BUS 214: PRINCIPLES OF MARKETING II

Study Session 7

1. TOPIC: MARKETING INFORMATION SYSTEMS AND MARKETING RESEARCH

2. Introduction

In this study session, you will learn why marketers need to understand and monitor the marketing environment if they are to remain competitive within the environment. The management must develop and maintain an effective marketing information system and must have the skills of carrying out marketing research. Marketing decisions are inevitable made under conditions of uncertainty involve both risk and opportunity. Business organizations operate in a high unstable environment where risk are very high and in order to reduce risk, decision-making must be data-oriented.

3. Learning Outcomes for Study Session 7

After studying this session, you should be able to understand:

    (a)   The Concept of both Marketing Information and Marketing Research
    (b)   The need for Marketing Information
    (c)   The Role of Information in Management Process
    (d)   The need for marketing Research
    (e)   The sub-systems of marketing research
    (d)   The marketing research process

4. The Concept of Marketing Information System

This concept involves round an organizational section or entity whose purpose is to gather, organized, store, retrieve and analyze data relevant to a firms past, present and future operations on an ongoing basis in order to provide support for management marketing decisions. In the past, management devoted most of its attention to managing money, money, materials, machines and men thereby neglecting information gathering. Many managers have not realized the importance of marketing information until the emergence of three developments in the 1990's which gave rise to the need for more marketing information stronger than any time in the past. These are:

From Local to National to Global Marketing: As companies expand their geographical market coverage, their managers need more market information than ever before.

From Buyer Needs to Buyer Wants: As buyer's income increases, buyers become more selective in their choice of goods. Sellers find it harder to predict buyer's response to different features, styles and other attributes, unless they turn to marketing research.

From Price to Non Price Competition: As sellers increase their use of branding, product differentiation, they require information on the effectiveness of these marketing tools.

Nevertheless, the past centuries have witnessed the emergence of computers, micro-filming, cable television, copy machines, fax machines, tape recorders, video recorders, video disc players, internet and other devices that revolutionalized information handling. Even though managers need more marketing information, the supply never seems sufficient; marketer's complaints include the following:

1.   There is not enough marketing information of the right kind.
2.   There is too much marketing information of the wrong kind
3.   Marketing information is so dispersed throughout the company that a   great   effort must usually be made to locate simple facts.
4.   Marketing information is sometimes suppressed by subordinates when   they believe it will reflect unfavorably on their performance.
5.   Important information often arrives too late to be useful.
6.   It is always difficult to determine whether the information is accurate.

The company's marketing information system should represent a cross between what manager's think they need, what managers really need, and what is economically feasible.

5.   **What Is Marketing Information System?**
Marketing information system has being given many definitions by many scholars. P. Kotler defined marketing information system as a "continuing and interacting structure of people, equipment, and procedures designed to gather, sort, analyze, evaluate and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation and control." It can also be defined as "the framework for day-to-day management and structuring of information gathered from sources both inside and outside an organization." However, having explored all the above definitions, we can harmonize them to say marketing information system is an organized set of procedures for information-handling and reporting techniques designed to provide the timely and accurate information for making strategic and effective marketing decisions. It is a continuous process that gathers data from variety of sources both external and internal, synthesized it and channels it to those responsible for meeting the market place needs. In a nutshell, marketing information system enables an organization to:

i.   Determine the data need for decision making
ii.   Generate (gather) this need information
iii.   Process the data (with the aid of qualitative and quantitative analytical techniques).
iv.   Provide for the storage and future retrieval of the data.

Before concluding this sub-topic, it is pertinent to draw a clear distinction between   marketing information system and marketing research. Stanton made clear distinctions between these two terms. Their differences are presented in the table below:

S/No	MARKETING INFORMATION SYSTEM	MARKETING RESEARCH
1	It handles both internal and external data	It emphasis on handling of external information
2	Is concerns with preventing as well as solving problems	Is concerned with solving problem
3	Operate continuously – i.e. it is a system	Operates in a fragment, intermittent fashion on a project to project basis.
4	Tends to be future oriented	Tends to focus on past information
5	Includes other subsystems beside marketing research.	It is one source of information input for marketing information system

6.   The Components of Marketing Information System

The four subsystems of marketing information system are the subsystems that form the integral whole of marketing information systems. That is, the combination of the four subsystems forms marketing information system. In order for marketing information to function properly the structure of the system must be clearly understood by the user. According to Kotler marketing information system consists of four components namely; marketing intelligence system, internal report system, analytical marketing system, and marketing research system. These are discussed below:

Marketing Intelligence System: This can be described as the set of procedures and sources used by executives to obtain their every day information about pertinent development in marketing environment. These facts about the department in the environment are disseminated to the executives to be used as basis for marketing decisions.

Internal Report System: This is the most basic information system used by marketing executives in internal reports system. This system records sales levels, stocks stores order and basic financial information. By analyzing this information, marketing managers can spot important opportunities and problems.

Analytical Marketing System: This system assists marketing executives in analyzing complex marketing situation. The system makes use of operation research methods, regression analysis, correlation analysis and other management science approaches for extracting meaningful information from data and to discover important relationship in the data.

