Market research is a *marketing* activity, and marketing is a philosophy concerning how to succeed in business. As a philosophy, marketing competes against other philosophies that make different prescriptions for business success. Notable among competitors to the marketing philosophy are the *innovation* philosophy (success comes from technology leadership), the *quality* philosophy (success comes from building the highest quality products), and the *financial* philosophy (success comes from making the most efficient use of resources).

As a philosophy, marketing argues for the primary importance of focusing on markets and customers to guide business decisions. From this perspective, market research consists of anything and everything the firm does to learn about and understand markets and customers. Adherents to the marketing philosophy are distinguished by their willingness to grant prime authority to market facts and customer needs when choosing among courses of action. Practitioners of other philosophies do not so much ignore markets and customers as relegate them to a secondary role, as two among many checkpoints, to be consulted toward the end rather than the beginning of decision making.

Because market research reflects a particular business philosophy, and because this philosophy focuses on learning, organizational change may be required when a firm desires to improve its performance with respect to market research. Put another way, to be truly effective, market research cannot be treated as an isolated function assigned to specialized staff. It has to be a cultural orientation that suffuses the organization.
Chapter 4: The Market Research Toolbox

The literature on organizational learning is pertinent here (Barabba and Zaltman, 1991; Day, 1994). If the goal is to be constantly learning about markets and customers, then a wide variety of business functions, and individuals occupying a variety of job roles, have to become involved in market research. Otherwise, information on markets and customers accumulates in nooks and crannies across the firm, but this information fails to influence decisions.

In light of the above, this book has been written to make key ideas about market research accessible to a wider audience. The guiding metaphor is that there exists a toolbox of market research techniques. Many homeowners have a toolbox in the house, although few would present themselves as carpenters. Similarly, many managers need a basic understanding of market research even though market research does not appear in their job descriptions. Just as many homeowners can use a hammer effectively, without being able to build a house, so also many managers need to understand what descriptive survey research can (and cannot) do. The next section of this chapter opens the toolbox to show the major compartments of the toolbox. This introductory chapter then concludes with some limiting cases, the better to set the scope of market research. The next chapter outlines a process for designing and planning market research.

**Distinction 1: Marketing Intelligence Versus Market Research Project**

Market research projects involve efforts sharply bounded in space and time and expressly linked to some project such as development of a new product. These studies have a clear beginning and end, and their cost is assigned to an individual project budget. Virtually all of the techniques whose names are common knowledge among business people—the questionnaire, the focus group, the experiment—are applied as part of market research studies. Marketing intelligence, by contrast, is an ongoing activity not tied solely to a specific project. As the root metaphor suggests, marketing intelligence consists of bits and pieces of information gained from agents in the field, from diverse publications, from having your ear to the ground, and so forth; often these bits and pieces have been extensively sifted by expert judgment.
For market intelligence gathering, the core competence required for success is one part database management and one part organizational leadership. It takes vision for a firm’s management to commit resources to the gathering of market intelligence not tied directly to any specific project budget. A minimally adequate effort would involve maintaining a library where reports bought by subscription from consultants such as the Gartner Group, DataQuest, IDC, etc., are filed. Over time, more and more of these resources have become available on line so that they can be accessed at the individual manager’s desktop. Still to come are database systems that combine published reports with the firm’s own reports of past market research studies and with more diverse kinds of intelligence, such as trip reports from customer visits. Only now are free-form text databases developing to the point where masses of amorphous marketing intelligence can be collated, searched, and sifted. We may expect that Customer Relationship Management software will increasingly be adapted to this purpose.

The challenge posed to software skills, computer network design, and expert systems by the imperative to collect and collate massive amounts of marketing intelligence should not be minimized. Nonetheless, I suspect the greater barrier to improving the availability and quality of marketing intelligence in the typical firm will consist of organizational and cultural factors. Information is power, and information is wealth. Wealth and power are never lightly shared. Thus, how freely does the sales force share information on customers? Who is allowed to see the results of a market research study? Who (if anyone) is charged and incentivized with bringing together information from disparate sources? These are the sorts of issues that confront an executive who wants to improve the caliber of marketing intelligence available within a firm.

For market research studies, the core competence is problem formulation skills. Most business situations do not present themselves as clearly delineated problems but as tangled messes that might be approached in a variety of ways. As will be developed in the next chapter, to succeed in a market research study requires that the sponsoring manager clearly articulate the decision to be addressed and the specific kinds of information needed. Most of the other skills needed to complete a market research study (i.e., expertise in sample selection, experimental design, and statistical analysis) can be purchased from
outside vendors. But the correct formulation of the research question ultimately resides with the sponsoring manager. Although good consultants can assist in formulating problems, the authority to determine the real underlying problem inevitably remains with the executive who has profit/loss responsibility for the product or service in question.

