



Chapter four(Part 2)

Gathering Information and Measuring Market Demand



Marketing Information System

The Marketing Information System(MIS) consists of people ,Equipment, and Process to Gather, sort, analyze, evaluate and distribute, needed, timely, and accurate information to marketing decision makers.



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.**



Marketing Research System

Marketing Research:

Marketing Research is the systematic design, collection, analysis and reporting of data and findings, relevant to a specific marketing situation facing the company.



The Marketing Research Process

The Marketing research Process consists of following five steps:

- 1. Defining the problem and Research Objectives**
- 2. Develop the Research Plan**
- 3. Collect the Information**
- 4. Analysing the information**
- 5. Present the Findings**



1. Defining the Problem and Research Objective

▶ A research problem should not be either too narrow or too broad .A research can Be of Four Types:

1. Specific- Focused to a specific problem

2. Exploratory-its goal is to shed light on the real nature of the problem and to suggest possible solution or new ideas.

3. Descriptive-It seeks to ascertain magnitude ,such as how many people would make an in-flight phone call at \$25 a call.

4. Casual-Its purpose is to test a cause and effect relationship.

2. Develop a research Plan

A. Data Sources:

The researcher can Collect a primary data or Secondary data or Both. Secondary data are data that are collected for some other purpose and that already exists somewhere.

Primary data are data that are collected for some specific purpose or for a specific research purpose.

Research Approaches-

a. Observational Research:

-Fresh Data can be gathered by observing the relevant actors and settings. The purpose is to observe the behavior and reactions of the consumers/population

b. Focus Group Research:

-A focused group is a gathering of six to ten people who are invited to spend few hours with a skilled moderator to discuss a product ,service , orgaization or other marketing entity.



2. Develop a research Plan

c. Survey Research:

-Surveys are best suited in descriptive research. Companies undertake surveys to learn about people's beliefs , knowledge, attitude, preferences and satisfaction and to measure these magnitudes in general population.

d. Behavioral Data:

-Customers leave their traces of their purchase behavior in store scanning data, catalog purchase records, and customer database. Much can be learned by analysing these data. Customer's actual purchases revealed preferences and are more reliable than their statements. People often show their preference for popular brands and yet the data show them buying some other brands.

e. Experimental Research:

-The most scientifically valid research is experimental research . The purpose of this research is to find the cause and effect relationship by eliminating competing explanations of the observed findings.



2. Develop a research Plan

B. Research Instruments:

- Questionnaires
- Mechanical Instruments

C. Sampling Plan:

- Sampling Unit
- Sample Size
- Sampling Procedure

2. Develop a research Plan

Sampling Method:

1. Probability Sampling-

a. Simple random sampling-

Every member of the population has equal chance of selection.

b. Stratified Random Sampling-

The population is divided in mutually exclusive groups (such as age groups) and random sampling are drawn from each group.

c. Cluster (Area) Sampling-

The population is divided into mutually exclusive groups (Such as City blocks), and the researcher draws a sample of the groups to interview.

2. Develop a research Plan

2. Non-probability sampling-

a. Convenience Sample-

The researcher selects the most accessible population members.

b. Judgement Sample-

The researcher selects population members who are good prospects for accurate information.

c. Quota Sample-

The researcher finds and interviews a prescribed number of people in each of several categories.

3. Collect the Information

- ▶ The data collection step is most expensive and is most prone to error. yet Data collection methods are rapidly improving thanks to computer and Artificial Intelligence. Many Research forms interview from a centralized location to collect the date.

4. Analyze the Information

5. Present the finding

Vocabulary For Demand Measurement

Market Demand:

Market demand for a product is the total volume that would be brought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

Market Potential:

Market potential is the limit approached by market demand as the marketing approaches infinity for a given marketing environment.

Company Demand:

Company Demand is the company's estimated share of market demand at alternative levels of company marketing effort in a given time period.

Vocabulary For Demand Measurement

Company Sales Forecast:

The company sales forecast is the expected level of sales based on a chosen *marketing plan* and assumed *marketing environment*.

Sales Quota:

A sales quota is the sales goal set for a product line ,company division ,or a sales representative. It is primarily a managerial device for defining and stimulating sales effort.

Sales Budget:

A sales budget is a conservative estimate of expected volume of sales and is used primarily for current purchasing, production, and cash flow decisions.

Estimating current Demand

Following are the standard methods to estimate the current Demand :

1.Total Market Potential:

-Total market potential is the maximum amount of sales that might be available to all the firms of an Industry during a given period under a given marketing effort and given environmental condition. A common way to find total market potential as follows :

Estimate the potential number of buyers times the average quantity purchased by each buyer times the unit price.

Example-If 100 million people buy books each year and each buyer purchases three books per year on an average and average price of a book is \$10,then the total market potential of the books is equal to\$3 billion($100 \text{ million} * 3 * \10).

Estimating current Demand

2. Area Market Potential :

-Companies face problem of selecting the best territories and allocating their marketing budgets optimally among these territories . Therefore they need to estimate the market potential of different cities , States ,and Nations.

Two major methods are available for measuring the Area Market potential ,One is Market Build-up method which is used by Business Marketers and The multiple Factor Method which is primarily used by Consumer Marketers.

a. Market Build-up method:

b. Multiple Factor Index method

Estimating current Demand

3. Industry Sales and Market Shares:

-Besides making total Potential and area Potential ,a company needs to know the actual Industry sales taking place in the Market. This means Identifying the competitors and estimating their sales .

The Industry trade association will often collect and publish total Industry sales . Using these information ,each company can evaluate its performance against the Industry.

Suppose a company's sales is increasing at a rate of 5% and Industry sales is increasing at a rate of 10% .The company is actually losing its relative standing in the industry.

The Seven characteristics of a Good Market Research

1. **Scientific Method**
2. **Research Creativity**
3. **Multiple methods**
4. **Interdependence of models and data.**
5. **Value and Cost of Information**
6. **Healthy skepticism**
7. **Ethical Marketing**