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THE ROLE OF MARKETING RESEARCH AND CUSTOMER INFORMATION IN DECISION-MAKING

CASE STUDY
SPOTIFY AND INSIGHT

Spotify, the music streaming service, boasts more than 75 million active users, 20 million of whom subscribe to its paid-for service. It makes its revenues by selling premium streaming subscriptions to users and advertising placements to third parties. Spotify gets its content from major record labels in addition to independent artists and pays copyright holders royalties for streamed music.

Consumer insights are used to clarify who the service’s audience is and to understand trends that will enable the service to grow. The consumer insights team numbers around 27 people with a range of qualitative and quantitative expertise, as well as skills in marketing and big data analytics. This mix of skills enables Spotify to create a coherent understanding of its audience.

Another area of increased focus for the team is social media analytics. They have two main tools for this: Affinio, which is a social segmentation tool that helps Spotify understand the audiences it is targeting online, and Pulsar, which helps the team monitor social buzz online.

Affinio helps Spotify identify very different ‘tribes’ of consumers in terms of their tastes and interests. The tool allows the team to look through the ‘lenses’ of particular groups, and so avoid the mistake of trying to be all things to all people. This enables Spotify to help its external brand partners to better understand consumers via non-traditional demographics such as moods or moments. There is the potential to fuse music-based segmentations into wider offerings for media-planning purposes. It is possible to start thinking about how music fits into people’s lives and build segmentation models linked to personality type.

Spotify has made a number of acquisitions to bolster its data science skills. In June 2015, it bought data innovation and analytics firm Seed Scientific, which counted Audi, Unilever and the United Nations among its clients. The acquisition was undertaken in order to allow Spotify to create a data dashboard to allow real-time decision-making across the organisation.

In March 2014, Spotify acquired the music intelligence platform the Echo Nest, which has led to innovations such as the ability to auto-generate music according to the speed of a runner. The product insights team spent a great deal of time understanding runners when creating the product in an attempt...
to deliver the ideal music and running experience. Music to match an individual’s running speed is all about understanding mindsets and mood states. It’s useful for all sorts of purposes, such as how you communicate your advertising message to someone. If an individual is in the bath, they won’t be so interested in an aggressive mobile phone deal. Mood states are very interesting to media planners. Spotify can potentially better understand this.

All Spotify’s playlists are fuelled by data – whether it’s a playlist that responds to a person’s running speed, a party playlist that a user can vary according to the number of people who turn up, or simply the recommendations that Spotify provides. Spotify’s goal is to offer the right content for every moment, be it a video for a person’s commute, a podcast for a road trip, or music while they are relaxing at home.


WHAT YOU WILL LEARN

After reading this chapter, you should:

- understand the need for marketing information and the marketing concept;
- be able to define the terms customer insight, marketing research, customer database and user-generated content;
- understand the need for an integrated approach to the collection, recording, analysing and interpreting of information on customers, competitors and markets;
- be aware of the concept of big data and some of the difficulties and limitations associated with the growing levels of information available; and
- be able to describe the structure of the marketing research and database industry.

KEYWORDS

- big data
- blogs
- cookies
- customer database
- customer insight
- data analysis services
- data elements
- field agencies
- full-service agencies
- information explosion
- list brokers
- marketing concept
- marketing research
- online communities
- profilers
- social networks
- specialist service agencies
- triangulation
- user-generated content

INTRODUCTION

This chapter introduces information and the marketing research industry in the context of marketing decision-making. It also introduces the concept of delivering customer insight through marketing research and customer information/databases.
THE MARKETING CONCEPT AND THE NEED FOR MARKETING INFORMATION

The need for marketing information stems from the adoption of the marketing concept. Although there are many definitions of marketing, at its heart lies the concept that the whole of the organisation should be driven by a constant concern for its customers, without whose business the organisation simply would not exist. In other words, the marketing concept requires an organisation to define who the customers or potential customers are, focus on their particular needs, then coordinate all of the activities that will affect customers, in order that the organisation achieves its financial and strategic objectives through the creation of satisfied customers.

The ethos of satisfying customers has to be spread throughout the whole organisation and not limited only to those who are in immediate or direct contact with the customer. The more the marketing concept can be spread through an organisation, the better will be the achievement of the organisation’s commercial, charitable, political or social objectives.

This book uses the term customer in its widest sense, as some organisations may not sell products or services to consumers or companies but may still have similar types of stakeholder groups that the organisation is seeking to satisfy. For example, charities may view both the recipients of the charitable support and the donors as their customers. Similarly, political parties may view the electorate or their supporters as their customers. Even the prison service has stakeholders that may be classed as ‘customers’, and these could be seen as being either the prisoners within the walls of the prisons or the general population that lives outside.

Whatever the type of organisation, information is critical if the correct products, services and offerings are to be provided to customers. In small organisations, such as the village shop, the owner may personally know: (a) the customer’s buying habits and attitudes; (b) the competitors’ activities; and (c) the changes occurring in the local market (e.g. new houses being built). However, as an organisation becomes larger, the amount of direct contact the decision-maker has with the customer reduces significantly. As a result, management take decisions as to how best to serve their customers based on information that is gathered from a variety of sources rather than from personal experience.

In particular, effective marketing decisions are reliant on information in three main areas:

1. **Information on customers:** The marketing concept can only be realistically implemented when adequate information about customers is available. To find out what satisfies customers, marketers must identify who customers are, what their characteristics are, and what the main influences on what, where, when and how they buy or use a product or service are. By gaining a better understanding of the factors that affect customer behaviour, marketers are in a better position to predict how customers will respond to an organisation’s marketing activity.

