



MOTOR

HARLEY-DAVIDSON

MOTORCYCLES

- Harley-Davidson had problems. The new generation was buying their bikes and their customer base was getting older and dying off.
- They closed operations in countries they weren't doing well, or reduced the number of stores and focused on new product categories: electric and adventure bikes.
- They have been successful.
- Next slide, shows their stock price over the last 5 years.

Search bar containing 'harley' and a 'Cancel' button

Symbols

HOG NYSE 41.32
 Harley-Davidson, Inc. +3.25%

HARL OTC Markets 27.50
 Harleysville Financial Corporation +1.85%

HOG Harley-Davidson, Inc.

41.32 +3.25% **41.24** -0.19%
 At Close After Hours [Add to Watchlist](#)

1D 1W 1M 3M 6M 1Y 2Y **5Y**

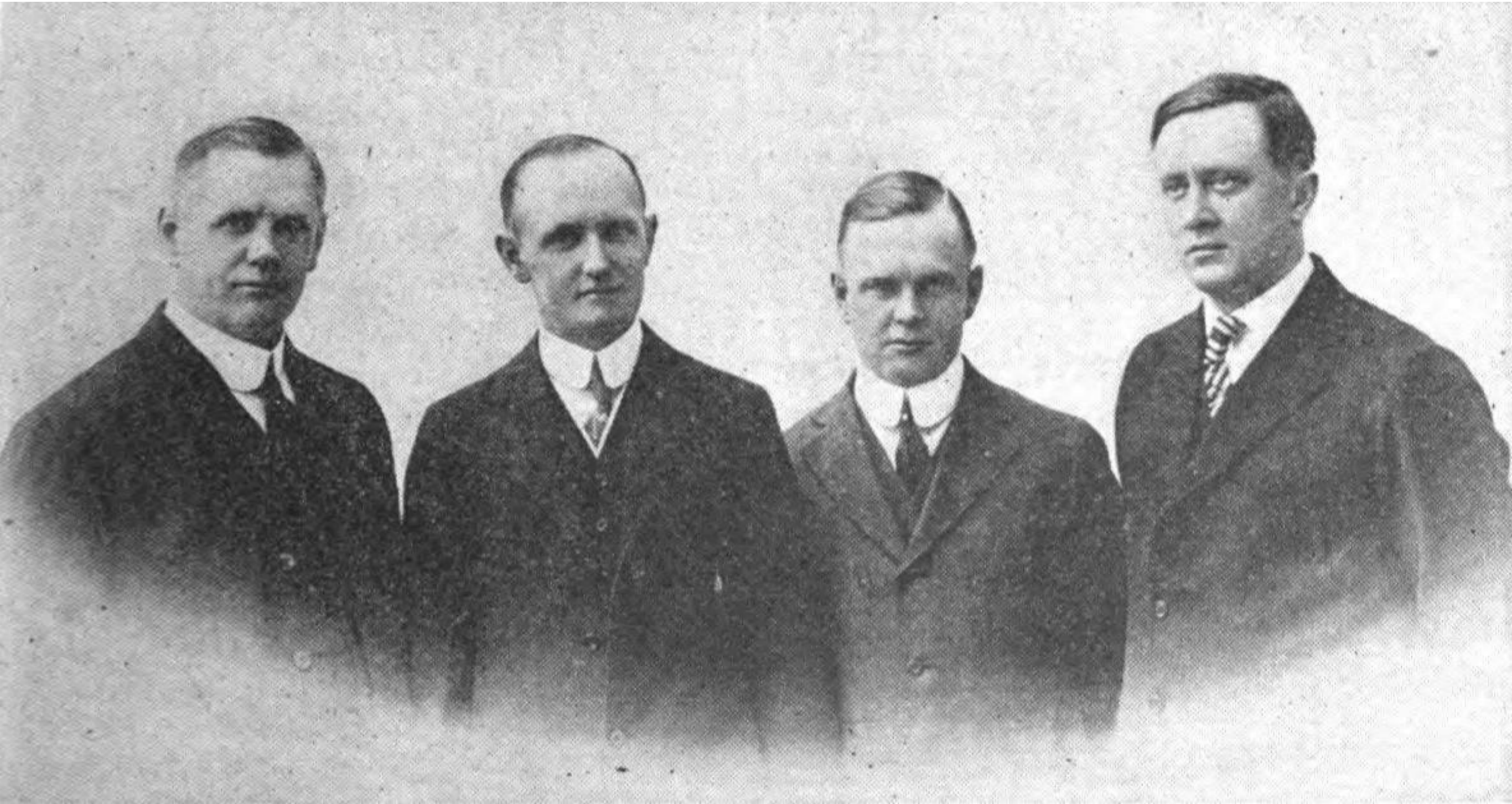


Open	40.04	Vol	1.744M	52W H	52.06
High	41.60	P/E	9.86	52W L	32.13
Low	40.00	Mkt Cap	6.358B	Avg Vol	2.374M

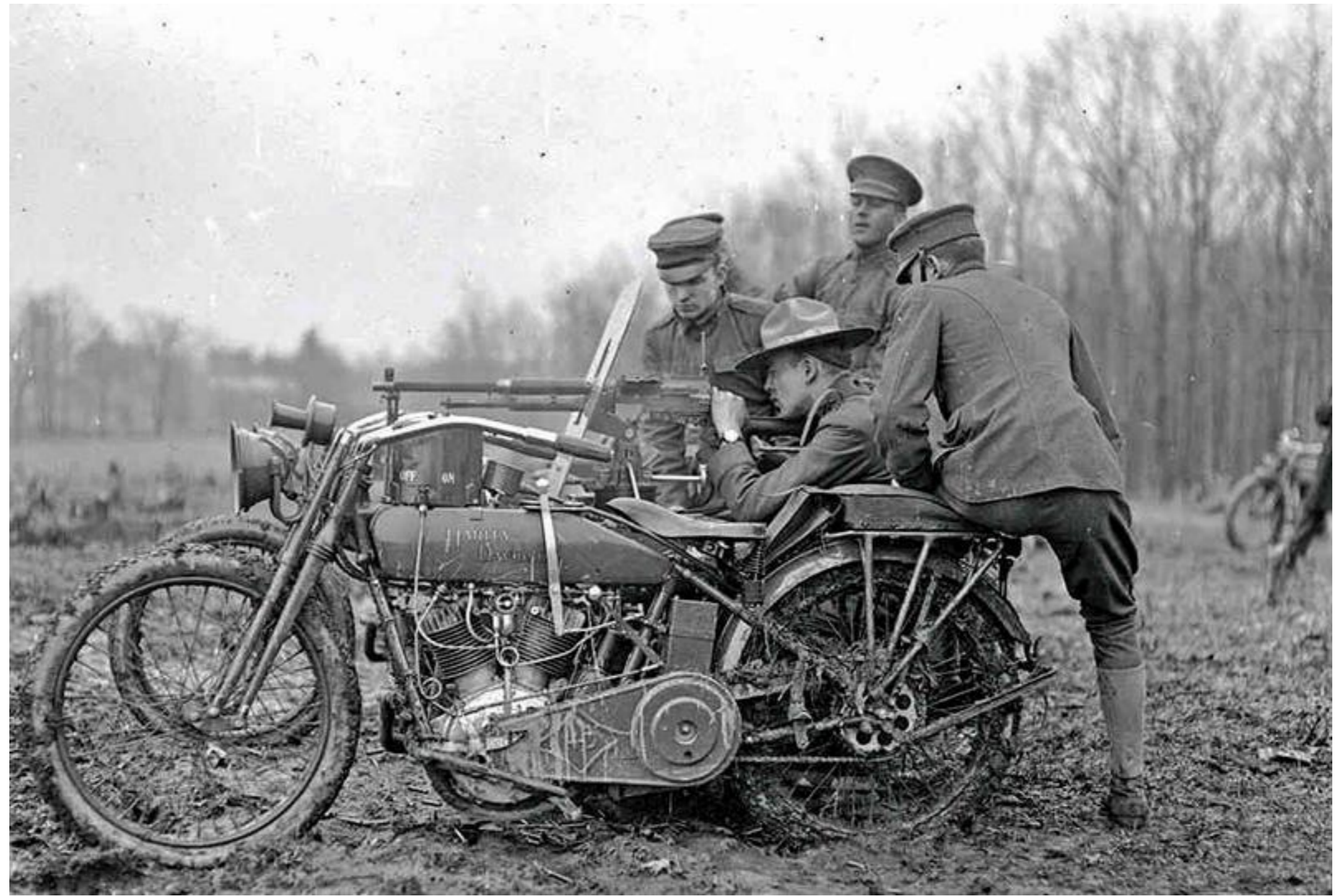
[More Data from Yahoo Finance](#)

The motorcycle manufacturer has wholly embraced its **identity** as the vehicular embodiment of ‘freedom’, ‘individualism’, ‘rebellion’, and the ‘American way’.

- Harley-Davidson is an American motorcycle manufacturer founded in 1903 in Milwaukee, Wisconsin, USA.
- The company was founded by three people named Davidson and one Harley.
- Harley comes before Davidson because he came up with the idea.
- Next pic: Mr. Harley is on the right.









- Harley-Davidson dominated racing after 1914.
- By 1920, they were the largest motorcycle manufacturer in the world, with 28,189 machines produced and dealers in 67 countries.
- In 1921, Otto Walker set a record on a Harley-Davidson as the first motorcycle to win a race at an average speed greater than 100 mph (160 km/h)
- Next slide, the US sent Harley's to the Soviet Union during WW II





- In 1969, AMF bought the company, streamlined production, and slashed the workforce. This tactic resulted in a labor strike and cost-cutting produced lower quality bikes.
- The Japanese revolutionized the motorcycle industry in the US and made motorcycling more accessible.
- Harleys were expensive and inferior in performance, handling, and quality to Japanese motorcycles.
- Sales and quality declined, and the company almost went bankrupt.

- In 1981, AMF sold the company.
- Rather than trying to match the Japanese, the new management deliberately exploited the “**retro**” appeal of the machines, building motorcycles that deliberately adopted the look and feel of their earlier machines and the subsequent customizations of owners of that era.
- Many components were outsourced from foreign manufacturers and quality increased, technical improvements were made, and buyers slowly returned.

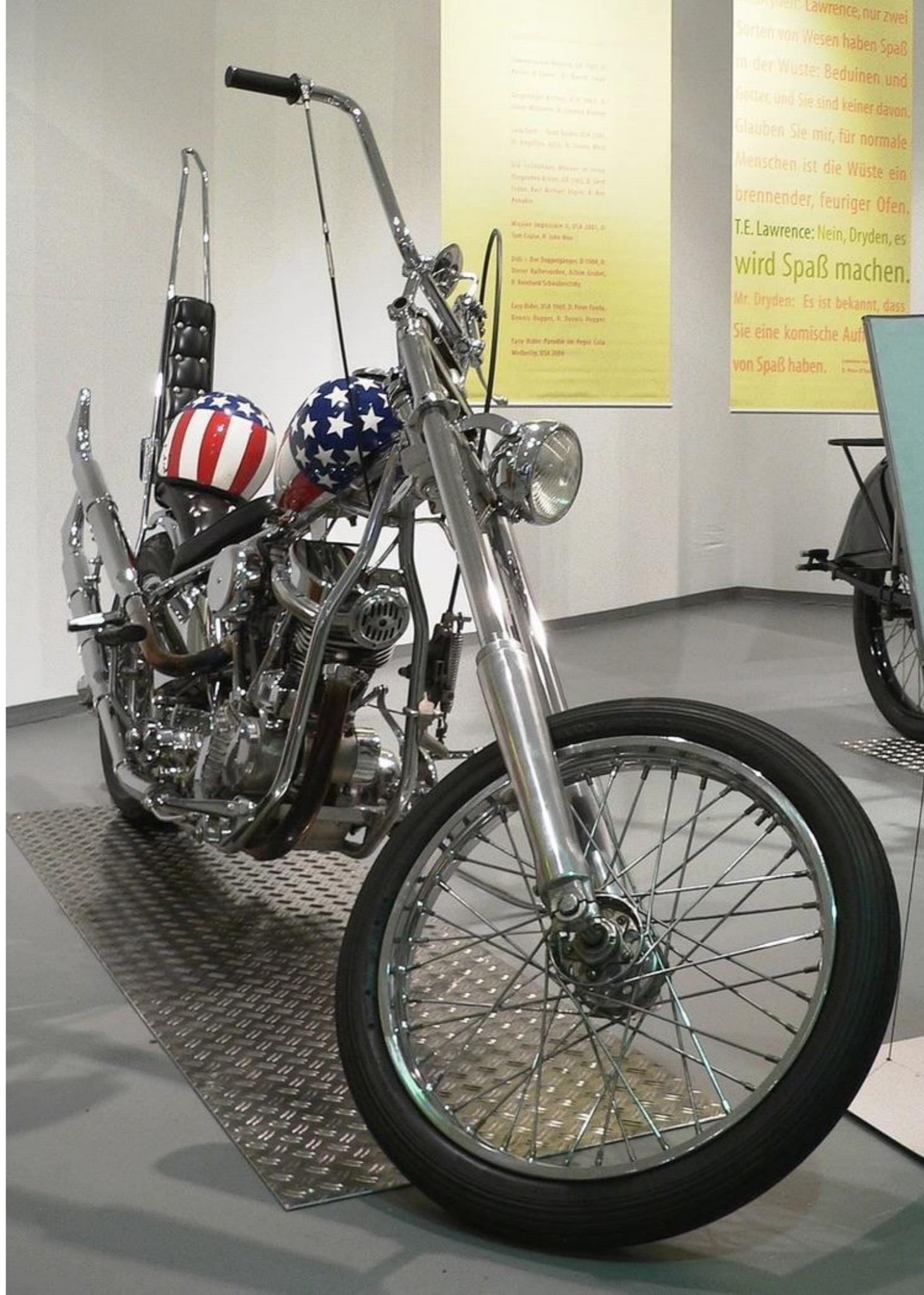
- In 1998 the first Harley-Davidson factory outside the US opened in Brazil in Brazil. The location was positioned to sell motorcycles in the southern hemisphere market.
- Besides the US and Brazil Harley started manufacturing its motorcycles in India and Thailand.
- In September 2020, HD announced that it would **discontinue** its sales and manufacturing operations in India due to weak demand and sales.

