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Key determinants of marketing research effectiveness

Abstract: In article the author presents his view and research findings based on conducted empirical studies. All issues are pertaining to marketing research problems, e.g., its effectiveness within a company's business environment. More interestingly this paper concerns key problems typical of the research industry. These issues form underlying conditions for constructing the process of valuable marketing research. In the first part of paper, the role of contemporary marketing research in business is described. Further on efficiency, effectiveness and measurability of the argued issues are described. Finally, key determinants of the research undertaken within companies are discussed, such as: management's attitude towards marketing research, macro and microeconomic factors affecting the research, diagnostic versus evaluative research problems, short and long-term components, and size of an organization.

Key words: marketing research, effectiveness, determinants.

JEL codes: M30.

1. The role of contemporary marketing research in business

Companies are increasingly accustomed to the fact that marketing research serves as a strong component in the process of decision making, and thus achieving the desired level of validity within the identification of important market factors. For sure it is thought that marketing research as a marketing tool impacts indirectly and optimizes management's decisions based on risk reduction [Bellenger 1979]. However, one may also think that marketing research sometimes does not help. In contrast, it actually does some serious harm to the company, because it stops internal entrepreneurship and hampers the risk of running brave and challenging activities in the competitive business environment. Therefore, a company, having generated information from marketing research at first, in the next stage faces the following question arising from the results obtained in the study – “What shall we do with that knowledge now?” Bad consequences would typically take place if the company

adopted the research studies results recklessly or accepted the results of marketing research as an axiom. The role of any marketing research is not to replace someone in a decision-making process but to simply help decision-makers to some extent. Taking too much risk and relying heavily only on market information might sometimes trap many marketing managers who misunderstand the basic notion of such an application of marketing research [Grønholdt & Martensen 2006].

The role of marketing research studies is therefore to reinforce the company's management on the righteousness and correctness of their decisions to be undertaken at present or in the future. Much of the research conducted for business purposes depends heavily on ad hoc studies. In such cases they must relate to specific decisions to be undertaken at certain moments and in risky situations. The results of these studies must support a decision making process. And marketing research often may end with a workshop to help make a valid (good) decision. But also, as it frequently happens, they (vice versa) may confuse managers' thinking and discourage them from making any decision, for the research results might show other opposite unfortunate directions in market activities. In conclusion, marketing research should certainly be used to minimize the risk of wrong decisions, but it cannot deliver a 100% proof. Research will never be of 100% confidence. And if one cannot grasp the problem in 100%, one cannot calculate totally all marketing research profits. Therefore an approach to company performance in the financial context is even more difficult to achieve [Hamlin 2007].

2. Efficiency *versus* effectiveness – the question of measurability

In the marketing domain one can hardly decide on how to calculate the marketing research as far as efficiency and its measureable value (financial property) according to some index is concerned. Most marketing research leaders (e.g., research agencies including: GFK, TNS, Millward Brown, IQS Quant Group, ACNielsen [Tarka 2011]) strongly believe that marketing research is still beyond any measurable financial schema, i.e. in terms of finance. This results from plenty of market and internal (inside company) indicators arising in the sphere of every research model. Comparison of the variables and verifying inputs/outputs with their detailed description or quantification in terms of efficiency is like shooting a sparrow with a cannon ball [Barger 1961]. But the process of measuring efficiency, according to Buclin [1978] and Buzzell's [1999] point of view is more probable and likely to happen in the case of setting and controlling price configurations. The pricing policy gives a company more attainable results in physical terms and is therefore more plausible and easily enumerable. For example, a company may decide to increase the price level of product A from 5\$ (per product) up to 8\$. We may further infer that the volume of

purchasing would produce two simple results: option 1) *greater* or option 2) *lower* volume of sales which would further affect in a natural way the company's financial standing. As a result, we are dealing with a simple interactive situation where we obtain the stimulus (inputs) and the response (outputs). The design and formulation of ratio including different price levels (denoted here as numerators) and sales results (as denominators) will be feasible and discernible for any researcher.

