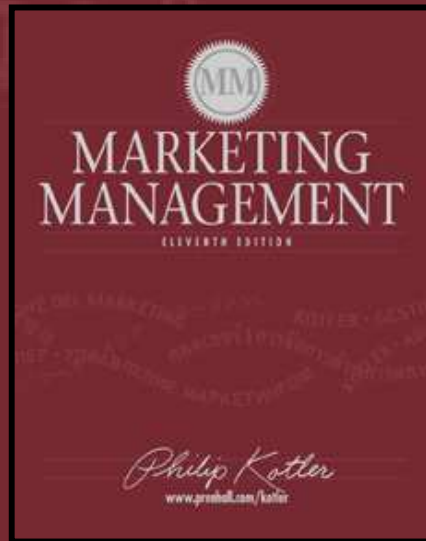


Chapter 5

Gathering Information and Measuring Market Demand

by *Philip Kotler*



PowerPoint by
Milton M. Pressley
University of New Orleans

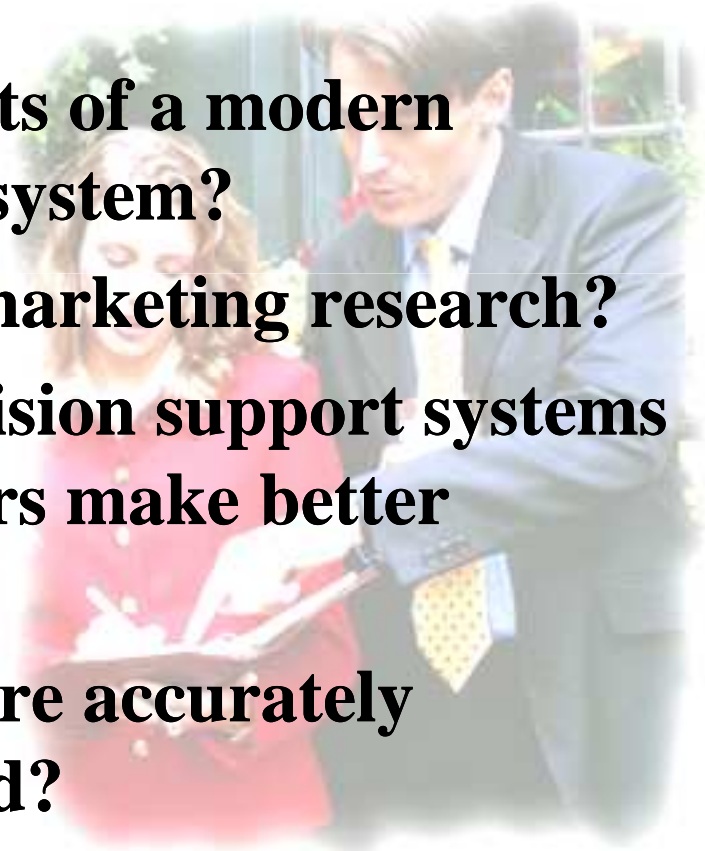
Kotler on Marketing

Marketing is becoming a battle based more on information than on sales power.



