



## Market Research

Any successful marketing campaign is generally backed up by some crucial insights from a marketing research effort. This marketing research may be a formal research conducted to gauge the market situation or can simply be a gut feel based on empirical evidence. More often than not, however, a formal research is conducted before any major marketing effort is undertaken. This is because marketing research answers the following important questions, whose answers are not always obvious:



- Will there be a demand for my product or service?
- What should be the ideal price of my offering - one that ensures that I earn the maximum profit?
- Should I place my product only in urban markets or distribute even in the rural areas?
- What should be the preferable media to promote my offering?
- Would it be better if I replaced the pale green packets with bright yellow ones?
- Is the fourfold growth in my sales figures a consequence of our latest television commercial?
- How satisfied are our customers with the after sales services we provide?
- What image comes to the minds of consumers when they hear our company's name?

This list is only indicative. There can be several other questions which might make market research imperative. Generally there are distinct phases during the lifetime of a product/brand and different kinds of research are required during the various phases. At a broad level, the various kinds of studies done in market research includes user and attitude (also known as habits and attitude), marketing mapping, brand health monitoring, brand equity measurement, product tests, segmentation, pricing research etc.

The essence of good market research is to have a decision orientation – the entire research problem should be formulated in a manner so as to enable the researcher to get the right answer which will help him take a decision.

For a research effort to be successful, it is necessary that sufficient time is spent on problem analysis, problem definition and problem formulation. This would be followed by defining a set of hypothesis – the exhaustive the list the better. A research methodology is then decided which addresses questions on information areas, sample selection, and data collection techniques. Once the data is collected, the data management and analysis phase starts. The final output of this process is a set of actionable recommendations which directly or indirectly help to take some decision. These decisions addresses the problems identified at the very outset of the research process. The research process is shown in Exhibit 1.

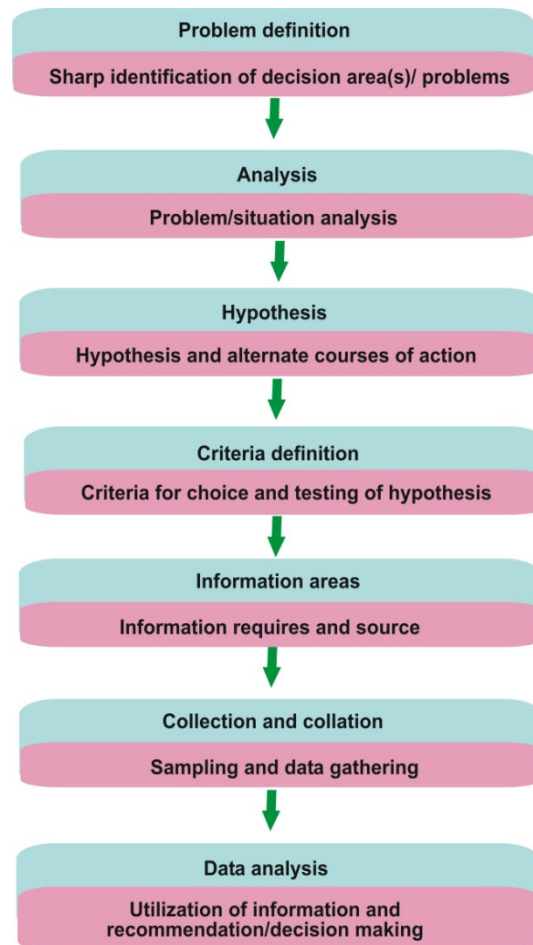


Exhibit 1: Steps in Market Research

### Constituents of the Industry Vertical

Market Research can exist as an in-house department in various kinds of companies, which includes FMCG, consumer durables, healthcare and service organizations etc., media agencies, media property owners, e.g. broadcasting companies, advertising agencies, public/private enterprises working on social issues, political organizations to gauge public opinion as an input to campaign design and policy formulation etc.

But very often, due to scalability reasons, organizations outsource market research work to third part agencies. This helps them to leverage the expertise the agencies have in terms of tools, techniques and skilled human resources. But the list above provides the kind of customers a typical market research agency has – they are the primary consumers of market research.

Market Research agencies are also of different kinds. The complete spectrum includes companies which might be specializing in either one or many of these functions:

- Data collection and tabulation
- Data management

- Model design and analysis
- Fact based strategic business consulting

Thus, market research companies range from the ones involved primarily in doing fieldwork (low end of the value chain, particularly for quantitative research) to the ones which does high end business consulting.