In contrast to price and sales results evaluation, if we now decided to conduct research on the product, we should employ numerous factors (e.g., product components) which affect (or are rather associated with) a product. Product research efficiency analysis would then be based on various levels of the product evaluation, and hence it would be beyond the scope of any efficiency measurement at all [Kaplan & Norton 1996]. Such being the case, there is only one solution or dimension to be accepted as far as the marketing research measurement is concerned, i.e. *effectiveness* of the research with all its effects. And because the efficiency is beyond any reasonable measurable schema, in this article we focus on a few aspects of marketing research effectiveness. In that sense, we assume that effectiveness will be a more appropriate target of our investigations which will reflect the degree to which objectives are achieved and the extent to which targeted problems are solved. In contrast to efficiency, effectiveness is determined without reference to costs and, while efficiency means "doing the thing right", effectiveness means "doing the right thing" [Odeck 1993].

3. Complete *versus* partial marketing research effects

Obviously marketing research studies do not bring or cause complete direct causal effects. Executive power is strongly grounded in the decision area that is directly pertaining for example to sales or promotions, - which a company will carry out based on the information delivered. Hence marketing research is not just a question of decision in itself. Without "executive power" it has very little chance to impact or prove its final result. But still marketing research does serve decisions at various levels of an organization.

Marketing research reflects therefore partial indirect effects when someone tells somebody something and someone else does it. It is usually difficult to find measurable sense of marketing information and its meaning for a company in a thicket of the system of interdependencies affecting the final - marketing results. A number of different parallel equations to be solved always appear in the course of marketing research program from completion to recommendation, and further made decision-action in marketing-mix,. And often marketing research studies may only slightly indicate validity of the decision, but they never provide a complete solution. Company managers for some reasons may decide to take the opposite stand,

and often it turns out that they are right. Usually these are large companies, such as Unilever, Mars, Procter & Gamble, Johnson and Johnson, Henkel, etc., for the success of which, not only the information (from marketing research) plays a key role, but also vast experience of managers, history and know-how of the company. Nevertheless, in these companies marketing research is treated as a priority. As a result, marketing research will be for the modern world of marketing and business a kind of routine path to follow. It is a necessity, but not the only option which determines the future of the company and its success [Bonoma & Clark 1988].

4. Methodology

In order to find determinants of marketing research effectiveness, an empirical research was conducted between July–September of 2010 on a deliberately (not randomly) selected sample of companies running their business activity in Poland¹. At the beginning of the study we adopted database including 3,500 companies, however, due to the criteria of recruitment and analytical requirements – there were only 250 units classified. The sample in general included respondents in charge of the following positions: 1) President, 2) Managing Director, 3) Head of the Department of Marketing Research and Marketing.

The research process was conducted in two consecutive stages. In the first phase, representatives of the selected companies received a letter of invitation explaining the object of the study. In the second phase, after the initial contact was made, the respondents who were invited and agreed to participate in the study, were directed to an appropriate web page “Qualtrics” on which survey questions were placed. Each question included in the questionnaire, was scaled on a 5-point Likert scale, where the extreme values had the following meaning: [1] – “*strongly disagree*”, [5] – “*strongly agree*”. Each respondent also received his/her own personal login number and password to complete the survey online.

Having based on several questions – not exceeding 15 minutes of the respondent’s spare time – we considered mainly answers from the sample including only firms belonging to group A, i.e. implementing marketing research (44% of all respondents) (Figure 1). And according to the criteria of selection of the respondents – we chose those who did not have less than 4 – year – work experience in the field of marketing research (Figure 2). Most of the respondents in group A also held a university degree (Master’s degree – 47%) and 25% – have completed MBA, 14% could be proud of a doctoral degree.

¹ The sample was not representative (and thus one cannot generalize results of empirical research over the population). However these results have a cognitive value.

