

# 11

## Buyer behaviour and market research

### Introduction

In Chapter 10 we described the marketing orientation as being focused on the customer, and explained that the relationship marketing approach holds that firms should try to establish long-term relationships with clients, not simply chase the next transaction.

However, all this presupposed that the 'customer' is a relatively simple concept. This is not necessarily the case. In this chapter we look more closely at **customers** (or **buyers**).

We attempt to explain some aspects of **customer behaviour**, and also look at the activities undertaken by marketers to better understand their market.

Topic list	Learning outcomes	Syllabus references	Ability required
1 The customer	D(ii), D(iv)	D(3)	Evaluation
2 Buyer behaviour	D(ii), D(iv)	D(3), D(6)	Evaluation
3 Organisations as buyers	D(ii), D(iv)	D(6)	Evaluation
4 Market segmentation, target markets and positioning	D(ii), D(iv)	D(7)	Evaluation
5 Forecasting demand	D(ii), D(vi)	D(14)	Evaluation
6 Market research	D(ii), D(iv)	D(4), D(5)	Evaluation
7 The marketing information system	D(iv)	D(4), D(5)	Evaluation

# 1 The customer

## 1.1 Customers, buyers, users, payers and consumers

We mentioned in Chapter 10 that marketing deals fundamentally with exchange relationships, that is, normally, that money is given by a customer for products and/or services provided by a supplier.

'The customer' in a transaction can involve a number of different roles as shown below.

'Customer'		Household example: a family pet animal needing vaccination	Business example: ordering of office stationery
<b>Buyer</b>	The person who selects a product or service	A veterinary surgeon, on the pet owner's behalf, recommends and orders a vaccine.	The office manager may order stationery for other departments.
<b>Payer</b>	The person who finances the purchase	The pet-owner pays for the vaccination – or perhaps an insurance company pays in the end.	The payer is the company, via the accounts department. (The accounts department may prepare the annual budget.)
<b>User</b>	Receives the benefit of the product or service	The pet receives the benefit of the vaccination (but the owner receives emotional benefits, too, perhaps).	Users are those with access to the stationery.

The value of this distinction is that it enables marketing efforts and activities to be correctly focused on the people involved in the transaction. In the business example above, an office supplies company would direct most of its marketing efforts to the office manager buying the stationery, for example sending catalogues, or weblinks. It would also make it easy for the buyer to order online, and so on. The approach to the accounts department would be slightly different: a relationship might have to be built up to ensure speedy payment.



### Case Study

From the *Far Eastern Economic Review*, 14th August 2003.

#### *Bajaj Auto*

If you want to sell goods to grown-ups, target the real decision-makers – their pre-teen kids.

Indian motorcycle maker Bajaj Auto is one company that's caught on to that trick. Its latest series of television advertisements feature a boy who's rescued from a spate of minor childhood tragedies, like missing a school outing or being late for a party, by his dad astride the Bajaj motorcycle.

'Kids have far more computer- and gizmo-savvy than their parents. "They surf the net, they surf TV," says R L Ravichandran, Bajaj Auto's vice-president of marketing. "They now wield enormous influence on the purchase decisions of the household".

Like their counterparts in the United States, kids in Asia aged 8 to 13, dubbed 'tweens' are gaining rapid influence over the household items their parents buy. The difference is that in the US, pre-teens influence decisions by begging their parents to buy stuff; in Asia, parents often ask their kids for advice.

Increasingly, companies in Asia are getting wise to this and targeting tweens, who are emerging as in-house brand experts.

That's particularly so in developing countries, where there's a wide knowledge gap between parents, many of whom were the first generation to enter the middle class, and their kids, who grew up exposed to cable TV and the Internet.

This is happening at a time when societal shifts are already giving Asian kids a stronger voice in the home. Across Asia, couples are having fewer children. At the same time, extended family households, once dominated by the father, grandfather and even uncles, are giving way to nuclear families, a move that's further shifting the balance of power in the family home.

## 2 Buyer behaviour

Treating buying behaviour as a process also enables us to distinguish between the different buying roles that customers sometimes assume. Typically, marketers make a distinction between:

- Consumers as buyers
- Organisations as buyers

### FAST FORWARD

**Buyer behaviour** describes the activities and decision processes relating to buying. **The process** describes a sequence of steps, from need recognition, through information search, evaluation of alternatives, purchase decision and post-purchase evaluation.

### 2.1 Consumer buying

Consumer decision making can be broken down into five stages or steps as shown in the table below (based upon *Lancaster and Withey* 2003).

Element	Comment
<b>Step 1</b> Need/problem recognition	The customer recognises a need or a problem to solve. This is a motive to search for a solution.
<b>Step 2</b> Pre-purchase/information search	Marketers can provide product information, tailored to need. The customer might come up with alternatives.
<b>Step 3</b> Evaluation of alternatives	Marketers can make products available for evaluation and provide comparative information about competing products: the important thing, though, is to get the product onto the short-list of options.
<b>Step 4</b> The purchase decision	Selection and purchase.
<b>Step 5</b> Post-purchase evaluation	Experience 'feeds back' to the beginning of the process, providing positive or negative reinforcement of the purchase decision. If the consumer is dissatisfied, he will be back at the problem recognition stage again. If the consumer is satisfied, the next decision process for the product may be cut short and skip straight to the decision, on the basis of loyalty.

Such a model provides a useful descriptive **framework** for marketers.

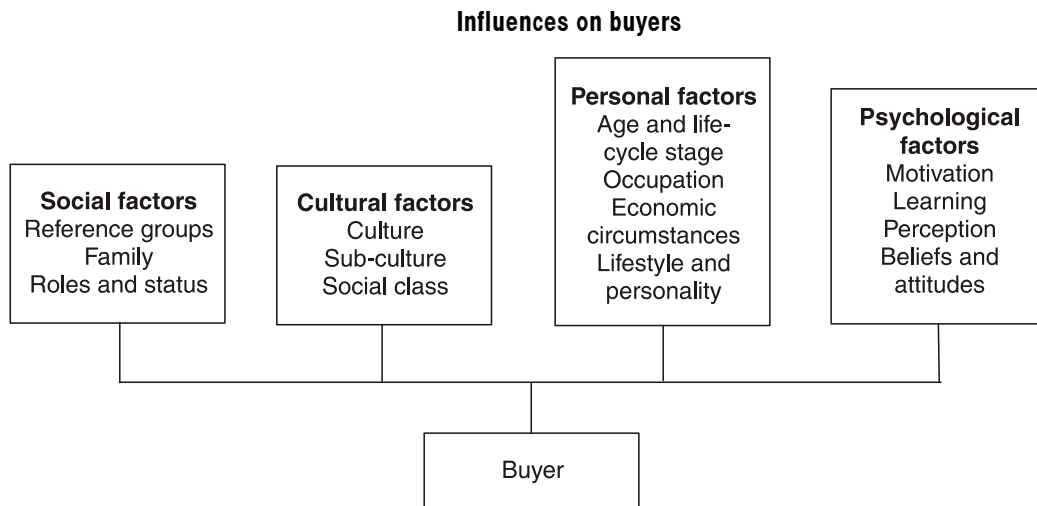
## 2.2 Influences on consumer buying

### FAST FORWARD

Overall, factors affecting customer behaviour are **social** (such as reference groups, roles and status), **cultural**, **personal** (eg age, economic status, lifestyle) and **psychological** (eg attitudes).

Transactions involving an organisation or business selling to a consumer are sometimes referred to as Business-to-Consumer or **B2C** transactions.

Some of the main influences on consumer buying are shown in the following diagram (based upon Lancaster and Withey). We explain the factors shown later in this section.