2. **Information on other organisations:** If a commercial organisation wishes to maintain some form of advantage over competitors, it is essential that information is gathered on the actions of competitors. Comparison of performance relative to competitors helps managers recognise strengths and weaknesses in their own marketing strategies. Even in non-commercial organisations,
information on other charities, political parties or government departments can produce new ideas and practices that will allow the organisation to better serve its own customers.

3. **Information on the marketing environment**: The environment consists of a large number of variables that are outside the control of an organisation but which have an influence on the marketing activities of the organisation. These variables, such as government policy, the economy, technological developments, changes in legislation and changes in the demographics of the population, have to be monitored continuously if an organisation is to keep pace with changing customer and market requirements. For example, in many developed countries, the following changes are occurring in the market environment:

» a *continuing decline in children of school age*, a threat to producers of teenage magazines, confectionery, soft drinks, etc.;

» an *increasing proportion of older people (over 75)*, influencing the demand for retirement homes, hearing aids and special holidays;

» an *increasing proportion of single-adult households*, influencing the demand for smaller accommodation, online dating sites and food packaged in smaller portions; and

» an *increasing proportion of working women*, and the resultant demand for convenience foods, microwaves and child day-care centres.
All of the above information types have to be collated and their implications for an organisation’s marketing activities have to be assessed. Although uncertainty is inherent in decision-making, the gathering and interpretation of information can make the process more objective and systematic. Successful managers take an orderly and logical approach to gathering information; they seek facts and undertake new marketing approaches on a systematic basis rather than simply through a procedure of trial and error.

TURNING INFORMATION INTO CUSTOMER INSIGHT

Customer insight is distinct from customer information, as information requires transformation and assessment to generate insight. Information can be viewed as similar to the evidence and DNA at a crime scene, whereas insight is the detective work involved in understanding what that evidence means and the further actions that are needed. Customer insight can therefore be defined as a non-obvious understanding about customers and markets, which, if acted upon, has the potential to benefit both the organisation and the customer. Organisations that interrogate their information and data most effectively to create customer insight will gain competitive advantage. This explains the efforts being made by Spotify (in this chapter's opening case) to gather insight on their consumers.

The first step in gaining customer insight is to understand the type of information that is available or has been collected. Information for marketing may have descriptive, comparative, diagnostic or predictive roles. Its descriptive role answers the ‘what’, ‘where’ and ‘when’ questions that marketing managers may have, such as:

- **What** are customers buying?
- **Where** do they buy?
- **What** knowledge do customers have of a brand or range of products?
- **What** attitudes do customers have towards specific brands or products?
- **When** do customers consider alternative brands?
- **What** advertising and marketing communications have customers seen or been exposed to?
- **(For a charity)** What level of donation is made to specific charities?

Its comparative role answers the ‘how’ questions used for performance measurement, such as:

- **How** did this service performance differ from previous experiences?
- **How** does our product compare with the competitors?
- **(For a political party)** How are this political party’s policies perceived in comparison to those of another party?
Information’s *diagnostic role* answers the ‘why’ questions and provides explanations, such as:

- *Why* do customers believe that advertisement?
- *Why* do customers buy this product rather than one of the alternatives?
- *(For a public service)* *Why* are prisoners dissatisfied with the conditions?

The *predictive role* answers the ‘what would happen’ type of questions and helps to determine future trends, such as:

- *What would happen* if the competitors reduced their prices?
- *What would happen* if this new product was launched?
- *(For a government)* *What would happen* if government expenditure in this area was to reduce?

These descriptive, comparative, diagnostic and predictive roles result in insight that addresses the key decision areas of an organisation’s strategic and tactical marketing activities. In developing a strategy, the management team need to address marketing decisions such as:

- **The area of the market on which to focus:**
  - Specifically, what range of products or services should be produced and delivered?
  - Which market segments should be targeted?
  - What methods of delivery are required to reach these target segments?

Information will assist organisations in answering these questions and determining the direction of their core business activities and their core customer segments. For example, an organisation such as British supermarket Tesco may need to determine which international markets to enter or whether it should move into the selling of other non-grocery products such as cars or furniture.

- **The method of differentiation:**
  - How will the organisation compete with other organisations?
  - What will differentiate its offering from those of other organisations?
  - How can the organisation better serve the needs of the target market?

To answer these questions, marketers need to know which product or service benefits create most value for the potential customer. For example, when purchasing a car, is the target segment more interested in speed, comfort, economy or brand name? This may help determine the brand values that an organisation should adopt. These may go well beyond the physical features of the product; for example, the Virgin Airline brand values are associated with fun, innovation and quality service. Such brand values are developed as a result of researching the views of the target market, and are refined or modified based on ongoing information on customer attitudes and competitor activities.

- **The establishment of objectives:** Information is critical in determining the objectives for a product, a brand or for an organisation’s marketing activities. Objectives may relate to market share, profit, revenue growth, awareness, levels of customer satisfaction or level of donations (for a charity). This is dependent on
having information regarding the organisation’s performance currently, as well as answers to predictive-type questions about what is likely to happen in the market.

- **The development of the marketing programme:** At a tactical level, marketing information can provide detailed information to assist with decisions relating to:
  - product or service features;
  - packaging;
  - distribution channels;
  - ordering and delivery procedures;
  - pricing and discounting policies;
  - marketing communication approaches;
  - communication messages and media;
  - brand image and logo to be associated with the brand;
  - service support and complaint-handling procedures; and
  - design and location of retail or service outlets.

