Chapter Two

Defining the Marketing Research Problem and Developing an Approach
Focus of This Chapter

• Defining the Management Decision Problem
• Defining the Marketing Research Problem
• Developing an Approach to the Problem

Relationship to Previous Chapter

• The Nature of Marketing Research (Chapter 1)
• Definition of Marketing Research (Chapter 1)
• The Marketing Research Process (Chapter 1)

Relationship to Marketing Research Process

Problem Definition
Approach to Problem
Research Design
Field Work
Data Preparation and Analysis
Report Preparation and Presentation
Figure 2.2 Defining the Marketing Research Process and Developing An Approach: An Overview
Importance of Defining the Problem

The Process of Defining the Problem and Developing an Approach (Fig 2.3)

Tasks Involved
- Discussions with DM (Fig 2.5)
- Interviews with Experts
- Secondary Data Analysis
- Qualitative Research

Environmental Context of the Problem (Fig 2.6)

Management Decision Problem (Table 2.1)

Definition of the Marketing Research Problem (Fig 2.7 - Fig 2.8)

Approach to the Problem (Fig 2.9)
- Analytical Framework & Models
- Research Questions & Hypothesis
- Specification Of Information Needed

Application to Contemporary Issues (Figs 2.10, 2.11)
- International
- Social Media
- Ethics

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# Figure 2.3 The Problem Definition and Approach Development Process

<table>
<thead>
<tr>
<th>Tasks Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussions with Decision Makers</td>
</tr>
</tbody>
</table>

## Step 1: Problem Definition

- Environmental Context of the Problem

## Step 2: Approach to the Problem

- Analytical Framework and Models
- Research Questions and Hypotheses
- Specification of Information Needed

## Step 3: Research Design
Tasks Involved in Problem Definition

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

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

1. The events that led to the decision that action is needed; the history of the problem.
2. The alternative courses of action available to the DM.
3. The criteria that will be used to evaluate the alternative courses of action.
4. The potential actions that are likely to be suggested based on the research findings.
5. The information that is needed to answer the DM's questions.
6. The manner in which the DM will use each item of information in making the decision.
7. The corporate culture as it relates to decision making.
The interaction between the DM and the researcher should be characterized by the seven Cs:

1. Communication
2. Cooperation
3. Confidence
4. Candor
5. Closeness
6. Continuity
7. Creativity
Figure 2.5
Discussion between Researcher and DM

Focus of the DM

Symptoms
• Loss of Market Share

Focus of the Researcher

Underlying Causes
• Superior Promotion by Competition
• Inadequate Distribution of Company’s Products
• Lower Product Quality
• Price Undercutting by a Major Competitor
Table 2.1 Problem Definition Based on Symptoms Can Be Misleading

<table>
<thead>
<tr>
<th>Firm</th>
<th>Symptoms</th>
<th>Based on Symptoms</th>
<th>Underlying Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer of orange soft drinks</td>
<td>Consumers say the sugar content is too high</td>
<td>Determine consumer preferences for alternative levels of sugar content</td>
<td>Color. The color of the drink is a dark shade of orange giving the perception that the product is too “sugary.”</td>
</tr>
<tr>
<td>Manufacturer of machine tools</td>
<td>Customers complain prices are too high</td>
<td>Determine the price elasticity of demand</td>
<td>Channel management. Distributors do not have adequate product knowledge to communicate product benefits to customers.</td>
</tr>
</tbody>
</table>
Figure 2.6  Factors to be Considered in the Environment Context of the Problem

- Past Information and Forecasts
- Resources and Constraints
- Objectives of the Decision Maker
- Buyer Behavior
- Legal Environment
- Economic Environment
- Marketing and Technological Skills
<table>
<thead>
<tr>
<th>Management-Decision Problem</th>
<th>Marketing Research Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asks what the decision maker needs to do</td>
<td>Asks what information is needed and how it should be obtained</td>
</tr>
<tr>
<td>Action oriented</td>
<td>Information oriented</td>
</tr>
<tr>
<td>Focuses on symptoms</td>
<td>Focuses on the underlying causes</td>
</tr>
<tr>
<td>Management-Decision Problem</td>
<td>Marketing Research Problem</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Should a new product be introduced?</td>
<td>To determine consumer preferences and purchase intentions for the proposed new product.</td>
</tr>
<tr>
<td>Should the advertising campaign be changed?</td>
<td>To determine the effectiveness of the current advertising campaign.</td>
</tr>
<tr>
<td>Should the price of the brand be increased?</td>
<td>To determine the price elasticity of demand and the impact on sales and profits of various levels of price changes.</td>
</tr>
<tr>
<td>What can Subaru do to expand its automobile market?</td>
<td>To determine the various needs of the automobile users and the extent to which those needs were being satisfied by the current product offering.</td>
</tr>
</tbody>
</table>
**Figure 2.7 Errors in Defining the Market Research Problem**

- **Problem Definition is too Broad**
  - Does Not Provide Guidelines for Subsequent Steps
  - e.g., Improving the Company's Image

- **Common Errors**
  - Problem Definition is too Broad
  - May Miss Some Important Components of the Problem
  - e.g. Changing Prices in Response to a Competitor's Price Change

- **Problem Definition is too Narrow**
  - e.g., Improving the Company's Image
Figure 2.8  Proper Definition of the Marketing Research Problem
Subaru Vignette

Management-Decision Problem:
- “What can Subaru do to expand its share of the automobile market?”

