TYPES OF MARKET RESEARCH AND ITS USEFULNESS: AN EMPIRICAL STUDY

Ganeshasundaram Raguragavan
Department of Marketing, Massey University, Palmerston North

Tony Lewis
Department of Marketing, Massey University, Palmerston North

Zane Kearns
Department of Marketing, Massey University, Palmerston North

ABSTRACT

Much of the literature on market research begins with the premise that information plays a critical role in the success or failure of organisations. However, information acquired by decision makers will have little impact on company performance if it is not able to be put to use in the making of decisions. Clearly, the type of information available, and the use to which it is put, are the deciding features in the value of information. However, with very few exceptions, the literature has tended to focus on the how and what of gathering market information, rather than on the usefulness of such information, once it has been acquired.

Kohli and Jaworski (1990) write that if market intelligence and marketing research generated information is to play a critical role in a firm's quest to become more market oriented, relevant information must be produced and disseminated to the various departments in the most appropriate form to enhance its use. Moreover, there is likely to be "bad" research and "good" research, though this distinction carries within it the seeds of circular reasoning. Hart and Diamantopoulos (1993) found that the level of use of marketing research had no apparent effect on business performance. They argued that what really matters is not what information is collected or from where it is obtained. Instead, the crucial question is how good is the information gathered, and how effectively it is used. Hart and Diamantopoulos did not attempt to explore possible explanations for their finding of an insignificant relationship between research activity and success. It is probably the case that different types of marketing research have different effects, and it is this question that is investigated here.

This paper reports on part of a large scale study investigating the relationship between the type of marketing research on the one hand, and company performance on the other. We specifically explore the relationship between the purpose for which research has been commissioned, and managers' perceptions of the usefulness of the information provided by the research. The data were collected by personal interviews and a mail questionnaire. The results from 34 New Zealand organisations and 775 research projects, suggest that if the research is conducted with the specific purpose of helping to make a decision, it is evaluated more favourably than if it is conducted to provide background information.

INTRODUCTION

A review of the literature on research utilisation reveals great diversity in the way research utilisation is described (Deshpande and Zaltman, 1982[4]; John and Martin, 1984[9]), measured (Deshpande and Zaltman, 1982[4], 1987[5]; Larsen, 1982[12]; Wilton and Myers,

1986[17]), and categorised (Deshpande and Zaltman, 1982[4], 1987[5]; Lee, Acito, and Day, 1987[13]; Wilton and Myers, 1986[17]). For instance, research utilisation has been referred to as: (1) the extent to which research is used directly to guide behaviour and make decisions and; (2) the extent to which information leads to the reduction of uncertainty for decision makers, and (3) the extent to which there have been specific changes in behavioural, cognitive, and affective areas. The various measures of research utilisation proposed to date also differ in their focus, scope, and process.

Kohli and Jaworski[10] (1990) write that if market intelligence and marketing research generated information is to play a critical role in a firm's success, the way in which it is produced and disseminated to the various departments is crucial. However, little empirical work has been conducted on the link between the type and extent of marketing research activities and business performance. Many studies focus primarily on the extent to which the marketing research has been adopted by organisations, rather than its specific consequences. The literature shows only one empirical study of the consequences of marketing research. This noteworthy exception is the study of Hart and Diamantopoulos[7] (1993). Hart and Diamantopoulos found a surprising non-significant relationship between research activity and success. They did not, however, attempt to explore possible explanations for this finding. One possible explanation is that different types of marketing research have different effects, some positive and some negative, with the result of an aggregate null relationship.

TYPE OF RESEARCH USE

The literature on research use talks of the existence of two key dimensions in the evaluation of research: namely, instrumental and conceptual (Deshpande and Zaltman, 1982[4]). Instrumental use, or what in our paper is termed 'decision research' has been defined as the direct application of research findings and conclusions to solve a specific problem, or to make a particular decision (Deshpande and Zaltman, 1982[4]). In this type, a problem exists and the solution depends on the research providing information to fill the information gaps.

Conceptual use, or 'background research' in our paper, refers to the indirect application of information, in the sense that information is used to broaden the managerial knowledge base without serving any one particular project (Moorman, 1995[15]). Background research is commissioned to understand what is prevailing in the market and to get a feel for customer satisfaction. It is also used to understand the after-effects of decisions made on the basis of decision research. Menon and Varadarajan[14] (1992) say that such research is less direct than action-oriented research.