**Distinction 2: Exploratory Versus Confirmatory Research**

Any particular market research study can be categorized as exploratory or confirmatory in intent. The goal of exploratory market research is *discovery*. The underlying questions are What’s new? And what are we missing? The goal of confirmatory techniques is *resolution*: Is this the right choice? What specific results can we expect? You conduct exploratory market research to open your eyes and broaden your vision. You conduct confirmatory research to narrow your options and concentrate your efforts along the optimal path.

Exploratory techniques tend to coincide with information needs early in the decision cycle, whereas confirmatory techniques come into play later on. Here “decision cycle” refers to the set of decisions made over the course of a project. “Projects” would include the development of a new product, an investigation of whether a market should be segmented into submarkets, an inquiry into whether to concentrate on a particular niche, an assessment of customer satisfaction, and so forth.

The distinction between exploratory and confirmatory techniques is absolutely crucial. As will be explained when we discuss the individual techniques, all the factors that make a market research technique useful in an exploratory context tend to render it highly suspect in a confirmatory context. Stories are legion of the misuse of exploratory techniques (i.e., the focus group) to obtain a degree of certainty that can only be achieved by more expensive and arduous means. It is equally a mistake to use confirmatory techniques when discovery is the goal. Although the misuse of exploratory techniques incurs direct costs in the form of wrong or suboptimal decisions, the misuse of confirmation techniques tends to incur opportunity costs. When confirmatory techniques are misapplied, discoveries fail to occur, alternatives go unrecognized, and
insight is not achieved. If you make hasty use of confirmatory techniques too early in the decision cycle, you run the risk of getting wonderfully precise answers—to the wrong questions.

It is useful to distinguish between relatively exploratory and relatively confirmatory forms of both market intelligence gathering and market research studies. Here are examples of each:

*Market intelligence, exploratory.* Once a month you log onto a database such as Dialog or a search site such as Google and perform a keyword search for every mention in any article of each of your three largest competitors. These articles are reviewed for possible insights into competitive strategy.

*Market intelligence, confirmatory.* You subscribe to a service that monitors sales in or shipments to some particular distribution channel. Results are periodically analyzed in terms of sales trends for the channel, changes in market share for yourself and competitors, and so forth.

*Market research, exploratory.* You conduct focus groups to get a better grasp of how your brand is regarded, relative to key competitors, in a certain market segment.

*Market research, confirmatory.* You conduct a survey of 1000 customers to assess perceptions of your brand relative to the competition on each of eight significant performance attributes.

As shown by these examples, market intelligence efforts generally provide data that can be analyzed in a variety of different ways or that will be relevant to multiple projects or decisions. The theme again is that a considerable amount of human judgment has to be supplied in order to derive the expected benefits from the data collection. Of course, judgment is also required to get the best results from market research studies, but much of that judgment gets exercised up front in the design of the research study. Market intelligence data allow for more opportunistic analyses, whereas analysis of market research studies is more constrained by the initial design.

All four examples just given focus on issues of competitive standing. Of course, this is far from the only possible focus for market intelligence and market research. Broadly speaking, market intelligence and market research studies can be focused on either *markets* or *customers.* Customers are individual human beings with feelings, perceptions,
opinions, and reactions—customers make decisions and experience reactions. Markets are aggregates consisting of groups, institutions, resource flows, environmental forces, and contexts. Markets grow or shrink in size, concentrate or fragment, become more competitive or less so, or change quickly or slowly. Market research focused on customers typically draws on the discipline of psychology, whereas research on markets relies more on theories drawn from economics and sociology. To give some sense of the difference in emphasis, here are four more examples, all of which concentrate on customers rather than on competition (competition is an aspect of markets):

- **Market intelligence, exploratory.** Whenever a customer visit occurs, the person making the visit always asks the customer, “If you could change any one thing about this product, what would that be?” Answers are logged in a text database and reviewed quarterly.

- **Market intelligence, confirmatory.** You subscribe to a survey that periodically measures buying intentions for your product and others.

- **Market research, exploratory.** You conduct 24 customer visits to identify problems and needs that should be addressed when you design the next generation of an existing instrument product.

- **Market research, confirmatory.** You conduct an experiment to determine which of three pricing levels provides the optimum combination of market share and profit margin for a new product.