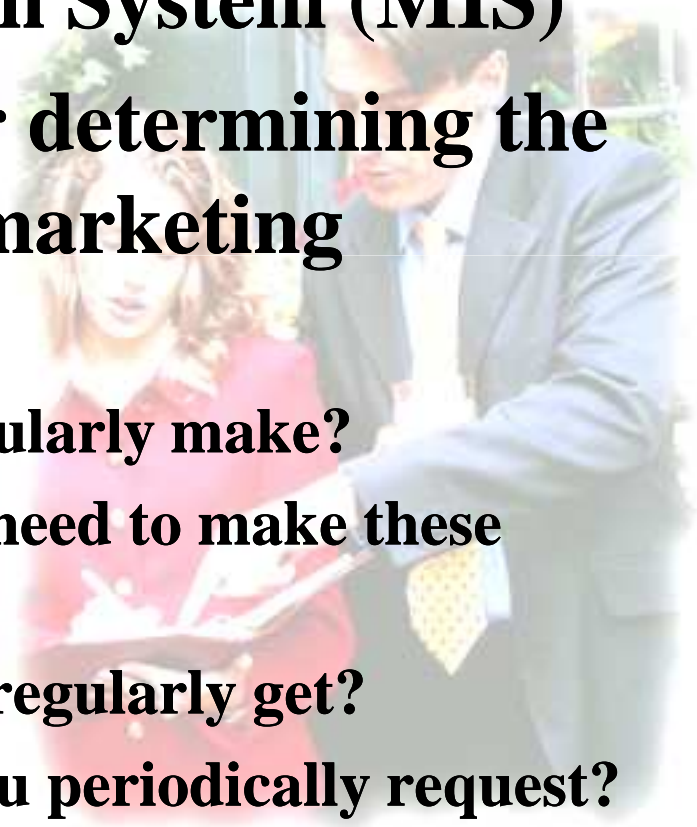
Chapter Objectives

- **In this chapter, we focus on the following questions:**
 - **What are the components of a modern marketing information system?**
 - **What constitutes good marketing research?**
 - **How can marketing decision support systems help marketing managers make better decisions?**
 - **How can demand be more accurately measured and forecasted?**



The Components of a Modern Marketing Information System

- **Marketing Information System (MIS)**
- **10 useful questions for determining the information needs of marketing managers.**
 - **What decisions do you regularly make?**
 - **What information do you need to make these decisions?**
 - **What information do you regularly get?**
 - **What special studies do you periodically request?**



The Components of a Modern Marketing Information System

- **What information would you want that you are not getting now?**
- **What information would you want daily? Weekly? Monthly? Yearly?**
- **What magazines and trade reports would you like to see on a regular basis?**
- **What topics would you like to be kept informed of?**
- **What data analysis programs would you want?**
- **What are the four most helpful improvements that could be made in the present marketing information system?**



Internal Record Systems

- **The Order-to-Payment Cycle**
- **Sales Information Systems**
- **Databases, Data Warehouses
And Data-Mining**



Discussion Question

Can you name a company that uses targeted mailings to promote new products, or regional offerings?



The Marketing Intelligence System

- **A Marketing Intelligence System is a set of procedures and sources used by managers to obtain everyday information about developments in the marketing environment.**



Discussion Question

What are some of the potential hazards a company might face by relying too heavily on distributors, retailers, or other intermediaries for market intelligence?



The Marriott Vacation Club International Web site gives interested customers the opportunity to sell themselves on the Marriott offerings



CEOExpress.com is a portal to information—a user clicks on a listing and is then connected to that site

CEOExpress: Business portal for executives created by a CEO - Microsoft Internet Explorer

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Table 5-1: Secondary-Data Sources

Secondary-Data Sources

A. Internal Sources

Company profit-loss statements, balance sheets, sales figures, sales-call reports, invoices, inventory records, and prior research reports.

B. Government Publications

- Statistical Abstract of the United States
- County and City Data Book
- Industrial Outlook
- Marketing Information Guide

