

A NEW BUSINESS MODEL OF MARKETING RESEARCH

ssist. Prof. Iliana Uzunova

Introduction

According to the reports of the World Association for Market, Social and Opinion Research (ESOMAR), the marketing research market has exhibited a steady growth over the last 20 years. What is the explanation for this trend? The concept of marketing has been gradually but significantly changing due to current economic development and the changed roles of market agents. A process of transformation is in progress, closely associated with globalization and development of information technologies. At present, the world economy is in turmoil, witnessing intense competition, shortened life cycles and unlimited flows of information. Under such circumstances, survival and progress of business organizations is largely dependent upon provision of information and more specifically – upon their ability to gather and interpret huge amounts of available information. It is not surprising therefore that investment in marketing research is continually on the rise. But is this the same kind of marketing research that dominated the entire 20th century?

To give a true representation of the impact of globalization and technologies on marketing and more specifically on marketing research, and the resulting change in the business model of marketing research, we need to briefly examine both traditional and modern marketing schools of thought and paradigms which govern the marketing reality. A comparison between the concept of marketing and marketing research before and now, allows us to track changes and identify a new business model, which is relevant to the present economic environment and the new expectations of market researchers and consumers.

Development of marketing and marketing research

Early manifestations of the marketing thought can be traced back to ancient times, in the theses of Greek philosophers (Plato, Aristotle) and medieval philosophers (St Augustine and St Thomas Aquinas) (Shaw et al., 2010). But in fact, marketing started to be recognized as profession and science in the early 20th century. It was introduced as an academic discipline in 1902 in the Universities of Michigan, Berkley and Illinois (Uzunova et al., 2010), which gave rise to three classical schools of marketing: the schools of marketing functions (1910-1970), institutions (1915-1975) and commodities (1920-1980).

Today, there are six marketing schools (Jones et al., 2010). These emerged between the 1940s and the 1980s of the 20th century. *Marketing management* focuses on finding solutions for effective management of the marketing process based on the marketing mix concept. *The school of consumer behaviour* studies human conduct

in relation to consumption: the processes of purchasing and consumption and the roles “played” by consumers. *The System oriented school* and the *School of macro marketing* are striving to embrace and consolidate the knowledge of all other schools – they regard marketing phenomena as interrelated parts of a whole and marketing as an inseparable part of social processes. This line of study is further developed by the *School of exchange*. It aims to examine the entire cycle of transactions so that commodities and services can reach consumers – channels of distribution, institutions, suppliers, intermediaries, salesmen, etc. Paradoxically, the sixth school of marketing is the one of *marketing history*. This school promotes the idea of expanding marketing knowledge through review and discussion of the past and present situation while knowledge transfer should be directed to and from other social sciences.

Alongside market development, marketing research is also gathering speed. Many historians believe that the formal beginning of marketing research are the records showing classical research approaches being applied to a marketing problem – a study conducted by an advertising agency involving forecasts of corn yield in 1879 (Lockley, 1950). By the end of the 1920s, marketing studies were already recognized as a profession and an academic subject (Stewart, 2010). Gradually, the set of marketing research methods has been extended further to embrace psychometric, psychological, physiological, and other methods to name but a few, which helped explain the economic behavior of people. An important contribution to marketing research are the studies of advertising techniques and their effectiveness, communication studies (mainly print and broadcast media) (Cantril, 1952) together with introspection and psychoanalysis (Lazarsfeld, 1934) being ‘imported’ in the US from Europe, which started the qualitative paradigm in marketing research.

Classical methods in marketing research

The classical methods used in marketing research involve surveys and experimental studies, focus groups, projective techniques and physiological studies. Arguably, surveys are emblematic for market research and seen as one of the main tools of marketing studies. They are highly rated because they help collect a lot of information at minimum costs. The 20th century is dominated by three variants of the survey method: personal interviews, mail and telephone surveys.

The purpose of the experimental approach is to study cause and effect relationships and the more complex relations between various variables. Initially, experiments carried out for the purposes of marketing research were meant to estimate the relative efficiency of alternative media channels, advertising messages and promotions. At a later stage, the *conjoint analysis* as part of the experimental approach will prove to be a significant contribution of market research to the empirical methodology. Owing to its application, the design of new products and services is far more efficient, minimizing risk for the companies. (Rastevich, 2012). Experiments are also commonly used for taste tests in marketing research.

