Marketing Bulletin, 1992, 3, 63-66, Commentary 1

Market Research: What It Can and Can't Do

Philip Gendall and Don Esslemont

The belief that research can provide a comprehensive understanding of behaviour, and that this understanding can be used to manipulate buying behaviour, is a fallacy. What market research cannot do is produce reliable, comprehensive explanations of consumer behaviour. What it can do is increase the probability of making correct marketing decisions. Hovever, even when market research is decision-oriented, management cannot relinquish its responsibility to manage. Market research is not, and never will be, a substitute for management.

Keywords: market research accuracy

Introduction

In 1987, an American company, Beecham, sued a market research firm, Yankelovich Clancy Shuman, for more than $24 million. This was the amount Beecham claimed it had lost as a result of 'significant errors' in a forecast made by YCS about the performance of a new Beecham product, Delicare (a detergent for fine fabrics). YCS had forecast that, with heavy promotional support, Delicare would topple the market leader, Woolite, and capture category leadership.

On the basis of this advice Beecham spent $18 million launching Delicare. Yankelovich Clancy Shuman had predicted that spending at that level would achieve a market share for Delicare of between 45% and 52%. In the event, Delicare's market share only reached 17%, and subsequent reforecasting confirmed that the initial forecast had vastly overstated the brand's projected market share.

Predictably, this suit sent a chill through the American market research industry. Most of the discussion which followed focused on the extent to which a research company should be liable for 'malpractice', and what a research company should do to shield itself from such claims. However, a different view of the Delicare case is that Beecham management, not Yankelovich Clancy Schuman were at fault.

It can be argued that the obvious response to a frontal attack on a competitor's 'money tree' will be a concerted effort by them to maintain their position, and consequently that Beecham showed poor judgement in accepting YCS's forecast at face value and failing to recognise that market research is an aid to decision-making and not a substitute for it.

Perhaps the attribution of fault in the Delicare case depends on which side of the fence you are on - management or research - but the fundamental question at issue is what can market research reasonably be expected to do?

What Market Research Can't Do

Many marketers believe that marketing decisions are best made by striving for a complete understanding of the processes by which consumers decide to buy, or not to buy, their products. This belief is based on the assumption that it is possible to discover an underlying pattern and order in human behaviour which has the same status as the natural laws of the physical sciences. A great deal of market research is carried out to uncover these fundamental 'laws' of human behaviour. This seldom, if ever, makes sense.

The belief that research can provide a comprehensive understanding of behaviour, and that this understanding can be used to manipulate buying behaviour, is a fallacy. Consider the immense amounts which governments in many countries have spent on research into criminal or other anti-social behaviour. Drunken driving, for example, has been the subject of much research, carried out in the hope that sufficient understanding of this phenomenon would enable governments to devise measures that would lead to a permanent reduction in such behaviour.

In spite of all this research, the cost of which far exceeds what is available for research into the marketing problems of any commercial product, we are as far as ever from being able to use marketing techniques reliably to reduce the level of drunken driving. It is absurdly optimistic to expect that a research company, with a research budget of a few tens of thousands of dollars, will be able to develop a reliable theory of carpet buying, or choice of brand of coffee. In other words, what market research cannot do is produce reliable, comprehensive explanations of consumer behaviour. What it can do is increase the probability of making correct marketing decisions.

What Market Research Can Do

Here is what market research can do (this list is derived from David Ogilvy's book Ogilvy on Advertising):

1. Research can sometimes elicit new product ideas from potential consumers. But consumers' perceptions are largely constrained by their past experiences, so it is unrealistic to expect any revolutionary ideas.

2. Research can generate consumer reactions to a new product when it is still in the conceptual stage. If necessary, several different concepts can be tested and the one with the highest probability of success concentrated on.

3. Research can determine what formulation, flavour, fragrance, colour and other product features from a range of alternatives appeal most to customers.

4. Research can find out which of several package designs is likely to sell best and whether people can actually open or use a package.

5. Research can estimate the potential sales of new products and the advertising expenditures required to achieve maximum profits. In some circumstances research can predict the effect of price changes on product sales and indicate the price that should be charged for a product.

6. Once a product is ready for market, research can determine how consumers rate it compared with products they are currently buying.

7. Research can help decide the optimum positioning for a product. In other words, how the product fits into the market, what its image is or will be, and who is likely to buy it.

8. Research can establish what factors are important in purchase decisions, what vocabulary consumers use when talking about products, and what newspapers they read, radio stations they listen to and television programmes they watch.

9. Research can determine whether advertising communicates what was intended.

10. Research can settle arguments. Sometimes the only way to resolve differences of opinion is to use independent research results as an arbitrator.

Some of these tasks which research can perform provide a useful insight into consumers' decision processes. More importantly, however, what each of them has in common (apart from the last item) is that they all relate to management decisions. In each case market research provides the means of making better management decisions. This in turn implies that management knows what decisions it needs to make and that it is not conducting research in the hope that by fully 'understanding' consumers the solutions to all its problems will somehow become apparent.

However, as the Beecham-Yankelovich Clancy Shuman case proves, even when market research is decision-oriented, management cannot relinquish its responsibility to manage. Market research is not, and never will be, a substitute for management.

References

Advertising Age (1987) August 17, pp 23, 38.

Marketing News (1988) September, pp 1, 7.

Ogilvy D (1983). *Ogilvy on Advertising*, London: PanBooks.

Philip Gendall is Professor and Head of Department, and Don Esslemont is a Senior Lecturer, in the Department of Marketing, Massey University.

Footnote

The Beecham-Yankelovich Clancy Schuman case was eventually settled out of court in August 1988. As part of the settlement, no details were announced, but YCS did not admit to inadequacies in its research methods.