**SOLUTIONS MANUAL**

**Chapter 1: The Role of Marketing Research in Management Decision-Making**

**QUESTIONS FOR REVIEW AND CRITICAL THINKING**

**1. The role of marketing is to create exchanges. What role might marketing research play in facilitating the exchange process?**

Exchange can take place when two or more parties have something of potential value to each other and can communicate and deliver these desired goods or services. Marketing research helps these parties to determine what goods or services are desired by other parties and at what price level these goods and services become of value. In other words, marketing research aids managers in determining who wants benefits from goods or services and where, when, and at what price an exchange can occur.

**2. Marketing research has traditionally been associated with manufacturers of consumer goods. Today an increasing number of organizations, both for-profit and non-profit, are using marketing research. Why do you think this trend exists? Give some examples**.

Marketing research helps all organizations follow the principle of the “marketing concept.” Profit-making organizations face increasing amounts of competition from U.S. companies, as well as from global companies. Also, both profit-making and non-profit organizations are serving an increasingly diverse clientele. Marketing research helps to identify target customers and their needs in a rapidly changing environment.

**3. Explain the relationship between marketing research and the marketing concept.**

The marketing concept requires (1) a consumer orientation, (2) a goal orientation, and (3) a systems orientation. The consumer orientation means that firms strive to identify the group of people (or firms) most likely to buy their product (the target market) and to produce a good or offer a service that will meet the needs of those target customers most effectively. This must be accomplished while serving the firm’s other goals, which means the firm has a goal orientation. The systems orientation aspect of the orientation means that the firm has a system in place to achieve the consumer orientation and the goal orientation. Within this system is marketing research, which helps identify what customers want to buy and at what price they will buy it.

**4. Comment on the following statement by the owner of a restaurant in a downtown area: “I see customers every day whom I know on a first-name basis. I understand their likes and dislikes. If I put something on the menu and it doesn’t sell, I know that they didn’t like it. I also read the magazine *Modern Restaurants*, to keep up with industry trends. This is all of the marketing research that I need to do.”**

This restaurant owner may know his customers by name, but his assertion that he understands their tastes may be over-confident. An item on the menu may not sell because the customers are not familiar with it. Or, it may be perceived as too expensive. There could be many reasons that a product might not sell as well as the owner wants it to. If the owner conducted marketing research, he could better determine the preferences of his customers and potential customers. This would save the money, effort, and time of changing his menu selection. While a national magazine can determine national trends in the restaurant business, these trends are not always completely applicable at the local level. Marketing research could help the owner become familiar with the favourite foods in his own geographic market.

**5. Why is marketing research important to marketing executives? Give several reasons.**

Marketing research is important to marketing executives because it gives them additional information on which to make decisions. Some of that information includes:

* It discovers trends in the market.
* It gauges customer attitudes toward products, services, and advertising.
* It explains what effect changing an element of the marketing mix would have on sales.
* It predicts the results of a planned marketing decision.
* It determines the level of services customers desire at a given price.

**6. What differences might you note among marketing research conducted for (a) a retailer, (b) a consumer goods manufacturer, (c) an industrial goods manufacturer, and (d) a charitable organization?**

Each of these organizations would use marketing research to help accomplish the strategic mission of their organization or the goals that were determined to be most important. For example:

* A retailer might use marketing research to track trends in the demographics, to determine effective advertising strategies, and to find products or services desired by the customer.
* A consumer goods manufacturer might use marketing research to help determine the probability of success of a new product or to keep current on its competitors’ activities and success. It might also use it to ascertain the best target market for current products.
* An industrial goods manufacturer might use marketing research to project future needs of customers or to determine the level of products that will be demanded.
* A charitable organization might use marketing research to determine what services are most needed in a demographic target market and to find the most effective vehicle for delivering those services. It might also use marketing research to identify potential donors and to find the most effective way to appeal to them.

**7. Comment on the following: Ralph Moran is planning to invest $1.5 million in a new restaurant in Halifax. When he applied for a construction financing loan, the bank officer asked whether he had conducted any research. Ralph replied, “I checked on research and a marketing research company wanted $20,000 to do the work. I decided that with all the other expenses of opening a new business, research was a luxury that I could do without.”**

If Mr. Moran is willing to spend $1.5 million on a new restaurant without conducting marketing research, he should be prepared to lose that money. Without marketing research, he may not know his potential customers or their desires. Nor will he know if those desires or needs are currently being met by existing businesses, or at what price or quality level the customers would be willing to try a new restaurant. His advertising may be at best ineffective or at the worst offensive. For example, what if he were to advertise barbecue pork ribs in an area that is predominantly Jewish? Given all of this, $20,000 seems a small price to pay to increase the chances of success of a business with so large an investment.

