# CHAPTER 4
# MANAGING MARKETING INFORMATION TO GAIN CUSTOMER INSIGHTS

## PREVIEWING THE CONCEPTS – CHAPTER OBJECTIVES

1. Explain the importance of information in gaining insights about the marketplace and customers.

2. Define the marketing information system and discuss its parts.

3. Outline the steps in the marketing research process.

4. Explain how companies analyze and use marketing information.

5. Discuss the special issues some marketing researchers face, including public policy and ethics issues.

## CHAPTER OVERVIEW

This chapter looks at how companies develop and manage information about important marketplace elements.

This chapter is an examination of marketing information systems designed to assess the firm's marketing information needs, develop the needed information, and help managers to use the information to gain actionable customer and market insights.

## MARKETING INFORMATION AND CUSTOMER INSIGHTS

Companies use such customer insights to develop competitive advantage.

To gain good customer insights, marketers must effectively manage marketing information from a wide range of sources.

### Marketing Information and Today's "Big Data"

With the recent explosion of information technologies, companies can now generate and find marketing information in great quantities.

Far from lacking information, most marketing managers are overloaded with data and often overwhelmed by it. This problem is summed up in the concept of **big data.**

*Big data* refers to the huge and complex data sets generated by today's sophisticated information generation, collection, storage, and analysis technologies.

**Managing Marketing Information**

The real value of marketing research and marketing information lies in how it is used—in the **customer insights** that it provides.

A **marketing information system (MIS)** consists of people and procedures for assessing information needs, developing the needed information, and helping decision makers to use the information to generate and validate actionable customer and market insights.

## ASSESSING MARKETING INFORMATION NEEDS

A good marketing information system balances the information users would *like* to have against what they really *need* and what is *feasible* to offer.

Sometimes the company cannot provide the needed information, either because it is not available or because of MIS limitations.

By itself, information has no worth; its value comes from its *use*.

## DEVELOPING MARKETING INFORMATION

Marketers can obtain the needed information from *internal data*, *marketing intelligence*, and *marketing research*.

**Internal Data**

**Internal databases** are electronic collections of consumer and market information obtained from data sources within the company network.

Information in the database can come from many sources.

Problems with internal data:

- It may be incomplete or in the wrong form for making marketing decisions.
- Keeping the database current requires a major effort because data ages quickly.
- All the data must be well integrated and readily accessible.

**Competitive Marketing Intelligence**

**Competitive marketing intelligence** is the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketplace.

Marketing intelligence gathering has grown dramatically.

Firms use competitive intelligence to gain early warnings of competitor moves and strategies.

Much competitor intelligence can be collected from people inside the company.

Competitors often reveal intelligence information through their annual reports, business publications, trade show exhibits, press releases, advertisements, and Web pages.

Most companies are now taking steps to protect their own information.

The growing use of marketing intelligence raises a number of ethical issues.

## MARKETING RESEARCH

**Marketing research** is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.

### 1. Defining the Problem and Research Objectives

Defining the problem and research objectives is often the hardest step in the research process.

A marketing research project might have one of three types of objectives.

1. **Exploratory research:** to gather preliminary information that will help define the problem and suggest hypotheses.
2. **Descriptive research:** to describe things, such as the market potential for a product.
3. **Causal research:** to test hypotheses about cause-and-effect relationships.

Start with exploratory research and later follow with descriptive or causal research.

### 2. Developing the Research Plan

The research plan outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather new data.

Research objectives must be translated into specific information needs.

The research plan should be presented in a *written proposal*.

**Secondary data** consist of information that already exists somewhere, having been collected for another purpose.

**Primary data** consist of information collected for the specific purpose at hand.

**Gathering Secondary Data**

Researchers usually start by gathering secondary data.

Using *commercial online databases*, marketing researchers can conduct their own searches of secondary data sources.

*Internet search engines* can also be a big help in locating relevant secondary information sources.

Secondary data can usually be obtained more quickly and at a lower cost than primary data.

Secondary sources can sometimes provide data an individual company cannot collect on its own.

Secondary data can present problems.

- The needed information may not exist.
- The data might not be very usable unless it is:
    - *relevant* (fits research project needs),
    - *accurate* (reliably collected and reported),
    - *current* (up-to-date enough for current decisions), and
    - *impartial* (objectively collected and reported).

**Primary Data Collection**

In most cases, a company must also collect primary data. Care must be given to making certain the primary data is relevant, accurate, current, and unbiased.

*Research Approaches*

**Observational Research** involves gathering primary data by observing relevant people, actions, and situations.

Observational research can obtain information that people are unwilling or unable to provide.

Disadvantages:

- Some things cannot be observed.
- Long-term or infrequent behavior is also difficult to observe.
- Observations can be very difficult to interpret.

**Ethnographic research** involves sending trained observers to watch and interact with consumers in their "natural habitat."

Ethnographic research often yields the kinds of details that just don't emerge from traditional research questionnaires or focus groups.

**Survey research,** the most widely used method for primary data collection, is the approach best suited for gathering *descriptive* information.

The major advantage of survey research is its flexibility.

Disadvantages:

- Sometimes people are unable to answer survey questions.
- People may be unwilling to respond to unknown interviewers or about things they consider private.
- Respondents may answer survey questions even when they do not know the answer.
- People may not take the time, or they might resent the intrusion into their privacy.

**Experimental Research** is best suited for gathering *causal* information.

*Contact Methods*

**Mail, Telephone, and Personal Interviewing**

*Mail questionnaires* can be used to collect large amounts of information at a low cost per respondent.

Respondents give more honest answers to more personal questions.

No interviewer is involved to bias the respondent's answers.

