

# 4

## Gathering Information and Scanning the Environment

### Marketing Management:

An Asian Perspective  
(5<sup>th</sup> edition)

Philip Kotler, Kevin Lane Keller, Swee Hoon Ang,  
Siew Meng Leong, & Chin Tiong Tan

Slides prepared by  
Geoffrey da Silva

# 全国迷你型MBA职业经理双证班

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## Conducting Marketing Research and Forecasting Demand

# 4

In addition to monitoring a changing marketing environment, marketers also need to develop specific knowledge about their particular markets. Good marketers want information to help them interpret past performance as well as plan future activities. Marketers need timely, accurate, and actionable information on consumers, competition, and their brands. They need to make the best possible tactical decisions in the short run and strategic decisions in the long run. Discovering consumer insights and understanding the marketing implications can often lead to a successful product launch or spur the growth of a brand.



*What is it about PINK  
that makes you feel so good?*

*Introducing Passion Pink Venus.  
From Gillette.*

*It shaves you as gently as a silk dress against your skin.*



*Passion. The revolutionary new razor.*

Marketing research led to many of the successful features of Gillette's Venus,  
the first razor designed for women.

## Key Learning Issues:

- What constitutes good marketing research?
- What are good metrics for measuring marketing productivity?
- How can marketers assess their return on investment of marketing expenditures?
- How can companies more accurately measure and forecast demand?

# The importance of market information:

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- Good marketers want insights to help them interpret past performance as well as plan future activities.
- They need timely, accurate, and actionable information on consumers, competition, and their brands.
- They also need to make the best possible tactical decisions in the short run and strategic decisions in the long run.

# Types of Marketing Research Firms

- 1. *Syndicated-service research firms* — *These firms gather consumer and trade information, which they sell for a fee. Example: A.C. Nielsen Media Research.***
- 2. *Custom marketing research firms* — *These firms are hired to carry out specific projects. They design the study and report the findings.***
- 3. *Specialty-line marketing research firms* — *These firms provide specialized research services. The best example is the field-service firm, which sells field interviewing services to other firms.***

# Small companies and MR

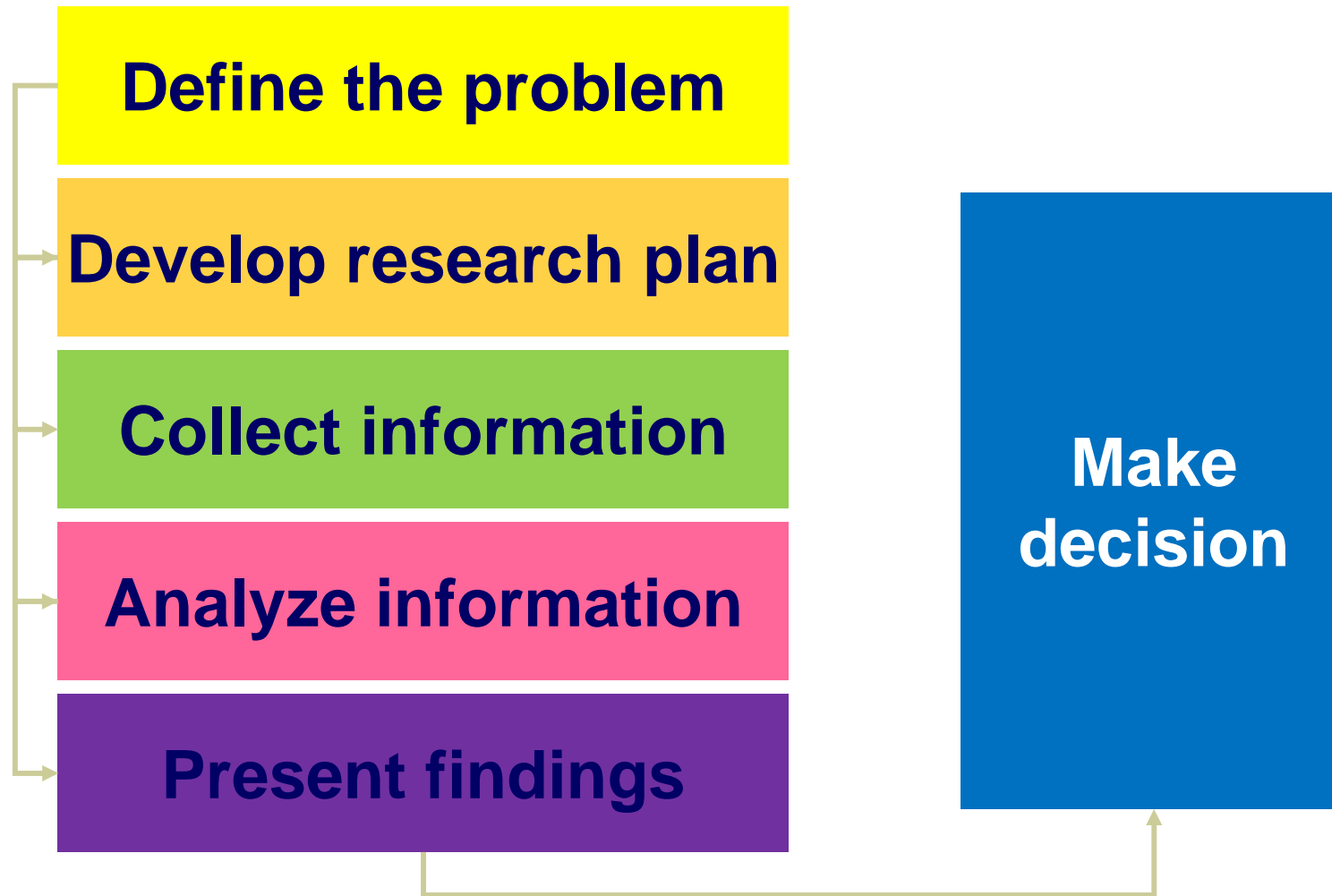
- Small companies can hire the services of a marketing research firm or conduct research in creative and affordable ways, such as:
  - Engaging students or professors to design and carry out projects.
  - Using the Internet.
  - Checking out rivals.