- Reasons for success
- 1. “Rebel By Choice” – Clear brand positioning by bikers, for bikers (identity)
- The motorcycle manufacturer has wholly embraced its **identity** as the vehicular embodiment of ‘freedom’, ‘individualism’, ‘rebellion’, and the ‘American way’.
- “It’s not hardware,” Richard F. Teerlink, Harley’s chairman [said in an interview](#), “it is a **lifestyle**, an **emotional attachment** and that’s what we have to keep marketing to”.
- When someone owns a Harley they realize that they are born into a community of equals where it doesn’t matter the status, job, income, power of the motorcycle rider next to them, it gives them permission to focus on a common goal of **community and a common passion** of riding motorcycles.

- 2. Build a loyal following and allow them to take ownership: The Harley Owner's Group (H.O.G.) (brand community)
- In 1983, Harley-Davidson created the Harley Owners Group (H.O.G.).
- This club would allow Harley to connect itself with both its customers and the mainstream population.

- 3. Becoming the representation of an ideal: Product placement in Easy Rider's "Captain America" bike (capitalize and tap into [current consumer behaviors and trends](#))
- In 1969, the cult movie Easy Rider reinvigorated Harley-Davidson.
- The film had a profound effect on Harley-Davidson and the global motorcycling scene. Bikers immediately began to customize their bikes to mimic those featured in Easy Rider.
- Harley-Davidson profitably capitalized on this, introducing similar-looking motorcycles to the market.

- Most famously, the Harley-Davidson motorbike (aka 'Captain America' bike) ridden by Peter Fonda's character in Easy Rider became a motorcycling phenomenon.
- The bike symbolized the global resurgence in counterculture and anti-war sentiments in the 1970s and 1980s.
- In 2014, the last 'Captain America' bike was sold for \$1.35 million at an auction to much fanfare.



...Dryden: Lawrence, nur zwei
Sorten von Wesen haben Spaß
in der Wüste: Beduinen und
Götter, und Sie sind keiner davon.
Glauben Sie mir, für normale
Menschen ist die Wüste ein
brennender, feuriger Ofen.
T.E. Lawrence: Nein, Dryden, es
wird Spaß machen.
Mr. Dryden: Es ist bekannt, dass
Sie eine komische Auffassung
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- 4. Create phenomenal events people look forward to – the annual Sturgis Motorcycle Rally (Sponsor and organize events relevant to your tribe. It builds communities and brings existing ones together.)
- Harley-Davidson has been extremely good at customer engagement, constructing brand loyalty, and building a brand community. The company regularly organizes and sponsors communal bike rallies, donation drives, and other social events.
- The most well-known of these events is the annual Sturgis Motorcycle Rally in Sturgis, South Dakota.

- Initially, Harley had no connections with the rally, which began back in 1936 by the Jack Pine Gypsies Motorcycle Club. Harley has been one of main sponsors of Sturgis, so much so that the event is described as the “epicenter of the Harley-Davidson mystique“.
- At Sturgis, Harley effectively socializes with its customers and fans, both old and new.
- Rally visitors are able to test-ride Harley bikes and purchase a plethora of Harley merchandise. Harley bike owners also proudly show off their motorcycles.
- As a result, Harley strengthens its relationship with its fanbase, treating them as family and as equal participants in the production and promotion of the brand.

- 5. Marketing to the Military (Associate your brand with key societal institutions.)
- Despite its renegade image, Harley-Davidson has strong connections with the US military. In WW1, Harley sold 15,000 motorcycles to the US military, and almost all of its output during WW2 was for the military as well.
- Unsurprisingly, many military veterans have purchased Harley bikes for civilian use. In recognition of their service, Harley operates a number of biking programs for military veterans.
- Harley introduced the 'Heroes Ride Free' program, offering a free Harley-Davidson Riding Academy course for all former and current American military personnel.
- By showing its appreciation for the US Military, a hallowed American institution, Harley-Davidson cements its quintessential American character while winning the hearts of military veterans, their families, and their supporters.

- 6. Extension of brand into clothing (Diversify your sources of revenue. Imbue each channel with brand values and character.)
- You don't just ride a Harley-Davidson motorcycle. You need to dress the part as well. In this department, Harley does an [amazing job in creating and selling clothes that embody its brand.](#)
- While Harley clothes represent a small amount of its total revenue, they nevertheless promote the Harley-Davidson lifestyle, turning its wearers into brand advocates.
- This means that regardless if you own a Harley bike or not, you'll be able to wear Harley's colors. And fashion, unlike motorcycles, is open to everyone.



FOR THE BIKE

MEN

WOMEN

FOR THE HOME

GIFT GUIDE

0

Home

Men

Riding Jackets

WORN TO BE WILD

RIDE FREE WITH AN ICONIC HARLEY-DAVIDSON® RIDING JACKET.



RIDING JACKETS

49 Products

Sort by **RELEVANCE**

Page 1 of 2



VIEW ALL

SHOP MEN

RIDING JACKETS

ACCESSORIES

LEATHER

MESH

MID-LAYERS

TEXTILE

FILTER BY:

COLOR



Miramar Distressed Leather Jacke...

★★★★★

\$425⁰⁰

Compare



Sublime Mesh Riding Jacket

★★★★★

\$135⁰⁰

Compare



Utilitarian Textile/Mesh Riding ...

★★★★★

\$275⁰⁰

Compare

- Problems
- The company reported its 12th consecutive quarter of **declining sales**, which were some 5% lower than the previous year, representing the company's worst financial results in over ten years. (August 2020)
- In many circles, Harley's demise is greatly attributed to its **weak marketing strategy** – especially its inability to capture the attention of new generations of riders.
- In 1985, the year before Harley went public, the median motorcycle owner was only **27**, according to the Bureau of Transportation Statistics. By 2018, the median age had risen to **50**.

- HD has been challenged by the changes in the sociocultural environment of its primary market, the US, and the legal environment internationally and domestically, in the form of trade barriers. (opened factories overseas to get around barriers, US pulled out of Trans-Pacific Partnership, US increased tariffs on steel)
- In reference to this shift in US market demand, an article in The Guardian noted that “gas-guzzling hogs” are not appealing to **younger consumers**.
- The motorcycle market in the US has been declining for years. Young people aren't riding, and new bikers aren't showing up as they did in the past.
- The Harley image of open-road freedom doesn't necessarily dovetail with the enthusiasm of millennials for city living.

- The millennial generation has strong opinions on the **environmental impact** of the automotive industry, something that poses a serious challenge for the gas-guzzling Harley product lineup.
- Their reason for purchasing a bike also differs, with younger riders generally turning to two-wheel vehicles for **convenience and ease of transportation**, rather than to bask in the prestige of the brand or for recreational purposes.
- Millennials have the different **lifestyle, psychological and sociocultural influencers and needs**, “who preferred sport bikes and dual-purpose motorcycles to cruiser and touring bikes”. If we want to compare baby boomers with Millennials, there are no replacing Baby Boomer men.
- The company’s U.S. bike sales peaked at more than 260,000 way back in 2006, and have since **dropped about 40%**.
- Although motorcycles are a favored form of transportation in India, people prefer small displacement bikes. Massive Harley v-twins aren't practical.

- Solutions
- International expansion especially, India and Asia
- Harley will develop 250-500cc bikes to sell there, and the company won't go it alone
- Electric motorcycle LiveWire project became a reality in 2019. (Failure)
- Adventure touring
- Medium sized bikes
- Fast bikes

- To ensure its survival, the company has added a new customer profile to its target demographic – that of motorcycle enthusiasts and non-riders between the ages of 22 and 38.
- Harley-Davidson is now targeting millennials with above-average income, banking on converting them into loyal followers that will carry the brand's proud history into the future.
- Harley-Davidson has thus far demonstrated unwillingness to evolve its brand perception enough to appeal to this consumer profile, to an almost frustrating extent.
- Women, while the fastest growing segment of the motorcycle riding population, are largely being ignored.
- Higher profit margins















- Jochen Zeitz the new CEO, who took over in February, is hailed for turning around the Puma brand's near-bankrupt business.
- Called to rethink Harley-Davidson, his first step in the five years turnaround strategy consists in cutting cost, considered unnecessary in the entire global organization, restructuring process and functions, while aiming to generate new ideas to revamp the brand.
- In all, the restructuring will eliminate 700 positions globally. It will result in a \$50 million restructuring charge in 2020.
- In the largest motorcycles market in the World, India, Harley is closing the plant and delegate both production and distribution to Hero Motor, the largest Indian manufacturer.
- Meanwhile it was announced the intention to quit 39 countries with low volume/low profit, while the company will concentrate the efforts in the top 50 markets. Among these, 17 will be covered with external distributors and 33 with direct subsidiaries.
- The product planning has been moved ahead by six months and there are rumors that only one new model will be launched in the 2021, entering the new for Harley-Davidson segment, the Adventure.

- Harley Davidson
- The motorcycle manufacturer Harley-Davidson made such an important comeback in the early 2000s that there was a long waiting list to get a bike. In 2007, Harley-Davidson's revenues exceeded \$6 billion with a market share of about 50% in the heavyweight category.
- Although distributors urged Harley-Davidson to build more motorcycles, the company was skeptical about investing in new production facilities. The years of declining sales taught top management to be more risk averse than risk prone.
- Harley-Davidson was now performing well again, and investing in new facilities meant taking risks. Would the demand follow in the long run or would customers stop wanting Harleys when the next fad came along?
- The decrease in motorcycles' quality linked to Harley's fast growth had cost the company all its bad years. Top management was afraid that the decision to invest was too early.

- On the other hand, investing would help Harley-Davidson expand and possibly become the clear market leader in the heavyweight segment.
- Discussions with industry experts indicated that **brand loyalty** was a major factor influencing the sales and repeat sales of motorcycles. Secondary data revealed that the vast majority of motorcycle owners also owned automobiles such as cars, SUVs, and trucks.
- Focus groups with motorcycle owners further indicated that motorcycles were not used primarily as a means of basic transportation but as a means of **recreation**.
- The focus groups also highlighted the role of **brand loyalty** in motorcycle purchase and ownership.

- Forecasts called for an increase in consumer spending on recreation and entertainment well into the year 2015. Empowered by the Internet, consumers in the twenty-first century had become increasingly sophisticated and value conscious.
- Yet brand image and brand loyalty played a significant role in buyer behavior with well-known brands continuing to command a premium. Harley-Davidson had the necessary resources and marketing and technological skills to achieve its objective of being the dominant motorcycle brand on a global basis.
- This process and the findings that emerged helped define the management decision problem and the marketing research problem.
- **The management decision problem** was: Should Harley-Davidson invest to produce more motorcycles?
- **The marketing research problem** was to determine if customers would be loyal buyers of Harley-Davidson in the long term.

- **Specifically, the research had to address the following questions:**

- Who are the customers? What are their demographic and psychographic characteristics?
- Can different types of customers be distinguished? Is it possible to segment the market in a meaningful way?
- How do customers feel regarding their Harleys? Are all customers motivated by the same appeal?
- Are the customers loyal to Harley-Davidson? What is the extent of brand loyalty?
- **One of the research questions (RQs) examined and its associated hypotheses (Hs) were:**
- RQ: Can the motorcycle buyers be segmented based on psychographic characteristics?
- H1: There are distinct segments of motorcycle buyers.
- H2: Each segment is motivated to own a Harley for a different reason.
- H3: Brand loyalty is high among Harley-Davidson customers in all segments.