The distinctions between marketing intelligence and market research projects, exploratory or confirmatory intent, and market versus customer data are useful for organizing the domain of market research. Most of the remainder of this book focuses on the tools used in market research projects; marketing intelligence receives less emphasis. The exploratory versus confirmatory distinction is central to many of the recommendations offered, and the collection of data on both markets and customers is discussed. Before describing the process of planning a market research project, this introduction concludes with a discussion of the scope of market research. Two questions that often arise are (1) Which comes first, business strategy, or market research? and (2) What is the role of market research in facilitating the commercialization of true innovations?
Relationship of Business Strategy to Market Research

Business strategy involves a goal and a plan for achieving that goal. Strategies can be differentiated according to both the goal and the plan. Thus, two typical but very different goals would be to maximize profitability on a quarter-by-quarter basis, or to maximize market share over a multiyear time frame. Examples of typical but distinct plans (any of which could be appropriate with respect to several different strategic goals) would be to achieve low-cost leadership in production processes, to build strong brands, to pursue innovative solutions, to offer unique product functionality, and so forth. Aaker (2004) provides a handy compendium of different kinds of business strategies along with frameworks for integrating and differentiating the various business strategies in use today.

Given this definition, it can be argued that in principle market research and business strategy have a reciprocal relationship, as shown in Figure 1.1. Sometimes market research comes after business strategy (this is probably the most common sequence). That is, first a plan is hatched in the minds of management, and second, market research is conducted to determine the odds of success with respect to each alternative approach to implementing the plan (and what can be done to improve these odds). However, it is equally possible for market research...
to precede and to provide input to the formulation of business strategy. At a time of transition in the business, management may choose to embark first on an intensive examination of markets and customers, and second, to formulate new strategies. In successful firms we expect to see an ongoing dynamic relationship between business strategy and market research. Ideas are conceived and then refined through specific market research projects, while at the same time ongoing market research yields up new ideas for gaining strategic advantage.

However, it can be argued that firms that are relatively more market oriented place proportionately greater influence on the strategy discovery function of market research, whereas firms that are relatively less market oriented tend to emphasize the strategy confirmation function. This argument rests on the idea that if a firm’s business strategies seldom originate from market research, then this is probably a firm that is not primarily focused on markets and customers—that is, not market oriented. An interesting extension of this argument is that market-oriented firms in general, and firms concerned with discovering or generating strategies in particular, can be expected to place more emphasis on, and invest extra effort in, the more exploratory and qualitative techniques of market research (e.g., customer visits, focus groups).

Finally, I would argue that the more challenging and difficult task occurs when market research precedes and is intended to lead to formulation of a new business strategy. When instead market research is used to implement an existing strategy, the challenges are primarily technical, heavier reliance can be placed on outsiders and specialists, and the interpretation of research results is more straightforward. Conversely, market research in the service of strategy generation requires greater involvement by decision makers, presents more difficult conceptual challenges, and the results require more effort to interpret effectively.

Technological Innovation and Market Research

In some engineering circles market research is regarded with suspicion as an inherently conservative activity with a built-in bias against anything really new. If you have engaged in this dialogue, as I have on numerous occasions, you know that this accusation is almost always followed by a telling anecdote intended to clinch the argument. The
birth of Apple Computer is a favorite example: we know that Steve Jobs and Steve Wozniak did no formal market research whatsoever prior to launching the product that kicked off the enormous personal computer market. Further, it is somewhat hilarious to imagine an innocent citizen in 1977 receiving a phone call from a market researcher who asks a series of questions along the lines of “Do you need a computer at home for your personal use? What would be the most important application for this computer? How large a memory should it have?” With a glint in his eye our sparring partner will fold his arms and conclude, “There—if the founders of Apple Computer had done market research, the Apple II would never have been introduced, they’d be millions of dollars poorer, and a very useful tool would have seen its diffusion into society woefully retarded.”

Many anecdotes similar to the story of Apple Computer are readily available. You may even encounter a particularly sophisticated debater who attempts a one-two punch by bringing in the devastating failure (at least initially) that attended the introduction of New Coke in 1984. New Coke provides the converse story: We know that millions of dollars were spent on market research and we know that Coca-Cola is among the most successful companies in the world, indicating that that market research was probably ably conducted. Nonetheless, this intensive market research effort still could not prevent an embarrassing failure.