# An example of a research brief:

*Japan Airlines (JAL) is looking for new ways to serve its passengers. It is reviewing many new ideas, especially to cater to its first-class passengers on very long flights, many of whom are businesspeople whose high-priced tickets pay most of the freight. Among these ideas are: (1) to supply an Internet connection with limited access to Web pages and email messaging; (2) to offer 24 channels of satellite cable TV; and (3) to offer a 50-CD audio system that lets each passenger create a customized playlist of music and movies to enjoy during the flight. The marketing research manager was assigned to investigate how first-class passengers would rate these services and how much extra they would be willing to pay if a charge was made. He was asked to focus specifically on the Internet connection. One estimate says that airlines might realize revenues of \$70 billion over the next decade from in-flight Internet access, if enough first-class passengers would be willing to pay \$25 for it. JAL could thus recover its costs in a reasonable time. Making the connection available would cost the airline \$90,000 per plane.<sup>4</sup>*

# The Marketing Research Process (Figure 4.1)



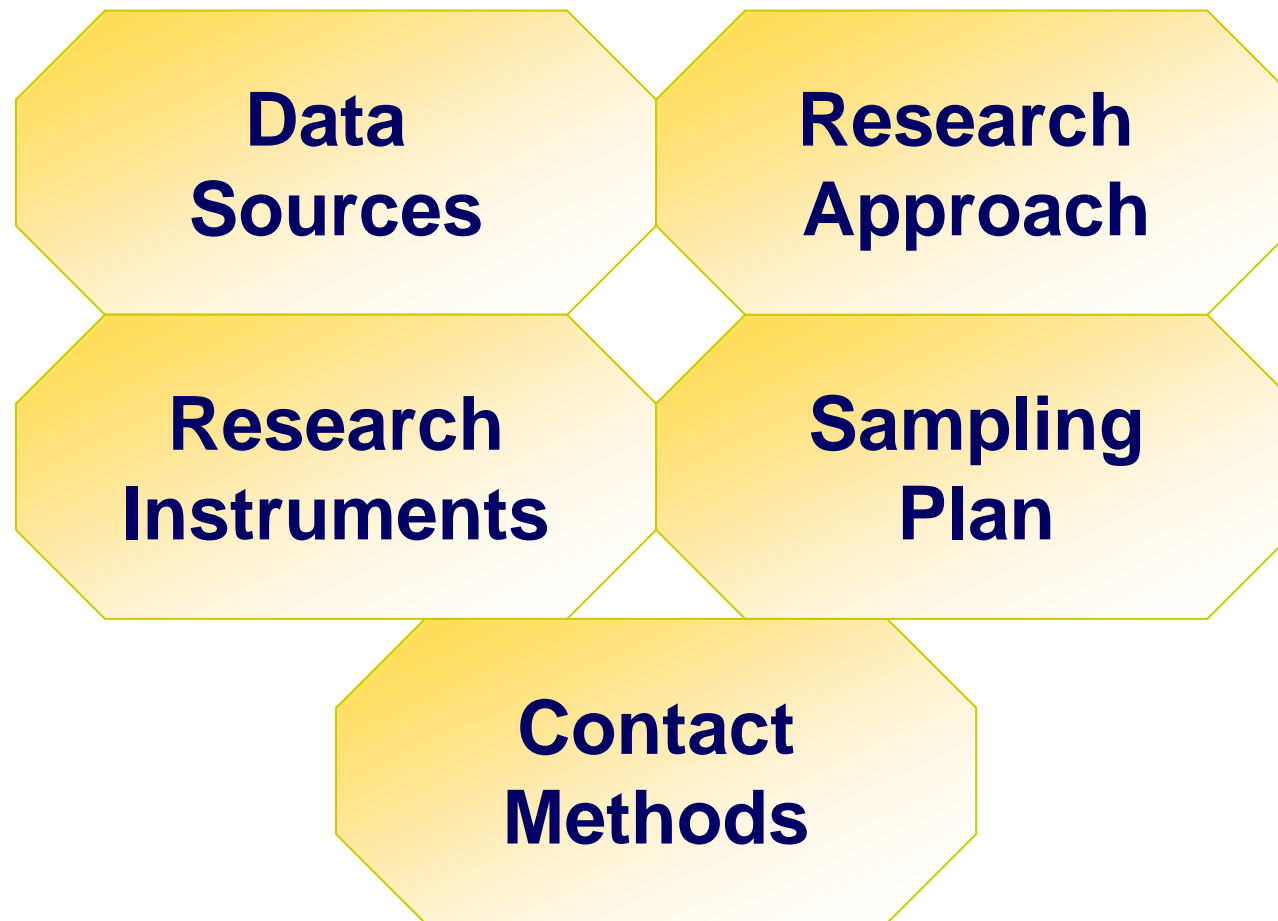
## Step 1: Define the Problem, the Decision Alternatives, and the Research Objectives

- Marketing management must be careful not to define the problem too broadly or too narrowly for the marketing researcher.
- Some research is **exploratory**—its goal is to shed light on the real nature of the problem and to suggest possible solutions or new ideas.
- Some research is **descriptive**—it seeks to ascertain certain magnitudes.
- Some research is **causal**—its purpose is to test a cause-and-effect relationship.

## Step 2: Develop the Research Plan

- The second stage of the marketing research calls for developing the most efficient plan for gathering the needed information.
- Research Approaches: Marketers collect primary data in five main ways:
  - **through observation,**
  - **focus groups,**
  - **surveys,**
  - **behavioral data,**
  - **and experiments.**

## Step 2: Develop the Research Plan



# Data Sources

- Secondary data

- Data that was collected for another purpose and already exists

- Primary data

- Data that are freshly gathered for a specific purpose or for a specific research project

- Secondary data is the starting point for MR- lower costs and ready availability