- This research was guided by the theory that **brand loyalty** is the result of **positive beliefs, attitude, affect, and experience** with the brand.
- Both qualitative research and quantitative research were conducted.
- First, **focus groups** of current owners, would-be owners, and owners of other brands were conducted to understand their feelings about Harley-Davidson.
- Then 16,000 **surveys** were mailed to get the psychological, sociological, and demographic profiles of customers and also their subjective appraisal of Harley.

- **Some of the major findings were as follows:**
- **Seven categories of customers could be distinguished:** (1) the adventure-loving traditionalist, (2) the sensitive pragmatist, (3) the stylish status seeker, (4) the laid-back camper, (5) the classy capitalist, (6) the cool-headed loner, and (7) the cocky misfit. **H1 was supported.**
- H1: There are distinct segments of motorcycle buyers.
- All customers had the same desire to own a Harley: It was a symbol of independence, freedom, and power. This uniformity across segments was surprising, **contradicting H2.**
- H2: Each segment is motivated to own a Harley for a different reason.

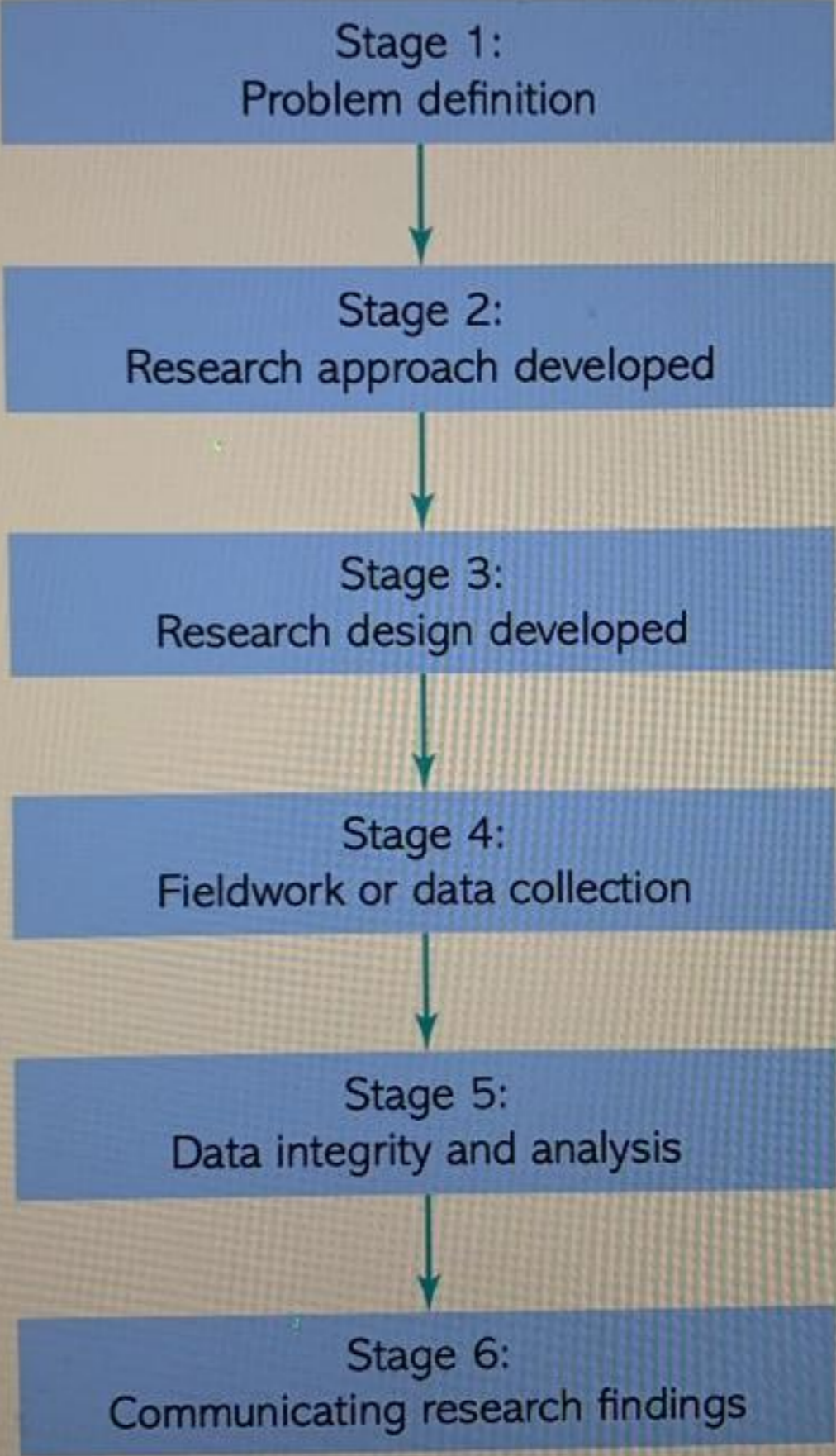
- All customers were long-term loyal customers of Harley-Davidson, **supporting H3.**
- H3: Brand loyalty is high among Harley-Davidson customers in all segments.
- Based on these findings, **the decision was taken to invest and in this way to increase the number of Harleys built in the future.**
- This example shows the importance of correctly defining the **marketing research problem and developing an appropriate approach.**

Defining the Marketing Research Problem & Developing an Approach

Chapter 2

- This chapter focuses on steps or stages 1 and 2 of the six-stage market research process.

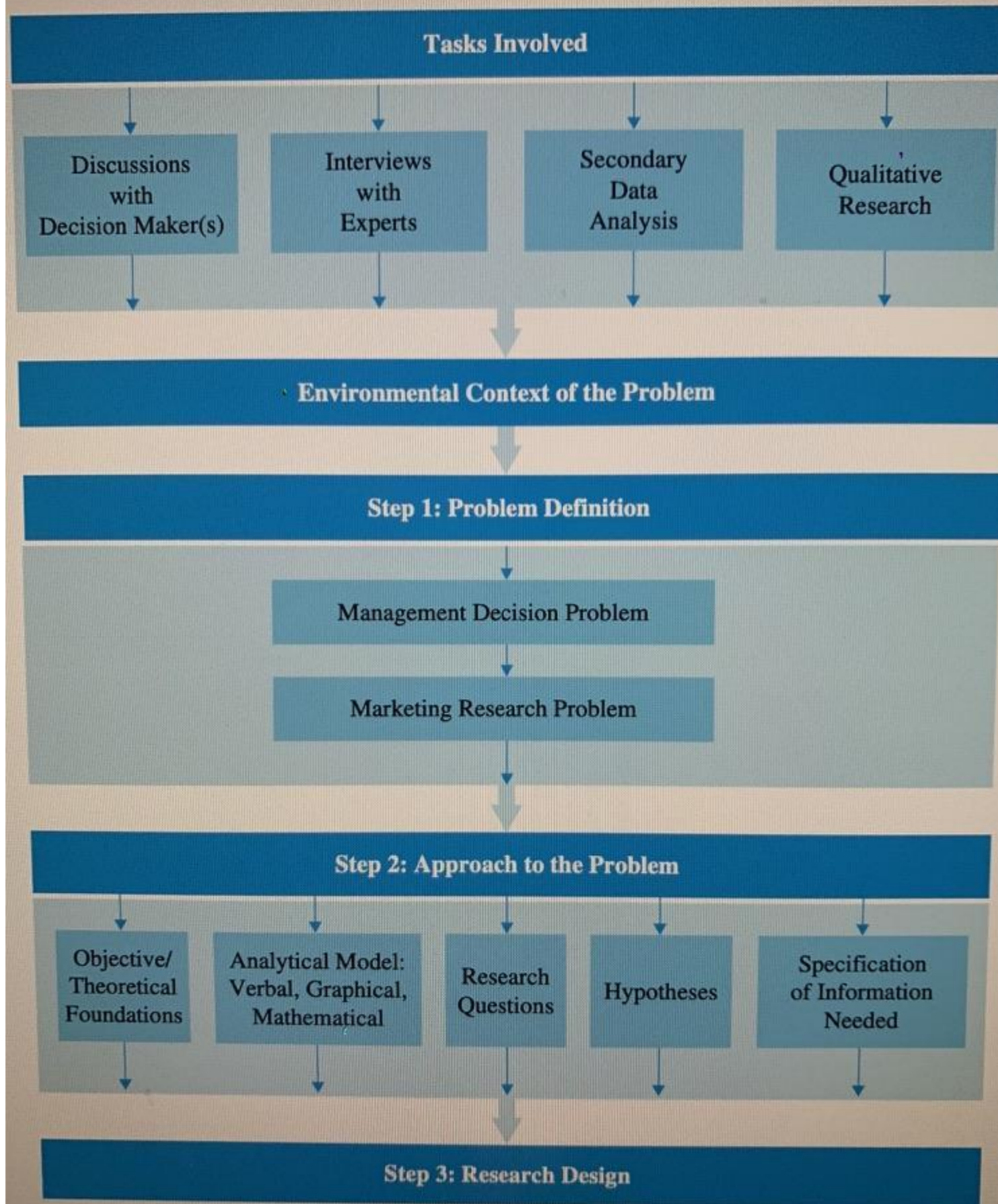
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- Importance of Defining the Problem
- Although each step in a marketing research project is important, problem definition is the most important step.
- **Problem definition** involves stating the general problem and identifying the specific components of the marketing research problem. Only when the marketing research problem has been clearly defined can research be designed and conducted properly.
- As stated by Peter Drucker, the truly serious mistakes are made not as a result of wrong answers but because of asking the wrong questions.
- Inadequate problem definition is a **leading cause of failure** of marketing research projects.
- Better communication and more involvement in **problem definition** are the most frequently mentioned ways of improving the usefulness of research.

- One day, I received a telephone call from a research analyst who introduced himself as one of our alumni. He was working for a restaurant chain in town and wanted help in analyzing the data he had collected while conducting a marketing research study.
- When we met, he presented me with a copy of the questionnaire and asked how he should analyze the data.
- My first question to him was, “What is the problem being addressed?” When he looked perplexed, I explained that data analysis was not an independent exercise. Rather, the goal of data analysis is to provide information related to the problem components.
- I was surprised to learn that he did not have a clear understanding of the **marketing research problem** and that a written definition of the problem did not exist.
- So, before proceeding any further, I had to define the **marketing research problem**.
- Once that was done, I found that much of the data collected were not relevant to the problem. In this sense, the whole study was a waste of resources. A new study had to be designed and implemented to address the problem identified.

- Next slide shows the components of the first and second steps: problem definition and approach to the problem.



meeting with them collectively or individually may be difficult. Despite these problems, it is necessary that the researcher interact directly with the key decision makers⁵

- The Process of Defining the Problem and Developing an Approach
- The tasks involved in **problem definition** consist of discussions with the decision makers, interviews with industry experts and other knowledgeable individuals, analysis of secondary data, and sometimes qualitative research.
- These tasks help the researcher to understand the background of the problem by analyzing the environmental context. Certain essential environmental factors bearing on the problem should be evaluated. Understanding the environmental context facilitates the identification of the management decision problem.
- Then the **management decision problem** is translated into a **marketing research problem**.
- Based on the definition of the marketing research problem, an **appropriate approach** is developed.
- **The components of the approach consist of** an objective/theoretical framework, analytical models, research questions, hypotheses, and specification of the information needed.

- Discussions with decision makers (DM)
- The DM needs to understand the capabilities and limitations of research. Research provides information relevant to management decisions, but it cannot provide solutions because solutions require **managerial judgment**.
- The researcher needs to understand the nature of the decision managers face and what they hope to learn from the research.
- To identify the management problem, the researcher must possess considerable skill in interacting with the DM.
- **Several factors may complicate this interaction.**
- Access to the DM may be difficult, and some organizations have complicated protocols for access to top executives. The organizational status of the researcher or the research department may make it difficult to reach the key DM in the early stages of the project.
- There may be more than one key DM and meeting with them collectively or individually may be difficult. Despite these problems, it is necessary that the researcher interact directly with the key decision makers

- The **problem audit** provides a useful framework for interacting with the DM and identifying the underlying causes of the problem. The problem audit, like any other type of audit, is a **comprehensive examination** of a marketing problem with the purpose of understanding its origin and nature.
- **The problem audit involves discussions with the DM on the following issues that are illustrated with a problem facing McDonald's:**
- **1. The events that led to the decision that action is needed, or the history of the problem.** McDonald's, a long-time leader in the fast-food industry, was losing market share in 2003 and 2004 to competitors such as Burger King, Wendy's, and Subway in some of the key markets. This problem came into sharper focus as these competitors launched new products and aggressive promotional campaigns, whereas the recent campaigns of McDonald's were not as successful.
- **2. The alternative courses of action available to the DM.** The set of alternatives may be incomplete at this stage, and qualitative research may be needed to identify the more innovative courses of action. The alternatives available to the management of McDonald's include introducing new sandwiches and menu items, reducing prices, opening more restaurants, launching special promotions, and increasing advertising.