Marketing Research System: This is the systematic design, collection, analysis and reporting of data findings relevant to specific marketing situation facing the company. This system gathers information from mainly external sources.

7.   Marketing Research System

Marketing research is that field of study that assists management to facilitate sound decisions making in the business enterprise. According to the British institute of management, "marketing research is the objective gathering, recording and analyzing of all facts about problems relating to the transfer and sales of goods and services from producer to consumers".

Furthermore, American Marketing Association (AMA) defines marketing research as the function which links the consumer, customer and public to the marketer through information which is used to identify and define marketing opportunities and problems, generate, refine and evaluate marketing actions, as well as monitor marketing performance and improve understanding of marketing as a process." Marketing research is an essential tool that executives can use in reducing the risk in the environment of operation by obtaining pertinent information about decision and variable, analyzing this information and putting the resources at the disposal of the manager in order to move the organization forward.

A company can obtain marketing research in a number of ways. Most large companies have their own marketing research departments. Small companies engage the services of marketing research firms to conduct research on their behalf or engage the services of students and professors to design and carry out the research. Small companies also collect considerable information using the Internet websites at a very little cost.

Types of Marketing Research Firms

Marketing research firms fall into three categories.

Syndicated-service research firms: This is the situation whereby firms gather periodic consumer and trade information, which they sell to clients. For example, in U.S. marketing managers' purchases reports on television audiences from the AC Nielsen Company or the American research Bureau (ARB).

Customer Marketing Research Firms: These firms are hired to carry out specific research projects. They participate in designing the study, and the report becomes the clients' property.

Specialty-Line Marketing Research Firms: These firms provide specialized service to other marketing research firms and company marketing research department. The best example is the field-service firm, which sells field-interviewing services to other firms.

8.   The Marketing Research Process

Effective marketing research involves the following six steps:

1. **Defining the Problem and Research Objectives** the first step in research, calls for the marketing manager and marketing researcher to define the problem carefully and agree on the research objectives. Hundreds of things can be researched in any problem. Unless the problem is well defined, the cost of information gathering may well exceed the value of the findings. An adage says, "A problem well defined is half solved".

2. **Developing the Research Plan** this step calls for developing the most efficient plan for gathering the needed information. The marketing executive cannot simply say to the marketing researcher, "find some passengers and ask them if they would use an in-flight phone service if it were available". The research plan should be designed professionally. The marketing manager should know enough about marketing research to evaluate the research plan and know how to interpret the findings.

The marketing manager needs a cost estimate of the research plan before approving it. Suppose the company estimates that launching the in-flight phone services without any marketing research would yield a long term profit of N50, 000. The manager believed that the research would help him/her improve the promotional plan and make a long-term profit of N90, 000. In this case, he/she should be willing to spend up to N40, 000 on this research. If the research would cost more than N40, 000, then he/she should decline it.

3. **Collecting the Information:** The data collection phase of marketing research is generally the most expensive and most prone to error. In the case of surveys, four major problems arise. Some respondents will not be at home and must be contacted or replaced. Other respondents will refuse to co-operate. Still others will give biased or dishonest answers. Finally, some interviews will be biased or dishonest. Yet data collection methods are rapidly improving, thanks to computers and telecommunications. Some research firm's interview from a centralized location.

4. **Analyzing the Information** the next-step in the marketing research process is to extract findings from the collected data. The researcher tabulates the data and develops frequency distributions. Averages, measures of dispersion are computed for the major variables. The researcher will also apply some advanced statistical techniques and decision models in the hope of discovering additional findings.

5. **Presenting the Findings** at this stage, the researcher presents the findings. The researcher should present findings that are relevant to the major marketing decisions facing management.

6. **Making the Decisions** the managers who commissioned the research need to weigh the evidence. They know that the findings could suffer from a variety of errors. If their confidence in the findings is low, they may decide against introducing the in- flight Internet service. If their findings support their inclination, they may even decide to study the issues further and conduct more searches until when solution is provided to the problem.

7. **Marketing Decision Support System:** A growing number of organizations are using marketing managers to make better decisions. John little defines marketing decision support system (MDSS) as a co-coordinated collection of data, systems, tools and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.

9.   Summary of Study Session, 'Market Segmentation'
Now that you have completed this Study Session 7, you will now learn the concept of both marketing information and marketing research. The assumption is that marketers virtually needed information at every turn. What is required is some form of formal system devoted to the

entire information gathering process of the organization. The concept of marketing information system and the four sub-systems of gathering marketing information form the basis for our discussion. Other areas discussed include the marketing research systems, types of marketing research firms and the steps involved in the marketing research process.

10.   Self-Assessment Questions (SAQs) for Study Session 7

Now that you have completed this study session, you can assess yourself with the following questions:

    (a) A marketing Consultant stated that, "Marketing information system and Marketing research are two distinct but related terms". Do you agree with this assertion? Defend your position.
    (b) Discuss the four subsystems used by marketers in gathering marketing information.
    (c) What is marketing research?
    (d) What do you understand by syndicated service research firm?
    (e) Identify and explain the various steps involved in marketing research process.

11.   Notes on SAQs for Study Session 7

12.   References

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