### 2.2.1 Social factors

Social factors relate to the social groupings a consumer belongs to or aspires to, and trends in society which influence buying patterns. The learning of gender-related, consumer and occupational roles are examples of socialisation.

### 2.2.2 Reference groups

A **reference group** is an actual or imaginary individual or group that influences an individual's evaluations, aspirations or behaviour.

Reference groups influence a buying decision by making the individual **aware** of a product or brand, allowing the individual to **compare** his attitude with that of the group, encouraging the individual to **adopt an attitude consistent** with the group, and then **reinforcing and legitimising** the individual's decision to conform.



### Case Study

Group membership has entered cyberspace as 'netizens' around the world rapidly form virtual communities. Members are linked to one another via their computers, and all of their interactions are digital. This electronic anonymity opens up exciting new opportunities for many, especially those who have difficulty interacting in face-to-face settings (eg the Internet has made a dramatic difference to the lives of many disabled people who can now interact with others around the world without having to leave home). New technologies allow people to chat about their mutual interests, to help one another with enquiries and suggestions, and to get suggestions for new products and services.

### 2.2.3 Roles

A **'role'** is the sum or 'system' of expectations which other people have of an individual.

An example may help to explain what is meant by 'roles'. A male may consider himself to be a **father** and **husband**, a good **neighbour** and an active member of the **local community**, a **supporter** of his sports club, an amateur **golfer**, a conscientious **church-goer**, a man of certain **political** views, a **professional** and a **marketer**.

The other individuals who relate to him when he is in a particular role are called his **role set**. At work, he will have one role set made up of colleagues, superiors and subordinates, and any other contacts in the course of business: at home, he will have another role set consisting of family members.

Knowledge of roles can help with **market segmentation** and product positioning: categories such as executives, or young mothers, carry with them a range of role expectations, norms and signs which can be appealed to or catered for.

### 2.2.4 Status

**Status** has been called 'a kind of social identification tag': as such, it is the basis of the determination of social class, or social stratification. It also forms part of the individual's self-image.

### 2.2.5 The family

Families differ in many ways, not only in broad issue of socio-economic status but in buyer behaviour and consumption patterns.



#### Case Study

*'What is the family?'*

- 'Western' nuclear family': husband, wife, children living together.
- Multi-generational family. Rather than set up a new home, a recently-married son may bring his wife to live with his parents. Such a family unit may contain parents, children, the children's spouses, grandchildren and so on.
- Extended family: carers and grandparents, in a close network of support. In the West, with the increase in divorce levels, some children effectively live in their father's 'family' some of the time and their mother's at other times. They may live with step-brothers and step-sisters.
- Single parent households: these are families headed by a lone parent, rather than two.

### 2.2.6 Cultural factors

Culture comprises the values, attitudes and beliefs in the pattern of life adopted by people, that help them integrate and communicate as members of society. Culture comprises cultural artefacts, lifestyles, and so on. For example, alcohol consumption is part of the culture of many countries in Western Europe, whereas it is frowned on in Muslim and some other countries.

Constituents of culture	
Element of culture	Comment
<b>Beliefs and values</b>	Beliefs are perceived states of knowing or cognition, on the basis of <b>objective</b> and subjective information. <b>Values</b> are the comparatively few <b>key</b> beliefs that are: <ul style="list-style-type: none"> <li>• Relatively enduring</li> <li>• Relatively general – not tied to specific objects</li> <li>• Fairly widely accepted as a guide to culturally appropriate behaviour</li> </ul>
<b>Customs</b>	Customs are modes of behaviour which represent culturally approved ways of responding to given situations. There are various types of social and behavioural norms. <ul style="list-style-type: none"> <li>• Folkways – appropriate patterns of behaviour, violation of which are noticeable.</li> <li>• Conventions – accustomed or ‘ingrained’ standards of behaviour.</li> <li>• Mores – significant social norms including moral imperatives and taboos.</li> <li>• Laws – formal recognition of the mores considered necessary in the interests of the society as a whole, with imposed sanctions for violation.</li> </ul>
<b>Artefacts</b>	Culture embraces all the physical ‘tools’ designed by human beings for their physical and psychological well-being: works of art, technology, products, buildings and so on.
<b>Rituals</b>	A ritual is a type of activity which takes on symbolic meaning, consisting of a fixed sequence of behaviour repeated over time. Ritualised behaviour tends to be public, elaborate, formal and ceremonial – such as religious services, marriage ceremonies, court procedures and even sporting events.
<b>Language and symbols</b>	Without a shared language and symbolism – verbal and non-verbal – there would be no shared meaning. Symbols are an important aspect of language and culture. Each symbol may carry a number of different meanings and associations for different people.
<b>Cultural meaning and consumer goods</b>	The culturally constituted world produces products which are invested with cultural meaning or significance by advertising and ‘fashion’. Those goods, symbolic of cultural values, are then sold to individual consumers, who thus absorb the cultural values. By using the products in rituals of possession, exchange, grooming or whatever, the consumer adds further cultural meaning to the goods.

### 2.2.7 Personal factors

'Personal' factors include such things as age, stage of family and life cycle, occupation, economic circumstances and lifestyle.

Individuals will buy different types of product depending on their **age**. This is particularly relevant to such products as clothes, furniture and recreation.

The **family life cycle** is used in the West to model purchase behaviour patterns. For example, couples at the early stages of their marriage before having children will have different needs and consumption patterns from those, say, after their children have left home. In the UK, where house purchase is the norm, this has particular implications for sellers of financial services.

A person's **occupation** will influence consumption and the task for marketers is to identify the occupational groups that have an above average interest in their products and services.

Buying patterns are also heavily influenced by an individual's **economic circumstances**. An individual's economic circumstances consist of:

- Spendable income: its level, stability and time pattern
- Savings and assets, including the percentage that is liquid
- Borrowing power
- Attitude toward spending versus saving

A **lifestyle** is an individual's way of living as identified by his or her activities, interests and opinions. Marketers will search for relationships between their products and lifestyle groups. There are many different lifestyle classifications.

### 2.2.8 Psychological factors

The process of buyer behaviour is also influenced by four psychological factors:

- Motivation
- Perception
- Learning
- Beliefs and attitudes

**Motivation** is an inner state that energises, activates, or moves, that directs or channels.

- (a) *Maslow's* (1954) theory of motivation seeks to explain why people are driven by particular needs at particular times. Maslow argues that human needs are arranged in a **hierarchy** comprising, in their order of importance: physiological needs, safety needs, social needs, esteem needs and self-actualisation needs.
- (b) *Herzberg* (1968) developed a 'two factor theory' of motivation that distinguishes between **factors that cause dissatisfaction** and **factors that cause satisfaction**. The task for the marketer is, therefore, to avoid 'dissatisfiers' such as, for example, poor after-sales service, as these things will not sell the product but may well unsell it. In addition the marketer should identify the major satisfiers or motivators of purchase and make sure that they are supplied to the customer.

These theories were covered from the point of view of employee motivation in Chapter 8.

**Perception** is the process whereby people select, organise and interpret sensory stimuli into a meaningful and coherent picture. The way consumers view an object (for example, their mental picture of a brand or the traits they attribute to a brand) may vary according to their past experience, expectation, needs, interests, attitudes and beliefs.

**Learning** concerns the process whereby an individual's behaviour changes as a result of their experience.

### 2.2.9 Beliefs and attitudes

A **belief** is a descriptive thought that a person holds about something. Beliefs are important to marketers as the **brand beliefs** that people have about products make up the brand images of those products.