# Research Approaches

**Observation**

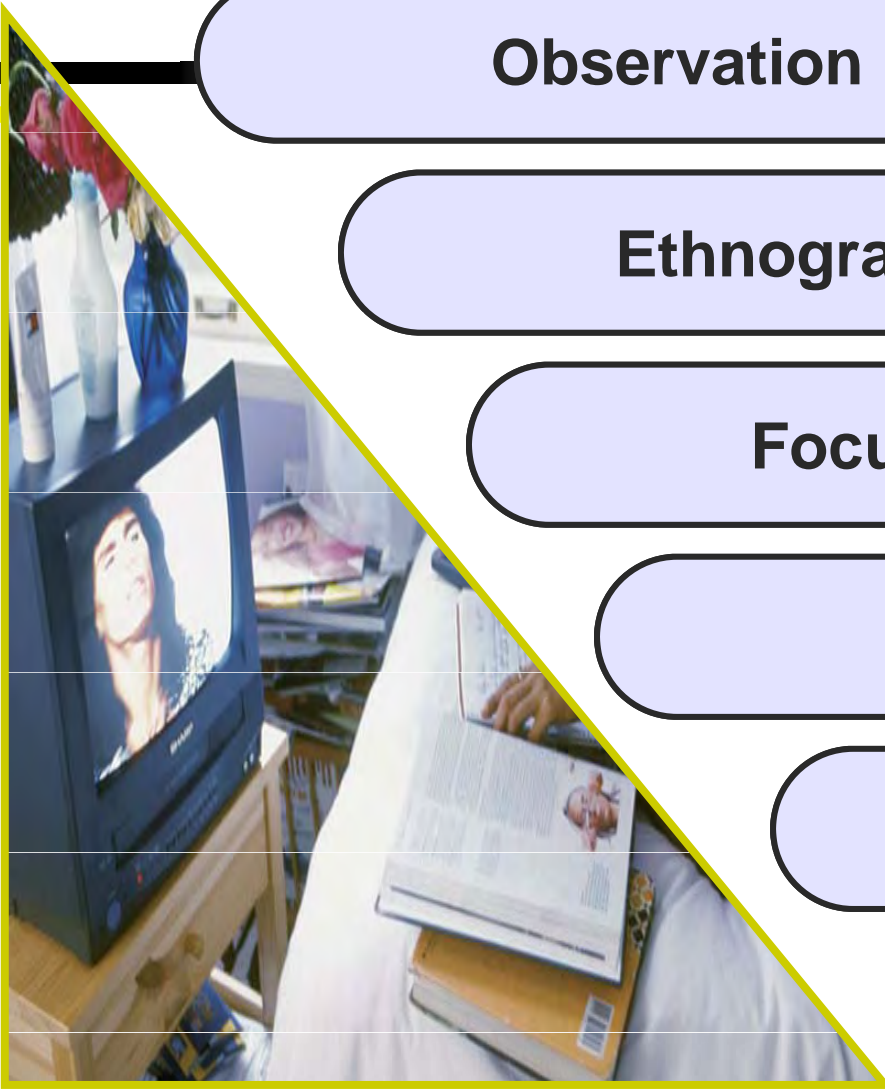
**Ethnographic**

**Focus Group**

**Survey**

**Behavioral Data**

**Experimentation**



# Observational Research

- Fresh data can be gathered by observing the relevant actors and settings.
- Ethnographic research is a particular observational research approach that uses concepts and tools from social sciences to provide a deeper understanding of how people live and work.



# Focus Group

- A focus group is a gathering of six to ten people who are carefully selected based on certain demographic, psychographic, or other considerations and brought together to discuss various topics of interest at length.
- A professional research moderator provides questions and probes based on a discussion guide or agenda to ensure that the right material gets covered.
- Moderators attempt to track down potentially useful insights as they try to discern the real motivations of consumers and why they are saying and doing certain things.
- The sessions are typically recorded.

# Survey research

- Companies undertake surveys to learn about people's knowledge, beliefs, preferences, and satisfaction, and to measure these magnitudes in the general population.

# Behavioral Data

- Customers leave traces of their purchasing behavior in store scanning data, catalog purchases, and customer databases. Much can be learned by analyzing these data.
- Customers' actual purchases reflect preferences and often are more reliable than statements offered to marketing researchers.

# Experimental Research

- The most scientifically valid research is experimental research.
- The purpose of experimental research is to capture cause-and-effect relationships by eliminating competing explanations of the observed findings.
- Experiments call for:
  - Selecting matched groups of subjects.
  - Subjecting them to different treatments.
  - Controlling extraneous variables.
- Checking whether observed response differences are statistically significant



# Research Instruments

- Marketing researchers have a choice of three main research instruments in collecting primary data:
- **questionnaires,**
- **qualitative measures, and**
- **mechanical devices.**



# Questionnaires

- A questionnaire consists of a set of questions presented to respondents.
- Because of its flexibility, the questionnaire is by far the most common instrument used to collect primary data.
- Questionnaires need to be carefully developed, tested, and debugged before being administered.
  - **The researcher carefully chooses the questions, wording, and sequence.**
  - **The form of the question can influence the response.**
  - **Marketing researchers used both closed-end and open-end questions.**

**Table 4.1** Types of Questions

Name	Description	Example
<b>A. Closed-end Questions</b>		
Dichotomous	A question with two possible answers.	In arranging this trip, did you personally phone JAL? Yes                      No
Multiple choice	A question with three or more answers.	With whom are you traveling on this flight? <input type="checkbox"/> No one <input type="checkbox"/> Children only <input type="checkbox"/> Spouse <input type="checkbox"/> Business associates/friends/relatives <input type="checkbox"/> Spouse and children <input type="checkbox"/> An organized tour group
Likert scale	A statement with which the respondent shows the amount of agreement/disagreement.	Small airlines generally give better service than large ones. Strongly      Disagree      Neither agree      Agree      Strongly disagree                      nor disagree                      agree 1__                      2__                      3__                      4__                      5__
Semantic differential	A scale connecting two bipolar words. The respondent selects the point that represents his or her opinion.	JAL Large ..... Small Experienced ..... Inexperienced Modern ..... Old-fashioned
Importance scale	A scale that rates the importance of some attribute.	Airline food service to me is Extremely      Very      Somewhat      Not very      Not at all important      important      important      important      important 1__                      2__                      3__                      4__                      5__
Rating scale	A scale that rates some attribute from "poor" to "excellent."	JAL food service is Excellent      Very Good      Good      Fair      Poor 1__                      2__                      3__                      4__                      5__
Intention-to-buy scale	A scale that describes the respondent's intention to buy.	If an in-flight telephone were available on a long flight, I would Definitely      Probably      Not sure      Probably      Definitely buy      buy                      not buy      not buy 1__                      2__                      3__                      4__                      5__

## B. Open-end Questions

Completely unstructured	A question that respondents can answer in an almost unlimited number of ways.	What is your opinion of JAL?
Word association	Words are presented, one at a time, and respondents mention the first word that comes to mind.	What is the first word that comes to your mind when you hear the following? Airline _____ JAL _____ Travel _____
Sentence	An incomplete sentence is presented and respondents complete the sentence.	When I choose an airline, the most important consideration in my decision is _____
Story completion	An incomplete story is presented, and respondents are asked to complete it.	"I flew JAL a few days ago. I noticed that the exterior and interior of the plane had very bright colors. This aroused in me the following thoughts and feelings..." Now complete the story.
Picture	A picture of two characters is presented, with one making a statement. Respondents are asked to identify with the other and fill in the empty balloon.	
Thematic Apperception Test (TAT)	A picture is presented and respondents are asked to make up a story about what they think is happening or may happen in the picture.	

1. **Ensure that questions are without bias.** Do not lead the respondent into an answer.
2. **Make the questions as simple as possible.** Questions that include multiple ideas or two questions in one will confuse respondents.
3. **Make the questions specific.** Sometimes it is advisable to add memory cues. For example, it is good practice to be specific with time periods.
4. **Avoid jargon or shorthand.** Avoid trade jargon, acronyms, and initials not in everyday use.
5. **Steer clear of sophisticated or uncommon words.** Only use words in common speech.
6. **Avoid ambiguous words.** Words such as "usually" or "frequently" have no specific meaning.
7. **Avoid questions with a negative in them.** It is better to say "Do you ever . . . ?" than "Do you never . . . ?"
8. **Avoid hypothetical questions.** It is difficult to answer questions about imaginary situations. Answers cannot necessarily be trusted.
9. **Do not use words that could be misheard.** This is especially important when the interview is administered over the telephone. "What is your opinion of sects?" could yield interesting but not necessarily relevant answers.
10. **Desensitize questions by using response bands.** For questions that ask people their age or companies their employee turnover, it is best to offer a range of response bands.
11. **Ensure that fixed responses do not overlap.** Categories used in fixed response questions should be sequential and not overlap.
12. **Allow for "other" in fixed response questions.** Precoded answers should always allow for a response other than those listed.