C. Periodicals and Books

- Business Periodicals Index
- Standard and Poor's Industry

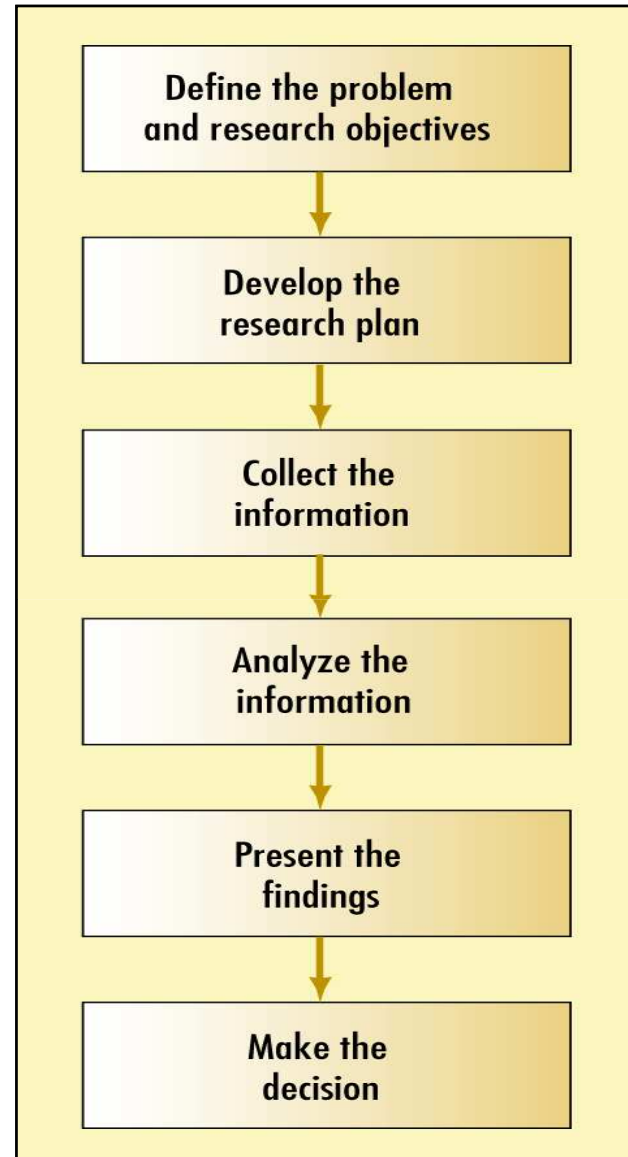
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Marketing Research System

- **Marketing Research**
- **Suppliers of Marketing Research**
 - **Engaging students or professors to design and carry out projects**
 - **Using the Internet**
 - **Checking out rivals**
 - **Syndicated-service research firms**
 - **Custom marketing research firms**
 - **Specialty-line marketing research firms**



**Figure 5-1:
The Marketing
Research
Process**



Marketing Research System

- **The Marketing Research Process**
 - **Step 1: Define the Problem, the Decision Alternatives, and the Research Objectives**
 - **Step 2: Develop the Research Plan**
 - **Data Sources**
 - **Research Approaches**
 - **Observational research**
 - **Focus group research**



Marketing Research System

- Survey research
- Behavioral data
- Experimental research
- **Research Instruments**
 - Questionnaires
 - Psychological tools
 - Mechanical devices
 - Quantitative measures



Table 5-2: Types of Questions

A. Closed-end Questions		
Name	Description	Example
Dichotomous	A question with two possible answers.	In arranging this trip, did you personally phone American? 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 Disagree Neither agree nor disagree Agree Strongly agree 1 _____ 2 _____ 3 _____ 4 _____ 5 _____

See text for complete table

Marketing Research System

- **Sampling Plan**
 - **Sampling unit**
 - **Sample size**
 - **Sampling procedure**



www.wansink.com is a consumer psychology Web site set up by Dr. Brian Wansink of the University of Illinois



Table 5-3: Probability and Nonprobability Samples

A. Probability Sample

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

Continued on next slide . . .

Table 5-3: Probability and Nonprobability Samples (Continued)

B. Nonprobability Sample

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

Marketing Research System

- **Contact Methods**
 - **Mail questionnaire**
 - **Personal interviewing**
 - **Arranged interviews**
 - **Intercept interviews**
 - **Online methods**
 - **Click-stream**
 - **Cookies**
 - **Automated telephone surveys**



Marketing Research System

- **Step 3: Collect the Information**
- **Step 4: Analyze the Information**
- **Step 5: Present the Findings**
- **Step 6: Make the Decision**



Table 5-4: 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.

See text for complete table

Marketing Research System

- **Overcoming Barriers to the Use of Marketing Research**
 - **A narrow conception of the research**
 - **Uneven caliber of researchers**
 - **Poor framing of the problem**
 - **Late and occasionally erroneous findings**
 - **Personality and presentational differences**

Marketing Decision Support System

- **Marketing Decision Support System (MDSS)**
 - **Marketing and sales software programs**
 - **BRANDAID**
 - **CALLPLAN**
 - **DETAILER**
 - **GEOLINE**
 - **MEDIAC**
 - **PROMOTER**
 - **ADCAD**
 - **CONVERSTORY**



Table 5-5: Quantitative Tools Used in Marketing Decision Support Systems

Statistical Tools

1. Multiple regression:

A statistical technique for estimating a “best fitting” equation showing how the value of a dependent variable varies with changing values in a number of independent variables. *Example:* A company can estimate how unit sales are influenced by changes in the level of company advertising expenditures, sales force size, and price.