An **attitude** describes a person's enduring favourable or unfavourable cognitive evaluations, emotional feelings, and action tendencies toward some object or idea. **Attitudes** lead people to behave in a fairly **consistent** way towards similar objects. Attitudes tend to settle into a consistent pattern – to change one attitude may entail major changes to other attitudes.



#### Case Study

For example, some people believe that Japanese-manufactured cars are more reliable than British-manufactured cars.

## 2.3 Involvement

The length and duration of each of the stages of the **buying process** vary with each individual and with each purchase decision. **Consumers do not care to the same degree about all their purchase decisions.** Two types of involvement can be identified: high and low.

**High involvement decisions** are those that are **important** to the customer in some way. For example, they may be closely tied to the customer's ego or self image. Therefore a greater amount of care and attention is given to these decisions and marketing communications has an important role to play in assisting consumers in making such decisions.

**Low involvement decisions are not so important**, so the level of care is much lower. Consequently individuals do not spend much time searching for information, so the role of marketing communications messages is different.

## 3 Organisations as buyers

### FAST FORWARD

Organisations are viewed as more rational than individuals. The buying **decision making process** is likely to be **formal**.

### 3.1 Differences between organisational and consumer buying

**Organisational (or industrial) buying** is the process organisations use to establish the need for purchased products and services and how these products and services are selected and purchased.

Transactions between organisations or businesses are sometimes referred to as Business-to-Business or **B2B**. (Transactions involving an organisation or business and a consumer are sometimes referred to as Business-to-Consumer or **B2C**.)

When considering **organisational markets** the following factors should be taken into account:

- (a) Organisational markets normally comprise **fewer buyers**, with a few buyers responsible for the majority of sales.
- (b) Because of this smaller customer base and the importance and power of larger customers there is generally a **close relationship between buyer and seller**.
- (c) **Demand** for industrial goods is ultimately derived from the demand for consumer goods. In addition, the total demand for many industrial products is **inelastic**, in other words, it is not much affected by price changes.
- (d) The purchase decision is usually made by **consensus** in an organisational setting, rather than being the responsibility of one person.

### Exam focus point

The syllabus specifically refers to how business to business (B2B) marketing differs from business to consumer marketing (B2C). The factors explained above could be relevant in that context.

### 3.2 Process of organisational buying behaviour

A typical organisational buying process is summarised in the following table.



Stage in behaviour	Comment
<b>Stage 1.</b> <b>Recognise the problem</b>	The stimulus may come from within or outside the firm.
<b>Stage 2.</b> <b>Develop product specifications or service requirements to solve the problem.</b>	People participating in the buying decision assess the problem or need and determine what will be required to resolve or satisfy it. This may take the form of detailed specifications.
<b>Stage 3.</b> <b>Search for products and suppliers.</b>	The third stage of the process is similar to that of information search, utilising trade shows, trade publications, supplier catalogues, and soliciting proposals from known suppliers. This should result in a list of several alternative products.
<b>Stage 4.</b> <b>Evaluate products relative to specifications.</b>	These are evaluated in order to ascertain whether they meet the product specifications developed in the second stage. Suppliers may also be evaluated according to criteria such as price, service and ability to deliver.
<b>Stage 5.</b> <b>Select and order the most appropriate product.</b>	The most appropriate product and supplier is then selected. In some cases an organisational buyer may select a number of suppliers in order to reduce the possibility of disruption caused by strikes, shortages or bankruptcy of suppliers. The order will then be made, often with specific details regarding terms, credit arrangements, delivery dates and technical assistance or after-sales service.
<b>Stage 6.</b> <b>Evaluate the product and supplier performance.</b>	The product and supplier will then be evaluated by comparing with specifications regarding product quality and so on, and the performance of the supplier over the terms of the contract for the sale.

### 3.3 The Decision Making Unit (DMU) in the organisation

A major difference between consumer and organisational buying behaviour is the fact that **organisational purchase decisions are rarely made by a single individual**. Normally, purchasing decisions are made by a number of people from different functional areas, possibly at different levels within the organisation.

*Webster and Wind (1972)* suggested six **groups within the Decision Making Unit (DMU)**.

Groups within the DMU	
<b>Users</b>	Initiate the buying process and help define purchase specifications.
<b>Influencers</b>	Help define the specification and also provide an input into the process of evaluating the available alternatives.
<b>Deciders</b>	Have the responsibility for deciding on product requirements and suppliers.
<b>Approvers</b>	Authorise the proposals of deciders and buyers.
<b>Buyers</b>	Have the formal authority for the selection of suppliers and negotiating purchase terms.
<b>Gatekeepers</b>	By controlling the flow of information, may be able to stop sellers from reaching individuals within the buying centre.

The size, structure and formality of the DMU will vary depending on the specific situation. Key considerations include:

- **Who** are the principal participants in the buying process?
- In what areas do they exert the **greatest influence**?
- What is their **level of influence**?

- What **evaluative criteria** do each of the participants make use of and how **professional** is the buying process?
- To what extent is **buying centralised** in large organisations?

The **people** involved in the buying process must be convinced that the purchase will be safe for them, for example, there was an advertising slogan to the effect that 'nobody gets sacked for buying IBM'.

### 3.4 Influences on organisational buying behaviour

*Kotler* (1994) identifies four main forces influencing the organisational buyer.

Influences on organisational buying	
<b>Environmental forces</b>	The level of primary demand, economic outlook, the cost of money, the rate of technological change, political and regulatory developments and competitive developments. All these environmental forces must be monitored so as to determine how they will affect buyers.
<b>Organisational</b>	Objectives, policies, procedures, organisational structures and systems, which may constrain the freedom of action of organisational buyers and this may in turn affect the decision-making process. For example, an organisation may insist on long-term contracts or may require special credit arrangements.
<b>Interpersonal factors</b>	Important where the buying decision may involve a number of people. Within the buying group, the use of power and the level of conflict could significantly influence organisational buying decisions.
<b>Individual factors</b>	The personal characteristics of the individuals in the buying group such as age, education, personality and position in the organisation. These will affect the decision-making process, and the seller must be aware of their potential influence.

### 3.5 Selection criteria

The consideration of this area so far has concentrated on the factors influencing the organisational buying decision. The issue of precisely how organisational buyers make the purchase decision, in terms of the selection criteria determining the choice of supplier, has been the subject of various pieces of research. Important selection criteria could be as follows.

- Delivery capability
- Quality
- Price
- Repair and after-sales service
- Technical capability
- Performance history
- Production facilities
- Help and advice
- Control systems
- Reputation
- Financial position
- Attitude toward the buyer
- Compliance with bidding procedures
- Training support
- Communications on the progress of the order
- Management and organisation
- Packaging
- Moral/legal issues
- Location
- Labour relations

## 4 Market segmentation, target markets and positioning

**FAST FORWARD**

A **segment** is a group of customers with similar characteristics who can be **targeted** with the same marketing mix. Segmentation bases can include objective classifications (eg age) as well as more subjective approaches such as lifestyle or attitudes.

## 4.1 What is segmentation?

A market is not a mass, homogeneous group of customers, each wanting an identical product. Every market consists of potential buyers with different needs, and different buying behaviour.

### Key term

**Market segmentation** may be defined as the subdividing of a market into distinct and increasingly homogeneous subgroups of customers, where any subgroup can conceivably be selected as a target market to be met with a distinct marketing mix.

Although the total market consists of widely different groups of consumers, each group consists of people (or organisations) with **common needs and preferences**, who perhaps react to 'market stimuli' in much the same way.

Each market segment can become a **target market for a firm**, and would require a unique marketing mix if the firm is to exploit it successfully.

The firm can then **position its offer** to account for the roles of each segment.