**Source:** Adapted from Paul Hague and Peter Jackson, *Market Research: A Guide to Planning, Methodology, and Evaluation*, (London: Kogan Page, 1999). See also Hans Baumgartner and Jan Benedict E.M. Steenkamp, "Response Styles in Marketing Research: A Cross-National Investigation," *Journal of Marketing Research*, May 2001, pp. 143–156.

# Qualitative Research

- Some marketers prefer more qualitative methods for gauging consumer opinions because consumer actions do not always match their answers to survey questions.
- Qualitative research techniques are relatively **unstructured** measurement approaches that permit a range of possible responses.
- Qualitative research techniques are a **creative means** of ascertaining consumer perceptions that may otherwise be difficult to uncover.
- Because of the freedom afforded both researchers in their probes and consumers in their responses, qualitative research can often be a useful first step in **exploring** consumers' brand and product perceptions.

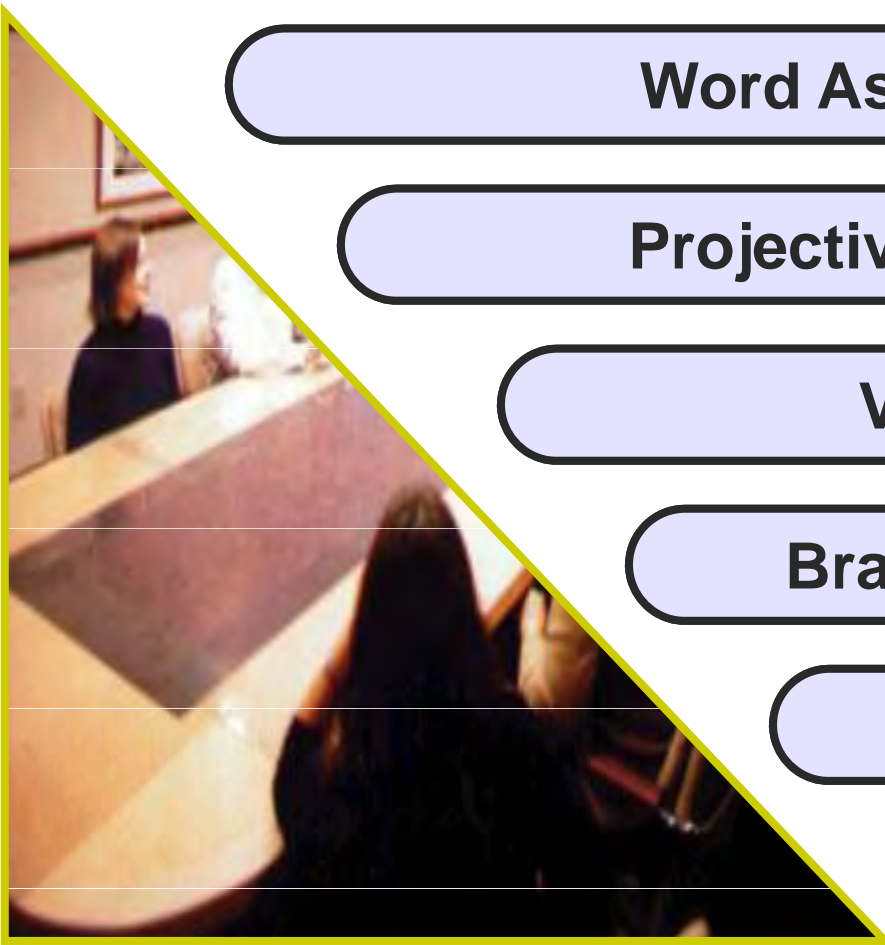


# [Limitations of Qualitative Research]

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- There are also drawbacks to qualitative research:
  - The in-depth insights have to be tempered by the fact that the sample size is limited.
  - Question of interpretation

# Qualitative Measures



**Word Association**

**Projective Techniques**

**Visualization**

**Brand Personification**

**Laddering**

# 7 techniques used by IDEO

1. Shadowing — Observing people using products, shopping, going to hospitals, taking the train, using their mobile phones.
2. Behavior mapping — Photographing people within a space, such as a hospital waiting room, over two or three days.
3. Consumer journey — Keeping track of all the interactions a consumer has with a product, service, or space.
4. Camera journals — Asking consumers to keep visual diaries of their activities and impressions relating to a product.
5. Extreme user interviews — Talking to people who really know—or know nothing—about a product or service and evaluating their experience using it.
6. Storytelling — Prompting people to tell personal stories about their consumer experiences.
7. Unfocused groups — Interviewing a diverse group of people. To explore ideas about sandals, IDEO gathered an artist, a bodybuilder, a podiatrist, and a shoe fetishist.

# Sampling Plan

- **Sampling unit:** Who is to be surveyed? Define the target population that will be sampled.
- **Sample size:** How many people should be surveyed? Large samples give more reliable results than small samples.
- **Sampling procedure:** How should the respondents be chosen? Probability sampling allows the calculation of confidence limits for sampling error.

## Table 4.2 Types of Samples

<b>A. Probability Sample</b>	
Simple random sample	Every member of the population has an equal chance of selection.
Stratified random sample	The population is divided into mutually exclusive groups (such as age groups), and random samples are drawn from each group.
Cluster (area) sample	The population is divided into mutually exclusive groups (such as city blocks), and the researcher draws a sample of the groups to interview.
<b>B. Non-Probability Sample</b>	
Convenience sample	The researcher selects the most accessible population members.
Judgment sample	The researcher selects population members who are good prospects for accurate information.
Quota sample	The researcher finds and interviews a prescribed number of people in each of several categories.

# Contact Methods

**Mail Questionnaire**

**Telephone  
Interview**

**Personal  
Interview**

**Online  
Interview**

Once the sampling plan has been determined, the marketing researcher must decide how the subject should be contacted: mail, telephone, personal, or online interview.



# Mail Questionnaire

- The mail questionnaire is the best way to reach people who would not give personal interviews or whose responses might be biased or distorted by the interviewers.
- Mail questionnaires require simple and clearly worded questions.
- The response rate is usually low and/or slow.