Disadvantages:

- Not very flexible
- Take longer to complete
- The response rate is very low.
- The researcher often has little control over the mail questionnaire sample.

*Telephone interviewing* is one of the best methods for gathering information quickly, and it provides greater flexibility than mail questionnaires.

Interviewers can explain difficult questions.

Response rates are higher than with mail questionnaires.

Disadvantages:

- Cost per respondent is higher than with mail questionnaires.
- People may not want to discuss personal questions with an interviewer.
- Introduces interviewer bias
- Different interviewers may interpret and record responses differently.
- Increasingly high rates of hang-ups

*Personal interviewing* takes two forms—individual and group interviewing.

- *Individual interviewing* involves talking with people one-on-one.
- *Group interviewing* (**focus group interviewing**) consists of inviting six to ten people to meet with a trained moderator to talk about a product, service, or organization.

## Online Marketing Research

Increasingly, researchers are collecting primary data through **online marketing research.**

The Internet is especially well suited for *quantitative* research.

More than 87 percent of Americans now use the Internet.

Web-based research offers many advantages over more traditional approaches:
- Speed
- Low costs
- More interactive and engaging

- Easier to complete
- Less intrusive

Sample size has little impact on costs.

The primary qualitative Web-based research approach is **online focus groups.**

Disadvantages:

- Restricted Internet access can make it difficult to get a broad cross section of respondents.
- Controlling who's in the online sample is difficult.
- Consumer privacy is a major issue.

**Online Behavioral and Social Tracking and Targeting**

Increasingly, online researchers are listening to and watching consumers by actively mining the rich veins of unsolicited, unstructured, "bottom-up" customer information already available on the Internet.

**Behavioral targeting** is the practice of marketers using online data to target ads and offers to specific consumers.

*Sampling Plan*

A **sample** is a segment of the population selected for marketing research to represent the population as a whole.

Designing the sample requires three decisions.

1. *Who* is to be surveyed (what *sampling unit*)?
2. *How many* people should be surveyed (what *sample size*)?
3. *How* should the people in the sample be *chosen* (what *sampling procedure*)?

The two types of samples are:

- *probability samples* and
- *nonprobability samples*.

*Research Instruments*

The *questionnaire* is the most common data collection instrument.

*Closed-end questions* include all the possible answers, and subjects make choices among them.

*Open-end questions* allow respondents to answer in their own words.

Care should be given to the *wording* and *ordering* of questions.

Researchers also use ***mechanical instruments*** to monitor consumer behavior. Checkout scanners are an example.

**3.      Implementing the Research Plan**

This stage involves collecting, processing, and analyzing the information.

Researchers must process and analyze the collected data to isolate important information and findings.

**4.      Interpreting and Reporting the Findings**

Researchers should present important findings and insights that are useful in the major decisions faced by management.

**ANALYZING AND USING MARKETING INFORMATION**

**Customer Relationship Management (CRM)**

Companies capture information at every possible customer ***touch point***.

**Customer relationship management (CRM)** is used to manage detailed information about individual customers and carefully manage customer touch points in order to maximize customer loyalty.

CRM integrates everything that a company knows about individual customers to provide a 360-degree view of the customer relationship.

**Big Data and Marketing Analytics**

Today's big data can yield big results. But simply collecting and storing huge amounts of data has little value. Marketers must sift through the mountains of data to mine the gems—the bits that yield customer insights.

As one marketing executive puts it, "It's actually [about getting] *big insights* from big data. It's throwing away 99.999 percent of that data to find things that are actionable."

Says another data expert, "*right* data trumps *big* data." That's the job of *marketing analytics*.

**Marketing analytics** consists of the analysis tools, technologies, and processes by which marketers dig out meaningful patterns in big data to gain customer insights and gauge marketing performance.

The most common mistake is to view CRM and marketing analytics as technology processes only.

## Distributing and Using Marketing Information

The marketing information system must make the information available to managers and others who make marketing decisions or deal with customers.

Many companies use an **intranet** to facilitate information distribution. The intranet provides ready access to data, stored reports, and so forth.

Companies are increasingly allowing key customers and value-network members to access account and product information, along with other information. The systems that do this are called **extranets**.

## OTHER MARKETING INFORMATION CONSIDERATIONS

### Marketing Research in Small Businesses and Nonprofit Organizations

Managers of small businesses and nonprofit organizations can obtain marketing insights by *observing* things around them.

Managers can conduct *informal surveys* using small convenience samples.

Small businesses can collect a considerable amount of information at very little cost online.

### International Marketing Research

International marketing researchers follow the same steps as domestic researchers.

The international researcher may have a difficult time finding good secondary data.

International researchers often must collect their own primary data.

Reaching respondents is often not easy in other parts of the world.

Cultural differences from country to country cause additional problems for international researchers.

Language is the most obvious obstacle.

Even when respondents are *willing* to respond, they may not be *able* to because of high functional illiteracy rates.

## Public Policy and Ethics in Marketing Research

### *Intrusions on Consumer Privacy*

Many consumers strongly resent or even mistrust marketing research.

Increasing consumer resentment has led to lower survey response rates in recent years.

The best approach is for researchers to ask only for the information they need, to use it responsibly to provide customer value, and to avoid sharing information without the customer's permission.

### *Misuse of Research Findings*

Many research studies appear to be little more than vehicles for pitching the sponsor's products.

Several associations have developed codes of research ethics and standards of conduct.

## Self-Check Questions

4-1.    What is *big data,* and what opportunities and challenges does it provide for marketers?

4-2.    What is a marketing information system (MIS), and what characteristics should it possess?

4-3.    Are ethnographic studies carried out in your country or region? If so, find and discuss an example of this type of research.