## 4.2 Identifying segments

- (a) **One basis will not be appropriate in every market**, and sometimes **two or more bases might be valid** at the same time.
- (b) One basis or 'segmentation variable' might be 'superior' to another in a hierarchy of variables. Here are thus **primary and secondary segmentation variables**.
- (c) Segmentation variables include geography, population, demographics and behaviour.



### Case Study

Consider an airport café. You could identify a number of possible segments.

- Business travellers
- Airport employees
- Groups
- Single tourists

However, further analysis could reveal that running through each of these categories is the same fault line.

- Those 'in a hurry'
- Those with time to spare

For marketing purposes, this latter segmentation exercise may be more useful, and the café can develop an 'express menu' for those in a hurry.

## 4.3 Market segmentation and marketing planning

### FAST FORWARD

**Segmentation** enables firms to **differentiate** their product to meet customer needs. It enables alternatives to mass marketing, by targeting particular groups of buyers.

Market segmentation is based on the recognition of the diverse needs of potential buyers. Different customer attitudes may be grouped into segments. A different marketing approach is needed for each market segment. The important elements in any definition of market segmentation are as follows.

- (a) Each segment consists of people (or organisations) with common needs and preferences, who may react to 'market stimuli' in much the same way.
- (b) Each segment can become a target market with a unique marketing mix.

A total market may occasionally be homogeneous but this is rare. A segmentation approach to marketing succeeds when there are identifiable 'clusters' of consumer wants in the market.

#### 4.4 Benefits of market segmentation

- (a) The organisation may be able to identify **new marketing opportunities**, because it will have a better understanding of customer needs in each segment, with the possibility of spotting further sub groups.
- (b) **Specialists can be used for each of the organisation's major segments.** For example, small business counsellors can be employed by banks to deal effectively with small firms. A computer consultancy can have specialist sales staff for, say, shops, manufacturers, service industries and local government authorities. This builds competencies and establishes effective marketing systems.
- (c) The **total marketing budget** can be allocated proportionately to each segment and the likely return from each segment. This optimises return on investment.
- (d) The organisation can **make small adjustments** to the product and service offerings and to the promotional aspects for each segment. This again promotes efficient use of resources.
- (e) The organisation can try to **dominate particular segments**, thus gaining competitive advantage. Advantages accrued function synergistically to promote improved competitive ability; in other words, the outcome is more than the sum of its parts.
- (f) The **product range** can more closely reflect differences in customer needs. Marketing relies on responsiveness to the consumer. When this is improved, benefits can flow.



#### Question

#### Market segmentation

Identify and briefly explain five benefits that a company may obtain through market segmentation.

#### Answer

Benefit	Brief explanation
<b>Better satisfaction of customer needs</b>	One solution will not satisfy <i>all</i> customers.
<b>Revenue growth</b>	Segmentation means that more customers may be attracted by, and pay more for, what is on offer, in preference to competing products.
<b>Customer retention</b>	By targeting customers, their needs are more likely to be met leading to repeat purchase.
<b>Targeted communications</b>	Segmentation enables clear communications as people in the target audience share common needs.
<b>Innovation</b>	By identifying un-met needs, companies can innovate to satisfy them.

#### 4.5 The bases for segmentation

There are many different bases for segmentation; one basis will not be appropriate in every market, and sometimes two or more bases might be valid at the same time. One segmentation variable might be 'superior' to another in a hierarchy of variables.

Simple segmentation could be on one of the bases below.

- Geographical area
- Age
- End use (eg work or leisure)
- Gender
- Level of income
- Occupation
- Education
- Religion
- Ethnicity
- Nationality
- Social class
- Buyer behaviour
- Lifestyle (see below)

**Lifestyle segmentation** deals with the **person** as opposed to the **product** and attempts to discover the particular **lifestyle patterns of customers**. Lifestyle refers to 'distinctive ways of living adopted by particular communities or subsections of society'. It involves combining a number of behavioural factors, such as motivation, personality and culture.

One simple example generalises lifestyle in terms of four categories, as follows.

Lifestyle categories	
<b>Upwardly mobile, ambitious</b>	These individuals seek a better and more affluent lifestyle, principally through better paid and more interesting work, and a higher material standard of living. A customer with such a lifestyle will be prepared to try new products.
<b>Traditional and sociable</b>	Here, compliance and conformity to group norms bring social approval and reassurance to the individual. Purchasing patterns will therefore be 'conformist'.
<b>Security and status seeking</b>	This group stresses 'safety' and 'ego-defensive' needs. This lifestyle links status, income and security. It encourages the purchase of strong and well known products and brands, and emphasises those products and services which confer status and make life as secure and predictable as possible. Products that are well established and familiar inspire more confidence than new products, which will be resisted.
<b>Hedonistic preference</b>	This lifestyle places emphasis on 'enjoying life now' and the immediate satisfaction of wants and needs. Little thought is given to the future.

This lifestyle analysis is clearly much more relevant to advanced Western economies, the US in particular and has no value for analysing markets in emerging economies.

## 4.6 Current aspects of market segmentation and product positioning

Approaches to market segmentation and product positioning are continually changing. Here are a few developments in recent years.

Development	Comment
There is a growing awareness that consumers should be segmented according to the purpose of the segmentation.	For example, the same customers of a retail bank can be segmented by their account profile, for the purpose of product cross-selling, by their attitudes to risk-taking for the purpose of delivering advertising messages and by socio-economic type for the purpose of selecting a marketing medium.
There is growing interest in customer database analysis, and the idea of 'letting the data speak for itself'.	Customer information on a database is analysed in order to identify segments or patterns of behaviour. This technique, known as 'data mining' is likely to increase in significance as e-commerce grows in popularity.

Development	Comment
There is growing emphasis on segmentation by 'soft' data.	Consumer attitudes and needs and lifestyles (as distinct from 'hard data' such as age, lifestyle, socio-economic grouping, and so on).
There is a growing use of sub-segmentation or 'hybrid segmentation' methods.	Consumers within a particular segment can be sub-divided into different segments, and each sub-segment is targeted in a different way.
Computer models are used.	These will discover suitable additions to a product line, that will appeal to a separately-distinguished market segment.

## 4.7 Validity and attractiveness of the current served segments

### 4.7.1 Segment validity

A market segment will only **be valid if it is worth designing and developing a unique marketing mix** for that specific segment. The following questions are commonly asked to decide whether or not the segment can be used for developing marketing plans.

Criteria	Comment
<b>Can the segment be measured?</b>	It might be possible to conceive of a market segment, but it is not necessarily easy to measure it. For example, with a segment based on people with a conservative outlook to life, can conservatism of outlook be measured by market research?
<b>Is the segment big enough?</b>	There has to be a large enough potential market to be profitable.
<b>Can the segment be reached?</b>	There has to be a way of getting to the potential customers via the organisation's promotion and distribution channels.
<b>Do segments respond differently?</b>	If two or more segments are identified by planners, but each segment responds in the same way to a marketing mix, the segments are effectively one and the same, therefore there is no point in distinguishing them from each other.
<b>Can the segment be reached profitably?</b>	Do the identified customer needs, cost less to satisfy than the revenue they earn?
<b>Is the segment suitably stable?</b>	The stability of the segment is important, if the organisation is to commit huge production and marketing resources to serve it. The firm does not want the segment to 'disappear' next year. Of course, this may not matter in some industries.

### 4.7.2 Segment attractiveness

A segment might be valid and potentially profitable, but is it potentially **attractive?** Segments which are most attractive will be those whose needs can be met by building on the company's strengths and where forecasts for demand, sales profitability and **growth** are favourable.