- **3. The criteria that will be used to evaluate the alternative courses of action.** New product offerings might be evaluated on the basis of sales, market share, profitability, return on investment, and so forth. McDonald's will evaluate the alternatives based on contributions to market share and profits.
- **4. The potential actions that are likely to be suggested based on the research findings.** The research findings will likely call for a strategic marketing response by McDonald's.
- **5. The information that is needed to answer the DM's questions.** The information needed includes a comparison of McDonald's and its major competitors on all the elements of the marketing mix (product, pricing, promotion, and distribution) in order to determine relative strengths and weaknesses.

- **6. The manner in which the DM will use each item of information in making the decision.** The key decision makers will devise a strategy for McDonald's based on the research findings and their intuition and judgment
- **7. The corporate culture as it relates to decision making.** In some firms, the decision-making process is dominant; in others, the personality of the DM is more important.
- Awareness of corporate culture may be one of the most important factors that distinguishes researchers who affect strategic marketing decisions from those who do not.
- The corporate culture at McDonald's calls for a committee approach in which critical decisions are made by key decision makers.

- It is important to perform a **problem audit** because the DM, in most cases, has only a vague idea of what the problem is.
- The DM may know that the firm is losing market share but may not know why, because DMs tend to focus on **symptoms** rather than on **causes**. Inability to meet sales forecasts, loss of market share, and decline in profits are all symptoms.
- The researcher should treat the **underlying causes**, not merely address the symptoms. Loss of market share may be caused by a superior promotion by the competition, inadequate distribution of the company's products, or any number of other factors.
- **Only when the underlying causes are identified can the problem be successfully addressed**, as exemplified by the effort of store brand jeans.

- Store brand jeans
- For years, teenagers have considered store label jeans “uncool.” Although the lower price tag of store brand jeans, such as JCPenney’s Arizona brand jeans or the Gap’s in-house brand, has long appealed to value-conscious parents, teenagers have preferred big brand names such as Levi’s, Lee, and Wrangler.
- The big-name brands have historically dominated the \$12 billion industry as a result. Through marketing research **problem audits**, the private labels determined that the real **cause** for their low market share was **lack of image**.
- The **marketing research problem** was defined as enhancing their image in the eyes of the target market—the lucrative teenage segment.
- Arizona jeans and Gap’s in-house brands have led the charge among the “generics” in changing their image. These store brand jeans, along with other store label jeans, now target the teenage market with “cutting edge” advertising.
- Their advertisements feature rock bands such as Aerosmith along with high-tech imagery to attract teenagers. The brands also promote their trendy Web sites—areas where their target market should go and visit to be “cool.”

- Gap jeans have also scored big. The chain's strategy has been to distance their store brand jeans from the store itself. Teenagers think of the Gap as a place where older people or their parents shop, thus making it "uncool."
- Gap's marketing campaign now aims to **separate** their store name and image from their jeans that are aimed at teens. This is the opposite of a more typical or traditional brand name leveraging strategy. The results, according to the research services firm TRU, are that "Teens are not putting it together that this is the house brand."
- The results for the store brand jeans have been quite successful. According to the marketing research firm NPD Group, private label jeans' market share has risen in the 2000s.
- Levi's, the market leader, has seen their market share drop over the same time period. Levi's drop is also indicative for the big brand names nationwide. These impressive results are encouraging other stores to consider introducing their own label jeans to capture a portion of the teenage market.

- The interaction between the researcher and the DM is facilitated when one or more people in the client organization serve as a liaison and form a team with the marketing researcher.
- **In order to be fruitful, the interaction between the DM and the researcher should be characterized by the seven Cs:**
- (1) **Communication.** Free exchange of ideas between the DM and researcher is essential.
- (2) **Cooperation.** Marketing research is a team project in which both parties (DM and researcher) must cooperate.
- (3) **Confidence.** The interaction between the DM and the researcher should be guided by mutual trust.

- (4) **Candor.** There should not be any hidden agendas, and an attitude of openness should prevail.
- (5) **Closeness.** Feelings of warmth and closeness should characterize the relationship between the DM and the researcher.
- (6) **Continuity.** The DM and the researcher must interact continually rather than sporadically.
- (7) **Creativity.** The interaction between the DM and the researcher should be creative rather than formulaic.

- Interviews with industry experts
- Typically, expert information is obtained by **unstructured personal interviews**, without administering a formal questionnaire. It is helpful to prepare a list of topics to be covered during the interview.
- The order in which these topics are covered and the questions to ask should not be predetermined but decided as the interview progresses.
- This allows greater flexibility in capturing the insights of the experts.
- The purpose of interviewing experts is to **help define the marketing research problem rather than to develop a conclusive solution.**

- Cherry Coke
- As of 2009, Coca-Cola is still the world's leading manufacturer, marketer, and distributor of nonalcoholic beverages to more than 200 countries, with more than 2,800 beverage products.
- Sales of Diet Cherry Coke had been **languishing**, down from more than 8 million cases sold in the peak years. Coke system bottlers had begun to cut back distribution of Diet Cherry Coke.
- Faced with this issue, Coca-Cola had to determine the **cause** of such a decline in sales. When industry experts were consulted, the real problem was identified: Diet Cherry Coke was **not positioned correctly**.
- These experts emphasized that brand image was a key factor influencing soft drink sales, and Diet Cherry Coke was perceived as conventional and old-fashioned, an image inconsistent with that of Cherry Coke.
- The **marketing research problem** was identified as measuring the image and positioning of Diet Cherry Coke. The research undertaken confirmed the diagnosis of the industry experts and provided several useful insights.

- Based on the research results, the product was **repositioned** to align it more closely to the image of Cherry Coke.
- The aim was to target younger drinkers. The packaging was remade to also be more consistent with the Cherry Coke packaging. Bolder, edgy graphics were used to appeal to the youth segment.
- Diet Cherry Coke was placed with Cherry Coke in a teen-targeted promotional giveaway.
- Positioning Diet Cherry Coke as a **youthful** soft drink and targeting the **teenage segment** led to a turnaround and increased sales. Sales have shown an upward trajectory since thanks to the industry experts who helped identify the real problem.
- The Diet Cherry Coke example points to the key role of industry experts. Information obtained from the DM and the industry experts should be supplemented with the available secondary data.

- Qualitative research
- Information obtained from the DM, industry experts, and secondary data may not be sufficient to define the research problem.
- Sometimes qualitative research must be undertaken to gain an understanding of the problem and its underlying factors.
- **Qualitative research** is **unstructured, exploratory** in nature, based on small samples, and may utilize popular qualitative techniques such as **focus groups** (group interviews), **word association** (asking respondents to indicate their first responses to stimulus words), and **depth interviews** (one-on-one interviews that probe the respondents' thoughts in detail).
- Other exploratory research techniques, such as **pilot surveys and case studies**, may also be undertaken to gain insights into the phenomenon of interest.

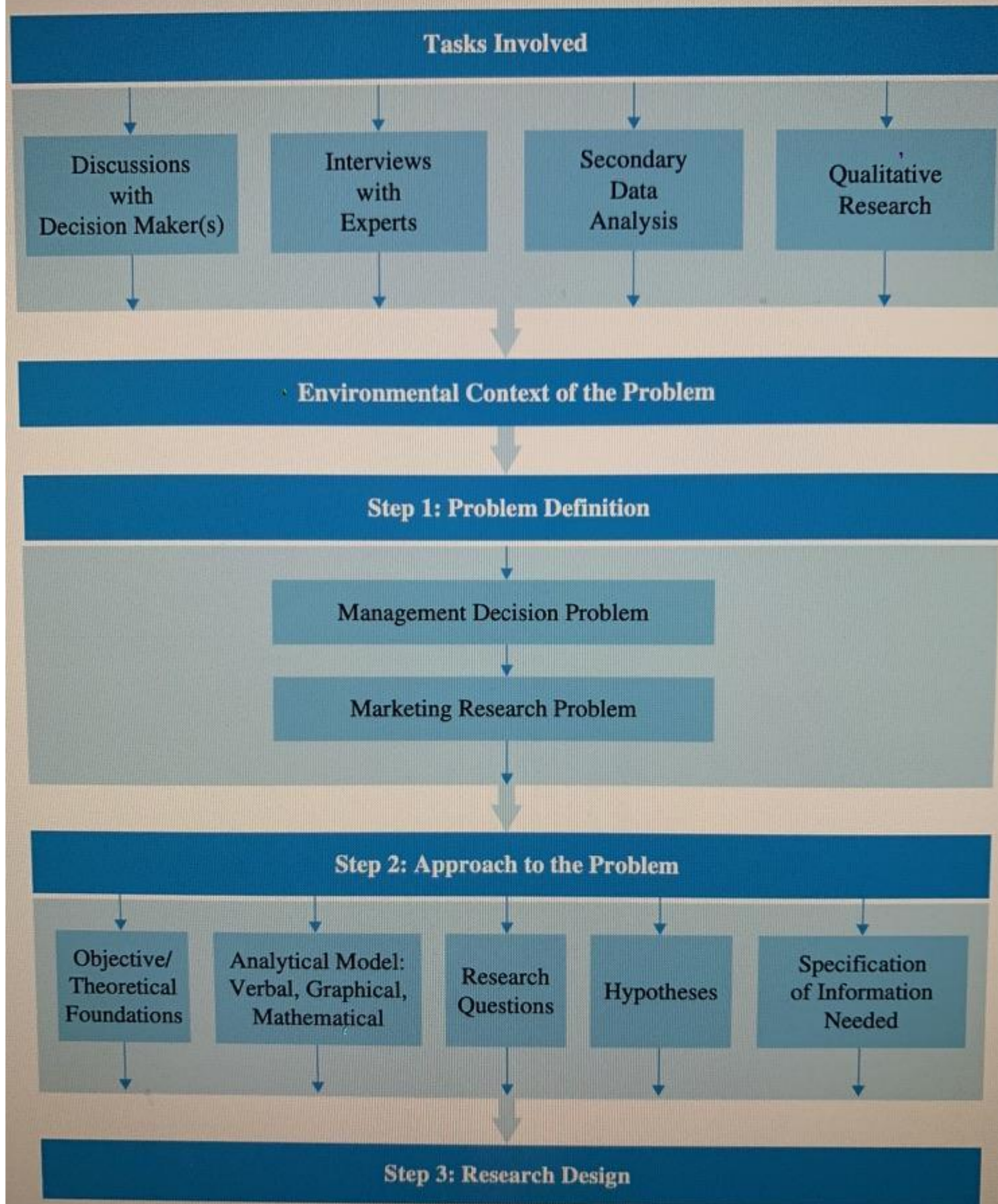
- **Pilot surveys** tend to be less structured than large-scale surveys in that they generally contain more open-ended questions and the sample size is much smaller.
- **Case studies** involve an intensive examination of a few selected cases of the phenomenon of interest. The cases could be consumers, stores, firms, or a variety of other units such as markets, Web sites, and so on.
- The data are obtained from the company, external secondary sources, and by conducting lengthy unstructured interviews with people knowledgeable about the phenomenon of interest.
- In the **department store project**, valuable insights into factors affecting store patronage were obtained in a case study comparing the five best stores with the five worst stores.

- Although research undertaken at this stage may not be conducted in a formal way, it can provide valuable insights into the problem, as illustrated by Harley-Davidson in the opening example.
- **Industry experts** indicated the importance of brand loyalty, which also emerged as a major factor in focus groups.
- **Secondary data** revealed that most motorcycle owners also owned automobiles such as cars, SUVs, and trucks.
- **Focus groups** further indicated that motorcycles were used primarily as a means of recreation, and all these factors were useful in defining the problem as determining if customers would be loyal buyers of Harley-Davidson in the long term.
- Procter & Gamble (P&G) provides another illustration of the role of **qualitative research** in defining the marketing research problem.

- P&G
- P&G, the maker of Tide laundry detergent, Pampers diapers, and Crest toothpaste, is sending **video crews and cameras** into about 80 households around the world, hoping to capture, on tape, life's daily routines and procedures in all their boring glory.
- P&G thinks the exercise will yield a mountain of priceless insights into consumer behavior that more traditional methods—focus groups, interviews, home visits—may have missed.
- People tend to have **selective memories** when talking to a market researcher. They might say that they brush their teeth every morning or indulge in just a few potato chips when in fact they often forget to brush and eat the whole bag.
- Videotaping, P&G hopes, will help it get at the whole truth.