## Areas of Operation

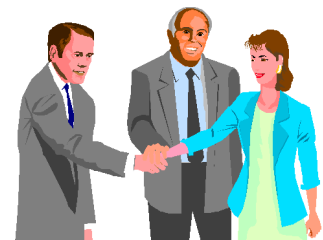
The services provided by a market research agency can broadly be divided into three areas of operations, which are:

- Market Research Solution
- Outsourcing Solution
- Business Analytics Solution

Market Research Solutions provide customized research solutions for companies depending on their specific needs. It also included publication of syndicated studies and industry reports. Outsourcing solutions refer to services provided by an agency as part of a research project undertaken by someone else. The owner of the project outsources some part of the work to a third party market research agency. Business Analytics deals with data management, modeling and analysis.

## Customers

According to ESOMAR, an internationally recognized organization that studies market research trends globally, the major clients of market research are from B2C (Business to Consumer) manufacturing industry which includes fast moving consumer goods, pharmaceuticals and healthcare, durables and electronics and automotive industry. Together they constitute nearly 50 percent of the entire market research revenue generated.



## Establishing Business Activities

There are two broad areas where ample opportunities exist for new entrants in the market research industry. These are:

- Market Research Outsourcing (MRO)
- “Localized” market research for Indian hinterlands

The MRO companies in India are slowly moving up the value chain from catering to fairly 'standardized' research needs of foreign clients, to providing services in transactional and tactical level activities.

As MNCs are increasingly targeting consumers down the pyramid for driving sales volume, market research firms need to wake up to this new opportunity. To understand these target groups, there is a need to "localize" market research tools and techniques. According to industry experts, while in the upper levels, the Indian market is rather homogenous, as we move down, heterogeneity increases in terms of language, attitude and behavior. So, there is a scope to work at this level to understand these customers and provide valuable inputs to companies who intend to extend their markets.

### **Market Potential**

In India, the total size of the MR industry is around Rs. 600 crores which is roughly 4 percent of the total advertising spending during the same period. This figure globally is close to 10 percent. However, the Indian market is the fastest growing market in the world. The growth rate in 2004-2005 was around 31 percent (compared to China which was 20 percent during the same period), but now it has flattened to a figure of little more than 10 percent.



The fact that more and more MNCs are coming to India to take advantage of the large market has realized the importance of market research as an essential ingredient to design their advertising and communication campaigns. This bodes well for the Indian domestic market research industry and is likely to spur future growth.

### **Market prices of inputs, selling prices of the business products**

Market research companies work on a project basis, and the cost for the project is decided based on the efforts involved in terms of the number of man-hours. The man-hour rates vary based on several factors which include:

- Type of industry sector
- Kind of research work – quantitative, qualitative, observational, etc.
- The brand equity of the MR Company
- Relationship of the company with the client

There are no published man-hour rates in the industry. Also, industry leaders were not willing to divulge the typical rates.

## Skill Set Requirements

People with diverse skill-sets are required in a market research agency. This is because of the kind of work the agency does. On one hand there is quantitative research which requires people skilled in statistics and number crunching. On the other hand there is qualitative and ethnographic research which requires people from social science background like psychology, sociology and anthropology. Finally business development profiles require management graduates who understand business perspective and can handle operational aspects of client's engagements.



Qualitative researchers are specially trained resources who have the ability to mine insights from depth interview, focused group discussions, and other qualitative investigative techniques.

## Key Industry Trends and Future Perspective

After an almost soporific existence for 50 years, the domestic market research industry in India has woken up to the new realities of a globally competitive world. It is trying to reinvent itself by providing improved value-added services, investment in latest technologies and brand building efforts.

Today's clients no longer seek data and statistics, they seek actionable ideas. Hence market research agencies are trying to move up the value chain from a data crunching service provider to strategic, fact-based business consultants.

Adoption of latest technology is a big change which is changing the face of Indian market research companies. While face-to-face and pen and paper interviews are still used, techniques like Computer Aided Telephone Interviews (CATI), Computer Aided Personal Interview (CAPI) and Computer Assisted Self Interview (CASI) are the new techniques widely being embraced by the Indian companies. CATI is extremely useful to collect data from a geographically dispersed sample in a cost effective manner. CAPI allows interviewers to conduct face-to-face interviews using the computer using specialized softwares. The technology enables systematic branching of questions so that only those relevant to the respondents can be asked. The inherent advantage of using software was that it would check real time for inadmissible or inconsistent responses, and hence data-coding efforts are minimized. In CASI sessions, the respondent interacts with the computer-based system for a short period all by himself and answers a series of questions presented by the system. The interviewer remains available for instructions and assistance, but has no active role to play other than on occasions when explicit help is sought. These latest technologies are putting Indian

market research companies at par with the global counterparts in terms of competence and quality of deliverables. Also, it helps the companies to scale their business by doing more work in lesser time and other resources.

### **Business Profile of Marketing Research**

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Note: Various references have been used in the preparation of this profile. For further details please contact the Institute.

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