## 4.8 Target markets

Having analysed the attractiveness of a segment, the firm will now choose one or more **target markets**. A **target market** is a market or segment selected for special attention by an organisation (possibly served

with a distinct marketing mix). The management of a company may choose one of the following policy options.

Marketing strategy	Comment	Alignment to competitive strategy
<b>Mass (or undifferentiated) marketing</b>	This policy is to produce a single product and hope to get as many customers as possible to buy it; segmentation is ignored entirely.	The mass (or undifferentiated) marketing approach can be pursued by cost leaders or companies pursuing a differentiation strategy with a single market.
<b>Concentrated marketing</b>	The company attempts to produce the ideal product for a single segment of the market (for example, Rolls Royce cars).  The disadvantage of concentrated marketing is the business risk of relying on a single segment of a single market.	Concentrated marketing is effectively a focus strategy, whether by cost or differentiation.
<b>Differentiated marketing</b>	The company markets several product versions, each aimed at a different market segment.  The disadvantage of differentiated marketing is the additional costs of marketing and production. When the costs of further differentiation of the market exceed the benefits from further segmentation and target marketing, a firm is said to have 'over-differentiated'.	'Differentiated marketing' is effectively a multi-focus strategy, with a company pursuing different opportunities in different segments.



## Case Study

### *Reaching Out to an Older Crowd*

For decades, marketing has been youth-focused. But the fact is, 90 million Americans are 50 and over - that's 42% of the adult population of the U.S. And during the next decade that number will grow by 22 million.

Small-business owners who start recognising **the needs and preferences of middle-aged and older consumers** have the chance to gain an advantage over larger firms, says Dick Stroud. Stroud is the founder of 20plus30, a London-based marketing consultancy. He spoke recently with columnist Karen E. Klein, edited excerpts of their conversation follow.

When talking about older people, the U.S. media and marketing industry uses the term 'boomers.' Europe has adopted the term '50-plus.' These groups represent **a very large number of potential customers**. During the next decade, their numbers will increase six times faster than their children and grandchildren's age group of 15- to 34-year-olds.

The other reason why the over-50s are so important relates to their **purchasing power**. The 2001 Consumer Expenditure Survey revealed that older consumers are the primary purchasers of transportation, healthcare, housing, food, pensions, and personal insurance. More than half of all cars purchased by an average American household occur after the head of the household turns 50; and they are big spenders on vacations and travel.

To market to this group effectively, business owners should decide **what segment** of the over-50 population is appropriate to his or her product or service. This could be done on the basis of geography, income, lifestyle, gender, or any number of other factors. Then, **research** is needed to understand what the target customers really want.

The most dangerous stereotype is to view all over 50s as a single group. The next mistake is to believe any of the nonsense about older people being averse to trying new brands, not wanting to use technology, or not seeking new life experiences. None of these assumptions is substantiated by research.

I think **the Internet** could be a really important marketing tool for this group. The physiological effects of aging need to be considered here - image size, colour, contrast and Website structure are all important. I think the bottom line is that smaller companies are already leading the way in marketing to this demographic and they're going to continue to do so. For example, there are an awful lot of small travel companies that focus almost exclusively on 50-plus customers because they do spend a lot on travel. They have found, maybe by accident, that this is a growth market for them, and they've become very successful at it.

I've also seen this in the insurance industry. Real estate, with the amount of people who sell their property and move as they reach this age group, is another huge sector. But there are lots of other ways to think about it, if business owners get creative and pay attention.

*Adapted from an article by Karen E. Klein, Business week online, April 3, 2006*

### 4.8.1 Micro marketing

The move from traditional mass marketing to **micro marketing** is rapidly gaining ground as marketers explore more cost-effective ways to recruit new customers. This has been brought about by a number of trends.

- (a) The ability to create large numbers of product variants without the need for corresponding increases in resources is causing markets to become overcrowded.
- (b) At one extreme is **mass customisation**. Mass customisation combines the huge economies of scale of mass production with the tailoring of products precisely to the customer's requirements. There is less need for a 'standard' or 'average' product if people's individual preferences can be catered for.
- (c) The **growth in 'minority' lifestyles** is creating opportunities for niche brands aimed at consumers with very distinct purchasing habits.
- (d) The **fragmentation of the media** to service ever more specialist and local audiences is denying mass media the ability to assure market dominance for major brand advertisers.
- (e) The **advance in information technology** is enabling information about individual customers to be organised in ways that enable highly selective and personal communications. Techniques of **data warehousing** and **data mining** enable customer profiles to be developed.

## 4.9 Positioning

**Positioning** is the act of designing the company's offer and image so that it occupies a **distinct** and valued place in the target customer's mind.

- (a) Many products are, in fact, very similar, and the key issue is to make them distinct in the customer's mind.
- (b) Few products occupy a market space on their own. Inevitably they will be positioned **in relation** to competing products and companies.
- (c) People remember 'number 1', so the product should be positioned as 'number 1' in relation to a positioning variable.
  - Attributes (eg size)
  - Benefits (eg convenience)
  - Use/application (ease of use; accessibility)
  - User (the sort of person the product is meant to appeal to)



- Product category (consciously differentiated from competition)
- Image
- Quality/price (premium price)

**4.9.1 Mapping positions**

Kotler (1994) identified a 3 × 3 matrix of nine different competitive positioning strategies.

**Price/quality positioning**

Product quality	Product price		
	High price	Medium price	Low price
<b>High</b>	1 Premium strategy	2 High-value strategy	3 Super-value strategy
<b>Medium</b>	4 Overcharging strategy	5 Medium-value strategy	6 Good-value strategy
<b>Low</b>	7 ‘Rip-off’ strategy	8 Fake company strategy	9 Economy strategy

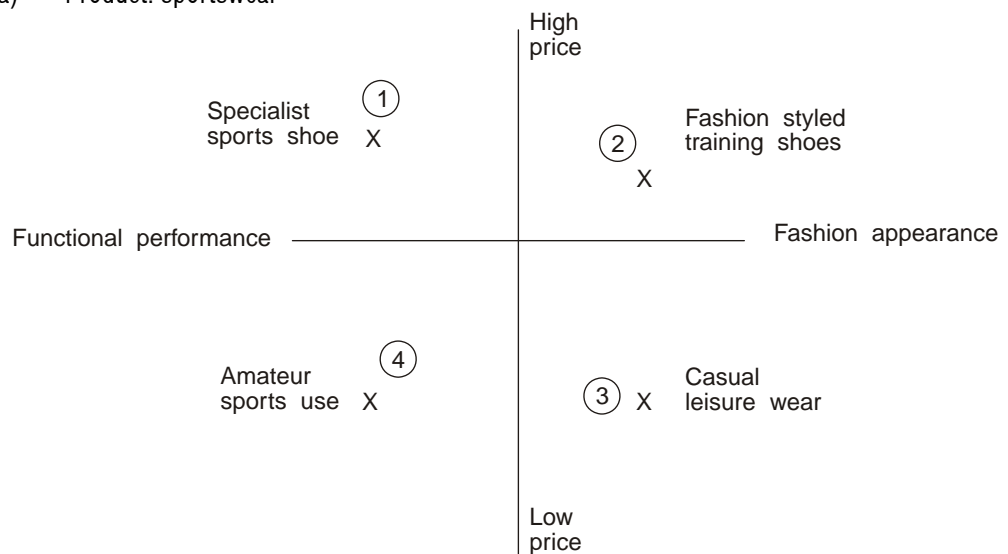
- (a) The ‘natural’ combinations of price and quality will be to sell a high quality product at a high price, an average quality product at a medium price or a cheap quality product at a cheap price.
- (b) However, a company might offer a product of a given quality standard for a comparatively low price. By offering a high quality product for a medium price, a company might hope to gain market share (penetration strategy). Low price strategies for medium– or high-quality products are bargain strategies.
- (c) A company might also charge a higher price for its product than the quality would justify. The success of such strategies in the longer term might be doubtful.