# Personal Interviewing

- Personal interviewing is the most versatile method.
- The interviewer can ask more questions and record additional observations about the respondent.
- It is the most expensive method.
- Subject to interviewer bias or distortion.
- Personal interviewing takes two forms:
  - Arranged interviews.
  - Intercept interviews.
- **Online Interview:** There is an increase in the use of online methods

## Advantages

- ◆ *Inexpensive*
- ◆ *Faster*
- ◆ *People - more honest online than - personal or telephone interviews*
- ◆ *More versatile*

## Disadvantages

- ◆ *Samples - small & skewed*
- ◆ *Prone to technological problems & inconsistencies*

# The Marketing Research Process

## *Step 3: Collect the Information*

- Data collection – expensive, prone to error
- Get right respondents - critical
- Data collection improve - technology
- Protect personal data of respondents



# The Marketing Research Process

## ***Step 3: Collect the Information***

### 4 surveys problems:

1. Respondents not home
2. Respondents refuse to cooperate
3. Respondents - biased/dishonest answers
4. Interviewers biased or dishonest

# The Marketing Research Process

## ***Step 4: Analyze the Information***

- Extract findings from collected data
- Tabulate & develop frequency distribution
- Averages & dispersion computed - variables
- Advanced statistical techniques & decision models



# The Marketing Research Process

## ***Step 5: Present the Findings***

- The researcher present findings relevant to major marketing decisions facing management



# The Marketing Research Process

## ***Step 6: Make the Decision***

### **Marketing decision support system (MDSS)**

Collection of data, systems, tools & techniques

With software & hardware by which organization gathers & interprets relevant information from business & environment & used for marketing action



**Table 4.3** The Seven Characteristics of Good Marketing Research

1. Scientific method	Effective marketing research uses the principles of the scientific method: careful observation, formulation of hypotheses, prediction, and testing.
2. Research creativity	At its best, marketing research develops innovative ways to solve a problem: a clothing company catering to teenagers gave several young men video cameras, then used the videos for focus groups held in restaurants and other places teens frequent.
3. Multiple methods	Marketing researchers shy away from overreliance on any one method. They also recognize the value of using two or three methods to increase confidence in the results.
4. Interdependence of the type of information sought	Marketing researchers recognize that data are interpreted from underlying models that guide the type of information sought.
5. Value and cost of information	Marketing researchers show concern for estimating the value of information against its cost. Costs are typically easy to determine, but the value of research is harder to quantify. It depends on the reliability and validity of the findings and management's willingness to accept and act on those findings.
6. Healthy skepticism	Marketing researchers show a healthy skepticism toward glib assumptions made by managers about how a market works. They are alert to the problems caused by "marketing myths."
7. Ethical marketing	Marketing research benefits both the sponsoring company and its customers. The misuse of marketing research can harm or annoy consumers, increasing resentment at what consumers regard as an invasion of their privacy or a disguised sales pitch.

# Overcoming barriers to the Use of Marketing Research

- Reasons for **improper use** of MR:
  1. A narrow conception of the research
  2. Uneven caliber of researchers
  3. Poor framing of the problem
  4. Late and occasionally erroneous findings
  5. Personality and presentation differences

# The Marketing Research Process

Failure to use marketing research properly led to numerous gaffes:

*Eg: **Star Wars***

- *Researcher predicted science fiction film fail*
  - *America - realism over science fiction*
  - *“War” in title - America would stay away*
- *He gave information, not insight.*
- *Failed to study script - human story - against space backdrop*

# Marketing Research in Asia

## Marketing research in Asia challenging WHY?

1. Unreliable/lack of reliable secondary data
2. Databases not comparable cross-nationally
3. Poor research infrastructure
4. Cultural differences in response
5. Variations in research capabilities
6. High rates of change in marketplace

# Marketing Research in Asia

## Solutions:

1. Sequence piloting, adapting & rollout of surveys regionally
2. External validation of data sources
3. Use samples on future demographic profiles
4. Invest on research capabilities & infrastructure

# Measuring Marketing Productivity

- An important task of marketing research is to assess the efficiency and effectiveness of marketing activities.
- Marketers, increasingly, are being held accountable for their investments and must be able to justify marketing expenditures to senior management.
- Marketing research can help address this increased need for accountability.

# Measuring Marketing Productivity

- Two complementary approaches to measure marketing productivity are:
  1. **Marketing metrics** to assess marketing effects.
  2. **Marketing mix modeling** to estimate causal relationships and how marketing activities affects outcomes.
  3. A third method- **marketing dashboards** are a structured way to disseminate the insights gleaned from these two approached within an organization.

# Marketing Metrics- Tim Ambler (Five key questions)

1. Do you routinely research consumer behaviour (retention, acquisition, usage, etc.) and why consumers behave that way (awareness, satisfaction, perceived quality, etc.)?
2. Are the results of this research routinely reported to the board in a format integrated with financial marketing metrics?
3. In those reports, are the results compared with the levels previously forecasted in the business plans?
4. Are they also compared with the levels achieved by your key competitor using the same indicators?
5. Is short-term performance adjusted according to the change in your marketing-based asset(s)?



# Table 4.4 Marketing Metrics

I. External	II. Internal
Awareness	Awareness of goals
Market share (volume or value)	Commitment to goals
Relative price (market share value/volume)	Active innovation support
Number of complaints (level of dissatisfaction)	Resource adequacy
Consumer satisfaction	Staffing/skill levels
Distribution/availability	Desire to learn
Total number of customers	Willingness to change
Perceived quality/esteem	Freedom to fail
Loyalty/retention	Autonomy
Relative perceived quality	Relative employee satisfaction

**Sources:** Tim Ambler, "What Does Marketing Success Look Like?" *Marketing Management*, Spring 2001, pp. 13–18.

# Marketing Mix Modeling

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- Marketing-mix models analyze data from a variety of sources, such as retailer scanner data, company shipment data, pricing, media, and promotional spending data.

# Three shortcomings of marketing mix modeling

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1. Marketing-mix modeling focuses on incremental growth instead of baseline sales or long-term effects.
2. Despite their importance, the integration of metrics such as customer satisfaction, awareness, and brand equity into marketing-mix modeling is limited.
3. Marketing-mix modeling generally fails to incorporate metrics related to competitors, the trade, or the sales force (the average business spends far more on the sales force and trade promotion than on advertising or consumer promotion).

# Marketing Dashboards

- Firms are also employing organizational processes and systems to make sure they maximize the value of all these different metrics. Such as:
  - **Customer-performance scorecard**
  - **Stakeholder –performance scorecard**

# Customer Performance Scorecard Measures

**Table 4.5** Sample Customer Performance Scorecard Measures

- Percentage of new customers to average number of customers.
- Percentage of lost customers to average number of customers.
- Percentage of win-back customers to average number of customers.
- Percentage of customers falling into very dissatisfied, dissatisfied, neutral, satisfied, and very satisfied categories.
- Percentage of customers who say they would repurchase the product.
- Percentage of customers who say they would recommend the product to others.
- Percentage of target market customers who have brand awareness or recall.
- Percentage of customers who say that the company's product is the most preferred in its category.
- Percentage of customers who correctly identify the brand's intended positioning and differentiation.
- Average perception of company's product quality relative to chief competitor.
- Average perception of company's service quality relative to chief competitor.