- **Implementation and the monitoring of performance:** Marketing information is needed to determine whether elements of the marketing programme are meeting their objectives. Performance measurement is dependent on specific objectives having been set, with marketing information providing the measures against these objectives. Are market share or sales targets being achieved? If not, why not? Should elements of the marketing programme be changed or continued? A company such as Ford will need to monitor which models of car are selling, as well as the optional extras that customers are buying, to determine how a model’s specification will need to change in the future.

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**THE INFORMATION EXPLOSION AND BIG DATA**

In the past, marketing managers often had difficulties in gathering sufficient information to obtain insight and make sound marketing decisions. Today’s problems relate more to the filtering of relevant data from the information explosion available in a wide range of formats from a wide range of sources. This growth has principally resulted from improvements in the capabilities and speeds of computers.

**Big data:** A term to describe the significant volume and variety of data available to organisations and the increased frequency in which they are generated.

**Customer database:** A manual or computerised source of data relevant to marketing decision-making about an organisation’s customers.
This also means that suppliers of information, whether marketing researchers or database managers, must develop a willingness to accommodate available information from each other. It has to be recognised that data obtained from several sources are likely to provide a more reliable guide for marketing decision-making than data drawn from a single source. This is the concept of triangulation, where different sources of data are used to counterbalance the weaknesses in some sources with the strengths of others. The term ‘triangulation’ is borrowed from the disciplines of navigation and surveying, where a minimum of three reference points are taken to check an object’s location. As such, it is important that marketing managers are using information in an integrated manner rather than following the piecemeal approach of databases separate from competitor intelligence separate from marketing research. This may mean that information professionals such as marketing researchers need to develop skills in integrating information from marketing research surveys with information from customer databases and internet resources if they are to prove invaluable to the marketing decision-maker. Such integration is more than simply pulling information together; it is also about deciding which information is worth accessing, which should be rejected and which should be stored.

AN INTEGRATED APPROACH

Traditionally, information on customers, their behaviours, awareness levels and attitudes was only available to organisations through the utilisation of marketing research techniques where customers would be surveyed or observed. Organisations did hold limited information on their customers, but what they held was frequently in the form of paper files, invoices and salespersons’ reports. The material was generally difficult to access, patchy in its coverage and rarely up to date. Over the past 25 years, significant improvements in computerisation, database management and data capture have meant that many organisations now hold significant amounts of data on their customers. For example, a grocery store operating a loyalty card scheme will have details on each cardholder relating to:

• their home address;
• the frequency with which they visit the store;
• the days and times they visit the store;
• the value of their weekly grocery shopping;
• the range of products purchased;
• the size of packages purchased;

Experience shows:

The main task isn’t so much the finding of information; it is more to do with ensuring that the information is relevant and of a scale and format that is manageable.
- the frequency with which they use promotional coupons;
- the consistency with which they purchase specific brands;
- the extent to which they trial new products; and
- the extent to which purchasing behaviour is influenced by the timing of advertising campaigns.

In addition, the range of products may indicate whether they live alone, have a family, have pets, are vegetarian or tend to eat ready-prepared meals.

At the same time as databases have developed, social media and the advent of user-generated content has resulted in consumers conversing with companies and airing their views about products and services on Facebook-type sites, customer review sites and blogs. Companies such as Starbucks run their own customer feedback websites, My Starbucks Idea (https://ideas.starbucks.com), alongside their Facebook, Google+, Pinterest, Instagram, YouTube and Twitter sites, allowing customers to share their insights, feedback and ideas. Their Facebook site has over 36 million page likes and they use it to complete the feedback loop. Not only do they get ideas from customers, but they update the customers on what ideas have been implemented, encouraging more customers to air their views.

The availability of customer databases and user-generated content has changed the role and nature of marketing research in many organisations (we explore these three processes and their interrelations in the remainder of the chapter). Nowadays, research may focus more on awareness and attitudes than behaviour, or may focus more on potential than existing customers as information about behaviour and existing customers may already be known to the company. Customer databases and
user-generated content may also be used to assist in identifying potential respondents or topics for research. In addition, customers who are known to the organisation and have a specific relationship with them may be more willing to take part in research on a regular basis. Finally, budgets that were used solely for marketing research may now be split between managing a database, administering online social media and marketing research.

These interrelationships between customer databases, user-generated content and marketing research mean that many organisations are starting to adopt an integrated approach to the collection, recording, analysing and interpreting of information on customers, competitors and markets.

Information should not be seen as the ultimate panacea for poor marketing decision-making. Decisions still have to be taken based on the judgement of the managers concerned. However, better-informed judgement should result in better decisions. Wrong decisions may still be made, but the incidence of these should reduce with better customer insight through the provision of relevant marketing research and customer information. Sometimes research results may be ignored, particularly where the decision-maker has an overriding belief in the product or where a decision-maker’s reputation will suffer as a result of abandoning a new product development project or by taking a risk and launching. Occasionally, the decision-makers who ignore the research will be proved correct – the Dyson bagless vacuum cleaner and the Sony Walkman are examples of products that were launched contrary to marketing research recommendations. If the product concept is so unique and different from existing products, consumers and certain research approaches may provide misleading feedback. Therefore, managers need to make judgements not only about the decisions that are to be taken, but also with regard to the reliability of the information available. We will now examine the three main sources of this information: marketing research, customer databases and user-generated content.

**WHAT IS MARKETING RESEARCH?**

In defining marketing research, it is important to consider its key characteristics:

- Marketing research provides commercial and non-commercial organisations with information to aid marketing decision-making. The information will generally be externally focused, concentrating on customers, markets and competitors, although it may also report on issues relating to other stakeholders (e.g. employees and shareholders).

- Marketing research involves the collection of information using a wide range of sources and techniques. Information may be acquired from published sources, observing behaviours or through direct communication with the people being researched.