- Initially, the study followed families in the UK, Italy, Germany, and China. After a subject family agrees to participate, one or two ethnographer-filmmakers arrive at the home when the alarm clock rings in the morning and stay until bedtime, usually for a four-day stretch.
- To be as unobtrusive as possible, the crew might at certain times leave the camera alone in a room with the subjects or let them film themselves.
- There are ground rules.
- If friends come over, the subjects must inform them that they are being filmed.
- The subjects and filmmakers agree on boundaries ahead of time: Most bedroom and bathroom activities aren't taped.

- P&G is acting on the information obtained by such research to come up with innovative products that cater to the market needs.
- Some of the movies at customers' homes revealed that one of the biggest challenges faced by working mothers is their **hectic mornings**. In between getting the kids off to school and juggling a host of other duties, they still want to make sure they leave the house **looking their best**.
- P&G defined the **marketing research problem** as determining the potential for multipurpose products that could help this segment of customers by making their makeup routine easier.
- Subsequent research led to the launch of **multipurpose products** such as a CoverGirl cosmetic that is a moisturizer, foundation, and sunscreen all rolled into one
- The insights gained from qualitative research, along with discussions with decision makers, interviews with industry experts, and secondary data analysis, help the researcher to understand the **environmental context of the problem**.



meeting with them collectively or individually may be difficult. Despite these problems, it is necessary that the researcher interact directly with the key decision makers⁵

- Environmental context of the problem
- To understand the background of a marketing research problem, the researcher must understand the client's **firm and industry**.
- In particular, the researcher should analyze the **factors** that have an impact on the definition of **the marketing research problem**.
- These factors, encompassing the **environmental context of the problem**, include (1) past information and forecasts pertaining to the industry and the firm, (2) resources and constraints of the firm, (3) objectives of the decision maker, (4) buyer behavior, (5) legal environment, (6) economic environment, and (7) marketing and technological skills of the firm.

- (1) Past information and forecasts
- **Past information and forecasts of trends** with respect to sales, market share, profitability, technology, population, demographics, and lifestyle can help the researcher understand the underlying marketing research problem.
- Where appropriate, this kind of analysis should be carried out at the **industry and firm levels.**
- If a firm's sales have decreased but industry sales have increased, the problems will be very different than if the industry sales have also decreased. In the former case, the problems are likely to be specific to the firm.
- Past information and forecasts can be valuable in uncovering potential opportunities and problems. The following example shows how marketers can exploit potential opportunities by correctly assessing potential demand.

- Smarte Carte
- Smarte Carte is the leader in baggage cart, locker, and stroller services at more than 1,000 airports, train stations, bus terminals, shopping centers, and entertainment facilities around the world.
- The company recently developed a new locker using “smart” technology. They wanted to know which would be the ideal markets for this new product and sought the help of Emerge Marketing.

- Expanding into new markets requires knowledge of each market's size and growth potential, barriers to entry, and competitors.
- Using qualitative research (like focus groups and depth interviews) and secondary research methods (like Census Bureau information and Nielsen ratings), Emerge Marketing developed baseline information for a number of possible market segments.
- Based on the key requirements identified for each market, it was found that the new locker technology would be a good fit for **amusement parks, ski areas, and water parks.**
- The study had revealed that the features offered by the new product suited the needs of these markets segments the best. The competitive picture was most favorable in these segments.
- The problem definition was **narrowed** to determining the demand potential for the new technology in these three segments (amusement parks, ski areas, and water parks).
- Further research was then conducted to **quantify** the market in terms of potential sales in these segments so that Smarte Carte could develop products, manufacturing capabilities, and budgets accordingly.

- Based on the study, Smarte Carte **fine-tuned** the product for these three markets.
- **Keyless** electronic storage lockers were developed with the **water parks** in mind.
- Visitors could lock their valuables in this locker and then enjoy their rides without having to worry about safety of their locker keys.

- (2) Resources and constraints
- To formulate a marketing research problem of appropriate scope, it is necessary to take into account both the **resources available**, such as money and research skills, and the **constraints** on the organization, such as cost and time.
- Proposing a large-scale project that would cost \$100,000 when only \$40,000 has been budgeted obviously will not meet management approval.
- In many instances, the **scope** of the marketing research problem may have to be reduced to accommodate budget constraints.
- This might be done, as in the department store project, by confining the investigation to **major geographical markets** rather than conducting the project on a national basis.

- It is often possible to extend the scope of a project appreciably with only a marginal increase in costs.
- This can considerably enhance the usefulness of the project, thereby increasing the probability that management will approve it.
- Time constraints can be important when decisions must be made quickly.

- **Other constraints**, such as those imposed by the client firm's personnel, organizational structure and culture, or decision-making styles, should be identified to determine the scope of the research project.
- Constraints should not be allowed to diminish the value of the research to the decision maker or compromise the integrity of the research process.
- **If a research project is worth doing, it is worth doing well.** In instances where the resources are **too limited to allow a high-quality project**, the firm should be advised **not to undertake** formal marketing research.
- For this reason, it becomes necessary to identify resources and constraints, a task that can be better understood when examined in the light of the **objectives** of the organization and the decision maker.

- (3) Objectives
- Decisions are made to accomplish **objectives**. The formulation of the management decision problem must be based on a clear understanding of two types of objectives: (1) the organizational objectives (the goals of the organization), and (2) the personal objectives of the decision maker (DM).
- For the project to be successful, it must serve the objectives of the organization and of the DM. This is not an easy task.
- The decision maker rarely formulates personal or organizational objectives accurately. Rather, it is likely that these objectives will be stated in terms that have no operational significance, such as “to improve corporate image.”
- Direct questioning of the DM is unlikely to reveal all of the relevant objectives. The researcher needs skill to extract these objectives.
- An effective technique is to confront the decision makers with **each of the possible solutions to a problem and ask whether they would follow that course of action**. If a “no” answer is received, use further probing to uncover objectives that are not served by the course of action.

- (4) Buyer behavior
- **Buyer behavior** is a central component of the environmental context. In most marketing decisions, the problem can ultimately be traced to **predicting the response of buyers to specific actions** by the marketer.
- An understanding of the underlying buyer behavior can provide valuable insights into the problem.

- The buyer behavior factors that should be considered include:

- **1.** The number and geographical location of the buyers and nonbuyers

- **2.** Demographic and psychological characteristics

- **3.** Product consumption habits and the consumption of related product categories

- **4.** Media consumption behavior and response to promotions

- **5.** Price sensitivity

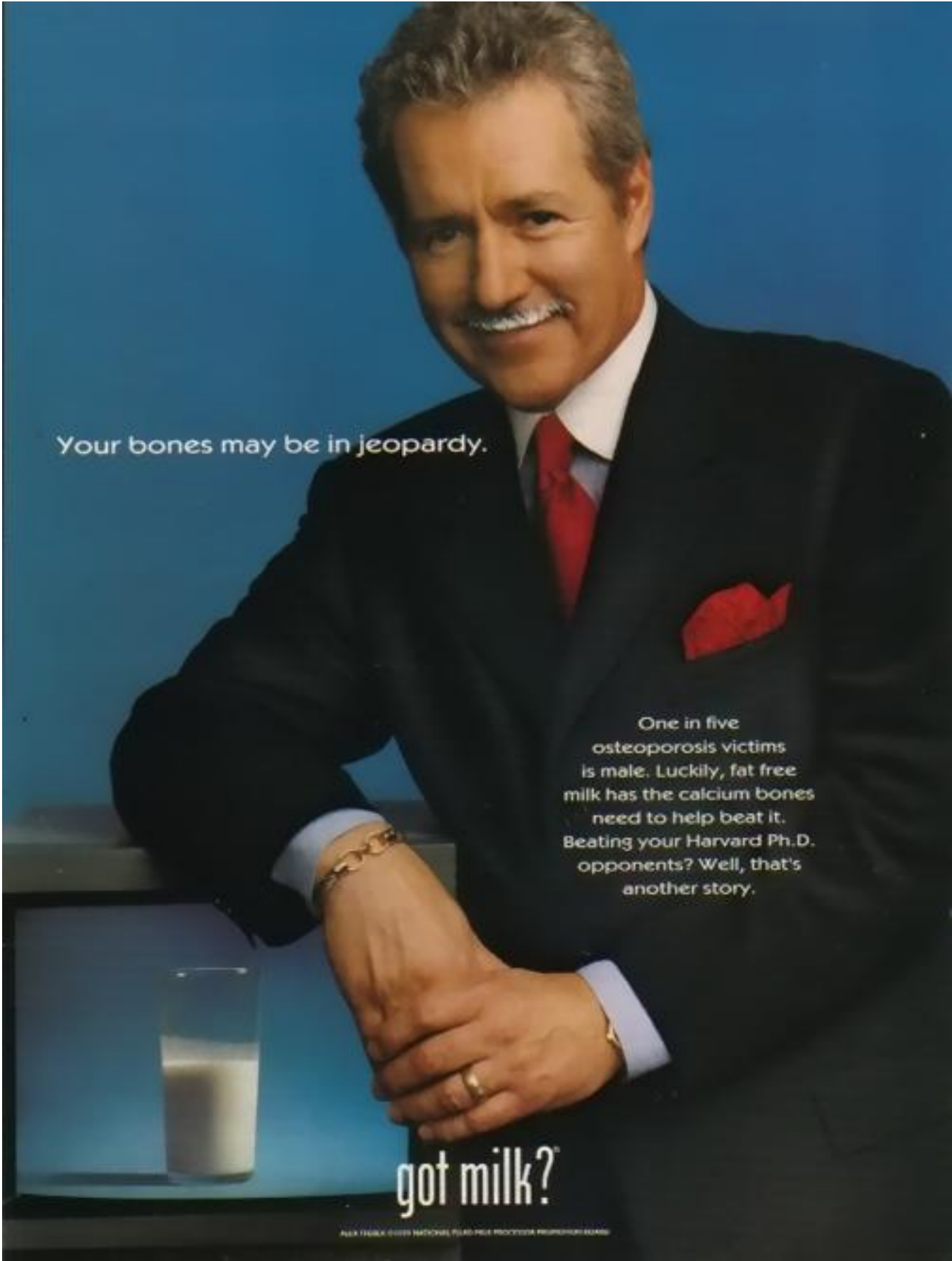
- **6.** Retail outlets patronized

- **7.** Buyer preferences

- The following example shows how an understanding of the relevant **buyer behavior** helps in identifying the **causes** underlying a problem.

- Milk
- Milk sales had declined in the 1980s and early 1990s, and the milk industry needed to find a way to increase sales. An advertising company was hired to conduct a **telephone tracking survey** of Californians over age 11.
- A tracking study analyzes the changing views of a single group of consumers. It provides measurement over time to update knowledge.
- To identify the **cause** of low milk sales, the research company sought to understand the **underlying behavior** of consumers toward milk. Through extensive **focus groups, household observations, and telephone surveys**, they were able to understand **consumer behavior** underlying milk consumption.
- This research revealed how people used milk, what made them want it, with what foods they used it, and how they felt when they were deprived of it.
- They found that 88% of milk is consumed at home and that milk was not the central drink of the average person, but it was used in combination with certain foods such as cereal, cakes, pastries, and so forth.

- **Milk was strongly missed when there was none around.** The advertising agency developed an ad campaign around consumer behavior with respect to milk and launched the well-known “milk mustache” campaign with the “Got Milk?” tag line.
- This creative advertising was a real attention getter, showing celebrities from Joan Lunden to Rhea Perlman and Danny DeVito sporting the famous white mustache. Through marketing research and the advertising campaign, milk sales increased and continued to be stable through 2009.
- But beyond sales, “Got Milk?” has become part of the American language. Some consumers have even said that their kids walk into the kitchen with a cookie asking for a “glass of got milk?”
- The decline in milk consumption could be attributed to changes in the **sociocultural environment**, which include demographic trends and consumer tastes.
- The legal environment and the economic environment can have an impact on the behavior of consumers and the definition of the marketing research problem.

A man with a mustache, wearing a dark suit, white shirt, and red tie, is leaning on a table. He is looking towards the camera with a slight smile. On the table in front of him is a glass of milk. The background is a solid blue color.

Your bones may be in jeopardy.

One in five
osteoporosis victims
is male. Luckily, fat free
milk has the calcium bones
need to help beat it.
Beating your Harvard Ph.D.
opponents? Well, that's
another story.

got milk?

PLEASE DRINK ONLY NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD

- Environment context and problem definition
- After gaining an adequate understanding of the environmental context of the problem, the researcher can define the management decision problem and the marketing research problem.
- This process was illustrated in the opening Harley-Davidson example.
- Forecasts called for an increase in consumer spending on recreation and entertainment well into the year 2015. Empowered by the Internet, consumers in the twenty-first century became increasingly sophisticated and value conscious.
- Yet brand image and brand loyalty played a significant role in buyer behavior with well-known brands continuing to command a premium. Clearly, Harley-Davidson had the necessary resources and marketing and technological skills to achieve its objective of being the dominant motorcycle brand on a global basis.
- The **management decision problem** was: Should Harley-Davidson invest to produce more motorcycles?
- The **marketing research problem** was to determine if the customers would be loyal buyers of Harley-Davidson in the long term.

