

## CHAPTER 2

### THE MARKETING RESEARCH INDUSTRY

#### LEARNING OBJECTIVES

- To learn a brief history of the marketing research industry
- To learn the different types of marketing research firms and the industry structure
- To be aware of criticisms of the industry and the industry's focus on self-improvement
- To appreciate the areas of ethical sensitivity in the marketing research process and to examine the ethical codes and standards developed by professional associations serving the marketing research industry
- To learn about careers in the marketing research industry

#### CHAPTER OUTLINE

##### The Marketing Research Industry

##### Evolution of an Industry

- Earliest known studies
- Why did the industry grow?
- The 20<sup>th</sup> century led to a “mature industry”

##### Who Conducts Marketing Research?

- Internal suppliers
- External suppliers

##### The Industry Structure

- Distribution by size: number of employees
- Firm size by revenue
- Types of firms and their specialties

### **Industry Performance**

- Industry revenues and profits
- Qualitative evaluations of the industry

### **Industry Self-Improvement**

Industry initiatives

### **A Career in Marketing Research**

### **Where You've Been and Where You're Headed**

### **KEY TERMS**

Professional Researcher Certification (PRC)	N.W. Ayer & Son
Charles Coolidge Parlin	Internal supplier
Client-side	DIY
External suppliers	Agency
Full-service supplier firms	Limited-service supplier firms
Sugging	Transparency Initiative
Frugging	MRA
AAPOR	MRIA
CASRO	MRS
ESOMAR	

## TEACHING SUGGESTIONS

1. Instructors may want to bear in mind that the historical development of marketing research is not as interesting to students as it is to instructors. Most students will relate only to the present-day. If you have personal experiences or observations to illustrate some of the changes in marketing research over time, use them, but you should be aware that, depending how far back in history you give personal examples, you will be dating yourself. Most students were born after 1990.
2. Ask students if they can detect the three main causes for the changes in marketing research over its history. One is evolution of markets where we moved from local markets where buyers and sellers were neighbors to global ones where buyers and sellers are from completely different cultures. This drives the need for information about the marketing environment. Another is changes in technology ranging from questionnaire design to computerization that have been adopted by marketing research. The third cause is the combination of PC technology (namely the Internet) and globalization effected by online research. Class discussion and examples of one or all three of these forces can be fruitful. Select a company that has global marketing aspirations and have students identify what research questions are relevant as it moves into different countries and cultures
3. Some topics that you might want to describe to students to open their eyes up to the impact of technology on marketing research are the following: (1) single source data where purchases of a family's (for example) grocery products are captured across several weeks, (2) focus groups that take place over the Internet using video cameras and chat software, or (3) handheld computers that administer customer satisfaction questionnaires to existing customers at (for example) automobile dealership service centers.
4. Students may not understand the distinctions between the three internal research suppliers: (a) formal department, (b) single individual, and (c) no one responsible. If possible, have a representative from each organizational type come to the class and discuss how marketing research takes place in his/her company. Alternatively, describe the situations based on your knowledge of representative companies.
5. Most students will think that all marketing research companies are full-service. One way to help them understand about the limited service companies is to say that they are practicing niche marketing. They have found niches in the research industry, and they specialize in performing their functions very well.
6. Save copies of the Marketing News and bring them to class. After reviewing full-service and limited-service marketing research firms, hand out the newspapers and have students look at the marketing research company ads. Let selected students

summarize the services of companies they have singled out. Alternatively, select the ads yourself, make overhead transparencies or PowerPoint slides, and use them in class when you cover this topic in your class presentation. Another approach, if you have multimedia classroom capability, is to find the Internet sites for various types of marketing research firms and to illustrate the products and services of these different firms during class.

