

STRETCHING THE MARKETING RESEARCH DOLLAR: FOUR CRITERIA TO CHOOSE PARTNERS

The competitive advantage of companies lie not on whether marketing research is done but on how they can get the most from the research budget.

In Singapore and in the rest of Asia, it is heartening to see companies increasingly spending more on marketing research and leveraging on them for better decision making. Some reports note that worldwide spending on such activities have exceeded US\$30b. In the ultra-competitive environment companies are operating in today, it is not so much about whether or not marketing research activities are being undertaken by companies, but more about the kind of research undertaken and the follow-through from these findings. Top companies, such as Canon for instance, not only undertake marketing research extensively but are also particularly selective about their research partners they are working with.

This commentary, written for both experienced and non-experienced users of customer insights, addresses the important issue of evaluation criteria when selecting and working with research partners. Armed with

these criteria, users of insights will be able to better evaluate their research partners and also decide if they should rely on previously undertaken research findings for decision making.

Criteria One: Type of Research Methodology Used

Analytical techniques can generally be classified as basic or advanced. Users should be aware that the appropriate use of advanced analytical techniques can lead to findings that are more useful and actionable. For example, it is common to see companies interested in learning about their customers' decision making criteria to ask the customers to rate product attributes according to the importance of these attributes to them. But this straightforward method suffers from analytical weakness in the form of high expectations bias i.e. all attributes are rated highly. Advanced methods such as best-worst scaling and conjoint methods are available that not only allow the same information to be de-

Expert
Opinion

Dr. Raymond Teo
Adj. Faculty
(Singapore Management
University)



rived, but also reveal the extent of importance and how customers 'trade-off' one attribute for another. Most importantly, academic studies have shown that results obtained with these methods are more accurate i.e. less bias.

A useful advanced analytical technique is data modeling. With this, a company is able to identify the areas it must focus on to improve its marketplace outcomes. Using customer modeling methods, IKEA establishes that in-store experience contributes most to the satisfaction of its customers. Consequently it works to ensure it leads the industry in this area. In the same way, Canon learns of the areas are important to its customers - for each product category and in each market. It focuses on the areas that matter most and checks on its efforts through systematic benchmarking studies.

Another interesting analytical method is the price sensitivity meter. Through this method,

one establishes the optimal price one should set for a product or service. It is superior to methods that require respondents to indicate their willingness to pay for a product or service at various price points, given that the latter is prone to bias. Companies not leveraging on the benefits that such techniques offer put themselves at a competitive disadvantage.

Unlike the more stringent quality control process that is in place for academic research publications (often at least two academic reviewers of high standing will examine submissions for methodological flaws and theoretical weakness), there is no such process to validate the quality of commercial research. Consequently, clients should seek evidence of researchers' competency in the advanced research methods that will be used. This evidence can be in the form of qualifications or prior work done for other clients. Research users should be more involved in this initial screening process, but unfortunately, this is often not the case and weaker criteria such as research cost are often used instead.

Criteria Two: Conceptual Expertise for Research

It is vitally important that researchers are evaluated on their expertise in the domain of the research. Companies conduct research for various purposes

including determining customers' perception of their offer, benchmarking their customers' satisfaction against competitors or assessing the level of service quality they have provided. A good researcher must have a deep understanding of the underlying concepts in these areas. As an illustration, a researcher may have recommended actions for market share improvement for a company based solely on a study comparing its service levels with those of its competitors. He may not be aware of the other dimensions of value that can also affect consumers' choice, including that of emotional value (feeling good about the product or brand ownership) or social value (impressions created on others). Such research omissions resulting from conceptual weaknesses can lead to misleading results and very costly decisions.

Criteria Three: The Follow Through After the Research

To maximize the return on a research investment, research findings must translate into operational strategies. Companies want to know what strategies they should adopt, what difficulties are anticipated and how they can be overcome. In responding to this need, value-driven research firms should extend their scope to include such advisory work, an area that is beyond the boundary of traditional customer research. This

may necessitate research firms to build its expertise outside the field of research, for instance in customer relationship management and partner relationship management.

Criteria Four: Transfer of Knowledge

When clients are familiar with the underlying concepts and methodologies used in a study, the risk of poor research outcomes are significantly reduced. The interaction clients have with their research partners present great opportunities for them to learn more about research. Good researchers work to educate their clients, help them understand more about what is being done and encourage them to be more involved in the research project. With such involvement, the client's organisation becomes a learning organisation.

Can Such Qualities Be Found In Research Service Providers?

The criteria listed out above for evaluating research service providers is stringent. If research firms work towards meeting such requirements, the service quality offered by research firms in Singapore would certainly be raised a notch or two. If users of customer insights persist in getting only the best to do research for them, there will be hope that more research service providers will move in this direction.

“ In the ultra-competitive environment companies are operating in today, it is not so much about whether or not marketing research activities are being undertaken by companies, but more about the kind of research undertaken and the follow-through from these findings. ”