' said her husband, Ratan. It pained him to see the disappointment on her face. But there was nothing for it. The mistake had to be accepted.

Urmi was thinking about the time, five months earlier, when the idea had first come to her. For years now, she had lived in Ghatkopar, a Gujarati-dominated area of Mumbai. The second of three children, she had been born and brought up in East Africa, where her father had been running a thriving business in textiles. She came to India after her marriage twenty-eight years ago, and about fifteen years ago, her parents had also retired to Mumbai, when her two brothers decided to emigrate to the UK. They lived not far from Urmi, and she had been taking care of them all this while. Now that her own children were grown up, she found more time on her hands, and had been helping her husband out with his business, too. Her knowledge of computers came in handy in that work.

Talking to her neighbours and the neighbours of her parents gradually made her aware of one fact: it had become common among Gujarati families for children to go off to the USA or UK after they grew up. Parents looked upon the phenomenon with pride, and getting their daughters married to 'boys in America' was something of a status symbol. One major impact of this new trend was that parents were usually left behind to fend for themselves. In a country like India, where the joint family system has not disappeared completely even now, and where it was the norm for sons to look after aged parents, this socio-economic change was striking at the roots of social and emotional security, specially in communities like the Gujaratis, where the number of emigrants was high. Societal structure was still not geared to cope with this change, and there were not many governmental or voluntary organizations around to take care of old people in an organized manner. Increasing life-expectancy had made the problem more acute. Urmi Patel saw her parents facing this problem and trying to find ways to come to terms with it. That she was around to lend a hand helped. This set her thinking. What

about people who did not have any children living nearby? Specially those who were really old and not capable of handling the responsibilities of day-to-day living? She herself had been asked by some neighbours and friends of her parents on many occasions to help out with chores like paying the telephone bill, booking the gas, and calling in the plumber to repair a leaky faucet.

She began to realize that here was the opportunity for an innovative business. She could offer to take care of these tasks for old people in her neighbourhood, at a price. She discussed the idea with her husband and a few trustworthy friends. They agreed that it could be a very profitable business idea, though, of course, like any business idea, it needed to be worked upon. Urmi felt that in this way, she would be providing a much-needed service to the community and, at the same time, making some money. She sat down and made a list of the various tasks she usually had to perform for her parents and their neighbours on a regular basis, and the frequency of each task. She estimated the time she had to spend on each task. Working out the cost of each task was a bit difficult, till her husband suggested that she could follow one of two approaches: either ask various artisans how much they would charge for each such task and cost it accordingly, or estimate the cost of her time on the basis of the salary she would expect to get per month for a full time, eight-hour-a-day job. She opted for the second method, since it was not possible to get correct estimates from others for all the tasks on her list. Having calculated the costs on this basis, she now had the list of services she could offer, the frequency with which she would offer them, and the prices she would charge. She was now all set to make a beginning. She decided that she would offer her services at \$100 per month, in American currency, for a standard set of services (Table 1.3).

This would cover most of the routine requirements, and the \$100 charge would provide her a tidy profit. Additional services, such as banking, were optional and would be charged extra on a pro-rata basis. She would visit each subscribing household once a week to check up on their requirements. In addition, she was always available on call, and arranging for medical aid would be on a priority basis, any time of the day. Urmi decided that she would approach the children settled abroad for subscription to her

Table 1.3 List of Services Offered

Service	Frequency
• Shopping for provisions	— once a fortnight
• Shopping for vegetables	— once a week
• Other shopping	— once a month
• Payment of electricity and telephone bills	— once a month
• Plumbing/electrical repairs and carpentry work	— once a fortnight
• Booking of gas	— once a month
• Outing for the couple (to temples, etc.)	— once a month
• Group outing/picnic for all clients	— once in three months

services for their parents. On the basis of her experience with her own parents and their friends, she was quite sure that there was a good market for her services, which she decided to name 'Helping Hands'. Given the financial position of most of the Gujaratis abroad, and the peace of mind her services would provide, she was confident that the \$100 charge would not be found excessive. She estimated that in the first year, she would be able to obtain at least 30 such subscriptions, which would give her a monthly profit of about Rs 2,000 per subscribing household on an average. She got 500 copies of an attractive brochure printed at a cost of Rs 15,000, and mailed them to her brothers for distribution. Even though she found the printing costs rather high, she realized it was important for the brochures to be eye-catching and classy looking. She also devised an attractive advertisement in the form of an open letter, and advertised in *India Abroad* and two other similar magazines with NRIs as the target audience. She then sat down to wait for the response she was sure would follow.

Nothing happened for two months. Urmi was beginning to despair, when the phone rang one morning. A Mrs Shah was on the line from London, enquiring about details relating to Helping Hands. A friend who had come across the advertisement in *India Abroad* had told her about it. Enthusiastically, Urmi told her about it, and offered to send her the brochure. Mrs Shah was interested, but thought that \$100 per month, or its equivalent in pounds sterling, was a bit on the high side for such a service. She asked Urmi to send a copy of her brochure. She would discuss it with her husband and get back to Urmi within ten days, if they were interested in subscribing. That was the only call she ever received, till the younger of her brothers had called that morning. He had inquired with some friends, he said, people he thought would be interested. But he had come up against an unexpected difficulty. People were not very willing to let strangers walk into a house inhabited by just old people. He had tried reassuring them, saying it was his sister offering the service, so there was no risk. But a friend of his had asked right out how she could guarantee the reliability of the people she would have to employ—the plumbers, the electricians, etc. Urmi was aghast. The possibility had never occurred to her. 'Can you not explain to them that that would be my responsibility?' she asked her brother. 'After all, such services are fairly common in the West.' 'I did try, Urmilben. But to tell you the truth, I would feel the same concern for our parents, about letting some unknown workers into the house, if you were not around to supervise, along with Ratanbhai or Rakesh,' he said, referring to her husband and son. 'It is different out here because most of these services are provided by the borough councils, which are official bodies.' And that was that. If acquaintances had that fear, she had no hope in the world of being able to guarantee reliability to unknown people. That was perhaps why nobody had subscribed. She mentioned the conversation to her husband in the evening and, as she had been dreading, he agreed with her brother. 'You should have surveyed the market,' he said. Despite the disappointment, Urmi knew he was right. All the effort, the planning, and the expenditure on promotion, had been in vain. As things stood, there was no market for her idea.

Questions

1. Given the amount of information Urmi Patel had collected before launching her business, do you agree with her husband's view that she should have conducted a survey before launching the enterprise? Why? List the specific benefits that would accrue from such a study.
2. If Urmi Patel has to conduct a survey, how should it be designed?
3. How could the data from the study be utilized in developing the business plan for Helping Hands?

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