Once selected, the needs of the targeted segment can be identified and the marketing mix strategy developed to provide the benefits package needed to satisfy them. Positioning the product offering then becomes a matter of **matching** and **communicating appropriate** benefits.

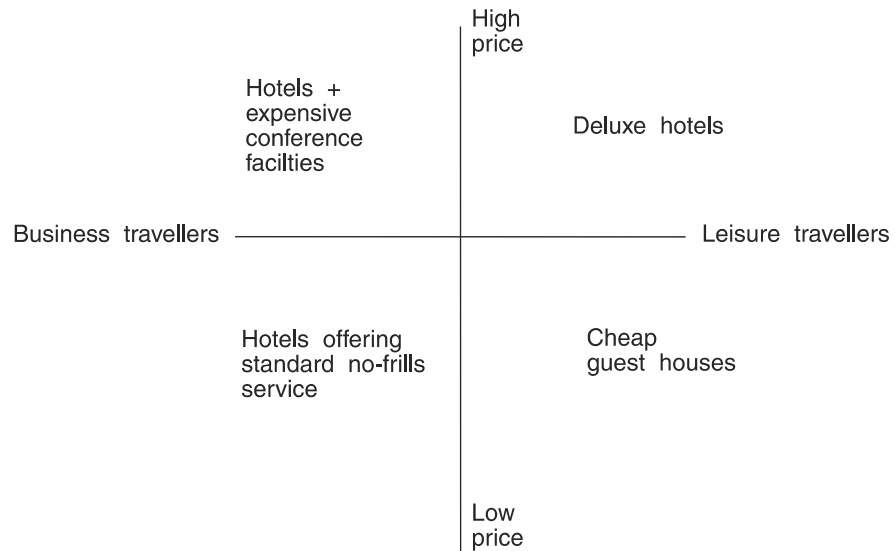
In the diagram below, it appears there are a number of products offering real and distinct position on the price/fashion spectrum. A competing firm entering this market would try and carve out its own position, for example it could offer an ultra-high price and ultra-fashion appearance (at the extremes of the top right quadrant). The possible implication would be that product ② might become less profitable or that consumers may not value the price/fashion mix of the new product.

**Positioning maps**

- (a) Product: sportswear



(b) Service: hotels



### 4.9.2 Possible positioning errors

Mistake	Consequence
<b>Underpositioning</b>	The brand does not have a clear identity in the eyes of the customer.
<b>Overpositioning</b>	Buyers may have too narrow an image of a brand.
<b>Confused positioning</b>	Too many claims might be made for a brand.
<b>Doubtful positioning</b>	The positioning may not be credible in the eyes of the buyer.

In the developed world, consumers are targets of many **marketing** messages and a position needs to be distinct for it to stand out in the customer’s mind.

## 5 Forecasting demand

Businesses are forced to look well ahead in order to plan their investments, launch new products, decide when to close or withdraw products and so on. By forecasting costs and using the sales forecast, organisations are able to forecast profits and other financial outcomes. The sales forecasting process is therefore a critical one for most businesses.

**FAST FORWARD**

**Sales forecasting** can involve complex relationships. It’s debatable whether demand forecasting is a science or an art – as it involves methods that derive from judgmental sources and from statistical sources it is probably a bit of both.

Market research information can help forecast future sales levels. This often involves the use of statistical techniques which are outside the syllabus for Paper P4.

The forecast data used includes information relating to both the present and the future.

### 5.1 Current demand

'Current demand' could involve considering a number of factors, such as:

- Total market potential
- Area market potential (geographic)
- Total industry sales
- Relative market shares

## 5.2 Forecasting future demand

Very few products or services lend themselves to easy forecasting. Those that do usually involve a product with a constant level of sales and a market with either no competition (monopolies) or predictable competition (oligopolies).

Preparing a sales or demand forecast usually involves three stages:

- Step 1** Prepare a macroeconomic forecast – what will happen to overall economic activity in the relevant economies in which a product is to be sold.
- Step 2** Prepare an industry sales forecast – what will happen to overall sales in an industry based on the issues that influence the macroeconomic forecast.
- Step 3** Prepare a company sales forecast – based on what management expect to happen to the company's market share.

Demand forecasts are based on three types of information:

- What customers are currently doing in the market (Industry sales data, Company sales data)
- Customer intentions in relation to buying products (Survey of Buyers' Intentions, **Market Tests, Sales Force Opinions, Expert Opinions**)
- What customers have done in the past in the market (Past-Sales Analysis)

### 5.2.1 Survey of Buyers' intentions

There are many market research businesses that undertake surveys of customer intentions – and sell this information to businesses that need the data for sales forecasting purposes. The value of a customer intention survey increases when there are a relatively small number of customers, the cost of reaching them is small, and they have clear intentions.

### 5.2.2 Market tests

Instead of simply asking customers about their intentions, marketers may conduct market tests. Tests are particularly appropriate when finalising product design (eg 'Would you buy this product at this price?'). Several alternative designs for a new product may be evaluated, for example, various features of a laptop personal computer, such as price, weight, battery life, screen clarity and processing power could be varied and the customer asked to reveal their most valued features by making trade-offs among various features.

### 5.2.3 Sales force opinions

Another option is to use opinions from members of the sales force to forecast sales. This may be difficult if the product is new, although salespeople may be able to get a feel for the market by talking with clients and potential clients.

Unfortunately, sales people may try to forecast low sales if these forecasts will form the basis of their future sales targets. On the other hand, marketing executives may provide over-optimistic forecasts to help gain approval for the project or motivate the sales force.

### 5.2.4 Expert opinions

Expert opinion studies are widely used for forecasting of marketing problems. For example, forecasts may be obtained from industry experts, distributors or consultancies. Sometimes independent forecasts from more than one expert source may be combined to produce what should be a more realistic forecast.

### 5.2.5 Past-sales analysis

Many businesses prepare their sales forecast on the basis of past sales. Time series analysis involves breaking past sales down into four components:

- The trend: are sales growing, remaining steady ('flat-lining') or in decline?
- Seasonal or cyclical factors that occur in a regular pattern.
- Erratic events; these include fashion fads, terrorist strikes and other disturbances to the market which should be isolated from past sales data in order to be able to identify the more normal pattern of sales.
- Responses: the results of particular measures that have been taken to increase sales (eg a major new advertising campaign).

## 6 Market research

### Key term

**Market research** is the process of gathering, recording, analysing and reporting data and information relating to the company's market, customers and competitors.

### FAST FORWARD

**Market research** is needed to obtain the type of data about customers and their needs that is necessary for marketing plans. Both **quantitative** and **qualitative** data have an important role.

Typically, market research is used to determine the characteristics of markets, suggest opportunities for products and selling approaches and to suggest segments.

The research can relate to:

- Existing products and services (for example, service received at a garage)
- New products and services (although customer are most sincere when spending!)

### 6.1 A typical research programme

Most research problems can be analysed into five steps.