7. If your college has a business research division, invite its director to come to class and describe the various research activities that take place there. Alternatively, such divisions sometimes have Internet sites with descriptions and examples of their products, services, and activities that can be viewed in a classroom with multimedia capabilities.
8. The chapter indicates that formal marketing research departments are typically only found in large companies, and often they are very small. Ask students what this implies about a career in marketing research. You might tie this discussion in with the careers in marketing research appendix. Points to be made are: (1) it will probably take a master's degree to break into the management level, (2) you will probably have to locate in a major metropolitan area, but (3) there will be opportunities for sharp managers who know something about marketing research in medium- and small-sized companies because they don't have marketing research personnel.
9. Many students are surprised that the research industry has not performed at an outstanding level. As an opening to this class discussion, you can ask, "What does it take to start up a marketing research company?" Students will mistakenly say it will take a degree in marketing research, a master's degree, or even a Ph.D.! However, there are no formal requirements, and literally anyone can say he/she is a marketing researcher. This revelation may shed some light on the performance deficiency or otherwise point out the need for a certification system.
10. It is important that students come to realize the ethical issues in marketing research early on, and this is why this topic is introduced in chapter 2. Also, they need to be made aware that philosophical differences exist. Going over the various ethical issue areas is worthwhile, but sugging and frugging invariably generate the most class interest and story-telling.
11. The right to privacy issue is a major worry in the research industry. Ask students what they believe are their personal privacy rights and how they enforce them when they are violated. Then turn the tables by telling them that they have taken on a job as a telephone interviewer where they will be compensated \$5 for each completed interview. What would they do to make money? Sometimes students do an about face on privacy when they are worried about making enough money to pay their rent. How far students seem willing to go to pay the rent in this situation can be a good springboard to discuss ethical versus practical issues.

12. It is always fun to ask students if they have been “sugged” or “frugged” recently. Those who have not read the chapter will be immediately obvious, as sugging and frugging invariably stick in students’ minds. Those who have no clue obviously did not read the chapter before class.

## **ACTIVE LEARNING EXERCISE**

### **Learn More about the Firms in the Marketing Research Industry**

Go to the American Marketing Association website at: [www.marketingpower.com](http://www.marketingpower.com). At the top of the web page, choose “Resource Library.” At the left margin, click on “AMA Publications” and then select “Marketing News.” On the right side you should see both Honomichl reports listed. These will be pdf files that you can navigate to learn more about research companies.

This exercise is intended to expose students to the deeply to the marketing research industry by reading descriptions of the top companies. Both documents contain detailed descriptions of the operations, services, and products of the major marketing research companies.

There is definitely too much material for a single student, so one strategy is to assign a company to each student to do a report or short presentation. The students should also visit the company website for news, new products, white papers, testimonials, success stories, etc.

## **ANSWERS TO END-OF-CHAPTER QUESTIONS**

1. Who is known as the “Father of Marketing Research”?  
Review question. This person is identified in the “Evolution of an Industry” section. Charles Coolidge Parlin has this distinction.
2. Why did marketing research expand by the 1930s?  
Review question. Students need to find the reason for marketing research expansion. Markets became more geographically diverse.
3. Focus groups are considered to be what type of research?  
Review question. Students need to identify the type of research. Focus groups are qualitative research.
4. Define *internal suppliers*.  
Review question. Students must demonstrate knowledge of this term. An entity within the firm that supplies marketing research.
5. What are some advantages of DIY research?  
Review question. Student must find the advantages included in the text.

Cost effective approach

Employees are aware of operations and industry so they may have greater insight into opportunities and problems

6. Which industries have concentrations of marketing research departments?  
Review question. Student demonstrates content knowledge.  
Consumer packaged goods, media, advertising and pharmaceutical and health care
7. Define *external suppliers*. What is another name for external suppliers?  
Review question. Demonstrate knowledge of key term  
Outside firms hired to fulfill a company's marketing research needs  
A supplier firm may be referred to as an agency.
8. How many employees do the majority of marketing research firms have?  
Review question. Students review industry-distribution by size  
The majority of firms have less than 20 employees.
9. What is a full-service supplier-firm? What type of services do they provide?  
Review question. Knowledge of term  
Full-service supplier firms have the capability to conduct the entire marketing research project for buyer firms. Services provided-define problem, specify the research design, collect and analyze the data, and prepare the final written report.
10. Describe limited-service supplier firms?  
Review question. Key term definition  
Marketing firm that specializes in one or, at most, a few marketing research activities.
11. Explain the meaning of the statement that "marketing research industry thrives off derived demand."  
Application question. Students show understanding of what drives growth of marketing research firms.  
As client firms' business grows, so will revenues and profits of marketing research firms that support them.
12. What began drastically changing the marketing research industry in the 1990s? Why?  
Review question. Impact of the internet on marketing research  
The internet allowed for development of new online services such as data collection, sampling, analysis, and reporting.
13. What was identified as the leading challenge facing the marketing research industry in the 2007 Confront industry survey? Why?  
Review question.  
Falling response rates caused by too many requests for research, overly long surveys, and breaches of promised anonymity
14. Some critics claim marketing research is viewed as a commodity. Why?  
Review question.  
Marketing research is often viewed as supplying routine, low-level reports. Some firms rely too much on standardized techniques instead of focusing on the client's real problems.