- Marketing research involves the analysis of information. Obtaining information is different from achieving understanding. Information needs to be analysed, developed and applied if it is to be actionable and relevant to the marketing decisions that need to be taken.
Marketing research involves the communication and dissemination of information. The effective presentation of information transfers understanding of its content and implications to a wider audience of relevant decision-makers and interested parties.

Taking these characteristics together, marketing research can be defined as:

The collection, analysis and communication of information undertaken to assist decision-making in marketing.

WHAT ARE CUSTOMER DATABASES?

Data are the basic raw material from which information and ultimately understanding are derived. A customer database is distinguished from a computerised accounting or invoicing system, as the data about customers have to be relevant to marketing decision-making. The data in the customer database may be collected from many parts of the organisation and may be augmented by data from external sources.

A database consists of a store of data elements (see Table 1.1) that mean little independently, but, when combined, provide information on a customer or group of customers. In other words, information is derived from the relationship between data elements. For example, if an organisation wishes to know how long a particular customer has had a relationship with it, then the data elements associated with the current date and the customer’s first transaction date have to be combined to calculate the relationship length.

Table 1.1 Typical data elements held on retail and business consumers

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<tr>
<th>Typical retail consumer data elements</th>
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<td>Company number</td>
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<td>Name</td>
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<td>Postal address/postcode</td>
<td>Number of employees</td>
</tr>
<tr>
<td>Telephone/email</td>
<td>Postal address/postcode</td>
</tr>
<tr>
<td>Date of birth</td>
<td>Telephone/fax/email</td>
</tr>
<tr>
<td>Segmentation by lifestyle/demographic code</td>
<td>Credit limit</td>
</tr>
<tr>
<td>Relationship to other customers (i.e. same household)</td>
<td>Procurement manager</td>
</tr>
<tr>
<td>Date of first transaction</td>
<td>Turnover</td>
</tr>
<tr>
<td>Purchase history, including products purchased, date purchased, price paid,</td>
<td>Sales contact</td>
</tr>
<tr>
<td>method of payment, promotional coupons used</td>
<td>Purchase history, including products purchased, date purchased, price paid, method of payment</td>
</tr>
<tr>
<td>Mailings received</td>
<td></td>
</tr>
<tr>
<td>Response to mailings/last promotion</td>
<td></td>
</tr>
</tbody>
</table>
The customer database can be defined as:

A manual or computerised source of data relevant to marketing decision-making about an organisation’s customers.

Many databases use the transaction record, which often identifies the item purchased, its value, customer name, address and postcode, as their building block. This may be supplemented with data that customers provide directly, such as data on a warranty card, and by secondary data purchased from third parties. Several companies, such as CACI in the UK with their product ACORN (www.caci.co.uk/acorn) and Experian in many countries with their product Mosaic (www.experian.co.uk/mosaic), sell geodemographic profiling data that can be related to small geographic areas such as postcodes (see Examples 1.1. and 1.2). Such data can show the profile of people within an area and are typically used for location planning and target marketing. Each postcode in the country is allocated a specific geodemographic coding that identifies the typical lifestyle of people living in that postal code area.

**EXAMPLE 1.1: ACORN UK type 20: mixed metropolitan areas**

These mixed streets feature more flats and terraced housing. Accommodation is a mix of smaller one- or two-bedroom properties and larger housing, perhaps shared by a number of adults. Overall, these are moderately stable areas with many people having lived here for a number of years. Few elderly people live in these streets. These people tend to be younger and in professional or managerial employment. While there are more single or separated people than average, some couples will have started to raise a family. These neighbourhoods might sometimes be likened to buffer zones between areas of contrasting affluence or desirability. People may aspire to better housing but, for a variety of reasons, cannot afford it. Overall incomes are above average, but not significantly so, and affluence may be mixed, while those early in their professional career might have good incomes, and some of those renting might have built up savings or investments with a view to purchasing a house. A higher than usual proportion of people will have some debts and may be having some difficulty with debt repayments. Clothing may be purchased from a variety of places, from modern fashion retailers such as Hollister and Forever 21, to JD
Sports, H&M and Primark. Some will frequent outlets such as Nando’s, Starbucks or Costa Coffee, and purchase technology from the local Apple Store. Smartphones might have a number of downloads such as translators, dictionary, newsfeeds and travel apps. Music, fitness and fashion apps might also be popular. Lifestyles may be such that GPS functions, Skype, Spotify or iTunes might be used on a regular basic. Booking tickets and watching films are also activities that might be carried out on smartphones. Online activity might include researching loans, booking travel, and purchasing consumer electronics, cosmetics and haircare products. Other than shopping, some may use the internet for online dating and news or leisure. They use RSS feeds, listen to podcasts, read newspapers and magazines, or watch TV online more than the average.