Step	Example	
<b>Step 1</b>	Defining the problem	<ul style="list-style-type: none"> <li>• Explaining a fall in sales</li> <li>• Investigating potential demand for a new product</li> <li>• Investigating attitudes to the brand</li> <li>• Investigating what matters most to consumers</li> </ul>
<b>Step 2</b>	Developing the hypotheses to be tested, and the purpose of the research	In some studies, the researchers have a particular question they want to test. The purpose of some research may be to see if it is worth doing further research.
<b>Step 3</b>	Collecting data	A variety of approaches is used.
<b>Step 4</b>	Analyse and interpret the data	The type of analysis depends on the type of research. Not all research is quantitative with statistical validity. The emphasis on statistical assumptions is important: statistics can be misunderstood and misused.
<b>Step 5</b>	Report the findings	The results of the research are written up and presented in a report to the client.

### 6.1.1 Quantitative vs qualitative data

**Quantitative data** enables measurement. The purpose is to measure the response of a sample of consumers, on the assumption that the measurable conclusions can be drawn from it. An example could be a survey of structured questionnaires sent out to a sample of a population.

**Qualitative data** is not measurable, but it is useful to get people to say what they feel and think, as opposed to giving relatively simple answer to unstructured questions.

### 6.1.2 Primary vs secondary data

In marketing research, primary data is collected specifically for the purpose of the research in question. Secondary data has not been specifically collected for the research.

Secondary data	
Source	Uses
<b>Internal</b> <ul style="list-style-type: none"> <li>From existing information systems</li> <li>Accounting data</li> <li>Customer databases</li> <li>Data produced by other departments (eg complaints)</li> </ul>	<ul style="list-style-type: none"> <li>Before primary research to give guidance</li> <li>Instead of expensive primary research; some questions may already be answered</li> <li>Some information can only be acquired via secondary data</li> <li>Where primary research is not possible</li> </ul>
<b>External</b> <ul style="list-style-type: none"> <li>Published statistics from government, professional/ trade bodies</li> <li>Review of journals</li> <li>Research already collected by market research agencies can be purchased, eg Nielsen Index on grocery chains and random surveys</li> </ul>	

Secondary data is normally insufficient for a complete marketing research exercise.

Primary data	
Source	Uses
From inside or outside the organisation	Can be qualitative or quantitative; described in detail below.

#### Exam focus point

Ensure you know the definitions relating to types of data and sampling – they could appear as a relatively easy (if you've learnt the material) MCQ.

### 6.1.3 Sampling

**Sampling** is one of the most important subjects in marketing research. In most practical situations a **population** will be too large to carry out a complete survey and only a sample will be examined.

One of the most important requirements of sample data is that they should be **complete**. That is, the data should **cover all areas of the population** to be examined. If this requirement is not met, then the sample will be biased.

To ensure that the sample selected is **free from bias**, random sampling should be used. Inferences about the population being sampled can then be made validly. A simple random sample is a sample selected in such a way that **every item in the population has an equal chance of being included**.

### 6.1.4 Collecting information

Once the sample has been established data has to be collected. Possible methods include the following.

Data collection method	Comment
<p><b>Questionnaires</b>, such as the following.</p> <ul style="list-style-type: none"> <li>• Post surveys</li> <li>• Telephone</li> <li>• In street, via market researchers</li> <li>• Over the Internet to people who log in to a site</li> <li>• At home</li> <li>• In hotels</li> <li>• In shops</li> </ul>	<p>A number of precise questions requiring precise responses. Ensuring questions are free of ambiguity is absolutely vital.</p> <p>Survey must be relevant to statistical analysis.</p> <p>Questionnaires often move from the general to the specific.</p> <p>The interviewer always has to locate suitable respondents.</p> <p>A danger with postal questionnaires is that response is self-selected.</p>
<b>Experiment</b>	The researcher may set up artificial surroundings or may test a product in real surroundings (eg asking software purchasers to try out Beta versions of certain packages).
<b>Observation</b>	People can be observed using product.
<b>Unstructured interviews</b>	There is no structure to what is effectively a conversation but the interviewer may have a checklist of topics to be covered.
<b>Depth interviews</b>	The aim is to explore attitudes and motives for behaviour that may not be conscious. If conducted properly, respondents can be encouraged to say what they feel.
<b>Projective techniques</b>	<p>People often say that they will act in a different way than they do, in fact, behave. Researchers have borrowed methods from psychologists, and seek to uncover unconscious motives.</p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>• Inkblot tests ('What images do you see in this inkblot?')</li> <li>• Word association</li> <li>• Thematic apperception tests ('What is going on in this picture?')</li> </ul>
<b>Focus groups</b>	Focus groups usually consist of 8 to 10 respondents and an interviewer taking the role of group moderator. The group moderator introduces topics for discussion and intervenes as necessary to encourage respondents or to direct discussions if they threaten to wander too far off the point. The moderator will also need to control any powerful personalities and prevent them from dominating the group.

## 7 The marketing information system

### FAST FORWARD

Organisations are using ever more sophisticated **marketing information systems** to gather information and **manage customer relationships**.

## 7.1 Marketing and competitor research: the traditional view

A traditional source of information about environmental conditions has been the **marketing information system** (MkIS) (Kotler, 1994). This consists of people, equipment and procedures to gather, sort, analyse, evaluate, and distribute needed, timely and accurate information to **marketing** decision makers.

Elements of the marketing information system	
<b>Internal records system</b>	This includes reports of orders, sales, dispatches, accounts payable and receivable etc which provide a store of historical customer data.
<b>Marketing intelligence system</b>	This is the term used for information gathered on the market place by managers on a day-to-day basis. It is derived from <b>continual monitoring</b> of the environment to alert managers to new trends.
<b>Marketing decision support system (MDSS)</b>	Covered in the next section.
<b>Marketing research system</b>	Marketing research aids management decision making by providing specified information in time for it to be of value. Marketing research covers <b>general research</b> into trends as well as specific surveys, both quantitative and qualitative. It <b>normally</b> relates to <b>current</b> customers and <b>current</b> policies.

## 7.2 Marketing Decision Support Systems (MDSS)

Kotler (1991) defines a **Marketing Decision Support System (MDSS)** as a set of decision models with supporting hardware and software available to marketing managers to assist them in analysing relevant business data and making better marketing decisions.

This is a very wide ranging definition which could encompass a wide range of separate systems (eg spreadsheet models, expert systems, database systems, analytical packages etc.).

Managers today are often faced with an ever increasing amount of information on which to base decisions upon. Models are often used to provide a structure that enables this information to be organised and analysed in a way that aids decision-making. Models may also allow the creation and testing of various scenarios.

### 7.2.1 Marketing databases

A **marketing database** is a central hub of information concerning an organisation's markets and customers.

#### Sources of data

- **Published** market research data
- **Marketing research** carried out by the organisation
- Data acquired about **customers** (through previous dealings or the Internet)
- **Internally generated data** on competitors, trends and products

The **benefits** of a marketing database include:

- **Centralises data** for whole organisation
- **Maximises** the use of IT
- **Integrates knowledge** from various sources
- **Structures** and **aids** decision making and problem solving

Some of the most advanced MDSS are based upon Expert Systems.

## 7.2.2 Using expert systems in marketing

An **Expert System** (ES) is defined by the British Computer Society as: 'the modelling, within a computer, of expert knowledge in a given domain, such that the resulting system can offer intelligent advice or take intelligent decisions'.

The most important modules that constitute a rule-based expert system are the knowledge base, the inference engine and the explanation subsystem. We covered the different elements of an expert system in Chapter 1.

