

# 5

# Research to Create Enterprise Value

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Understanding customers and gaining insight into the context in which the business is operating is key to creating a relevant, valuable offering. In order to secure funding, market research features prominently in business plans and is viewed as a necessity when setting up an enterprise or before the launch of a new product or service. For established businesses, continuous research helps keep abreast of turbulent business environments where new competitors emerge, customer tastes change and new opportunities develop. Research can help answer the following questions: who are the customers, where are they, what do they want, how can they be reached and why is this business different from others? This chapter will introduce some of the more readily available sources that can be helpful in discovering trends, and will evaluate a range of appropriate tools that can help improve business decisions.

## Market or marketing research?

A common image of market research is that of a researcher armed with a clipboard approaching reluctant respondents whilst shopping in the mall. Although some research involves surveys administered in this way, its scope is much wider. Some practitioners refer to 'marketing research' and others use the term 'market research'. Market research investigates the macro and micro environment, the market and the customer. This information is relevant for all companies operating within the market. Marketing research includes market research but additionally considers the business offering and customer reactions to it. It is more tailored to the needs of a specific organization. Although a distinction is made here, many authors use the terms market and marketing research interchangeably.

The American Marketing Association (AMA) defines *marketing research* as:

the function that links the consumer, customer, and public to the marketer through information....used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.

Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyses the results, and communicates the findings and their implications. (AMA,2004)

Marketing research is increasingly seen as a function that gathers 'evidence' using a diverse range of tools, techniques and skills to provide a more complete understanding of customers and their influences, to achieve evidence-informed decision making across the organization and value creation for customers (Keegan, 2005). Some of the questions that can be answered through research are given in Figure 5.1. This chapter will focus on customers, but the techniques can equally be used to gain insight from multiple stakeholders such as employees, funders, distributors, neighbours, interest groups and suppliers.

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- Who are our customers and competitors?
  - What creates value?
  - What do customers think about a new idea?
  - How should the product be promoted/packaged/distributed?
  - How much can be charged?
  - How much should be spent on advertising?
  - How do customers navigate a website?
  - Which creative advertising approach is most effective?
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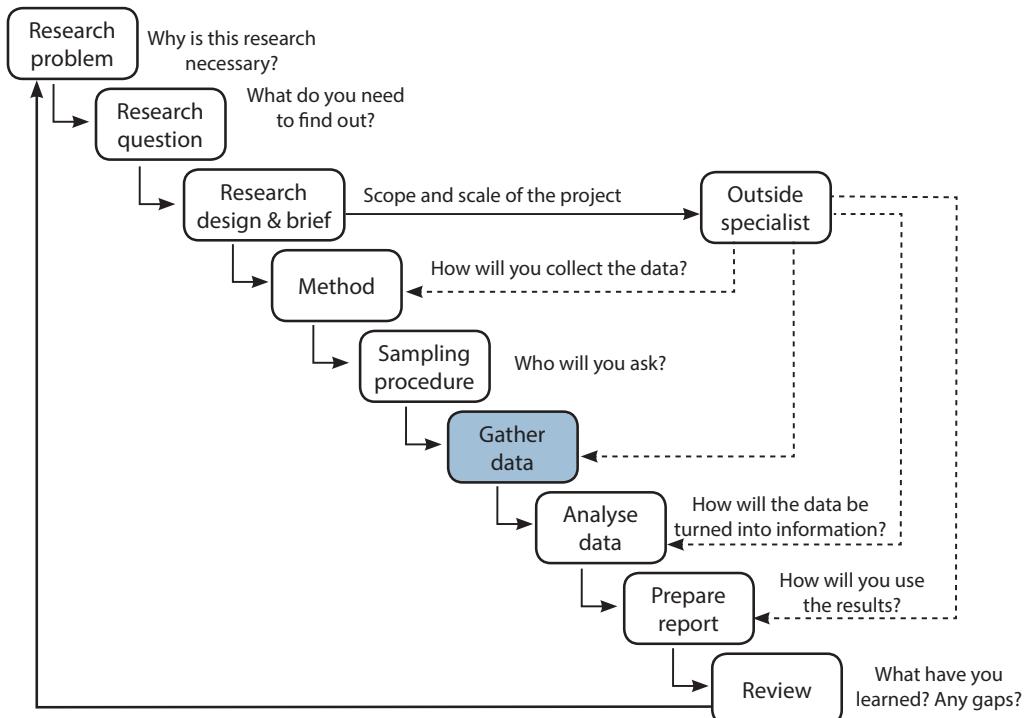
**Figure 5.1:** Marketing research questions

## ■ Is research always necessary?

Where the cost of doing research outweighs benefits it may be reasonable to act without a formalized research. The CEO of Amazon (UK) had reservations about the launch of the highly successful Kindle but realised that "bringing a 100 people together to ask them what they wanted" was futile as customers find it difficult to imagine something that does not yet exist (MacIntosh and Maclean, 2015). So the research decision depends on what needs to be achieved (research objectives), the resources available and any potential outcome or risk of a poor decision.

## The research process

A systematic approach (Figure 5.2) ensures that all stages are considered and allows a company to refine their research question and evaluate alternative research methods.



**Figure 5.2:** The systematic research process. Adapted from Stone and Desmond (2010).

## Defining the research problem

Enterprises may struggle with the first step of the research process – defining the research problem and linking it to specific research questions. The problem could be broad and related to the macro environment, or more specifically business related.

### ■ Research design

Research can be designed to be exploratory, descriptive or causal depending on the purpose and outcomes expected.

*Exploratory* research uncovers background about the market, perhaps to indicate whether a business idea is worth exploring. Its aim is to raise, but not fully answer, further questions and should not be used to make decisions.

*Descriptive* research provides a fuller picture and might involve a systematic review of current information about the micro environment such as:

- A list of competitors sourced from web and printed directories
- Competitor prices and services
- Demographics and lifestyle data about customers.

*Causal* research tries to establish a connection between marketing activities, such as an increase in price and its effect on sales, or the impact of a new advertising message on customer perceptions.

### Example: Paws-Play – defining the problem

Paws-Play is a fictional new business designed for pet owners who regularly work away from home. The initial problem is simply whether there is a market, which raises the potential research questions shown in Table 5.1.

**Table 5.1:** Research question

| Research question                                          | Research design |
|------------------------------------------------------------|-----------------|
| Which customers might benefit from the service?            | descriptive     |
| What macro environmental changes affect demand?            | exploratory     |
| How much does promotion influence interest in the service? | causal          |

Further research is then needed to assess the size and nature of the market.

#### 1 Exploratory research

- Dog control laws (macro environment).
- Pet ownership figures and industry size reports.
- Informal interviews with pet owners and professionals such as vets.

#### 2 Descriptive research

- Petcare spending worldwide will be \$100billion, with \$7billion spent in the UK (Davidson, 2015).
- 10% of people who live in London spend over £2,000 p.a. on their animal ([www.petplan.co.uk/petcensus](http://www.petplan.co.uk/petcensus), 2011).
- In 2011, 20% of owners left their pet alone for 5-8 hours (op cit).

#### 3 Causal research

- Which of two advertising campaign is more memorable?

**Question:** What other type of causal research might Paws-Play need as it prepares for the launch of its services? How might data and insights be gathered?