**8. What is meant by “return on quality”? Why do you think that the concept evolved? Give an example.**

Return on quality means two things. First, that the quality being delivered is the quality desired by the target market. Second, that added quality must have a positive impact on profitability.

The concept may have evolved because of the large number of quality programs that were begun in the 1980s and 1990s that did not improve the financial position of the companies who started them.

TD Canada Trust, mentioned in the text, measures every improvement in service quality in terms of added profitability.

**9. Describe three situations in which marketing research should not be undertaken. Explain why this is true.**

Could mention any of the following:

* **A Lack of Resources** – If an organization does not have the funds to conduct the research properly, it should not be undertaken. If a firm has the money to perform the research, but it cannot afford to implement changes based on the research, it should not conduct the research.
* **Research Results Would Not Be Useful** – The information obtained from the research could not be used in a practical application by the firm.
* **Poor Timing in the Marketplace** – If a product is in a category that is almost at a saturation point, new product entry research would be foolish.
* **Decision making information already exists** – It would be foolish to pay for information that may already exist in the public domain or internally within an organization.
* **Costs outweigh benefits** – If a company spends $50,000 on research that results in only $20,000 in increased profits, then the research would not be warranted.

**10. Give an example of (a) the descriptive, b) the diagnostic, and (c) the predictive function of marketing research.**

An example of the descriptive role of marketing research is a bank or other financial institution performing research to determine the demographics of its customers.

An example of the diagnostic role of marketing research is the bank using the demographics of customers and the demographics of the area population to determine if a certain age group needs to be targeted with promotion.

If the bank uses the information gathered above, the predictive function of marketing research should allow it to predict the reaction of the target group to the advertising and the percentage increase in new accounts.

**11. Using the Internet and a Web browser, visit a search engine such as Google or Yahoo!, and type, “marketing research.” From the thousands of options you are offered, pick a website that you find interesting and report on its content to the class.**

There are many possible answers, depending on the interests of individual students.

**12. (Team Exercise). Divide the class into groups of four. Each team should visit a large organization (for-profit or non-profit) and conduct an interview with the top marketing executive to discover how this firm is using marketing research. Each team then should report its findings in class.**

There are many possible answers.

**13. How is the Internet changing the field of marketing research?**

The reach, economy, and speed of the Internet have had significant effects in the recent past, and promise to have even more profound impact in the future. Secondary information for exploratory research can be obtained from literature reviews and Web pages. The capacity for capture and communication of primary data will make descriptive research more effective. Consumers can be surveyed online, and the results can be analyzed instantly. Project sponsors and researchers will be able to communicate and collaborate more easily. In addition, research results and reports can be disseminated over a wide audience, again in real-time.

**REAL-LIFE RESEARCH**

**Case 1.1: Bring on the Cold!**

**Questions**

**1. How can travel agents use the results of the survey? What about those in the entertainment industry?**

Travel agents could use the information to develop marketing aimed at women, as they are less likely to prefer the cold than men. Travel agents could also promote excursions to tropical destinations during the winter months, as this appears to be the preferred destination for Canadians.

For those in the entertainment industry, results indicate that romantic movies should be scheduled for release when temperatures are likely to be coldest.

**2. Is this basic or applied research? Why?**

This is an example of applied research because the because it helped travel agents and those in the entertainment industry better understand the marketplace.

**3. What can travel agents do to determine what other important features to include in their travel offerings?**

If travel agents are interested in determining other important features, they could conduct additional survey research or focus groups to ask these questions more specifically of consumers.

**4. Would marketing research have been important to do at all or should travel agents create vacations based on their instincts of what consumers want?**

Marketing research is important in this situation as travel agents need to ensure they understand their consumers. Relying solely on their instincts is likely to result in marketing myopia or changes that are made to reflect agents’ wishes and not consumer desire. Although travel agents may have internal data to show that more vacations are booked when the weather will be coldest, women book more vacations than men in the winter, and the preferred destinations when it is coldest are tropical destinations, the results help to quantify the Canadian market.

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