In the field of marketing management, expert systems that contain the appropriate data and rules may be useful in a number of areas, for example:

- To facilitate the exploration of options and changing assumptions for a given problem
- To enable the combination of expertise from different experts and sources
- The transfer of knowledge and expertise
- Building a knowledge base helps to establish generalisations and identify gaps and inconsistencies in current knowledge
- Improved problem-solving by means of extensive analysis and explanatory functions

Many marketing decisions are based by necessity on uncertain or 'fuzzy' information. Fuzziness occurs when a fact or rule cannot be defined precisely. More advanced expert systems are able to make educated assumptions based upon the data held in the system. Recent models also allow the formulation of hypothesis in natural language, removing the need for complicated mathematical and statistical assumptions – this simplifies the model building and specification process.

As with any information system, manual or computerised, a MDSS should be used as an aid to decision making rather than being seen as providing a definitive 'must be right' answer.

Note. We have covered the MkIS, MDSS and expert systems here in the context of customer information and customer behaviour. Other aspects of information technology and its use in marketing are covered in the next chapter.

## 7.3 Market sensing: converting information into intelligence



### Case Study

*Piercy* (1997) cites the *Encyclopaedia Britannica*. Its managers simply did not believe that a small CD-ROM would replace the traditional book. In Autumn 1998, Encyclopaedia Britannica announced it was going to put its entire output on CD-ROM and abandon paper. Later they reinstated the traditional paper-based encyclopaedia set alongside the CD.

Classically, each function of the organisation collected information relevant to it, without any wider 'corporate viewpoint'.

- The **marketing department** identifies customer needs.
- The **R&D department** identifies new technology.
- The **production department** suggests process innovation.
- The **finance department** identifies intelligence relevant to resources cost.
- The **HRM department** gathers intelligence as to trends in the labour market to ensure that the organisation meets its resource needs by recruiting or training.



**Intelligence** is what a company **needs to know about its business environment** to enable it to survive and prosper. Not only must the organisation anticipate the **future**, but it must have the capability to react to it.

**Market sensing** does not relate to the gathering and processing of information but how the information is **interpreted** and **understood** by decision makers in the company.

The process of market sensing	
<b>Step 1</b>	<b>Capture</b> information by identifying the <b>environment</b> (eg PESTEL factors, competitor-related factors), the <b>time frame</b> and the <b>market</b> .
<b>Step 2</b>	<b>'Brainstorm'</b> the events in the environment that are currently developing and assess the probability of their occurrence and their likely effect (on a scale).
<b>Step 3</b>	<b>Categorise</b> the event on the basis of probability and effect. Utopia:           likely, desirable Dreams:          unlikely, desirable Danger:          likely, undesirable Future risks:    unlikely, undesirable Things to watch: medium likelihood, neutral effect
<b>Step 4</b>	Answer the following questions. <ul style="list-style-type: none"> <li>• Where are we planning for Utopia?</li> <li>• Where are we planning for dangers?</li> <li>• Where are we monitoring the factors in the MkIS?</li> </ul> It may be quite possible that managers have not made plans to deal with these eventualities or that the information systems do not report on these key issues.
<b>Step 5</b>	<b>Link</b> conclusions from the sensing approach explicitly to <b>marketing plans</b> .
<b>Step 6</b>	Encourage <b>participation</b> across <b>functions</b> and across <b>levels</b> . (Customer service staff have a very different perspective from the Board of Directors.)
<b>Step 7</b>	Where necessary, change information provision to provide a richer or more relevant picture of the world, whilst avoiding: <ul style="list-style-type: none"> <li>• Information overload</li> <li>• Confusion as the existing model appears outdated</li> <li>• Fear of making any decisions at all</li> <li>• Creating conflict between groups who may have shared a sense of direction</li> </ul>

## 7.4 Researching services: SERVQUAL

Service businesses, such as restaurants, hotels and airlines, also need to research the needs of their customers. The SERVQUAL methodology (*Palmer, 2001*) covers five dimensions of service quality.

Dimensions	Example
<b>Tangibles</b>	Appearance of hotel
<b>Reliability</b>	Bookings are processed accurately
<b>Responsiveness</b>	Staff react to queries quickly
<b>Assurance</b>	Staff inspire confidence
<b>Empathy</b>	Hotel guests are treated as individuals

Customers complete two questionnaires:

- Their **expectations** of an 'excellent' service (eg a hotel)
- Whether the actual service experienced lives up to **expectations**

SERVQUAL can highlight:

- Gaps between consumer expectations and managers' perceptions: managers may believe they deliver a good quality product; consumers may not agree!
- Gap between management perceptions of specifying service quality. (Managers may not set clear or achievable specifications of service quality.)
- Gap between service delivery and external communications: the service provider's advertisements may create expectations that cannot be filled.
- Gap between perceived and expected service arising from the above.



### Question

### Market research

Which of the following options show five steps that could be used in a typical market research programme?

- A Define problem, develop hypothesis, collect data, analyse data, report findings
- B Develop hypothesis, collect data, define problem, analyse data, report findings
- C Analyse data, define problem, develop hypothesis, collect data, report findings
- D Define problem, collect data, develop hypothesis, analyse data, report findings

### Answer

- A Refer to Section 6.1 of this chapter.

## Chapter roundup

- **Buyer behaviour** describes the activities and decision processes relating to buying. **The process** describes a sequence of steps, from need recognition, through information search, evaluation of alternatives, purchase decision and post purchase evaluation.
- Overall, factors affecting customer behaviour are **social** (such as reference groups, roles and status), **cultural**, **personal** (eg age, economic status, lifestyle) and **psychological** (eg attitudes).
- Organisations are viewed as more rational than individuals. The buying **decision process** is likely to be **formal**.
- A **segment** is a group of customers with similar characteristics who can be **targeted** with the same marketing mix. Segmentation bases can include objective classifications (eg age) as well as more subjective approaches such as lifestyle or attitudes.
- **Segmentation** enables firms to **differentiate** their product to meet customer needs. It enables alternatives to mass marketing, by targeting particular groups of buyers.
- **Sales forecasting** can involve complex relationships. It's debatable whether demand forecasting is a science or an art – as it involves methods that derive from **judgmental sources** and from **statistical sources** it is probably a bit of both.
- **Market research** is needed to obtain the type of data about customers and their needs that is necessary for marketing plans. Both **quantitative** and **qualitative** data have an important role.
- Organisations are using ever more sophisticated **marketing information systems** to gather information and **manage customer relationships**.

## Quick quiz

- 1 Distinguish between 'buyer', 'payer' and 'user'.
- 2 List four types of factors that influence consumer buying.
- 3 Identify four types of organisational markets.
- 4 The four forces identified by Kotler as influencing organisational buyers are:  
E..... O..... I..... and I.....
- 5 List five possible bases for market segmentation.
- 6 Briefly explain the concept of geodemographic segmentation.
- 7 Which of the following are factors of 'current demand'?  
A Area Market Potential  
B Total Industry Sales  
C Relative Market Share  
D All of the above
- 8 Why do marketing researchers use sampling?
- 9 List four elements of a marketing information system (MkIS).

## Answers to quick quiz

- 1 The buyer is the person who selects the product/service.  
The payer finances the purchase.  
The user receives the benefit.
- 2 Social factors, cultural factors, personal factors and psychological factors.
- 3 Producer, reseller, government and institutional.
- 4 Environmental, Organisational, Interpersonal, Individuals.
- 5 Geographical area, age, gender, income level, occupation, lifestyle etc. Refer to Section 4.5 for other examples.
- 6 Geodemographic segmentation classifies people according to where they live. The basic premise is that households within a particular type of neighbourhood are likely to follow similar purchasing patterns.
- 7 D They are all factors.
- 8 Sampling is used because in most situations the relevant population is too large to involve all members.
- 9 Internal records, marketing intelligence, marketing decision support system and marketing research system.

Now try the question below from the Exam Question Bank

Number	Level	Marks	Time
11	Examination	30	54 mins