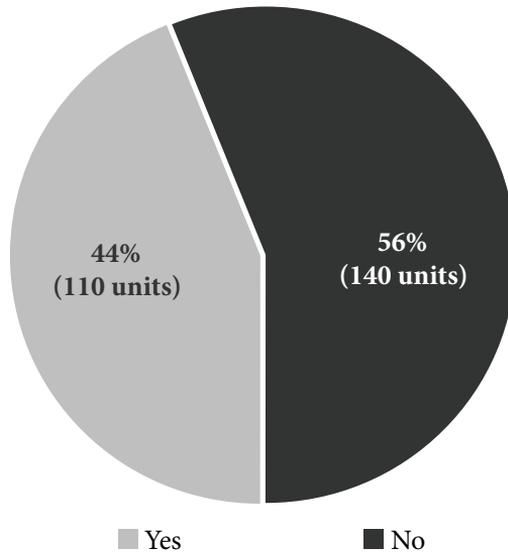


Figure 1. Implementation of marketing research in the company

Source: Author's own construction based on empirical research, n = 250 (total sample) according to the following split: Group A – implementing marketing research (110 units, 44% of all respondents) and group B – not engaged in any kind of research (140 units, 56% of all respondents)

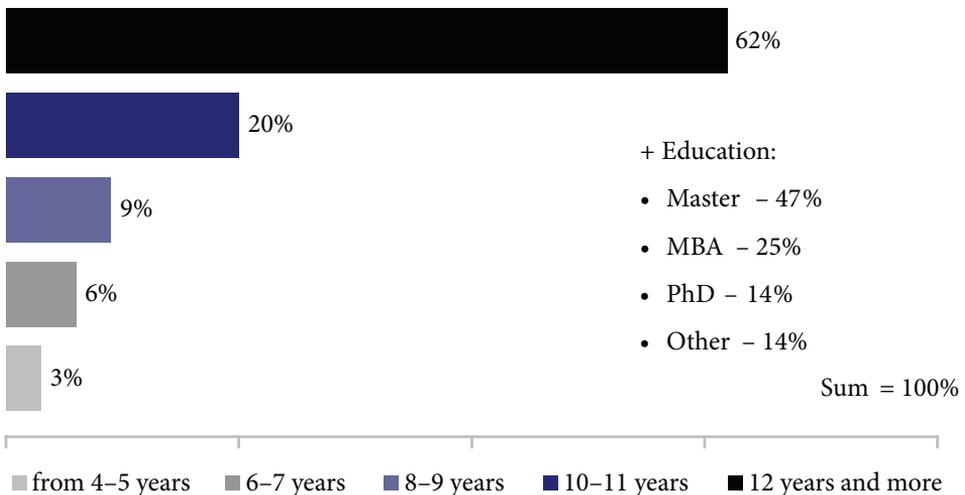


Figure 2. Number of years spent in marketing research area and level of education

Source: Author's own construction based on empirical research and preselected respondents drawn from group A, at n = 110

5. Determinants of marketing research effectiveness

5.1. Management's attitude

In many companies management generally regards marketing research as short-term costs with no documentable effect rather than long-term investments. Therefore, the research effectiveness function has been of low interest to top management in the long run. But if, on the contrary, a return on marketing investment could be possibly documented, the role of research at both an organizational and a top managerial level would be significantly strengthened. If not, marketing research will certainly continue to be marginalized, as proved by many organizations (see Figure 1). Companies which respect or otherwise rely on marketing research are those with a strong formal and comprehensive measurement system and with the knowledge of advanced research methods and techniques, enjoying simultaneously a higher support of CEOs.

Moreover, organizations that are marketing research effectiveness-oriented entrust it not only to one group within the company structure but put it across the entire organization. They manage effectiveness as an organization or enterprise and furthermore bet their future success on effectiveness, that is - in marketing research. In retrospect, marketing research appears very logical and rational. Thus adoption of effectiveness in marketing research requires changes in: *culture*, *behavior*, and *skills* of numerous employees. Such changes do not happen by accident; they must be led by senior marketing executives with passion and satisfaction.