EXAMPLE 1.2: Mosaic USA: group D – Suburban Style, middle-aged, ethnically mixed suburban families and couple earning upscale incomes

The four segments in Suburban Style are filled with ethnically mixed, middle-aged couples and families with children enjoying upscale lifestyles. Concentrated in suburban neighbourhoods, these households are in the middle child-rearing phase of their lives, coping with growing families, mid-level careers and monthly mortgage payments. Despite incomes nearing six figures, these 30- and 40-somethings still face high transportation costs in their suburban neighbourhoods. However, they’re happy to be bringing up their children in these middle-ring suburbs known for quiet streets and short commutes to in-town jobs. Suburban Style people aspire to live in a leafy suburb with a nice garden and fresh air. Their homes, often surrounding big cities in the Northeast and South, are well-preserved homes on curvy streets built in the last half of the twentieth century. Housing values are slightly above average. Many homes have a basketball hoop in the driveway or a Weber grill out back. On weekends, the sidewalks are filled with teens skateboarding, biking, in-line skating and shooting hoops. With their slightly above-average educations – more than half have gone to college – parents in Suburban Style work at white-collar jobs in business, public administration, education and technology. Many are raising families on upscale incomes thanks to two or even three workers in the household; nearly 20 per cent have a young adult living at home. Their solid incomes and built-up equity allow them to qualify for home equity and car loans; two-thirds of households own three or more vehicles. Among these segments, the highest concentration of homeowners have lived at the same address for over a decade. Suburban Style members have rich leisure lives. They spend a lot of their free time engaged in sports such as baseball, basketball, swimming and biking. Thanks to older children still at home, this group also enjoys sports, including scuba diving, karate and water skiing. For a night out, adults head to movies, restaurants, plays, comedy clubs and rock concerts. With excursions to zoos, aquariums, bowling alleys and theme parks, as well as regularly scheduled piano lessons and hockey practice, it’s not uncommon for parents to put 50 miles on their car every weekend. Many fret that their children are over-programmed and
need more unstructured playtime. When they get home, they’re often too tired to care and they end up collapsing in front of the TV. With friends, they might play cards or computer games – anything to take their minds off the next bout of activities, errands and appointments.

With their mix of solid incomes and educations, Suburban Style tend to be fashion-forward consumers who like to check out new styles and products. Children influence the marketplace patterns, as seen in the group’s embrace of people-moving vehicles such as SUVs and minivans and their tendency to patronise big box discounters, toy stores and sporting goods retailers. With gadgets galore, these tech-savvy consumers also purchase all manner of electronic devices – smartphones, laptops and MP3 players – and can practically download music, games and TV shows in their sleep. They’re happy to shop online or use catalogues to avoid the traffic jams in mall parking lots. The busy families in Suburban Style make only an average market for most media. However, they watch premium TV channels such as Speed, IFC, BET and TV Land. They spend a lot of time in their cars listening to radio stations that air news, sports, and classic and modern rock. Though their interest in most print media seems to be waning, they still like to read magazines that cover parenting, health, food, entertainment and the African-American community. More and more, they’re getting their news and entertainment from the internet. While they’re ambivalent about advertising on most traditional channels, they do respond to email ads, sponsored websites and links. With their strong attachment to their local communities – they belong to unions, churches and PTA groups – Suburban Style members are also active politically. They tend to be right-of-centre moderates who are slightly more Republican than Democrat in their party affiliation. However, there are few causes that they advocate at high rates. On election night, it’s often a toss-up on how they will vote. The Gen Xers who make up most of the adults in Suburban Style represent the first generation to make the internet part of their daily lives. Now fluent in high-speed wireless and cellular technology, they’re active users of digital media for a wide variety of applications. They go online to bank, telecommute, get stock information, bid on auctions, listen to internet radio stations and get movie reviews. They often visit electronics, fashion, business and children’s sites. Many are comfortable making purchases via online retailers.

Source: Mosaic USA.

Experience shows:

If you are in the UK, you can check out the profile for any postcode in the UK by going to [www.zoopla.co.uk/property/compare-neighbours](http://www.zoopla.co.uk/property/compare-neighbours) and typing in the postcode.

In addition to physical transactions, databases can be created from virtual transactions. Web-based retailers and suppliers have a two-way electronic link with their customer. This is often done through the use of cookies, which are text files placed on a user’s computer by web retailers in order to identify the user when they next visit the website.
computer by the web retailer in order to identify the user when they next visit the website. They can record a customer’s actions as they move through a website, noting not only the purchases, but also the areas that the customer has browsed. This may indicate what the customer may buy on the next visit if the correct promotional offer is made. Also, unlike traditional retailers, an online retailer can alter the website in real time to test particular offers with specific potential customers.

Customer databases are generally developed for four main reasons:

1. **Personalisation of marketing communications**: To allow personalisation of direct marketing activity, with postal, telecommunication or electronic correspondence being addressed specifically to the individual customer. The offers being promoted can also be targeted at the specific needs of the individual. For example, a bank may be able to send out specific information on their student account offerings to the 16–18-year-old market segment.

2. **Improved customer service**: When a customer seeks service from a branch office or a call centre, the organisation is better able to provide that service if details about the past relationship/service history with the customer are known. For example, Amazon’s bookselling website makes book suggestions to customers based on their previous purchases.

3. **Improved understanding of customer behaviour**: The organisation can better understand customer profiles for segmentation purposes and the development of new product/service offerings. For example, SeaFrance was able to categorise its customers into eight segments by analysing customer postcode data with variables such as ticket type, distance from the port, type of vehicle and frequency of travel. This was cross-tabulated with ticket values, allowing SeaFrance to determine which segments were of most value.

4. **Assessing the effectiveness of the organisation’s marketing and service activities**: The organisation can monitor its own performance by observing the behaviour of its customers. For example, a supermarket may be able to check the effectiveness of different promotional offers by tracking the purchases made by specific target segments.

Although customer databases can fulfil these functions, it should be stressed that they tend to hold information only on existing and past customers; information on potential customers is generally incomplete or in some cases non-existent. This may limit their usefulness in providing a comprehensive view of market characteristics. The use and management of customer databases will be explored further in Chapter 3.