Focus groups are another widely used method of marketing research. This research technique is used to collect data on in-depth consumers’ reactions and

perceptions of new products, marketing communications or competitive brands through predominantly unstructured group interviews. In the last 20 years though participants in focus groups are asked more direct (rather than indirect) questions, with less interaction among the group members (Bortz & Dörnyei, 2005; Flick, 2010). Lately, focus groups also started operating on-line – using (video) chat rooms or virtual conference facilities (Reid & Reid, 2005).

Projective techniques are based on stimulating associations, completion and creative construction techniques, use of tests such as *TAT* and *Rorschach* as well as other techniques which can probe deeply into human emotions and events which provoked them.

Popularity of physiological research is due to the fact that captured consumer reactions are mainly unconscious and are unlikely to be affected from social desirability concerns, i.e. they give much away about the real motives of consumers which in some cases are quite different from those described by participants verbally. Physiological research techniques include examination of eye movement, pupil dilation, voice pitch, galvanic skin response and studies of the heart rate, breathing, brain waves as well as other functions of the autonomic nervous system.

Innovative trends in marketing research

By the end of the 20th century, business organizations had begun active dialogue with consumers (Anderson & Cunningham, 1972) which led to a change in the marketing concept. In the course of time, this dialogue was becoming more and more intense to turn into an integral part of corporate and market culture in the 21st century. The concept of ‘service marketing’ has also increased in importance (Vargo & Lusch, 2010) as it reflects a major shift in the relationships of market players. Naturally, said shift has led to re-engineering of the research process so that research could meet the needs of all interested parties – contractors, research analysts and the general public.

Another important development which greatly contributed to a change in the business model of marketing research is the emergence of the so-called *interactive marketing communication* driven by technological advancement and globalization (see **Fig. 1**). The above-mentioned interactivity involves dialogue communication based on the ‘many-to-many’ principle. Owing to IMC, the business focus has shifted from supply to demand with subsequent high degree of personalization of all marketing activities (Vasilev, 2005). Generally speaking, modern technologies lead to the empowerment of consumers which in turn transforms them from a passive target of marketing efforts into active participants involved in every stage of the marketing process.

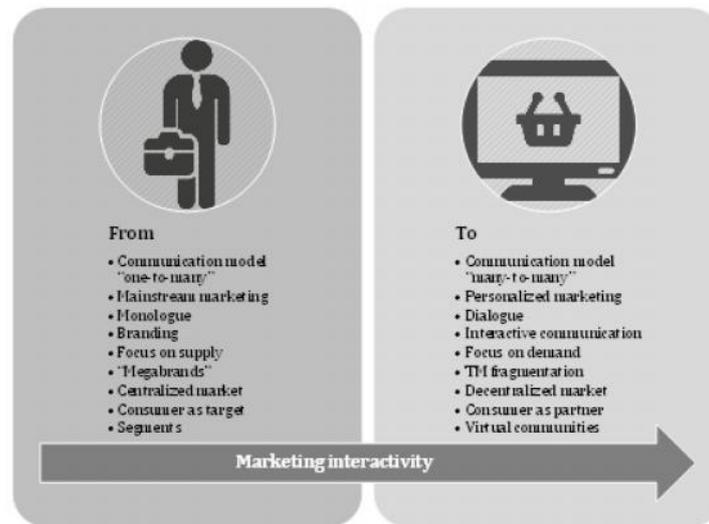


Fig. 1. The marketing concept in interactive market conditions
Adapted from: Vassilev 2005

All this has a direct effect upon the process of conducting marketing research and the way consumer information is interpreted.

In the meantime, marketing research has been growing in size. A sole deviation from the trend of increasing turnover came with the financial crisis of 2008 which had a serious impact on almost every industry sector. Soon the marketing research market was to be recovered even faster than other sectors of the economy, owing to increased investments in new technologies and research (Heeg, 2010).

The positive effects of new technologies are not limited solely to countries traditionally referred to as 'the big players' but they apply to an equal degree to smaller economies such as Bulgaria's which at present is among the world leaders in on-line research. In 2009 and 2010, Bulgaria ranked first in the world with online research of respectively 43% and 57% of total market research turnover (ESOMAR, 2010, 2011). In 2011 Bulgaria ranked sixth with 35%, being only 5 percentage points behind the world leader, Japan (ESOMAR, 2012). In 2012 and 2013 Bulgaria regained its positions to rank second with 45% and 43% on-line research of the total marketing research turnover (ESOMAR, 2013, 2014).