These anecdotes would appear to confirm two truths: that business success can occur without market research, and that the presence of market research does not guarantee business success. From here our debating partner wants to jump to the next conclusion: “Therefore, market research is generally a waste of time for technology companies.” For further support, our debating partner points to the rapid pace of change in technology, the sheer complexity of technological products, and the inability of customers to articulate or even envision how they would use something that doesn’t yet exist, as explanations for why market research is ineffectual when technological innovation is the goal.

Of course, anecdotes really are not very effective tools of argument. You come up with a success story where market research was not done, and I respond with a different anecdote where market research played a crucial role. Neither of us persuades the other. To move forward, a debate like this needs good research, comprising a large number of
cases, that would allow us to estimate the relative frequency of instances where market research proved crucial to success, versus the relative frequency of cases where it proved superfluous. In fact, such research *has* been conducted and has accumulated for decades (see Suggested Readings, below). The results are unambiguous: when we step back from individual war stories to the aggregate level, and examine large numbers of innovations, or compare large numbers of successful versus failed new products, we find that a majority of the success stories are characterized by disciplined efforts to understand customers and markets, whereas a majority of the failures exhibit a neglect of or incompetence in market research.

Those are the facts: *on average*, successful new product development efforts include more market research, conducted more effectively, and performed earlier in the development process, whereas *on average* failed new products exhibit the reverse profile. These facts accommodate any anecdote our sparring partner may produce. Because the claim is only that market research is useful *on average*, we can readily acknowledge instances where market research does no good or fails to prevent harm. Apple Computer and New Coke are not the first and will not be the last such examples. Ultimately it comes down to a question of odds: do you want to gamble that your company, your technology, and your project are among the exceptions where market research happens to be a waste of time? I would suggest that your stockholders would very much prefer that you play the percentages, and direct your energies to the question of what specific kind of market research would do you the most good in your particular situation, and not to a misguided effort to succeed without the aid of any kind of market research.

So, you might be wondering, what kind of market research is most suitable when the goal is a commercially successful technological innovation? This question is addressed at greater length in Chapter 12 on applications of research, but it may be useful to sketch out an answer here. First, we have to acknowledge that innovations may be more or less radical, or discontinuous relative to prior offerings. Given this distinction, the following rules of thumb can be applied:

1. The less radical the innovation, the broader the set of market research tools that may be relevant.
At the extreme, when the innovation might better be described as “version 2.0” of an existing product, virtually any of the techniques discussed in this book may be applicable at some point in the process.

2. The more radical the innovation, the greater the pertinence of qualitative market research techniques (e.g., customer visits and focus groups).

As we shall see, quantitative market research techniques, (e.g., survey, conjoint analysis) typically presume a high degree of knowledge on the part of management (so that highly specific questions can be devised) and a good deal of familiarity with the product category or domain on the part of customers (so that they can answer specific questions). Both of these are lacking in the case of radical innovation.

3. There do exist innovations, typically radical, where market research of almost any kind is premature, not cost-justified, or of limited value.

Sometimes the very best market research consists of introducing the product and carefully observing what initially transpires. In this case market research makes its contribution after the innovation is introduced, with the aim of maximizing the odds of commercial success. In such cases, the market research doesn’t really contribute to configuring the innovation per se, but rather addresses such questions as identifying the most receptive target audience, calibrating the price point, selecting the most effective message strategy, and the like. None of these constitutes the innovation itself, but any one might be a crucial determinant of whether the innovation is commercially successful.

Concluding Comments

The preceding topics, in addition to their intrinsic interest, serve to reveal the author’s bias. It is important to foreground this bias because it shapes the entire treatment of the book. Simply put, I think that qualitative market research techniques are underutilized and underappreciated, relative to confirmatory, quantitative techniques. As a result, this book, unlike most general treatments of market research, places substantial emphasis on qualitative techniques. Thus, if one were to pick up the typical academic textbook (see Suggested Readings, below, for some
respected examples), and counted pages to determine the relative importance of topics, you might infer that factor analyses were a more important component of commercial market research than focus groups, or that discriminant analyses featured in more market research studies than interviews. In fact, these are specialized statistical techniques that have their place, but that are rather more likely to be seen in academic rather than commercial research contexts.

There are good historical and sociological reasons for the relative neglect of qualitative market research techniques. First of all, the path to promotion and prestige in academic social science rests on the ability to master arcane statistical analyses. Ph.D. programs in marketing and in supporting disciplines such as psychology and economics heavily emphasize training in statistics and associated mathematical subjects such as probability theory. The best journals feature the most elaborate and advanced statistical treatments. Publication in such journals is the sine qua non for promotion and tenure. As a result, most instructors teaching market research, particularly those teaching in the better graduate programs, owe much of their own career success to their facility with and mastery of statistical analysis. It should come as no surprise if their course syllabi and the textbooks they choose also emphasize the analysis of quantitative market research data.