**WHAT IS USER-GENERATED CONTENT?**

There is a growing willingness among many people to express themselves in public and to reveal their habits, purchases and opinions. Online social networks allow individuals to communicate with one another and to construct a public or semi-public profile of themselves as well as share a variety of content. There are two types of social networks: those that focus on the individual, such as Facebook or LinkedIn, and those that focus around objects, such as Flickr, Instagram or Pinterest (where photographs
Chapter 1: The role of marketing research and customer information in decision-making

MAINTAINING THE DISTINCTION BETWEEN MARKETING RESEARCH AND DIRECT MARKETING

Marketing research is dependent on the willing cooperation of both the public and organisations to provide information of value to marketing decision-makers. Such cooperation is likely to be prejudiced by suspicion about the purpose of research projects and concerns about the validity of the guarantees of confidentiality that are given to respondents. As highlighted in the codes of conduct of both the MRS and ESOMAR, as well as the 2018 updated European Union Directive on the Protection of Personal Data, information collected for marketing research purposes cannot be
used for developing marketing databases that will be used for direct marketing or direct sales approaches. The principle of transparency is the key consideration in all dealings with respondents. It must be made clear to respondents that all personal data collected during a research project will be treated confidentially for genuine marketing research purposes, and that no attempt will be made to sell something to the respondent as a result of their having taken part in the research. Also, direct marketing activity should not imply to the customer that it is some form of marketing research – any questionnaires or other data collection methods used for direct marketing should make clear at the time of collection that the information provided may be used for sales or sales promotion purposes. As such, the use of questionnaires as part of a database-building exercise for direct marketing purposes cannot be described as ‘marketing research’, and should not be combined in the same data collection exercise. Where the results of a marketing research project are to be used to enrich and extend the information held on a marketing database, then personal data are not allowed to be used in a respondent-identifiable basis by the various professional codes of conduct. This means that research data being added to a database should not be in the form of personal data, but should instead be anonymous and partly aggregated data. For example, consumer profiles built up from aggregated research data may be used to categorise all consumers in a database, whereas personal information relating to individual respondents should not be used.

Therefore, the integration of data discussed in this book refers to the marketing researchers managing the information outputs coming from sources such as customer databases, rather than using marketing research to create the inputs for such databases or managing the databases for other (non-marketing research) purposes. The professional standards and ethics relating to marketing research will be discussed further in Chapter 2.

**THE MARKETING RESEARCH AND DATABASE INDUSTRIES**

Marketing research and customer database information can either be produced by employees internal to an organisation or can be outsourced from an external supplier. The internal supplier for marketing research is the marketing researcher or marketing research department. Such departments tend to be found only in larger organisations where there is a regular and possibly constant need for marketing research. Their incidence also tends to be greater in large organisations involved in consumer products or services rather than business-to-business products. Within some organisations (e.g. Ford, Van den Bergh, Diageo, Walkers), internal marketing researchers have been renamed and are now called customer insight managers. This reflects a change from managers who simply managed the marketing research process to the creation of managers who manage information on an integrated basis from a variety of information sources. The insight teams at some companies have programmes in place to help their marketing colleagues develop skills in identifying consumer insights for themselves (see Industry Viewpoint). The key requirements in the consumer insight approach are an ability to assimilate information from a much wider range of sources, to adopt a much more proactive role and be able to contribute to strategy development.
Experience shows:

Market research managers have to become strategic insight contributors. Insight gives strategic direction to the knowledge the business requires.

INDUSTRY VIEWPOINT  Clients going direct to respondents

An increasing number of clients are cutting out the research ‘middleman’ and talking directly to their customers. When Microsoft UK set up special forums for its staff to meet their customers, it did so as a direct result of research – the software giant’s customers were complaining that they had had enough of it. ‘They didn’t want to be surveyed by people over the web’, reveals Microsoft UK’s Customer Loyalty Manager, Valerie Bennett. ‘They wanted to come and talk to Microsoft face-to-face.’ Now they can, on ‘theme days’ organised by Bennett to talk over issues of common concern with Microsoft personnel.

Market research is no longer seen as the de facto solution to business problems, and Microsoft is not the only company that views the days when market research alone could interpret customer behaviour as over. With its roots in retail, where managers were encouraged to mingle with customers on the shop floor, the practice of going direct to the consumer has now spread in various guises to companies as diverse as Ford, Barclays and Sky.

Often these programmes are run by the research or insight department, which has had to adapt to a new role. No longer the sole intermediary between a company and its customers, in-house researchers are taking a step back to coordinate customer contact and tie the results of these meetings in with existing research programmes.

‘We are primarily facilitators of consumer insight with responsibility for identifying those which can be most powerfully harnessed to drive our brands’, explains Bill Parton, Market Research Controller for Kraft Foods. ‘Ultimately, however, it is our brand and customer marketers who must translate insights into strategy and execution. To do this, it is not enough to intellectually understand the insight; they need to feel it. The only way they can do this is through direct experience.’

Kraft Foods first introduced direct-to-consumer techniques, with the initial aim of helping to build broader understanding of its consumers’ lives. It has since become part of the company’s culture. Parton says that the biggest challenge for researchers and marketers alike is to go beyond behaviour, to understand what really motivates consumers. To do this, Kraft was trying to help its people develop some of the skills employed by research. ‘It’s not about the future of research’, Parton states. ‘It’s about the future of marketing. They are the guys who have to come up with the ideas.’

Meeting people who place their choice of instant coffee near the bottom of life’s priorities can provide a much-needed change of view for marketers who steep themselves in a category day after day. ‘It’s a good reality check’, comments Gavin Emsden, Beverages Research Manager at Nestlé. ‘Even going to groups and sitting behind the glass is not the same as sitting down with the consumer and talking with them.’
Marketing research

‘It is tremendously powerful in getting your store to think about the customer’, enthuses Asda’s Head of Market Research, Darryl Burchell, who is teaching staff how to get the most out of focus groups and accompanied shops. ‘If you work in a store day in, day out, you see the store from an operational perspective, rather than a customer’s perspective. What better way to see the customer’s perspective than to accompany them on a shopping trip?’