METHODOLOGY

A list of company names was compiled from the New Zealand Market Research Society's Directory (1998) with assistance from the New Zealand Business Who's Who (39th edition). Market research companies were excluded and agreement to participate was sought from 87 client companies who thus made up the initial sample. The sample covered a wide spectrum of service and manufacturing companies.

Initially, the chief executives of the 87 organisations were approached with an outline of the intended research. The executives were invited to nominate a participant from among their staff, who could be asked to provide all information relating to market research that had been commissioned or conducted over the past 10 years. Of the initial 87

contacts, 34 organisations agreed to participate in the research. After a relationship was established with people nominated by the chief executive, 34 in-depth interviews were undertaken over a six-month period between June and November 1999. These interviews obtained detailed information on the research projects including purposes, expectations, selection criteria, methodology, type, results, implementation of outcomes, and the influence of organisational factors. Follow-up interviews were held with some respondents to confirm and clarify responses, as well as to gather other qualitative data on the operational aspects of research.

Based on the information obtained in this first round of interviewing, the research projects (n=3018) were classified as 'decision type' or 'background type'. This was accomplished by the lead researcher reviewing each project's objectives and methodology. Not all the projects conducted by the organisations were selected for the analysis described in this paper. The number of projects from each organisation was limited to a maximum of 45 decision type projects and an equal number of background projects. If there was more than 45, then 45 were randomly selected from each organisation. In the absence of any decision research project a random sample of a maximum of 14 projects was selected. In total, 775 projects were selected from the 34 participating organisations. This was an overall sampling ratio of 25% of the total number of projects. Out of the 775 projects selected for evaluation, 342 (44%) were decision research and 433 (56%) were background research. To obtain the data required for the study each of the projects was rated by respondents on five-point scale (strongly agree (5) to strongly disagree (1)) on the dimensions given in Exhibit 1.

Exhibit 1

Overall the project was very useful
The project gave us a good understanding of our market
After the research it was quite clear what action should be taken
The project was well worth the money spent

INVOLVEMENT BIAS

The influence of involvement in the research project by the manager has been emphasised by various writers (Curren, Folkes and Steckel, 1985[3]; Bradley, 1978[2]; Deshpande and Zaltman, 1987[5]; Lee, Acito, and Day, 1987[13]). For example, it is speculated that projects in which the respondent was involved in might be highly regarded, whilst ones commissioned by others might be viewed less favourably.

To investigate the potential for bias in the responses due to personal involvement in the commissioning of the research, respondents were asked to rate 'I personally was involved in the project' on the same five-point scale. Table 1 reports the ratings of the projects by the respondents' level of involvement, and shows that there was only slightly more involvement in 'decision research' projects than in 'background research' projects. Furthermore, the mean scores on the involvement scale show no statistical difference, with the mean involvement for Decision research being 2.6, and for Background research being 2.4. Thus if the ratings are biased, they are probably biased by the same amount in each category, and the bias can safely be ignored when comparing the results between the different types of research.

Table 1 - Distribution of Responses for Involvement by Research Type

Measurement	Type^	Respondents Ratings of Projects (rounded %ages)				
Variable		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

Involvement	DR	15	23	10	12	40
	BR	13	20	12	8	47

^ Type of Research (DR-Decision Research; BR-Background Research)

UNIVARIATE RESULTS

Tables 2 and 3 show the results of the analysis of the different types of marketing research and the ratings on usefulness, market understanding, actionable, and value. Table 2 shows the distribution of the responses to the rating questions. CHI-SQUARE statistics are also reported to test if the cell counts differed from that expected if there was no relationship between the rating and the type of research. While the chi-square test is limited for this sort of data, the results show that the responses were unequal for each classification.

Table 2 - Distribution of Responses by Research Type

Measurement Variables	Type^	Respondents Ratings of Projects (row %ages rounded)					Chi-Square
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Overall usefulness	DR	31	62	7	1		*
	BR	9	40	44	7		
Provided market understanding	DR	6	44	35	14	.6	*
	BR	25	51	19	5	.2	
Indicated clear action	DR	37	54	9			*
	BR	8	26	45	20	.5	
Value for	DR	24	65	11			*
	BR	9	27	46	18	1.6	

^ Type of Research (DR-Decision Research; BR-Background Research)
*Significant at 0.01 level or better. We are aware of the problems of applying Chi-Square to ordinal data.

ANOVA results are reported in Table 3 to see whether any significant differences exist between the type of research in relation to means of each of the measurement variables. The results indicate that all of the differences in the means were statistically significant at the .01 level.