2. Discriminant analysis:

A statistical technique for classifying an object or persons into two or more categories. *Example:* A large retail chain store can determine the variables that discriminate between successful and unsuccessful store locations.

3. Factor analysis:

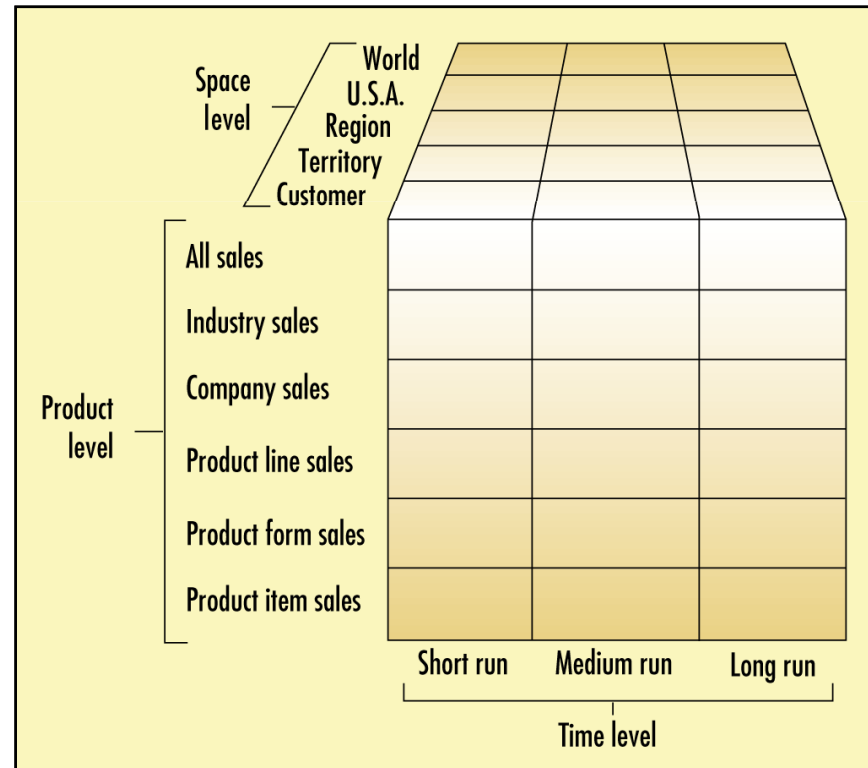
A statistical technique used to determine the few underlying dimensions of a larger set of intercorrelated variables. *Example:* A broadcast network can reduce a large set of TV programs down to a small set of basic program types.

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Forecasting and Demand Measurement

- **The Measures of Market Demand**

Figure 5-3: Ninety Types of Demand Measurement (6X5X3)