Marketing Research Problem:
- Determining the various needs of automobile users and the extent to which current product offerings were satisfying those needs.
Subaru: Specific Components

1. What needs do buyers of passenger cars, station wagons, and sports utility vehicles seek to satisfy?
2. How well do existing automobile product offerings meet these needs?
3. Is there a segment of the automobile market whose needs are not being adequately met?
4. What automobile features does the segment identified in number 3 desire?
5. What is the demographic and psychographic profile of the identified segment?
Components of an Approach

- Analytical Framework and Model
- Research Questions and Hypotheses
- Specification of the Information Needed
Models

An analytical model is a set of variables and their interrelationships designed to represent, in whole or in part, some real system or process.

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

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

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

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

Where

\( y \) = degree of preference (dependent variable)
\( x_i \) = image characteristics (independent variables)
\( a_0, a_i \) = model parameters to be estimated statistically
Figure 2.9 Development of Research Questions & Hypothesis

Components of the Marketing Research Problem

Research Questions

Hypotheses

Analytical Framework and Models
Research Questions and Hypotheses

- **Research questions** (RQs) are refined statements of the specific components of the problem.

- A **hypothesis** (H) is an unproven statement or proposition about a factor or phenomenon that is of interest to the researcher. Often, a hypothesis is a possible answer to the research question.
Subaru Vignette

- RQ: What is the overlap between the features sought by station wagon buyers and buyers of sports utility vehicles (SUVs)?
- H1: The buyers of station wagons rate certain features of SUVs as important.
- H2: The buyers of SUVs rate certain features of station wagons as important.
Specification of Information Needed

- By focusing on each component of the problem and the analytical framework and models, research questions, and hypotheses, the researcher can determine what information should be obtained.
Subaru Vignette

Component 1

- Needs of buyers of passenger cars operationalized in terms of the attributes or features desired in an automobile.
- Needs of buyers of station wagons operationalized in terms of the attributes or features desired in an automobile.
- Needs of buyers of sports utility vehicles operationalized in terms of the attributes or features desired in an automobile.
Subaru Vignette

Component 2

- Evaluation of passenger cars on the desired attributes.
- Evaluation of station wagons on the desired attributes.
- Evaluation of sports utility vehicles on the desired attributes.
Subaru Vignette

Component 3
- No new information to be collected.

Component 4
- No new information to be collected.

Component 5
- Demographic and psychographic characteristics. Type and number of automobiles owned.
Figure 2.10 A Concept Map for Problem Definition

Problem Definition

consists of

Management Decision Problem

consists of

What does the DM need to do

asks

is

focuses on

Marketing Research Problem

guides

focuses on

Information Oriented

focuses on

Underlying Causes

Action Oriented

Symptoms

Specific Components

consists of

consists of

consists of

What information is needed

such as

such as

such as

Component 1

Component 2

Component n

Broad Statement

is broken down to

Management wants to (take an action)

consists of

take an action)

therefore

We should study (topic)

so that

We can explain (question)
International Marketing Research

- Lack of familiarity with the environmental factors of the country in which the research is being conducted can increase the difficulty of appropriately defining the problem.
- Many international marketing efforts fail because a problem audit is not conducted prior to entering the foreign market, and the relevant environmental factors are not taken into account.
International Marketing Research (Cont.)

- While developing theoretical framework, models, research questions and hypotheses, remember that difference in the environmental factor, especially the sociocultural environment, can lead to difference in the formation of perceptions, attitudes, preferences and choice behavior.

- For example, orientation toward time varies considerably across cultures, which can influence perceptions and preferences for convenience foods.
Marketing Research & Social Media

Problem Definition

- Social media can be used to aid in all the tasks that need to be performed in order to define the problem.
- If the decision maker maintains a blog or has a Facebook page, these sources provide additional information in understanding the DM and her\his objectives.
- It is also possible to identify industry experts and an analysis of their social media sites can provide insights into their thinking as it relates to problem at hand.
Problem Definition (Cont.)

- Social media are a natural source of qualitative secondary data and qualitative research.
- Social media can also help in gaining an understanding of the environmental context of the problem.
- In defining the marketing research problem, analysis of social media content can provide a good idea of the broad scope of the problem and aid in identifying the specific components.
Marketing Research & Social Media (Cont.)

Approach to the Problem

- Use of these media can be extended to incorporate feedback from consumers as to whether the researchers are on the right track because the analytical models developed and the research questions as posed by the firm were consistent with and based upon consumer thinking and insights.

- Researchers can then assess the appropriateness of their models or whether they are asking the right research questions. Furthermore, market researchers can choose to openly discuss their derived hypothesis for feedback among closed social media consumer panels.
Ethics in Marketing Research

- Potential for ethical conflict between the marketing researcher and the client.
- Personal interests or hidden agendas of either stakeholder can lead to ethical dilemmas.
- The client should be forthright in disclosing the relevant objectives and the purpose for which the research is being undertaken.
- The researcher should have the best interest of the client at heart.
- In developing an approach, ethical issues include using models and approaches developed for specific projects for other clients.
Acronym: Problem

The factors to be considered when analyzing the environmental context of the problem can be summed up by the acronym PROBLEM:

P ast information and forecasts
R esources and constraints
O bjectives of the decision maker
B uyer behavior
L egal environment
E conomic environment
M arketing and technological skills