Table 3 - Project Ratings by Type of Research

Measurement Variables		Classification of Projects (Mean Score)		Difference	P	
	Overall n=775	Decision Research n=342	Background Research n=433			Eta Squared
Overall usefulness	3.8	4.2	3.5	0.7	*	.22
Provided good market understanding	3.7	3.4	4	0.6	*	.10
Indicated clear action	3.7	4.3	3.2	1.1	*	.32
Value for money	3.6	4.1	3.2	0.9	*	.25
Involvement	2.5	2.6	2.4	0.2		

* Significant at 0.01 or better. We are aware that caution should be used in interpreting anova results on ordinal data.

Overall Usefulness

The results presented in Tables 2 and 3 show that 'decision research' projects scored more

highly than 'background research' projects on 'Overall the project was very useful'. This supports Shrivastava's[16] (1987) argument of "usefulness of research is its ability to provide decision makers with a rationale for making decisions, thereby prompting actions in organisations". Furthermore, Table 2 indicates that 93% of the 'decision research' projects and 49% of the 'background research' projects were rated as useful (agree/strongly agree).

Provided Good Market Understanding

Table 3 indicates that 'background research' scored higher on 'The project gave us a good understanding of our market'. This is as expected; that is what it is carried out for. It is to provide general enlightenment and can be considered as developing the managerial knowledge base. Table 2 shows that 76% of the background research projects were rated as 'provided good market understanding' (agree/strongly agree) but only 51% of the 'decision research' projects were rated in this way.

Indicated Clear Action

This scale measured the direction provided by the research. Table 3 shows that 'decision research' projects in general scored more highly than 'background research' projects on 'After the research it was quite clear what action should be taken'. The response ratings also indicate that 91% of the 'decision research' projects were rated as 'provided clear direction for action' (agree/strongly agree) compared to 34% of the 'background research' projects.

Value for Money

The value of a study to the manager is affected by the costs incurred in conducting the study compared to its worthiness in terms of applicability. The cost of a study is perceived in both monetary and non-monetary terms, such as time and energy expended in commissioning or conducting the study, or in collecting the information. Table 3 shows that 'decision research' projects (89%) scored more highly than 'background research' projects (36%) on 'The project was well worth the money spent'.

Examining the managers' responses on project usefulness shows that none of the projects, whether 'decision research' or 'background research', was rated 'strongly disagree'. This result corresponds with the studies that show that managers express a generally positive, favourable attitude toward marketing research, and consider it to be a valuable tool (Bellenger, 1979[1]; Holbert, 1974[8]; Krum, 1978[11]; Deshpande and Zaltman, 1982[4]; and Deshpande and Jeffries, 1981[6]).

MULTIVARIATE RESULTS

The univariate results give some measure of difference in the value of research in favour of decision research. Each variable indicates in some way a common-sense dimension of the over-all value of research projects. However, it is possible that if the four variables were reduced to the underlying dimensions we would find a greater difference in the evaluation. With that in mind, a MANOVA was performed to show the combined effect of all four (excluding involvement) variables. The results are given in Table 4 indicate a much enhanced difference in the value of the different types of research. The difference is significant at .01 level and the Eta-squared value shows that 98 percent of the variation in the single measure of usefulness is explained by research type.

Table 4 - Multvariate MANOVA Results

	F	Eta-squared
Model (Combined)	7529	.98

Significant at 0.01 level or better.

Exploring the Dimensionality of Project Rating

The above MANOVA results however impose a single dimension on the results. It could perhaps be instructive to explore a more appropriate number of dimensions. This approach is supported by Table 5 which gives the correlation coefficients between the original rating variables. This shows high correlations between 'overall usefulness' and 'indicated clear action', and 'value for money', but a low correlations with 'provided good market understanding'.

Table 5 - Relationship Between Measurement Variables

	Overall usefulness	Provided good market understanding	Indicated clear action
Overall usefulness	1.00		
Provided good market understanding	0.17	1.00	
Indicated clear action	0.79	0.04	1.00
Value for money	0.80	0.08	0.78

The unrotated two component principal components solution given in Table 6 shows a simple and meaningful grouping of variables.