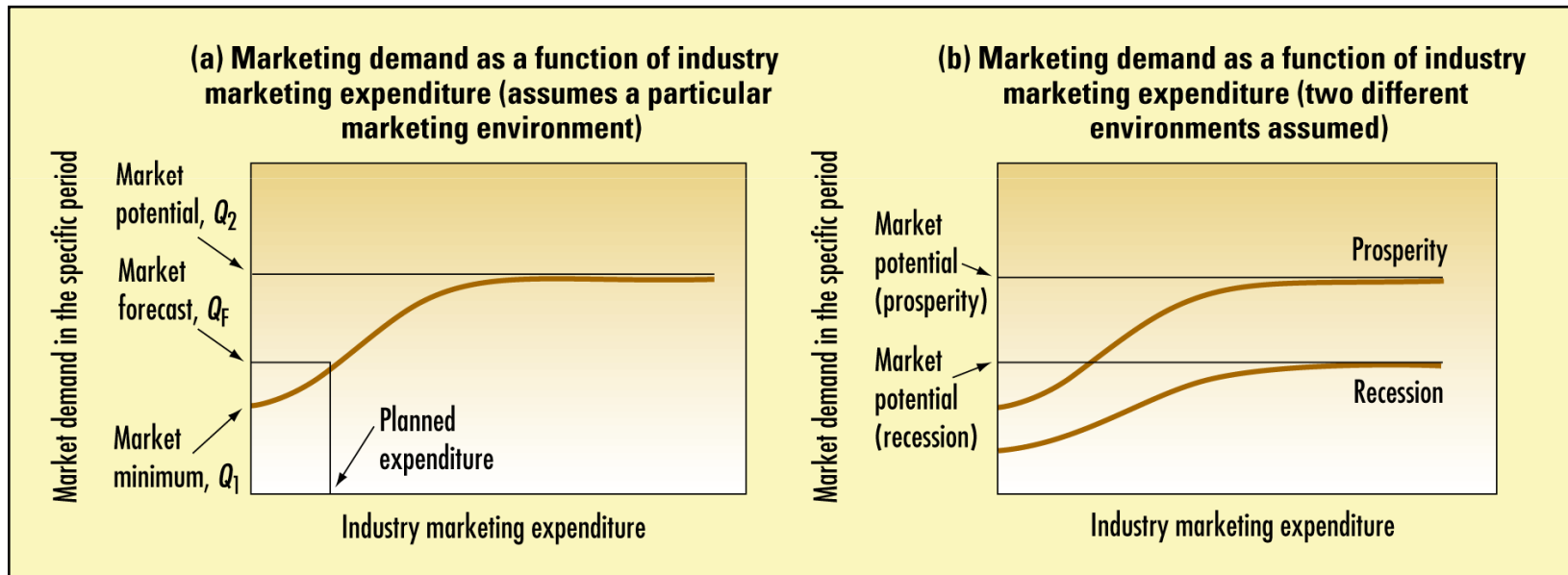
Forecasting and Demand Measurement

- **Which Market to Measure?**
 - Market
 - Potential market
 - Available market
 - Target market (severed market)
 - Penetrated market
- **A Vocabulary for Demand Measurement**
 - Market Demand
 - Market share
 - Market penetration index
 - Share penetration index



Forecasting and Demand Measurement

Figure 5-4: Market Demand Functions



Discussion Question

Can you name a market segment with a low penetration index? A high penetration index? Can you think of a market where the high penetration index might be a misleading indicator?



Forecasting and Demand Measurement

- **Market Forecast**
- **Market Potential**
 - **Product penetration percentage**
- **Company Demand**
- **Company Sales Forecast**
 - **Sales quota**
 - **Sales budget**
- **Company Sales Potential**



Forecasting and Demand Measurement

- **Estimating Current demand**
 - **Total Market Potential**
 - **Area Market Potential**
 - **Market-Buildup Method**



Table 5-6: Market-Buildup Method Using SIC Codes

SIC	(a) Annual Sales in Millions of \$	(b) Number of Establishments	(c) Potential Number of Lathe Sales Per \$1 Million Customer Sales	Market Potential (a x b x c)
2511	1	6	10	60
	5	2	10	100
2521	1	3	5	15
	5	1	<u>5</u>	<u>25</u>
			30	200

Forecasting and Demand Measurement

- **Multiple-Factor Index Method**
 - **Brand development index (BDI)**



Table 5-7: Calculating the Brand Development Index (BDI)

	(a)	(b)	
	Percent of	Percent of	
	U.S. Brand	U.S. Category	BDI
Territory	Sales	Sales	$(a \div b) \times 100$
Seattle	3.09	2.71	114
Portland	6.74	10.41	65
Boston	3.49	3.85	91
Toledo	.97	.81	120
Chicago	1.13	.81	140
Baltimore	3.12	3.00	104

Forecasting and Demand Measurement

- Industry Sales and Market Shares
- Estimating Future Demand
- Survey of Buyers' Intentions
 - Forecasting
 - Purchase probability scale

Forecasting and Demand Measurement

- **Composite of Sales Force Opinions**
- **Expert Opinion**
 - **Group discussion method**
 - **Pooling of individual estimates**
 - **Past-Sales Analysis**
 - **Time-series analysis**
 - **Exponential smoothing**
 - **Statistical demand analysis**
 - **Econometric analysis**
 - **Market-Test Method**