- Management Decision Problem and Marketing Research Problem
- The **management decision problem** asks what the DM needs to do
- The **marketing research problem** asks what information is needed and how it can best be obtained (Table 2.1).
- After we have obtained the management decision problem, we have to convert that to a marketing research problem that the research can be based on.

TABLE 2.1

Management Decision Problems Versus the Marketing Research Problem

Management Decision Problem	Marketing Research Problem
Asks what the decision maker needs to do	Asks what information is needed and how it should be obtained
Action oriented	Information oriented
Focuses on symptoms	Focuses on the underlying causes

The following examples further distinguish between the management decision problem and the marketing research problem:

MANAGEMENT DECISION PROBLEM

- Should a new product be introduced?
- Should the advertising campaign be changed?
- Should the price of the brand be increased?

MARKETING RESEARCH PROBLEM

- To determine consumer preferences and purchase intentions for the proposed new product
- To determine the effectiveness of the current advertising campaign
- To determine the price elasticity of demand and the impact on sales and profits of various levels of price changes

While distinct, the marketing research problem has to be closely linked to the management decision problem. A good way to link the broad statement of the marketing research problem with

- The **management decision problem** is action oriented.
- It is concerned with the possible actions the DM can take. How should the loss of market share be addressed? Should the market be segmented differently? Should a new product be introduced? Should the promotional budget be increased?
- The **marketing research problem** is information oriented.
- It involves determining what information is needed and how that information can be obtained effectively and efficiently.
- Whereas the **management decision problem** focuses on **symptoms**, the **marketing research problem** focuses on underlying **causes**.

- Consider the **loss of market share** for a particular product line.
- The **DM's decision problem** is how to recover this loss. Alternative courses of action include modifying existing products, introducing new products, changing other elements in the marketing mix, and segmenting the market.
- Suppose the DM and the researcher (R) believe that the problem is **caused by inappropriate segmentation of the market** and want research to provide information on this issue.
- The research problem would then become the identification and evaluation of an alternative basis for segmenting the market. Note that this process is interactive.
- The department store project example illustrates further the distinction between the management decision problem and the marketing research problem as well as the interactive nature of the problem definition process.

- Project Research (Sears)
- **Management decision problem**
- What should be done to improve the patronage of Sears?
- **Marketing research problem**
- Determine the relative strengths and weaknesses of Sears vis-à-vis other major competitors with respect to factors that influence store patronage.

While distinct, the marketing research problem has to be closely linked to the management decision problem. A good way to link the broad statement of the marketing research problem with the management decision problem is through the use of a conceptual map. A **conceptual map** involves the following three components:

Management wants to (*take an action*).

Therefore, we should study (*topic*).

So that we can explain (*question*).

The first line states the rationale for the question and the project. This is the management decision problem. The second line of the conceptual map declares what broader topic is being investigated. The third line implies the question being investigated—the who/how/why that needs to be explained. Thus, the second and third lines define the broad marketing research problem. An example of the conceptual map for AT&T follows:

Management wants to (develop retention programs that will retain 90 percent of heavy users of wireless services and lead to 10 percent higher sales over the next 2 years).

Therefore, we should study (heavy-user loyalty).

So that we can explain (what will be the most important variables in retaining these customers over the next 2 years).

As can be seen, the preceding example provides valuable definitions of the management decision problem and the broad marketing research problems that are closely linked. The problem is now focused on a segment of customers (heavy users) and one behavior of these customers (staying with the company over the next 2 years). Measurable results, such as “90 percent retention of heavy users,” are included, as well as a company goal (10 percent increase in sales over the next 2 years). This distinction and linkage between the management decision problem and the marketing research problem helps us in understanding how the marketing research problem should be defined.

- Defining the marketing research problem
- The general rule to be followed in defining the marketing research problem is that the definition should (1) allow the researcher to obtain all the information needed to address the management decision problem, and (2) guide the researcher in proceeding with the project.
- Researchers make **two common errors** in problem definition.
- The first arises when the research problem is defined too broadly. A broad definition does not provide clear guidelines for the subsequent steps involved in the project.
- Some examples of overly broad marketing research problem definitions are (1) develop a marketing strategy for the brand, (2) improve the competitive position of the firm, or (3) improve the company's image.
- These are not specific enough to suggest an approach to the problem or a research design.

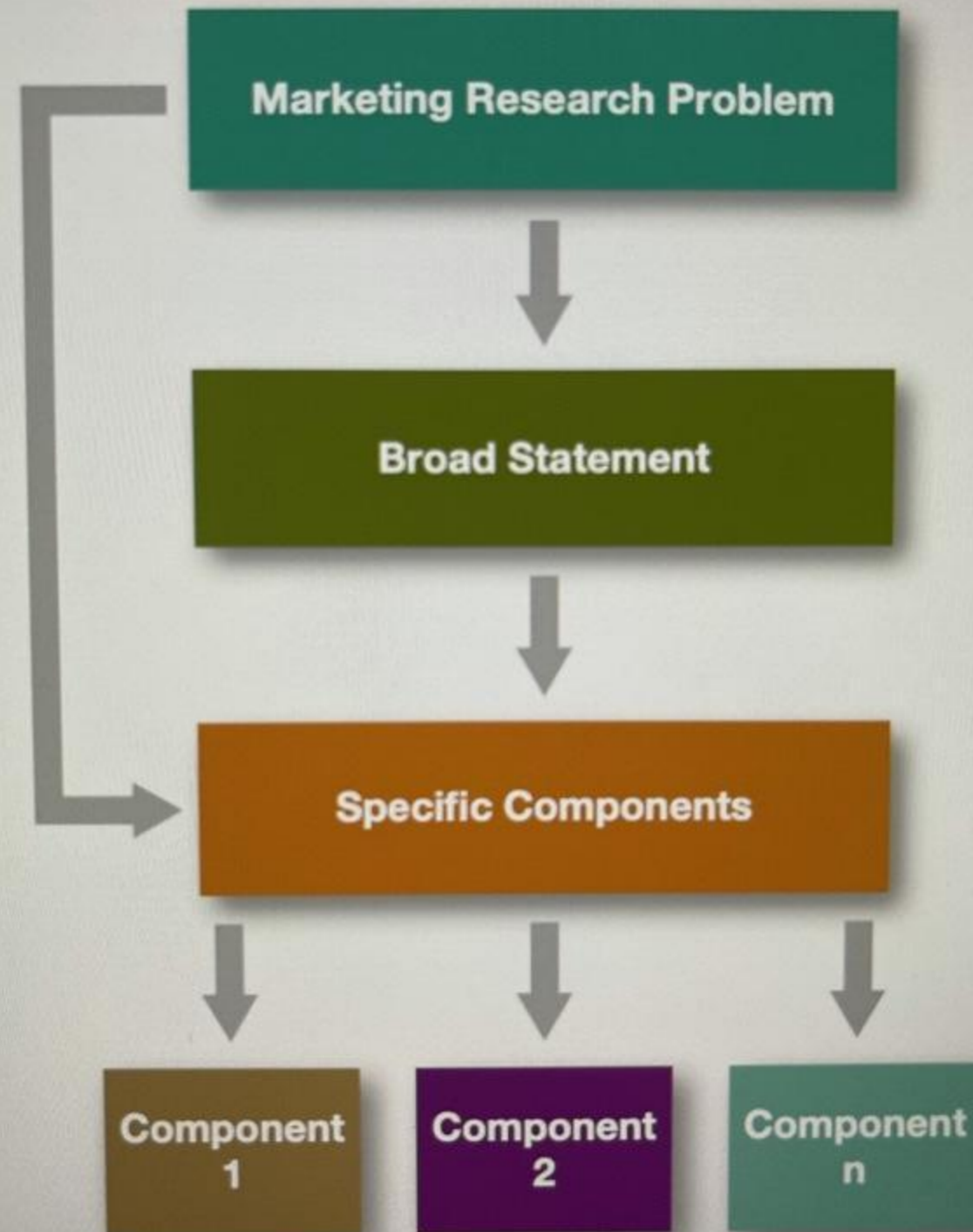
- The second type of error is just the opposite: The marketing research problem is defined **too narrowly**.
- A narrow focus may preclude consideration of some courses of action, particularly those that are innovative and may not be obvious.
- It may also prevent the researcher from addressing important components of the management decision problem.

- In a project conducted for a major consumer products firm, the **management problem** was how to respond to a price cut initiated by a competitor.
- The alternative courses of action initially identified by the firm's research staff were (1) decrease the price of the firm's brand to match the competitor's price cut; (2) maintain price but increase advertising heavily; (3) decrease the price somewhat, without matching the competitor's price, and moderately increase advertising.
- None of these alternatives seemed promising.

- When outside marketing research experts were brought in, the **problem was redefined as improving the market share and profitability of the product line.**
- Qualitative research indicated that in blind tests consumers could not differentiate products offered under different brand names.
- Consumers relied on price as an indicator of product quality.
- These findings led to a creative alternative: Increase the price of the existing brand and introduce two new brands—one priced to match the competitor and the other priced to undercut it.
- This strategy was implemented, leading to an increase in market share and profitability.

- The likelihood of committing either type of error in problem definition can be reduced by stating the marketing research problem in broad, general terms and identifying its specific components.
- The **broad statement** provides perspective on the problem and acts as a safeguard against committing the second type of error.
- The **specific components** focus on the key aspects of the problem and provide clear guidelines on how to proceed further, thereby reducing the likelihood of the first type of error.

EARLY PHASES OF MARKETING RESEARCH



- In the next slide, question 1 is the broad research problem.
- Questions 2-4 are the specific components.

Major League Baseball Majors in Research

Major League Baseball (MLB, www.mlb.com) wanted to evaluate the effect of the size and frequency of its nonprice promotions for MLB games. The management decision problem was: Should MLB teams continue with nonprice promotions? The broad marketing research problem was defined as determining the impact of nonprice promotions on attendance at MLB games. Specifically, this research should answer the following questions.

1. What is the overall effect of nonprice promotions on attendance?
2. What is the marginal impact on attendance of additional promotional days?
3. Are nonprice promotions effective in building long-term loyalty?
4. What are the demographic and psychographic characteristics of people who respond to nonprice promotions?

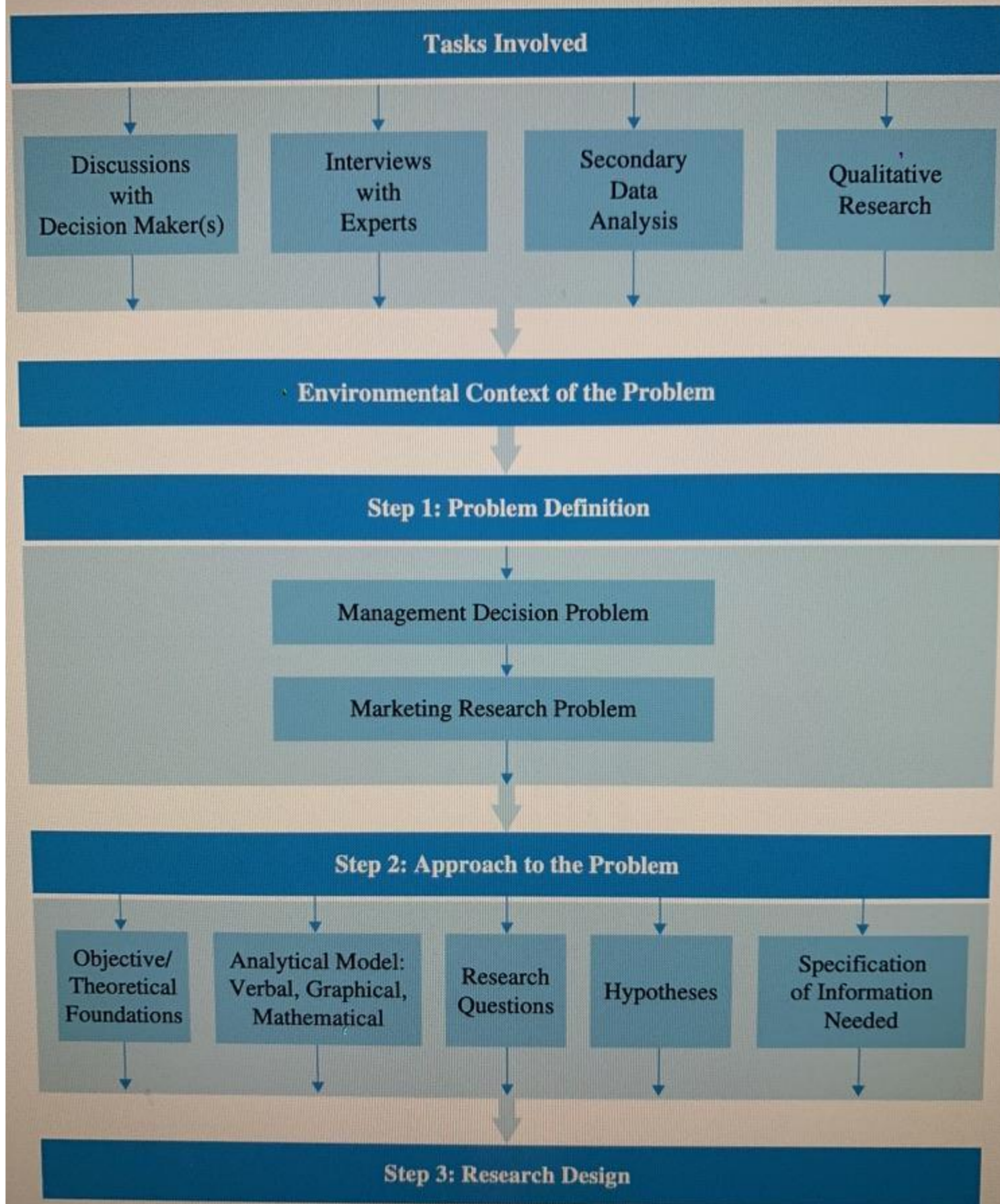
Analysis of a data set containing 1,500 observations revealed that nonprice promotion increases single game attendance by about 14 percent. Additionally, increasing the number of promotions has a negative effect on the marginal impact of each promotion. The loss from this “watering down” effect, however, is outweighed by the gain from having an extra promotion day. Promotion most influences occasional attendees but does not engender long-term loyalty.