As a result of the expanding scope of work, the change of businesses as an object of research (i.e. shift of focus from supply to demand) and the environment in which market research is conducted, there seems to be a growing need for new methodologies and tools to adequately measure consumer experience. Indeed, on-line research brings added value and there is a growing demand for this type of research (Evans & Mathur, 2005). On-line research tends to replace popular methods used in the past such as telephone enquiries and mail surveys, thanks to recent developments in mobile communications (Vicente & Reis, 2010) providing data with similar or even

higher quality (Coderre et al., 2004; Schillewaert & Meule-meester, 2005). With the help of modern technologies, survey samples can be improved on the basis of more appropriate selection of participants.

On-line research is associated with two main problems – the tendency to extreme response styles and the high drop-out rates (de Jong et al., 2008; Hansen & Smith, 2012) – in either case there are solutions which help to minimize the negative effect. Traditional approach to the above concerns is to choose and apply appropriate statistical and data verification methods before analysis is conducted. The alternative approach is preventive in character and it includes two of the most interesting innovations in the field of marketing research: ‘*surveytainment*’ and ‘*ga-mification*’. ‘*Surveytainment*’ is focused on user-friendly survey designs and appealing questionnaire types which offer a fairly attractive form of survey questions, designed to elicit maximum response and engagement on the part of respondents. To this aim, attractive visual elements are being employed which serve to visualize or animate questions and expected answers alongside interactive elements which can change in real time depending on the previous responses of participants. (Tress et al., 2012). ‘*Gamification*’ ensures higher engagement of surveyed participants through the use of game design techniques and elements such as points, levels, badges, tokens, challenges etc. (Fisher, 2014). Despite the critical comments (Couper, 2013), it has been proved that ‘*surveytainment*’ results in higher completion rates and elicits more and longer answers to the open questions, while *gami-fication* is more effective in engaging younger participants who are usually harder to get by to respond to marketing surveys which are conducted by applying the classical approach to electronic polling.

Automated digital methods are also widely used, being positioned on the borderline between qualitative and quantitative research. Among typical digital quantitative methods are the study of numbers of website visitors and page views, automated assessment forms, automated surveys following calls on service phone hotlines, customer feedback mechanisms on products and services offered by a particular website or website intermediaries, etc. These help acquire more detailed information about consumer behavior in a hi-tech market environment.

In a similar way, qualitative research still stands out as an important set of methods which can be successfully adapted to present day consumers by means of technologies. Dominant methods continue to be group discussions and in-depth interviews while use of technologies speeds up data handling and offers new methods for analysis and presentation. With the onset of Internet and social networks, new qualitative approaches are being applied. Extraction¹ of qualitative information is done not only face-to-face, but via the forum facilities of social networks and any other platforms in the global network based on consumer opinion in text format. Automated content analyses are extremely useful for this type of raw data which indicate the actual position of a given brand in terms of competitors, the most sought after product features and services from consumers’ point of view and they help identify relevant consumer segments. Often such information is derived and analyzed not only in text format but through an automated analysis of consumer generated video content (Shabbir, 2011).

¹ In terms of “data mining”.

Another innovative trend in marketing research over the last years which has grown in popularity is the increasing use of virtual realities or 3D virtual worlds. Millions of users worldwide live their ‘second life’² in a virtual reality setting where they go through a series of economic activities that yield millions of dollars as monthly turnover (Reiss, 2005) therefore making it extremely interesting for the purposes of marketing and marketing research in particular. According to marketing experts who focus their attention on these specific markets, the basic principles of research can be equally applied to the virtual realities but the interpretation of the activities of business entities varies from the economic reality in which we operate. This can be attributed to their specific social architecture and consumer perceptions which sometimes are completely different from the so called “real world” (Harwood & Ward, 2013).

Change in the business model of marketing research

The above analysis shows that the marketing process is dramatically changing under the impact of a global turbulent environment where information and knowledge have the upper hand. In this process, the old forms of organization are being replaced by new strategic partnerships and networks exhibiting key characteristics such as flexibility and specialization with an increased focus on relationships rather than market transactions. The ‘new normality’ in the economy translates into continuous change and adaptation to the environment which applies to all businesses in equal degree but is of superior importance for marketing research as it acts as a catalyst to organizational change. Since marketing research is highly dependent upon new technologies, the latter are expected to gradually re-define the entire trade (see Fig. 2).



Fig. 2. Change in the business model of marketing research

² By analogy with the most popular “Second Life”, in English, “second life”.

With the rise of modern technologies, consumer experience and marketing are increasingly represented by the concept «data», whereby material market domains become ‘data scapes’ (Dholakia et al., 2010). This is where the changing consumer preferences, manifested by virtual communication rather than traditional text and various forms of multimedia content are actually represented by information flows and the concept of markets and market subjects is but a function of multiple and constantly changing data arrays.