# Common Measurement Paths

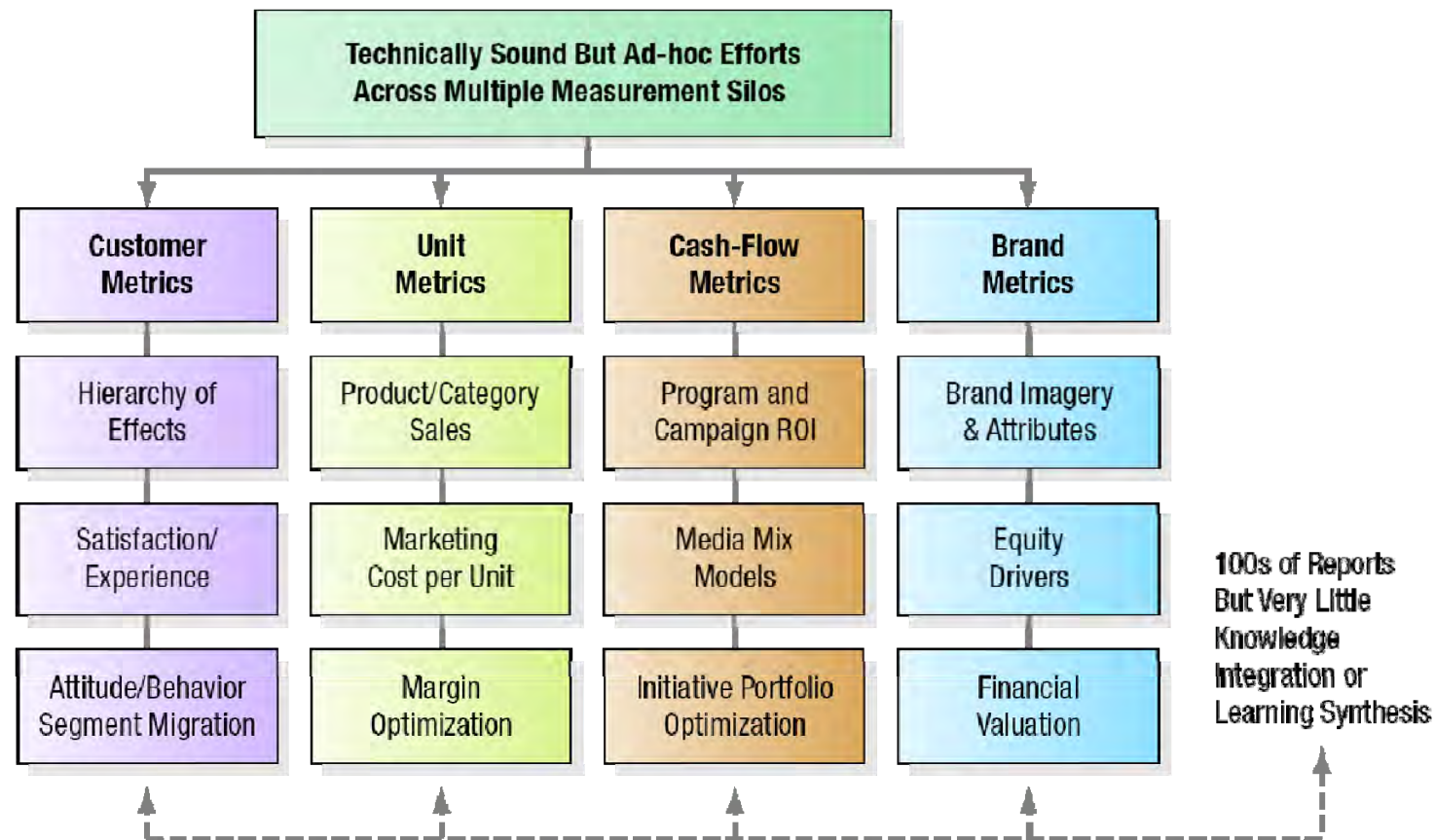
**Customer Metrics Pathway**

**Unit Metrics Pathway**

**Cash-flow Metrics Pathway**

**Brand Metrics Pathway**

# Figure 4.2 Marketing Measurement Pathways

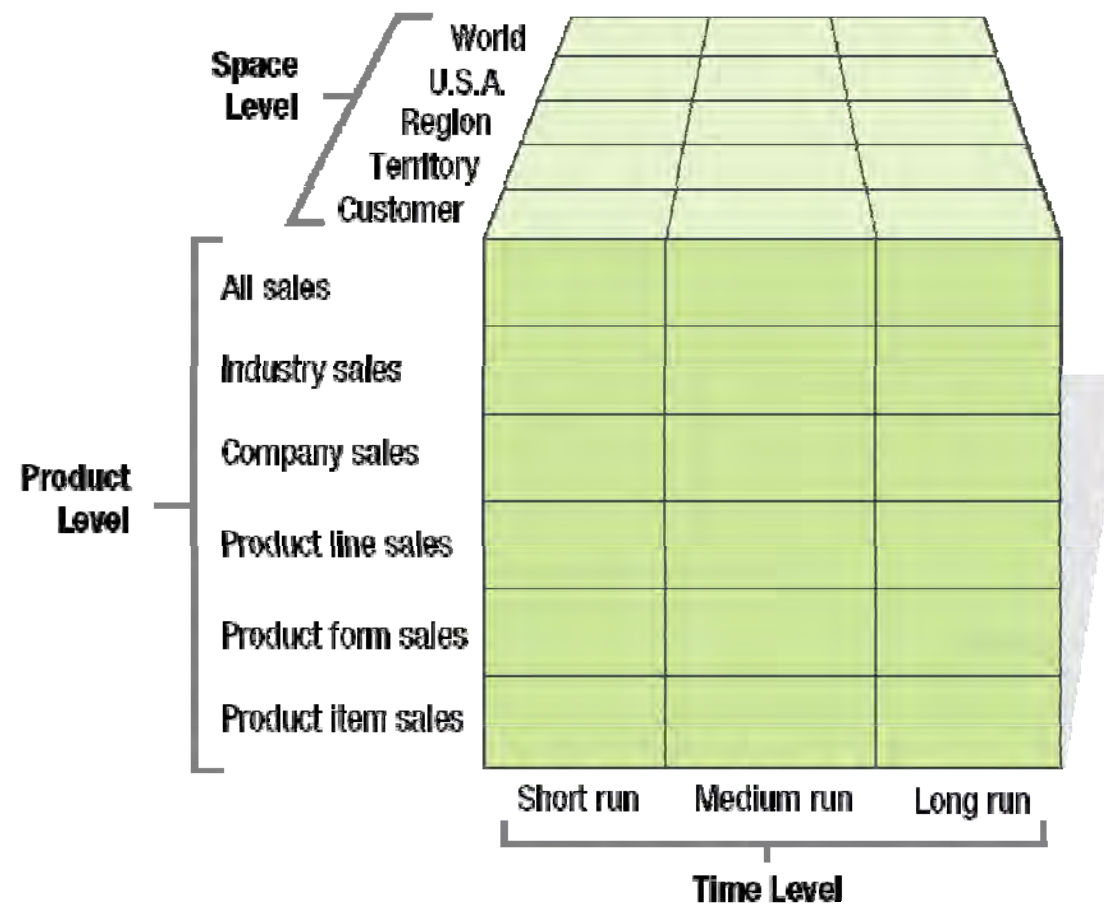


## Figure 4.3 Example of a Marketing Dashboard





## Figure 4.4 Ninety Types of Demand Measurement



# The Measures of Market Demand



# The Measures of Market Demand

Productive ways to break down market:

1. The **potential market**
2. The **available market**
3. The **target market**
4. The **penetrated market**

# The Measures of Market Demand

## - *A Vocabulary for Demand Measurement*

### **MARKET DEMAND**

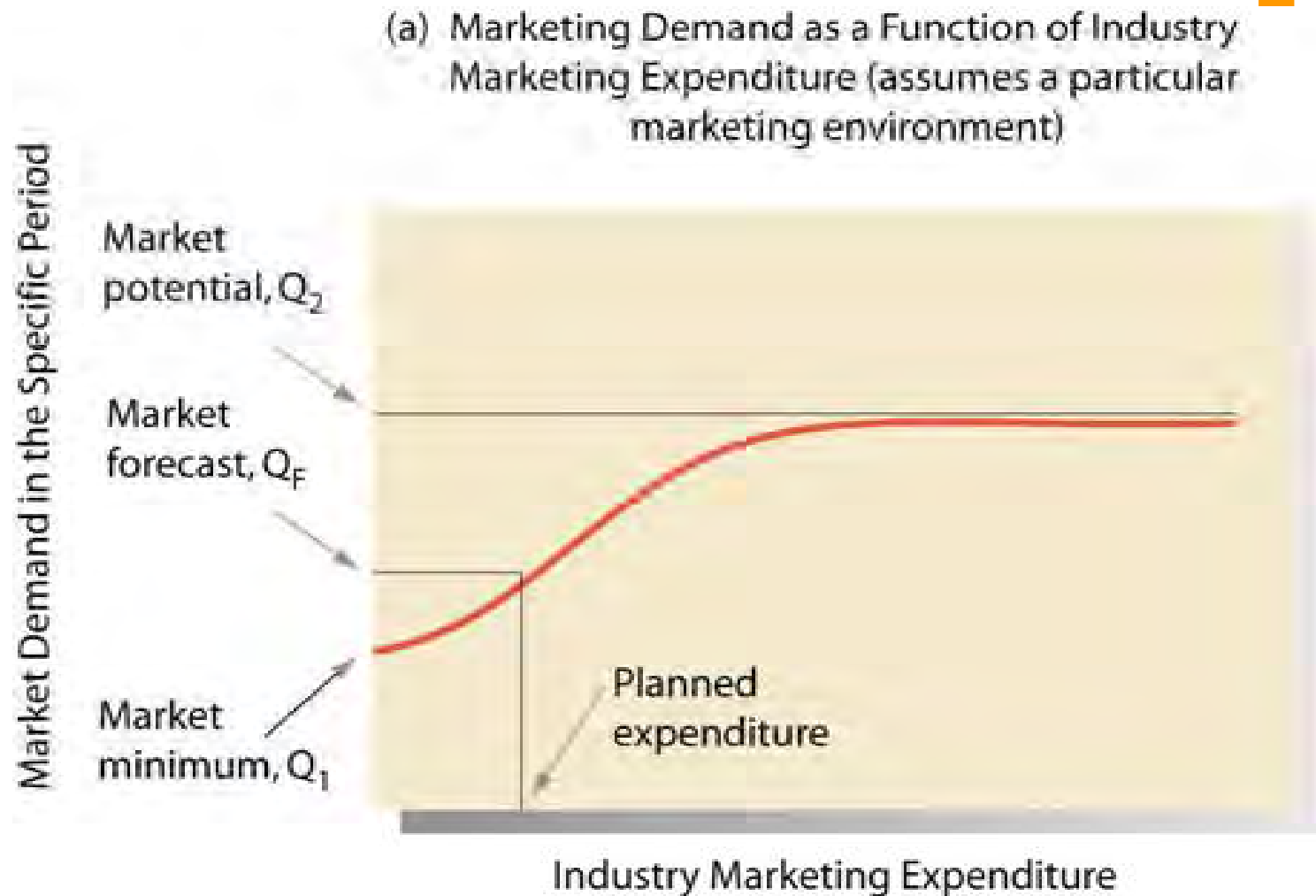
Total product volume bought by defined customer group in defined geographical area in defined time period in defined marketing environment under defined marketing program

# The Measures of Market Demand

## *- A Vocabulary for Demand Measurement*

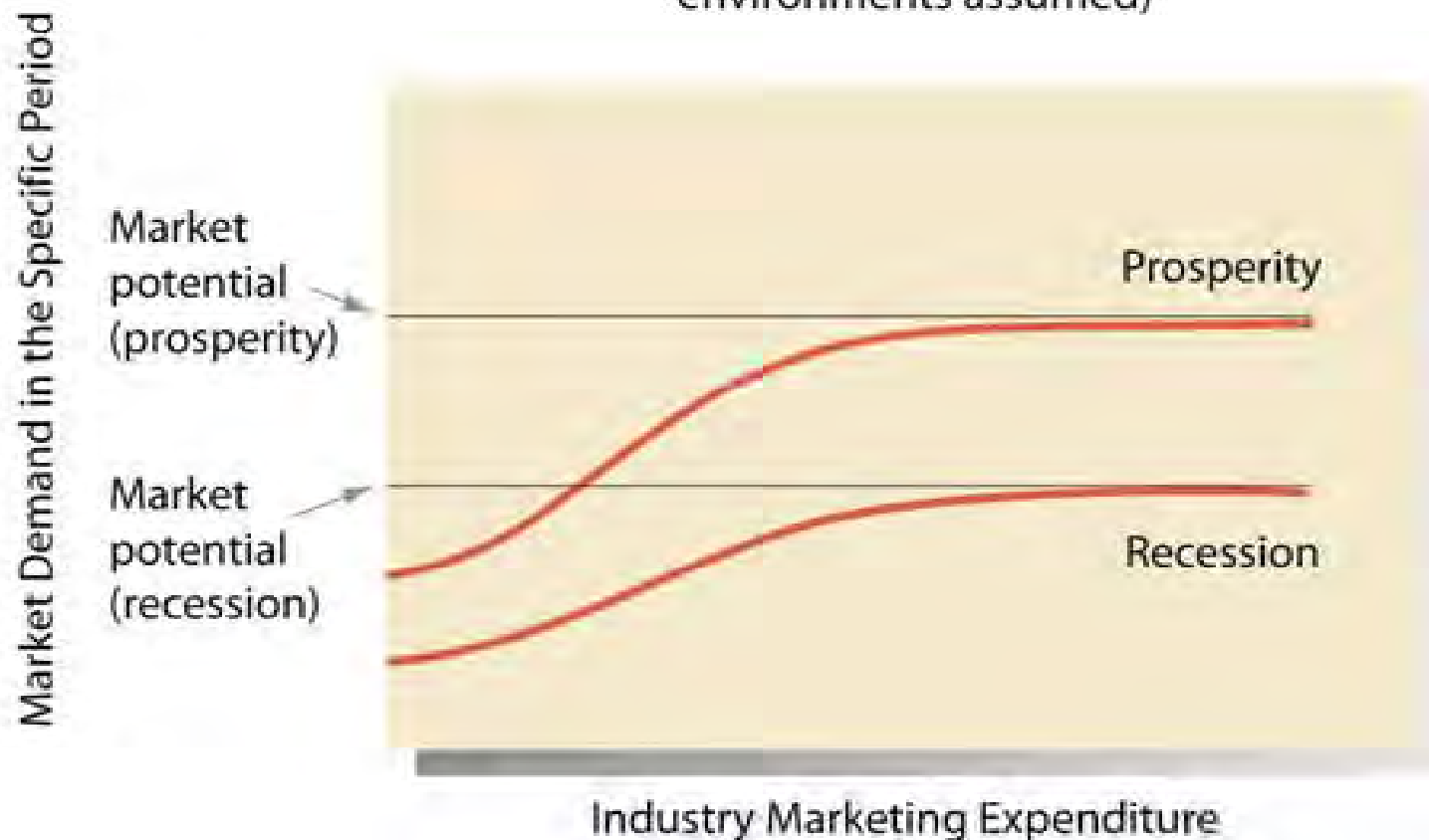
- Marketing sensitivity of demand
  - Distance between market minimum & potential
- Expansible market
  - Total size affected by marketing expenditures
- Market penetration index
  - Compare current demand to potential demand
- Share penetration index
  - Compare current to potential market share