As a result, a turning point for the success of research and its further development into effectiveness is primarily grounded in managers' awareness of its importance. One of the researched companies, Procter and Gamble, for example, has many great global brands because the company puts a great emphasis on both absolute understanding of the customers and, simultaneously on awareness of research effectiveness. In this type of company, marketing research is like air for each person to breathe. And the greater experience and knowledge a manager obtains or has already gained in the field of research, the more he/she will proclaim that research culture inside the company and the more effective the research will be. In addition, depending on the position of a marketing research analyst in the company – i.e., in its organizational structure, we can infer about the role and effectiveness of marketing research for the company in general. If for example we deal with a researcher/analyst, who directly reports study results to the CEO, then his/her position indicates a huge importance attached to research in general.

5.2. Macro and microeconomic factors

Environmental conditions are typically included as main but usually are part of the unobserved effects interacting with marketing research effectiveness. For example,

one may control and adjust timely all actions in the research process and respectively in the research results, but **economic or social fluctuations** might distort these interactions. What about the fact that someone had a nice concept for a business or market strategy derived from the marketing research information-knowledge, if the crisis occurred? And in macroeconomic conditions, external or mediating factors, assuming grand trends in the economy and society as a whole, and smaller structures which characterize specific industries, have their indirect impact on companies' existence.

At the macroeconomic level there is a fierce competition within the organizations' **industry** that has a strong impact on marketing research effectiveness. And definitely organizations within highly competitive industries have higher effectiveness levels. If not, they would simply lose ground to their competitors. It is partly due to the reason that in high-growth industries, companies are more attractive to managers, and thus tend to attract a higher caliber of management or analytical skills. Also timing of a firm's **entry into the market**, affects marketing research's effectiveness. Early entrants have a significant advantage over late entrants, both in terms of research knowledge, used techniques of data analysis and so on.

As far as the microeconomic factors are concerned, the companies mentioned most often: number of persons employed in the marketing research department of

Table 1. Factors in microeconomic area affecting marketing research effectiveness

Factor
Number of persons employed in the marketing research department of the company
R&D company's overall intensity
Company's marketing research expenses
Company's technology used in research
Quality of inputs and outputs research control

Source: Author's own construction based on empirical research.

Table 2. Mediating factors in macroeconomic area affecting marketing research effectiveness

Mediating factor	
Society	culture, habits of respondents and their (approach) contribution to surveys
Economic	market expansion, growth, etc.
Industry	industry structure product and commodity characteristics channel structures industry marketing programs and marketing research practices

Source: Author's own construction based on empirical research.

the company, company's R&D overall intensity, marketing research expenses, quality of inputs and outputs of research control. And eventually **market technology** – includes innovations, such as brand new models for analyzing retail shelf space allocations, the use of self-service information terminals in stores, and “direct product profit” schemes. They all support effectiveness.

Tables 1–2 display factors in micro- and macroeconomic terms which affect (in the respondents' opinion) marketing research.

5.3. Diagnostic and evaluative research

According to our research, diagnostic research instruments are mainly intended to help companies understand where a firm stands at which moment and how it got there. Otherwise in marketing research we would possibly ask a question: why did we reach such levels of effectiveness? By contrast, evaluative instruments are used for research performance appraisal, for example, with the research back-up a company may answer the question – what or why were the resulting sales so low or so high after we had conducted marketing research?

Evaluation is usually undertaken in companies (as mentioned previously) with a strong marketing oriented organizational structure and culture, in which research is treated as a kind of priority. Sometimes it is even considered to be a “return on investment”, where the effects should be discernible after some time - that is after the conducted research. In evaluation studies, companies do not only plan and carry out marketing research activity, but increasingly try to generate new ideas for new marketing solutions, learning by experience and finding cause-and-effect interactions. For example, when selecting new office branches (Banks such as: mBank, City Bank) or locations of new investments (e.g., construction of hypermarkets - Tesco), they no longer search for a diagnostic research, but more often, they conduct far and wide evaluations. These types of companies are rather globally oriented corporations than locally organized small firms.