15. What movement spawned an increase in company awareness of methods leading to improvement? Describe some of these methods.  
Total Quality Management, one method was spelling out best practices to help companies set benchmarks for performance in key areas.
16. Define *sugging* and *frugging*.  
Review question. Sugging-selling under the guise of research; Frugging-fundraising under the guise of research.
17. What are some commonalities in the major marketing research associations' code of ethics?  
Review question. Students will provide examples listed in chapter.  
Fair dealing with respondents, fair dealings with clients and subcontractors, maintaining research integrity, concern for society
18. What is the PRC, and what is it designed to do?  
Review question. Knowledge and purpose of key term  
Professional Researcher Certification, designed to recognize the qualifications and expertise of marketing and opinion research professionals.

## CASE SOLUTIONS

### Case 2.1 Heritage Research Associates

#### Case Objective

This case provides students the opportunity to apply the MRA Code of Marketing Research Standards.

#### Answers to Case Questions

1. Do you think it is ethical to use membership in an association that doesn't require any demonstration of expertise to lead customers into thinking the membership conveys some automatic claim of competency?

Their membership in the organization is an accurate statement.

2. Consult the MRA Code of Marketing Research Standards. Is the answer to question 1 covered? Explain.

The MRA code states that members will not misrepresent themselves as having qualifications, experience, skills, resources or other facility locations that they do not possess. While Heritage Research Associates will not directly refer to membership in the Marketing Research Association as proof of competency it could be viewed as such by some consumers.

3. What problems do you see in the future for Tim and John and Heritage

Research Associates? Do you think they are likely to become the “most talked-about research firm in the world”?

The clients are indicating what the outcome of the research should be and supplying support for this type of outcome based on the support of three highly degreed scientists from “well-known universities.” This could lead Heritage Research Associates to “look” for the results that the clients would like to see. Tim and John have little experience and education and may be tempted to rely on these scientists instead of developing and creating a study that will lead to unbiased results.

Tim and John and Heritage Research Associates need to ensure that they follow the best practices and standards that are outlined in the MRA Code of Standards.

4. Consult the MRA Code of Marketing Research Standards. Are there any standards that back up your answers to question 3?

The MRA Code of Standards requires:

Members will never falsify or omit data for any reason at any phase of a research study or project. It is a basic tenet of the profession, and incumbent on every MRA member to conduct the business of survey and opinion research with the utmost of integrity. Falsifying data of any kind for any reason, or omitting data that do not conform to preconceived notions, will not be tolerated.

All marketing and opinion research released for public consumption (e.g. p-r release research) will comply with prevailing research standards specified in this Code and include statements disclosing (1) the method of data collection, (2) the date(s) of data collection, (3) the sampling frame, (4) the sampling method, (5) the sample size, and (6) the calculated margin of error for quantitative studies.

Public “Release research (p-r research) is research conducted for the purpose of generating media-worthy headlines. This research can be conducted solely for this purpose or can be comprised of results extracted from research whose objectives were broader but whose outcomes lend themselves to release to the media. The overriding ethos regardless of the intended use of the research is to produce accurate statistics that have significance.

## **Case 2.2 Integrated Case: Global Motors**

### **Case Objective**

This case requires students to think about the integrated case in the context of research design and for specific steps in the marketing research process. By answering the questions, they should come to understand the undeniable need for primary information and a custom-made marketing research process.



### Answers to Case Questions

1. Should Nick Thomas use his own internal supplier, ZEN's existing marketing research department, to answer his questions? Are there reasons why he should not use them?

Zen has its own formally organized marketing research department. The major advantages of using such an internal supplier are: (1) knowledge of the company's operations and policies, (2) knowledge of the company's industry, and (3) experience with doing research in the industry. How this department is organized is unknown.

2. If Nick decides to bring in an outside marketing research firm, he will have to reveal proprietary information that is valued at millions of dollars. A competitor would love to know what Zen is planning through their new Global Motors division. Does the MRA Code of Marketing Research Standards address this issue?

Section A has several ethical items that MRA members must agree to by way of signature. Item 3 states, "Will protect and preserve the confidentiality of all research techniques and/or methodologies and of information considered confidential or proprietary." Item 12, states, "Will protect the confidentiality of anything learned about a client's business as a result of access to proprietary information." Item 25, states, "Will ensure that the results of the research are the sole property of the End User(s). At no time will results be shared with other clients."

If CMG Research belongs to the MRA (and yes, it does), Nick is assured that it knows about and has agreed to ensuring the confidentiality of any work done for Advanced Automobile Concepts.