## Figure 4.5 Market Demand Functions



## Figure 4.5 Market Demand Functions

(b) Marketing Demand as a Function of Industry Marketing Expenditure (two different environments assumed)



# The Measures of Market Demand

## *- A Vocabulary for Demand Measurement*

### **MARKET DEMAND**

### **MARKET FORECAST**

- expected market demand

### **MARKET POTENTIAL**

- market demand from high expenditure
  - more effort, little demand



# The Measures of Market Demand

## *- A Vocabulary for Demand Measurement*

### **MARKET DEMAND**

- **COMPANY DEMAND**

- Estimated share of demand at levels of marketing in given time period

- **COMPANY SALES FORECAST**

- Expected sales based on marketing & environment

- **COMPANY SALES POTENTIAL**

- Sales limit by demand as marketing increases relative to competitors

## The Measures of Market Demand

### - *Estimating Current Demand*

#### **TOTAL MARKET POTENTIAL**

- Maximum sales to industry in period, given level of industry marketing & environmental conditions

#### **AREA MARKET POTENTIAL**

- Sales available to territory given a level of conditions

# The Measures of Market Demand

## - *Estimating Current Demand*

### 2 methods to assess Area Market Potential:

#### 1. **Market-Buildup Method**

- Identify buyers in market & estimate purchases
- Accurate but not easy to gather

#### 2. **Multiple-Factor Index Method**

- Estimate area market potentials
- Single factor not complete indicator of sales
- Multiple-factor – each assigned specific weight
- Numbers are weights - to variable

## Table 4.6

### Calculating the Brand Development Index (BDI)

	(a) Percent of China Brand	(b) Percent of China Category	BDI
<b>Territory</b>	<b>Sales</b>	<b>Sales</b>	<b><math>(a \div b) \times 100</math></b>
Shanghai	3.09	2.71	114
Chengdu	6.74	10.41	65
Tianjin	3.49	3.85	91
Beijing	.97	.81	120
Shenzhen	1.13	.81	140
Suzhou	3.12	3.00	104

**BDI:** Index of brand sales to category sales

# The Measures of Market Demand

## - *Estimating Current Demand*

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### **INDUSTRY SALES AND MARKET SHARES**

- Actual industry sales in market
- Competitors & estimate their sales

### **How?**

1. Published total industry sales
2. Buy reports from marketing research firm - audits total sales & brand sales

# The Measures of Market Demand

## - *Estimating Future Demand*

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### 3-stage procedure - sales forecast

1. Macroeconomic forecast
2. Industry forecast
3. Company sales forecast

# The Measures of Market Demand

## - *Estimating Future Demand*

- How do firms develop their forecasts?
  - Internally or buy forecasts
- **Forecasts built on:**
- **what people say**
- **what people do or**
- **what people have done**

# The Measures of Market Demand

## - *Estimating Future Demand*

### **SURVEY OF BUYERS' INTENTIONS**

- Forecasting - Anticipate what buyers do when given conditions
- Consumer surveys:
  - Buying intentions
  - Personal finances
  - Expectations about economy



# The Measures of Market Demand

## - *Estimating Future Demand*

### **SURVEY OF BUYERS' INTENTIONS**

- Shifts in buying intentions
  - Firms adjust production & marketing
- Business buying
  - Surveys done on plant, equipment & materials

## The Measures of Market Demand

### - *Estimating Future Demand*

- **Buyer-intention surveys** - estimate demand – product purchase
- **Value increases if:**
  1. Cost to reach buyers is small
  2. Few buyers
  3. Clear intentions
  4. Implement intentions
  5. Willingly disclose intentions

# The Measures of Market Demand

## - *Estimating Future Demand*

### **SALES FORCE OPINIONS**

- Involve sales to forecast future sales
- Encourage better estimate - incentives

#### **Benefits:**

1. Sales reps - insight into trends
2. Reps > confidence in quota & achieve it
3. “Grassroots” forecast - detailed estimates by product, territory, customer & sales rep

# The Measures of Market Demand

## - *Estimating Future Demand*

### EXPERT OPINIONS

- **Experts:** distributors, suppliers, consultants & trade associations
- 1. Buy forecasts - forecasting firms
  - More data available & forecasting expertise
- 2. Invite experts to prepare forecast
  - *Group-discussion method*
  - *Pooling of individual estimates*

# The Measures of Market Demand

## - *Estimating Future Demand*

### PAST-SALES ANALYSIS

#### 1. Time series analysis

- past time-series - projects them into future

#### 2. Exponential smoothing

- project sales – use past average & recent sales

#### 3. Statistical demand analysis

- measure impact causal factors on sales

#### 4. Econometric analysis

- equations to describe system & fit parameters statistically

# The Measures of Market Demand

## *- Estimating Future Demand*

### MARKET-TEST METHOD

- Direct-market test
  - Buyers purchases not carefully planned or
  - Experts not available/reliable
- Forecast new/established product sales in a new distribution channel/territory

# Application:

## **Marketing Debate** What is the Best Type of Marketing Research?

Many market researchers have their favorite research approaches or techniques, although different researchers often have different preferences.

Some researchers maintain that the only way to really learn about consumers or brands is through in-depth, **qualitative** research.

Others contend that the only legitimate & defensible form of marketing research involves **quantitative** measures.

# Application:

## Take a position:

**Marketing research should be quantitative versus  
Marketing research should be qualitative. Which  
one would you choose? Different researchers  
often have different preferences.**

### **Marketing Discussion**

**When was the last time you participated in a  
survey?**

**How helpful do you think was the information you  
provided?**

**How could the research have been done  
differently to make it more  
effective?**