Table 6 - Unrotated Factor Matrix

	Component	
	1	2
Overall usefulness	.93	.02
Value for money	.93	-.08
Indicated clear action	.92	-.13
Provided good market understanding	.17	.98

As expected 'provided good market understanding' is the odd one out. With that in mind we reduced the four variables to two principal components and called them 'valuable research' for the first component, and 'informational research' for the second component. The three variables 'value for money', 'indicated clear action' and 'overall usefulness' loaded significantly in the first component and the variable 'provided good market understanding' loaded significantly on the second component. These two new components, accounted for 90 percent of the variation of the original variables. The 'valuable research', we would expect from the univariate analysis, will contain information relating to decision type research and the 'informational research' will provide information regarding background type research projects. Table 7 gives the results of ANOVA on the two factor solution. This table shows a slight improvement, in terms of the Eta-squared values, on the univariate anova using four variables.

Table 7 - Project Ratings by Factor

Measurement Variables	Mean Factor Scores		Difference	P	
	Decision Research n=342	Background Research n=433			Eta Squared
Valuable research	.65	-.51	1.14	*	.32
Informational research	-.40	.31	0.91	*	.12

*Significant at 0.01 or better.

Further analysis was conducted to investigate the extent and type of research commissioned by the respondents' organisations and their ratings of usefulness. Table 8 shows that the ratings by the companies which are 'high' in decision oriented research scored more highly than "low" in decision oriented projects on "Valuable research". On the other hand, companies which are "low" in decision oriented projects scored higher on "Informational research." The differences in the means between 'high' and 'low' decision oriented companies were significant at the .01 level. This indicates companies which are 'high' in decision oriented research consider their research projects as valuable in terms of its usefulness, money value and providing direction for action. On the other hand, companies which are "low" in decision oriented projects consider their research as useful only in terms of providing market information.

Table 8 - Project Ratings Type of Companies

	Ranked mostly on Decision research					
Measurement Variables	High n=10	Moderate n=17	Low n=7	Difference^	P	Overall n=34
Valuable Research	0.19	-0.12	-0.31	0.5	*	
Overall usefulness	4.1	3.7	3.7	0.4	*	3.8
Indicated clear action	4.0	3.7	3.3	0.7	*	3.7
Value for money	3.8	3.6	3.3	0.5	*	3.6
Information Research	-0.04	0.01	0.18	0.2	*	
Provided good market understanding	3.6	3.7	3.8	0.2	*	3.7

^Difference between 'High" and "Low" decision oriented companies

*Significant at 0.01 level or better. We are aware of the problems of applying Chi-Square to ordinal data.

CONCLUSIONS

We have classified research into that which seeks to understand what is prevailing in the market and to get a feel for customer satisfaction (background research), and that which seeks to evaluate alternative courses of action (decision research).

'Decision research' includes all or most of the factors proposed by Shirivastava[16] (1987) as the important criteria for determining the usefulness of research. These criteria include information which is of personal interest and sense to the users; related to the tasks facing the users; action-oriented; and innovativeness. The reason for the above results may be because 'decision research' includes the underlying dimension (realism, accuracy, specificity to the addressed problem, consistency of research output and implications, comprehensiveness and completeness, and validity of research) proposed by John and Martin[9] (1984) as important criteria for determining the value of research.

On the other hand, it is difficult to measure the effect of 'background research', especially in the long-term, since this process is subtle and indirect and therefore managers may not be able to identify specific effects or observe the influence. This also supports the findings of Bellenger[1] (1979), Holbert[8] (1974), and Krum[11] (1978) that marketing research results have less impact if they are not actionable or sufficiently convincing to be used in critical decisions.

Our survey indicates that background research predominates over decision research as a research activity, yet is regarded as less useful by managers. Over the four dimensions (usefulness, market understanding, value for money, indicate clear action) background research was evaluated less favourably than decision research. This result was even more marked when the dimensionality of the ratings was studied.

A possible explanation for the apparent contradiction between the comparatively lower rating of background research and the higher proportion of background research conducted is that the convention among research companies and marketers is to do background research, and they are able, because of their supposed expertise in such matters, to make their views prevail. Conversely, a possible explanation for the fact that managers favour decision research is that it enables managers to test their ideas and concepts, and to find an implementable solution. It also gives a clear direction for decision making and puts an emphasis on the financial implications of the decisions.

If the findings of this study are substantiated by replication and analysis of many sets of data, then the conclusion is that managers should have a greater say in the type of research that is carried out for them, and that research companies should put greater emphasis on decision type research when pitching for business. In light of the heavy predominance of background research, this will require a major shift in the thinking of research companies and marketers.

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