Direct-to-consumer programmes also spread the experience of customer insight to a far wider audience than is reached by traditional market research (MR), Burchell points out. The majority of MR may still be done by Burchell and his team, but they alone do not have the resources to research each of Asda’s 630 stores. Asda is owned by Walmart.

While direct-to-consumer programmes could be described as a ‘quick and dirty’ way of getting research done, few client-side researchers regard these as threatening the work of MR suppliers. Kraft Foods conducts many direct-to-consumer studies at early stages of development long before it becomes economically sensible to commission MR. Bill Parton believes this early workout for fledgling ideas leads to better briefs for research projects.

The aims of Van den Bergh Foods’ direct-to-consumer programme, ‘Consumer Connexion’, are very different to the learning it gets from market research data, points out Group Insight Manager Stephen Donaldson. ‘This programme is subjective by its design and nature. This is not an objective piece of market research.’ The three-year-old programme hasn’t affected Van den Bergh’s appetite for basic MR data, Donaldson stresses. ‘Market research still plays the role of the voice of the consumer in our business decision-making. This [Consumer Connexion] is making you more aware of your customers and giving you a better understanding of them, so you make better decisions.’

Donaldson believes companies that encourage direct customer contact will thrive, and is hoping that Van den Bergh’s parent, Unilever, will use his experiences as a model throughout the entire group. However, direct-to-consumer programmes are not easy to introduce. Time-consuming get-togethers that have no immediate benefit are not easy to initiate in companies working to a goal-driven culture. The programmes also have to be carefully managed, to make sure managers lacking in research experience don’t jump to the wrong conclusions, and to maintain the freshness that gives the programmes their value.

Despite the hurdles, direct-to-consumer is growing. It is one way of maximising learning from a tightly controlled budget. Management buy-in is easier to come by if the board has adopted a philosophy of customer focus. Direct-to-consumer offers an edge over the competition in a market where customers are increasingly perceived to be calling the shots.

‘This kind of approach will only become more common’, observes Karen Wise, joint MD for Martin Hamblin’s consumer and business division. ‘Our clients are looking for additional insights and involvement with their end users, and we appreciate that this practice can do this. However, there’s a strong argument that without the professional skills that an agency has, a lot is lost.’ Wise suggests convening three-way workshops where the client, its customers and the research agency all work together. ‘Through encouraging our clients to meet their customers face-to-face,
Chapter 1: The role of marketing research and customer information in decision-making

we will involve them more in the research process and be able to engage them further in the findings – crucial for the success of any project.’

Even if companies are not operating schemes on the scale of Asda or Van den Bergh Foods, contact with consumers has become a common component of company induction and training programmes. The market research industry is also seeing a growth in the use of methodologies that bridge traditional MR and direct-to-consumer techniques, such as extended focus groups where traditionally passive viewers emerge from behind the mirror after a group meeting to address issues they are interested in directly with the participants.

Source: Adapted with the permission of the Market Research Society from Savage, M., ‘Direct approach’, Research, October 2000. All materials proprietary to MRS and available via the MRS websites.

These managers may also be responsible for commissioning external suppliers to undertake marketing research or supply information. The external suppliers can be categorised as shown in Figure 1.1.

Figure 1.1 Categories of information provider

**List brokers/profilers**

**List brokers** capture lists of individuals and organisations and then sell them to companies that wish to augment their own customer databases and mailing lists. They capture names and other details from a wide range of sources, including:

- the names of shareholders and directors of public companies from public records;
- the names of subscribers to magazines;
• the names of people who replied to special promotions, direct mailings or competitions;
• the names of people replying to lifestyle questionnaires;
• warranty records for electrical products;
• the names of voters from the electoral roll;
• a country’s census records; and
• data on bad debt from public records or by sharing data between credit providers.

Profilers are different from list brokers inasmuch as their work will involve them interacting directly with an organisation’s database, whereas a list broker will tend to simply sell an off-the-shelf data file. Profilers such as CACI (www.caci.co.uk) gather demographic and lifestyle information from many millions of individual consumers, which enables them to classify every neighbourhood in Great Britain into one of six categories, 18 groups and 62 types. They then take this base information and combine it with the postal address information on an organisation’s database to segment existing customers by factors such as lifestyle and income. This allows organisations to target their offerings to existing customers more accurately. Profilers will also be able to identify additional prospective customers whose characteristics match those of an organisation’s existing customers.

Full-service agencies
External suppliers of marketing research services can be classified as being full-service agencies or specialist service agencies. Full-service agencies offer the full range of marketing research services and techniques. They will be able to offer the entire range of qualitative and quantitative research approaches, as well as being capable of undertaking every stage of the research, from research design through to analysis and report writing. Full-service agencies tend to be the larger research companies such as TNS (www.tnsglobal.com), Ipsos MORI (www.ipsos-mori.com) and GfK (www.gfk.com). Many of the full-service agencies involved in marketing research are truly international, with offices throughout the world. For example, TNS employs more than 15,000 staff in 80 countries across Africa, the Americas, Asia-Pacific, Europe and the Middle East. Market research projects are frequently undertaken simultaneously in a number of different countries for global brands such as Ford, Nokia and Nestlé. Undertaking cross-border studies brings additional challenges relating to language, national customs, costs and quality of data. There may also be regulatory issues with regard to the holding of customer information in different countries, which may impact on databases being held by global operators in sectors such as financial services, airlines and hospitality. This international dimension will be explored further in the Industry Viewpoint in Chapter 2.