Based on these findings, strategic decisions were taken to improve overall revenue by continuing the nonprice promotions, especially during the off-season and games for which sales projections were not impressive. The research results also led to the decision to spread out promotions to reduce the watering-down effect. A correct definition of the problem led to useful findings that when implemented resulted in increased revenues.¹⁹ ■

In the MLB example, the broad statement of the problem focused on gathering information about the effect of nonprice promotions, and the specific components identified the particular items of information that should be obtained. This was also true in the opening Harley-Davidson example, where a broad statement of the marketing research problem was followed by four specific components. Problem definition in the department store project followed a similar pattern.

Once the marketing research problem has been broadly stated and its specific components identified, the researcher is in a position to develop a suitable approach.

- Step 2 of the marketing research process: approach to the problem.
- Step 1 is problem definition and step 3 is the plan.
- In step 2, the components will help us to decide which plan to undertake in step 3.
- There are many possible plans. How do you choose?

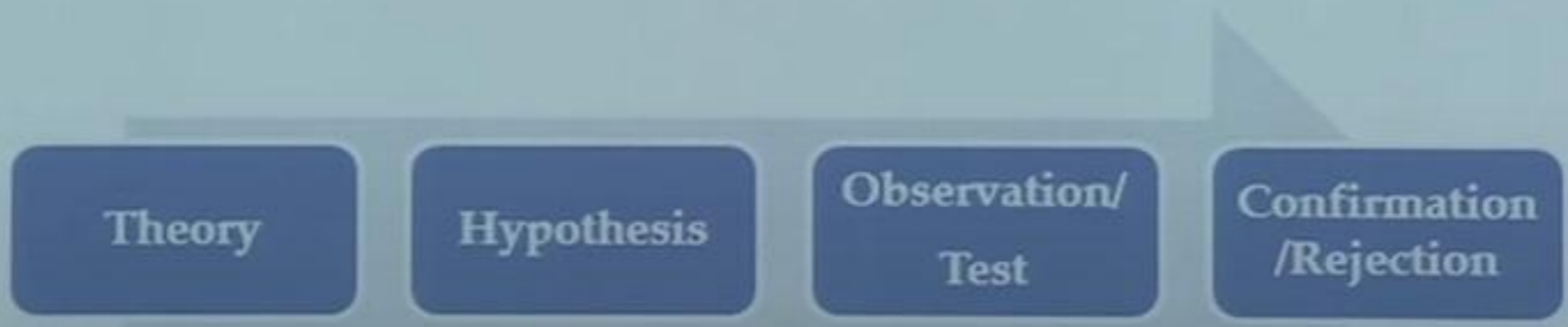


meeting with them collectively or individually may be difficult. Despite these problems, it is necessary that the researcher interact directly with the key decision makers⁵

Deductive approach

A deductive approach is concerned with “developing a hypothesis (or hypotheses) based on existing theory, and then designing a research strategy to test the hypothesis”

Example- Impact of bonus on salesmen performance in banking industry



It says a deductive approach is concerned with developing a hypothesis based on an



Inductive approach

Inductive approach, also known in inductive reasoning, starts with the observations and theories are proposed towards the end of the research process as a result of observations

Example- Maslow's hierarchy of needs, Porters five forces model

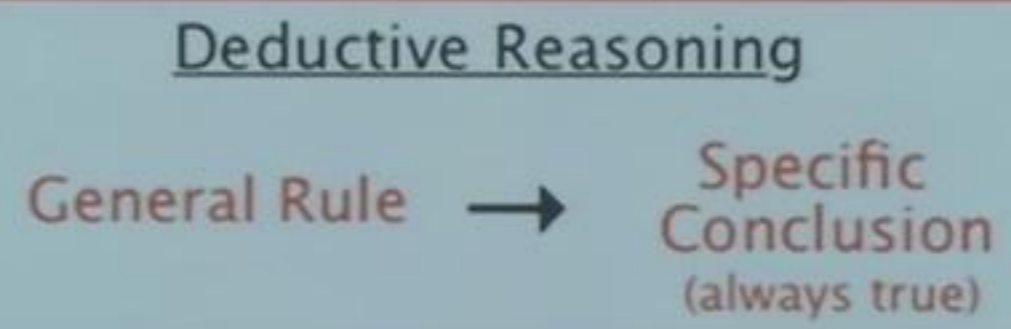
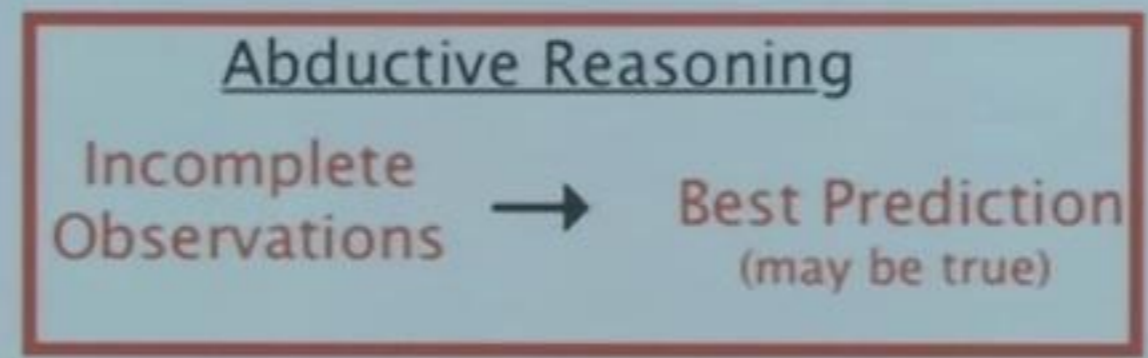


Abductive approach

- Abductive approach is set to address weaknesses associated with deductive and inductive approaches.
- Specifically, deductive research is criticized for the lack of clarity in terms of how to select theory to be tested via formulating hypotheses.
- Inductive reasoning, on other hand, criticized because “no amount of empirical data will necessarily enable theory-building”

Example- Greed is the reason behind any recession in the economy.

Difference among the three research approaches



Inductive starts with specific observation, general conclusion deductive general rule goes

Deductive

- All eagles can fly
Tweety is an eagle
Therefore Tweety can fly

can fly, tweety is an eagle so therefore tweety
can fly so we are deducing from the statement that



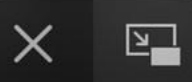
Inductive

Observation: All the crows that I have ever seen were black

Inference: All crows everywhere (including ones I have never seen) are black.

Observations towards an inference.





Abductive

- ***Observation:*** The grass outside my window was wet when I woke up this morning.
Known fact: Rain in the night can make grass wet.
Abductive inference: There was probably rain in the night.

- Objective/theoretical framework
- Research should be based on objective evidence and supported by theory.
- A **theory** is a conceptual scheme based on foundational statements called *axioms*, which are assumed to be true.
- **Objective evidence** (evidence that is unbiased and supported by empirical findings) is gathered by compiling relevant findings from secondary sources.
- An appropriate theory to guide the research might be identified by reviewing academic literature contained in books, journals, and monographs. The researcher should rely on theory to determine which variables should be investigated.
- Theoretical considerations provide information on how the variables should be operationalized and measured, as well as how the research design and sample should be selected.
- A theory also serves as a foundation on which the researcher can organize and interpret the findings. “Nothing is so practical as a good theory.”

- The department store patronage project illustrates how theory can be used to develop an approach.
- Review of the retailing literature revealed that the modeling of store patronage in terms of choice criteria had received considerable support.
- As many as 42 choice criteria had been identified in the literature, and guidelines on operationalizing these variables were provided.
- This provided an initial pool from which the final eight characteristics included in the questionnaire were selected.
- Theoretical considerations also suggested that store behavior could be examined via a survey of respondents familiar with department store shopping.
- The theoretical framework also serves as a foundation for developing an appropriate analytical model.

- Analytical models
- An **analytical model** is a set of variables and their interrelationships designed to represent, in whole or in part, some real system or process. Models can have many different forms.
- The most common are verbal, graphical, and mathematical structures.
- In **verbal models**, the variables and their relationships are stated in prose form. Such models may be mere restatements of the main tenets of a theory.
- **Graphical models** are visual. They are used to isolate variables and to suggest directions of relationships but are not designed to provide numerical results. They are logical preliminary steps to developing mathematical models.
- **Mathematical models** explicitly specify the relationships among variables, usually in equation form. These models can be used as guides for formulating the research design and have the advantage of being

- Verbal model
- A consumer first becomes aware of a department store.
- That person then gains an understanding of the store by evaluating the store in terms of the factors comprising the choice criteria.
- Based on the evaluation, the consumer forms a degree of preference for the store.
- If preference is strong enough, the consumer will patronize the store.
- Next two slides, examples of verbal, graphical, and mathematical models.

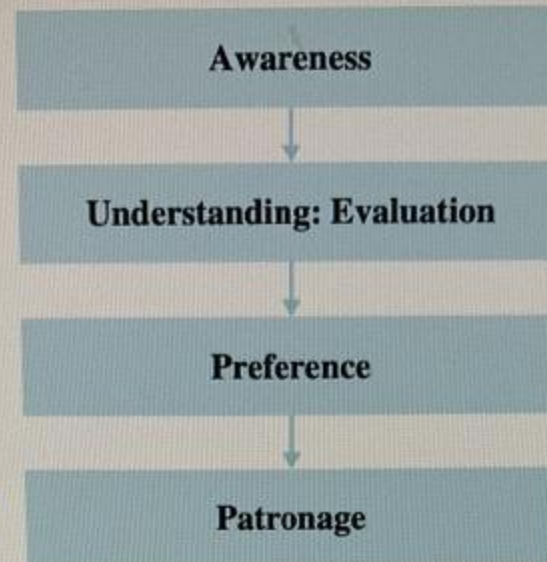
of the main tenets of a theory. **Graphical models** are visual. They are used to isolate variables and to suggest directions of relationships but are not designed to provide numerical results. They are logical preliminary steps to developing mathematical models. **Mathematical models** explicitly specify the relationships among variables, usually in equation form. These models can be used as guides for formulating the research design and have the advantage of being amenable to manipulation.²³ The different models are illustrated in the context of the department store project.

Model Building

Verbal Model

A consumer first becomes aware of a department store. That person then gains an understanding of the store by evaluating the store in terms of the factors comprising the choice criteria. Based on the evaluation, the consumer forms a degree of preference for the store. If preference is strong enough, the consumer will patronize the store.

Graphical Model



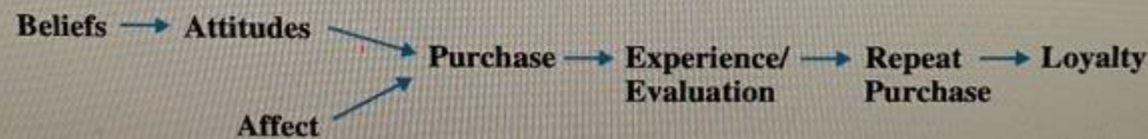
Mathematical Model

$$y = a_0 + \sum_{i=1}^n a_i x_i$$

where

- y = degree of preference
- a_0, a_i = model parameters to be estimated statistically
- x_i = store patronage factors that constitute the choice criteria ■

As can be seen from this example, the verbal, graphical, and mathematical models depict the same phenomenon or theoretical framework in different ways. The phenomenon of store patronage stated verbally is represented for clarity through a figure (graphical model) and is put in equation form (mathematical model) for ease of statistical estimation and testing. Graphical models are particularly helpful in conceptualizing an approach to the problem. In the opening Harley-Davidson example, the underlying theory was that brand loyalty is the result of positive beliefs, attitude, affect, and experience with the brand. This theory may be represented by the following graphical model.