5.4. Short and long-term research

A short-term approach is generally used by constituencies within the firm, usually within the marketing department. Some companies want to simply capture only immediate or short-term results from marketing research. Short-term marketing research studies unfortunately assist a company only in making effective decisions in the short run, e.g., on the choice of product packaging, selection of advertisement, or change in taste for particular product characteristics (such as ice cream, candy, washing powder, etc.). For example, let us assume that a problem may be explored and some new marketing communication path and channel of distribution

may be prioritized by which the company will launch its product onto the market. Still short-term studies do not help a marketing department to solve strategic problems in the company.

Other studies are based on long-term, forward looking oriented research. They are used by managers to assess the future. While describing the current situation in short-term is useful, knowing where things are headed in the next stage (based on long-term research) is critical for them. Observation of the pattern of changes becomes relevant. Strategic problems, such as: market size, product sales in selected categories, behaviors, perceptions and values of customers are part of long-term research studies. Longitudinal studies describe and catch interesting trends and ideas under which the marketing strategies of companies can be constructed. Longitudinal studies are related to a long-term process of collecting data and information. In our study less than 30% of companies in the sample chose this option. Out of 30% of companies implementing such strategic research studies, - the largest ones (as far as the industry type is concerned) belonged to FMCG industry², pharmacies, banks, supply-chain, and telecoms. For them, the long-term marketing research is a way for running reliable business. The long-term research (which usually takes from one to two, three or even more years) brings them added value for their strategies to be effectively constructed on the reliable and valid information derived from effective marketing research.

5.5. Size of organization

A final determinant to be mentioned here relates to the **size of an organization** (with at least more than 300 employees for a local company carrying out an activity as a branch in corporate worldwide structures). The size plays an important role in the process of obtaining marketing research effectiveness. In large companies marketing research is often part of the complex marketing strategy and is precisely planned in the financial budget. By contrast, in small companies this type of orientation is still rare. Large companies have huge research facilities and generate

² FMCG market is a well measurable market, in terms of customers' surveys, telemetry and so on. In this type of industry there are visible not only well established standards for research, but inspirations derived from a permanent source of data that provides companies a historical continuity and possibility to screen the market and thus to increase the research effectiveness. The data is periodically refreshed, ensuring companies a comparison of the results and the appropriate adjustments in their marketing policy. Usually long-term studies such as customer panel households provide a continuous verification of behavior, habits, attitudes of customers (in addition to the basic socio-demographic information), - under which one can figure out why in a particular month in comparison to the previous one, - the household bought less brands, what happened, or why the household reduced the frequency of purchase, why it bought more, but another brand. For companies, to set a target market, long-term studies allow to define marketing objectives and marketing-mix instruments more precisely.

a higher level of knowledge in the field of research. They have different types of certificates, and well-arranged organizational structures with separate marketing research departments reporting directly to CMOs or CEO's. They also know how to move in the sphere of marketing research and navigate its complex process. More importantly, they allocate considerable funds (huge financial resources) from their budget for special innovative, new research methods and techniques. Big firms also have a better way of communication and express their information needs across their own organization and in cooperation with research agencies, which obviously yields a higher level of marketing research precision in the obtained results and simultaneously – higher effectiveness. Internal interdisciplinary departments work together as research teams. In short, the larger the organization, the greater the investment in marketing research company's budget, and, simultaneously, the higher accuracy in the sphere of research effectiveness.

Conclusions

Marketing research effectiveness must be perceived and treated seriously in times of fierce competition. This topic should be controlled and supervised by many companies that care for their future and success on the market. At present, research cannot be based on efficiency grounds because it is not considered as a revenue-generating function in itself. Marketing departments know it well when they face problems associated with selection of the right input to output data variables used in a comparative analysis. However, these nagging problems can be solved if companies and top management reverse their investigation of marketing research objective by turning it into effectiveness, although it does not always provide sufficient documentable effects. Marketing research must therefore forget the financial context and stay on non-financial principles that are strictly pertaining to the area of effectiveness.

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