Specialist service agencies
These agencies do not offer the full range of services, but tend to specialise in certain types of research. For example, a specialist agency may only do research in a specific market
sector such as the automotive sector or children’s products, or a geographic region such as the Middle East. Alternatively, the agency may be a specialist in terms of research techniques, and may only do qualitative, telephone or online research. Some agencies may specialise in particular types of reporting approach. For example, certain agencies may only focus on syndicated reporting services, where, rather than carrying out a unique research project for a specific client, they research a market or product area and sell the resulting reports or data to a number of subscribing organisations. In some ways, these syndicated research suppliers are like publishers selling books as they sell the same report or data to a number of organisations. Examples of these agencies include Datamonitor (www.datamonitor.com), Key Note (www.keynote.co.uk) and Mintel (www.mintel.co.uk). Syndicated research is a major source of retail sales information and media consumption, such as television viewing and press readership.

### Field agencies

As the name suggests, **field agencies’** primary activity is the field interviewing process, focusing on the collection of data through personal interviews, telephone interviews or postal surveys. Questionnaire and sample design, as well as the analysis, will therefore need to be undertaken by the client organisation itself or by another subcontractor.

### Data analysis services

Small companies, sometimes known as ‘tab shops’ (because they provide tabulations of data), provide coding and **data analysis services**. Their services include the coding of completed questionnaires, inputting the data from questionnaires into a computer, and the provision of sophisticated data analysis using advanced statistical techniques. Within this grouping of organisations, there are also individuals or small companies that transcribe digital recordings of qualitative research depth interviews or group discussions.

### Independent consultants

There are a large number of independent consultants in the marketing research and customer information sector who undertake small surveys, particularly in business-to-business markets, manage individual parts of the marketing research process, or advise on information collection, storage or retrieval.

### The professional bodies and associations in the marketing research industry

There are a number of international and national associations and professional bodies representing the interests of marketing researchers and the marketing research industry.

The largest bodies are the Market Research Society (MRS) and ESOMAR. The MRS (www.mrs.org.uk) is based in the UK and has almost 5,000 members in more than 60 countries. It is the world’s largest international membership organisation for professional researchers and others engaged or interested in market, social and scientific research.
opinion research. It has a diverse membership of individual researchers within agencies, independent consultancies, client-side organisations and the academic community, and from all levels of seniority and job functions. All members of the Society agree to comply with the MRS code of conduct, which ensures that marketing research is undertaken in a professional and ethical manner. The MRS also offers various training programmes and is the official awarding body in the UK for vocational qualifications in marketing research. ESOMAR (www.esomar.org) was founded in 1948 as the European Society for Opinion and Marketing Research. Its membership now reflects a more global positioning as it unites over 4,900 members (users and providers of research in 130 countries). Other associations and professional bodies are listed in Table 1.2.

**Table 1.2 Professional bodies and associations representing marketing research**

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*Details of professional bodies and associations located in other countries are available on the ESOMAR and MRS websites.*
SUMMARY
The marketing concept promotes the idea that the whole of the organisation should be driven by the goal of serving and satisfying customers in a manner that enables the organisation’s financial and strategic objectives to be achieved. It is obvious that marketing decision-makers require the best customer, competitor and market information available when deciding on future courses of action for their products and organisations. Therefore, the source of the information is less important than the quality of information. Marketing researchers need to adapt to these changing circumstances and be willing to integrate information from a range of sources, such as customer databases and user-generated content on the internet, as well as from marketing research itself, in order to develop better knowledge of market conditions and customer insight.

The definition of marketing research in this book reinforces this need by stating that marketing research is the collection, analysis and communication of information undertaken to assist decision-making in marketing. The type of information is not specified, apart from the fact that it should provide customer insight and assist decision-making in marketing. Therefore, customer databases and user-generated content should be seen as appropriate sources of information to be included within the remit of marketing researchers. Such information can be used to assist decision-making in descriptive, comparative, diagnostic and predictive roles. However, information does not in itself make decisions; it simply enables better-informed decision-making to take place. Managers still need to use judgement and intuition when assessing information, and with the growth in information sources as a result of computerisation and the internet, managers need more guidance and help in selecting the most appropriate information to access and use. Guidance of this type must take account of the manner in which the information was collected and analysed. The marketing research industry, involving many different types of information supplier, should be best qualified to do this.

REVIEW QUESTIONS
1. Marketing research has traditionally been associated with consumer goods. Today, an increasing number of non-profit organisations (charities, government departments) are using marketing research. Why do you think this is the case?
2. Explain the importance of marketing research to the implementation of the marketing concept.
3. Considering the demographic changes mentioned on page 5, what are the likely implications of these changes for a manufacturer of tinned baked beans?
4. What is meant by the term ‘information explosion’ and what are its implications?
5. Consider a frequent flyer programme for an airline. What type of information is such a programme likely to hold on each of its members?
6. Why do organisations maintain customer databases?
7. Why are marketing research departments in many large organisations changing their names to customer insight departments? To justify this change, in what activities should the renamed department be involved?
8. Considering the Industry Viewpoint on page 19, discuss the proposition that ‘it is not enough to intellectually understand the insight; they [marketing personnel] need to feel it’.

9. Considering the Industry Viewpoint on page 19, why do you need both customer contact and marketing research to gain customer insight?

10. Often when research is undertaken into the potential for totally new technologies, the results sometimes incorrectly suggest that the product will be a failure. Why do you think that is?

ADDITIONAL READING


Further resources are available on the companion website at www.macmillanihe.com/wilson-mr-4e
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