Another factor contributing to the minimal coverage accorded to qualitative research techniques in textbooks and courses is the sheer abundance of statistical techniques that have some relevance to market research. There really are dozens of statistical techniques like factor analysis, each associated with a substantial literature, and each sufficiently complex that an adequate explanation requires a 20- to 40-page chapter. The instructor who feels responsible for covering as much as possible of the domain of market research as reflected in the textbook (“I can’t send these future managers into the world ignorant of the benefits of multidimensional scaling”) inevitably ends up slighting qualitative research. For, in contrast to the abundance of techniques for statistical analyses, there are only a handful of qualitative research techniques, and most of these involve some kind of interview.

A third factor is particularly apropos to one of the key target audiences for this book—managers responsible for technology businesses. In most technology firms, especially those that sell business to business,
management staff consists of engineers and scientists. These are people whose career success may initially have rested on their mastery of the intricacies of the physics that underlie electrical engineering. As scientifically and technically trained individuals, these managers understand the power of quantification and the virtues of the scientific method. As managers socialized into contemporary American business culture, these people are also likely to espouse a management science approach to business decision making. This background leads quite naturally to a demand that market researchers deliver precise numerical estimates: What is the size of this market? How fast is it growing? How many dollars can we charge for this feature? Only quantitative market research techniques can answer such questions.

Unfortunately, training in the physical sciences is not always a good preparation for training in the social sciences (ask any instructor of engineers newly enrolled in an MBA program!). Human data are different from physical data. Most notably, measurements on humans are subject to much greater uncertainty than measurements taken on things, and are much more mutable—what is true today may not be true tomorrow, and what is true for this customer may not be true for another customer. Qualitative techniques are ideally suited to grappling with uncertainty and novelty. (This is why these techniques are particularly pertinent in the case of discontinuous technological innovation.) When the question is not What’s the answer? but rather What’s the question?, qualitative and exploratory techniques came into their own.

In summary, the discipline needs a market research book that corrects for the unequal and subordinate emphasis typically placed on qualitative techniques, and the target audience for this book is in particular need of education in the potential benefits of qualitative research. That is, technology managers are generally less familiar with nonquantified but disciplined social science research. Perhaps more important, quantitative market research techniques are often unsuitable for technology markets, inasmuch as they may presume a sample drawn from a large homogeneous population (technology markets are often fragmented and small), easy-to-explain product functionality (technology products are complex), and a stable competitive and pricing environment (technology markets change rapidly). All of these factors play to the strength of qualitative techniques.
Now that you've been introduced to the topic of market research and alerted to the author’s biases, we can turn to the fundamental responsibility of managers with respect to market research: planning.

Suggested Readings


This short book provides a brief introduction to the range of strategies and strategy frameworks in use today.


This book emphasizes marketing intelligence and how to institutionalize, within the corporate organization, best practices in the use of market information.


Bonnet reviews subsequent studies yielding similar results.


Cooper provides a review of studies of new product success and failure and discusses best practices at each stage of development.


The first article provides an integration of current thinking about where market research fits among other market capabilities, and a good guide to the literature on market orientation and its contribution to profitability. The second article discusses what an organization committed to gathering marketing intelligence would do.

Utterback is the classic source on technology-push vs. demand-pull paths to successful innovation.

The following publications provide a means of keeping up with developments in market research.

*Journal of Advertising Research* (JAR) emphasizes research on all aspects of advertising, has a strong practitioner focus, and often reports studies based on real-world data.

*Journal of Marketing Research* (JMR) is the leading academic journal in this area. Highly technical articles emphasize tests of theories and new analytic techniques.

*Journal of the Market Research Society* (JMRS) is a leading British journal that has historically been strong in the area of qualitative research.

*Journal of Product Innovation Management* (JPIM) is the best source for current thinking on new product development.

*Marketing News* (MN) is the newsletter of the American Marketing Association and regularly publishes guides to market research software, focus group facilities, etc.

*Marketing Research Magazine* (MR) is addressed to practitioners and provides many detailed examples of the actual market research practices and policies of leading firms.

*Marketing Science* (MS) is a prestigious academic journal that emphasizes the development and testing of mathematical models of marketing phenomena such as price elasticity and effects of various budget levels.