Actually, the frequent use of words such as ‘data’ and ‘information’ has been the object of much criticism as the focus is allegedly shifted from the human domain towards information and technologies, in the sense that people cannot be merely represented by numbers. In fact, new technologies have led to unprecedented empowerment of consumers, breaking away from the established image of consumers as passive recipients of marketing activities. Indeed, they now not only play an active part but have the dominant role in market relationships.

For engaged consumers, the process of acquiring goods or services is becoming even more important than their consumption. They expect a highly personalized service and adequate feedback opportunities at every step of this process (Yang et al., 2012).

At the same time, for the clients of marketing research, the information with a focus on the past is not useful any more. They are looking for information in real-time and coherent forecasts for the future (Lewis, 2012). They also consider active consumer engagement to be crucial at every step of all business processes.

Regarding the methodology of marketing research there are key factors to consider such as the constantly increasing volume of information and the shift in the nature of this information which lead to subsequent changes in the research designs (Austin & Schlack, 2010). Whereas in the past, scientists were looking for the ‘perfect’ research design, more and more pragmatic solutions are sought after today. In consequence, the endless pursuit of generalization and representativeness of survey results has given way to small and specific but relevant survey samples. The distance between researchers and participants is getting shorter and objectivity is being replaced by an authentic personal perspective.

In a highly insecure environment, emerging technologies and globalization, the new business model of marketing research is standing at the intersection of the above-mentioned trends – on the one hand, the changing characteristics and expectations of clients and consumers and on the other, the significant shift in research methodology (see **Fig. 3**). This new model requires marketing research to get even closer to consumers with the help of research tools which ‘speak their language’.

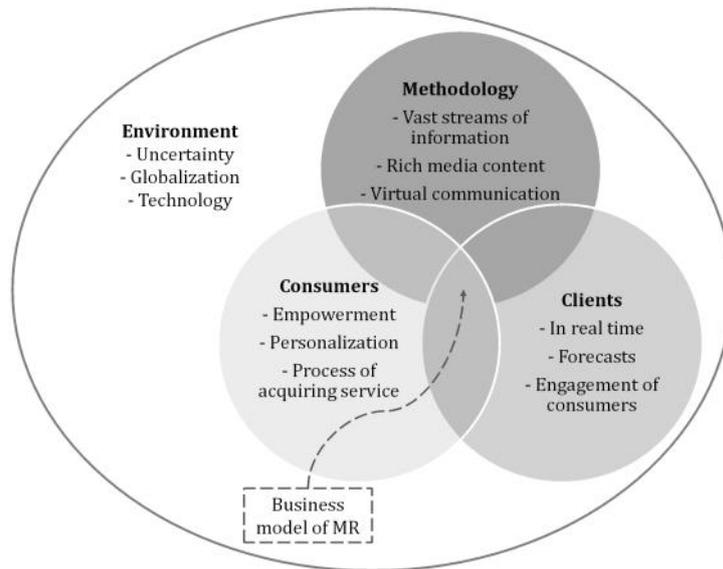


Fig. 3. New business model of marketing research

It is necessary to make it clear that this new business model did not appear suddenly but it is the result of a gradual, longtime change lasting for more than 20 years. ‘Old’ issues of research quality, selection of participants, sample size etc., still need to be addressed adequately but at present it is extremely important to study the possibilities and limits of the transformed research tools and develop the most valuable resource – the researchers competence, so that they can meet the expectations of their clients.

Conclusion

The new business model of marketing research requires the research agencies to rethink their business process. They need to become flexible and ‘learning’ organizations which have the appropriate tools to respond to each specific market situation. At the same time, the role of marketing research as a basic provider of information, puts an extra load on responsibility towards good or bad outcomes of managerial decisions based on the conducted research. Last but not least, modern technologies not only open up new opportunities but certainly have hidden risks (i.e. abuse and mishandling of personal information/data) which by all means should not be underestimated.

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A NEW BUSINESS MODEL OF MARKETING RESEARCH**Assist. Prof. Elitsa Uzunova****Abstract**

The global economy is currently marked by high level of uncertainty, risks, intensive competition, constantly growing information streams and dynamic technological development. These tendencies shape what marketing is today and highlight its importance for the survival of business organisations. Employing a theoretical analysis, this article tracks the evolution of marketing research's business model on the intersection between changed clients' and consumers' expectations, as well as essential change in research methodology. Marketing research professionals are now expected to use agile instruments to master the vast data flows in order to foresee market tendencies and provide tangible solutions to clients' problems.

Keywords: *marketing, methodology, technology, interactivity.*