The verbal, graphical, and mathematical models complement each other and help the researcher identify relevant research questions and hypotheses.

Research Questions

Research questions (RQs) are refined statements of the specific components of the problem. Although the components of the problem define the problem in specific terms, further detail may be needed to develop an approach. Each component of the problem may have to be broken down into subcomponents or research questions. Research questions ask what specific information is required with respect to the problem components. If the research questions are answered by the

- Research questions
- **Research questions** (RQs) are **refined statements** of the **specific components** of the problem.
- Although the components of the problem define the problem in specific terms, further detail **may be needed** to develop an approach.
- Each component of the problem may have to be broken down into subcomponents or research questions.
- Research questions ask what **specific information** is required with respect to the problem components. If the research questions are answered by the research, then the information obtained should aid the decision maker.
- The formulation of the research questions should be guided not only by the problem definition, but also by the theoretical framework and the analytical model adopted.
- For a given problem component, there are likely to be several research questions, as in the case of the department store project.
- Next slide shows the broad and specific research questions.

- In the **department store project**, the **marketing research problem** is to determine the relative strengths and weaknesses of Sears, vis-à-vis other major competitors, with respect to factors that influence store patronage.
- **Specifically, research should provide information on the following questions.**
- 1. What criteria do households use when selecting department stores?
- 2. How do households evaluate Sears and competing stores in terms of the choice criteria identified in question 1?
- 3. Which stores are patronized when shopping for specific product categories?
- 4. What is the market share of Sears and its competitors for specific product categories?
- **5. What is the demographic and psychographic profile of the customers of Sears?** Does it differ from the profile of customers of competing stores?
- 6. Can store patronage and preference be explained in terms of store evaluations and customer characteristics?

- Next slide, we'll break down question 5 further, and then break down 5b further.

- Question 5 of the research problem was the **psychological profile of Sears' customers**. In the context of psychological characteristics, several **research questions** were asked about the customers of Sears.
- 5a. Do they exhibit store loyalty?
- **5b. Are they heavy users of credit?**
- 5c. Are they more conscious of personal appearance as compared to customers of competing stores?
- 5d. Do they combine shopping with eating out?
- The research questions were then further refined by precisely defining the **variables and determining how they were to be operationalized**. To illustrate, how should the use of Sears credit be measured? It could be measured in any of the following ways.
- 5b1. Whether the customer holds a Sears credit card
- 5b2. Whether the customer uses the Sears credit card
- 5b3. The number of times the Sears credit card was used in a specified time period
- 5b4. The dollar amount charged to the Sears credit card during a specified time period

- The theoretical framework and the analytical model play a significant role in the operationalization and measurement of variables specified by the research questions.
- Whereas in the department store project, the literature reviewed did not provide any definitive measure of store credit, the mathematical model could incorporate any of the alternative measures.
- It was decided to include all four measures of store credit in the study.
- Research questions may be further refined into one or more hypotheses.

- Hypothesis
- A **hypothesis** (H) is an unproven **statement or proposition** about a factor or phenomenon that is of interest to the researcher.
- It may be a tentative statement about relationships between **two or more variables** as stipulated by the theoretical framework or the analytical model.
- Often, a hypothesis is a possible answer to the research question.
- Hypotheses go beyond research questions because they are statements of relationships or propositions rather than merely questions to which answers are sought.
- **Whereas research questions are interrogative, hypotheses are declarative and can be tested empirically** (Chapter 15).
- An important role of a hypothesis is to suggest variables to be included in the research design. The relationship among the marketing research problem, research questions, and hypotheses, along with the influence of the objective/theoretical framework and analytical models, is described in Figure 2.4.

- **Research questions** are questions. There is a question mark at the end.
- **Hypotheses** are statements. There is a full stop or period at the end.

The following hypotheses were formulated in relation to the research question on store loyalty:²⁵

H1: Customers who are store loyal are less knowledgeable about the shopping environment.

H2: Store-loyal customers are more risk averse than are nonloyal customers.

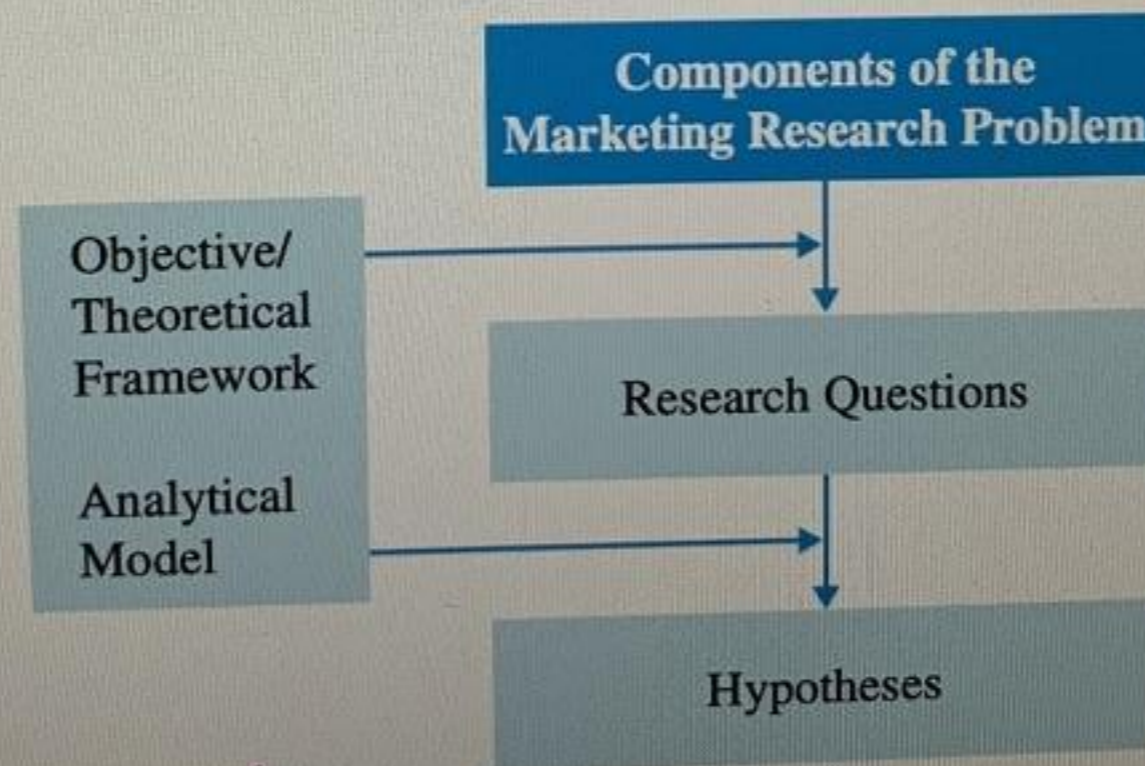
These hypotheses guided the research by ensuring that variables measuring knowledge of the shopping environment and propensity to take risks were included in the research design. ■

Unfortunately, it may not be possible to formulate hypotheses in all situations. Sometimes sufficient information is not available to develop hypotheses. At other times, the most reasonable statement of a hypothesis may be a trivial restatement of the research question. For example:

RQ: Do customers of Sears exhibit store loyalty?

H: Customers of Sears are loyal.

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- Hypotheses are an important part of the approach to the problem. When stated in operational terms, as H1 and H2 in the department store example, they provide guidelines on what, and how, data are to be collected and analyzed.
- When operational hypotheses are stated using symbolic notation, they are commonly referred to as statistical hypotheses.
- **A research question may have more than one hypothesis associated with it**, as in the Harley-Davidson example and in the example on the next slide

than one hypothesis associated with it, as in the Harley-Davidson example and the one that follows.

The Taste of Comfort

In the midst of an insecure global environment in 2009, nothing was more comforting than trusted, familiar foods and treats. Do certain foods provide comfort under different situations in people's lives? For instance, does chicken soup make people feel better on a rainy day or when they have a cold, partially because they may have eaten chicken soup during the same situations when they were growing up? Marketing research was conducted to investigate comfort foods. The specific research questions and the associated hypotheses were:

RQ1: What foods are considered to be comfort foods?

H1: Potato chips are considered comfort food.

H2: Ice cream is considered comfort food.

RQ2: When do people eat comfort foods?

H3: People eat comfort foods when they are in a good mood.

H4: People eat comfort foods when they are in a bad mood.

RQ3: How do people become attached to comfort foods?

H5: People are attached to comfort foods that are consistent with their personality.

H6: People are attached to comfort foods because of past associations.

In-depth telephone interviews were conducted with 411 people across the United States. The purpose was to find out what people's favorite comfort foods were and how these products became comfort foods. From the qualitative answers, a 20-minute quantitative phone survey was developed for a larger sample size of 1,005.

The results showed that America's favorite comfort food is potato chips, followed by ice cream, cookies, and candy. Thus, both H1 and H2 were supported. Many respondents also considered natural, homemade, or even "healthy" foods such as meats, soups, and vegetables comfort foods. The psychological comfort of these foods may provide a powerful impact on people's food choices just as the taste does for snack foods.

People are also more likely to eat comfort foods when they are in good moods than sad: jubilant

and candy. Thus, both H1 and H2 were supported. Many respondents also considered natural, homemade, or even “healthy” foods such as meats, soups, and vegetables comfort foods. The psychological comfort of these foods may provide a powerful impact on people’s food choices just as the taste does for snack foods.

People are also more likely to eat comfort foods when they are in good moods than sad: jubilant (86 percent), celebrating (74 percent), got the blues (39 percent), the blahs (52 percent), and lonely (39 percent). Thus, H3 had stronger support than H4, although both were supported.

The results also showed that past associations with products and personality identification are the two main reasons why foods become comfort foods, thus supporting H5 and H6. Foods often remind people of specific events during their lives, which is why they eat them for comfort. Some foods also help people form their identities because the products are consistent with their personality. For instance, meat and potatoes are staples for the macho, all-American male, which may explain why many males do not want to try healthier soy products.

The more marketers know about the psychology behind foods, at both the associative and personality levels, the better they will be at establishing new brands, as well as packaging and advertising existing brands that are already considered comfort foods and have their own brand personalities. For example, Frito-Lay’s Baked Lays brand of low-fat potato chips has been very successful. Frito-Lay combined the fact that chips are fun to eat with the wave of health-conscious people in the United States. The slogan for the new brand was “Taste the Fun, Not the Fat,” which affects one’s concept of wanting a fun lifestyle. The fun product continues to be comforting while reducing people’s guilt by its low fat content.²⁶ ■

Marketing Research Begins at Home (or Near the Campus)

Visit a local business located near your campus. Interview the business owner or manager and identify some of the marketing challenges facing this business. Also, interview an expert in this industry. Search and analyze secondary data pertaining to this business and the industry and identify the environmental context of the problem.

1. Define the management decision problem.

Summary

- Project Research (Sears)
- **Management decision problem**
- What should be done to improve the patronage of Sears?
- **Marketing research problem**
- Determine the relative strengths and weaknesses of Sears vis-à-vis other major competitors with respect to factors that influence store patronage.

- Marketing Research Problems (specific)
- 1. What criteria do households use when selecting department stores?
- 2. How do households evaluate Sears and competing stores in terms of the choice criteria identified in question 1?
- 3. Which stores are patronized when shopping for specific product categories?
- 4. What is the market share of Sears and its competitors for specific product categories?
- **5. What is the demographic and psychographic profile of the customers of Sears?** Does it differ from the profile of customers of competing stores?
- 6. Can store patronage and preference be explained in terms of store evaluations and customer characteristics?

- Research Questions for Question 5
- **5. What is the demographic and psychographic profile of the customers of Sears? (Specific)**
- **5a. Do they exhibit store loyalty?**
- **5b. Are they heavy users of credit?**
- 5c. Are they more conscious of personal appearance as compared to customers of competing stores?
- 5d. Do they combine shopping with eating out?

- Precisely define the variables and determine how to make question 5b operational.
- 5b. Are they heavy users of credit?
- 5b1. Whether the customer holds a Sears credit card
- 5b2. Whether the customer uses the Sears credit card
- 5b3. The number of times the Sears credit card was used in a specified time period
- 5b4. The dollar amount charged to the Sears credit card during a specified time period

- Develop hypotheses from 5a.
- 5a. Do they exhibit store loyalty?
- H1: Customers who are store loyal are less knowledgeable about the shopping environment.
- H2: Store loyal customers are more risk averse than are nonloyal customers.
- H1 and H2 express relationships
- H3: Customers of Sears are loyal.
- H3 does not express a relationship.