

# AUSTRALIAN BUSINESS ORGANIZATIONS' PERCEPTIONS OF THE VALUE OF FORMAL MARKETING RESEARCH: A COMPARATIVE STUDY OF FIRMS WITH HIGH VERSUS LOW LEVELS OF BUSINESS PERFORMANCE

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## Abstract

Despite the widely acknowledged importance of marketing research as an essential organizational activity, very little is known about how Australian managers perceive the value of marketing research. Although overseas studies have suggested that one of the fundamental reasons for the underutilization of marketing research among business managers is their negative perceptions of the potential benefits offered by marketing research, little or no research has examined whether there are significant differences in the ways organizations with a high level of business performance versus organizations with a low level of business performance perceive the value of marketing research. This paper reports the findings of a study that was designed to identify whether a positive perception towards the value of marketing research is related to a firm's level of business performance.

## Introduction

According to the literature the use of marketing research can reduce the risk and uncertainty involved in decision making, and thereby increase the chances of successful decision making (see. Deshpande & Zaltman 1982; Gross & Peterson 1987; McDaniel & Darden 1987; McDaniel & Gates 1991; Samli 1996; Smith 1991; Malhotra 2004; Parasuraman, Grewal & Krishnan. 2004; Zikmund 2003). Marketing research, as a major source of marketing information, plays an important role in improving marketing intelligence capability to enhance both strategic and tactical decision making (Parent 1986; Cravens & Piercy 2003; Cravens 2000; Von & Dolph 1986; Tomasino 1985). The strategic role of marketing research is not limited to the provision of strategic marketing information for corporate growth decisions, but it also has a role in guiding the strategic thinking that precedes strategic planning and decision-making (Zabriskie & Huellmantel 1994). According Samli (1996), without adequate market information, an organization lacks a sufficient understanding of its strengths and weaknesses and what its opportunities and threats are, and more importantly, what its priorities should be.

Some authors have even emphasized the importance of marketing research as a means for implementing the marketing concept (O'Neal 1985; Peterson 1988; Zikmund 2003). Marketing research is viewed as a key to the adoption of the marketing concept, since "a genuine marketing orientation is reflected in extensive and regular marketing research studies about customers, competitors and environmental trends (Kheir-El-Din 1990)." According to Crick et al. (1994), marketing research can be seen as a major element of the 'intelligence generation' component of market orientation, and helps to focus an organization's efforts to

actively seek and generate market pertinent information in order to satisfy the needs and wants of consumers. Marketing research helps in fulfilling the marketing concept, because “as an organization adopts this concept, marketing research is seen as a way to integrate the organization’s activities and focus them on the needs of the marketplace” (Kinnear & Taylor 1991).

Despite the widely acknowledged importance of marketing research as an essential organizational activity, very little is known about how managers in Australia perceive the value of marketing research. Although overseas studies have suggested that one of the fundamental reasons for the underutilization of marketing research among business managers is their negative perceptions of the potential benefits offered by marketing research (e.g. Andreasen 1983; McDaniel & Parasuraman 1985; Callahan & Cassar 1995; Hills & Narayana 1989), little or no research has examined whether there are significant differences in the ways organizations with a high level versus a low level of business performance perceive the value of marketing research. Other studies (e.g., Panigrahi et al. 1996) that examined the perceptions of users versus non-users of marketing research did not compare such perceptions in terms of organizational performance. This paper therefore aims to report the findings of a study that was designed to identify whether a positive perception of the value of marketing research is related to the level of business performance.

### **Methodology**

The primary data for this study was obtained via a self-administered mailed questionnaire. The questionnaires were addressed to the managing directors or CEOs of the companies that participated in this study, who were asked to pass on the questionnaire to the appropriate person in their organizations. The sample for this study was selected from a database provided by the Small Business Development Corporation (SBDC), which is a listing of Australian companies in the Yellow Pages Directory. The reason for using this database is that it provides a wide representation of the businesses and industries operating in Western Australia. The final respondents used for this study were from a variety of industries including construction, finance, mining, services, manufacturing, recreational sector, retailing, and transportation.

Due to the exploratory nature of this research, only 1,000 business firms in Western Australia were randomly selected for this study. Of the 1,000 questionnaires distributed only 331 were returned. Of this 331 that were returned a total of 86 were returned because they were not deliverable as addressed, and 40 firms indicated they were no longer in operation (out of business, never in business etc.). Seven questionnaires were deemed unusable due to missing data on key measures, and therefore were excluded from subsequent analysis. As a result, 198 questionnaires were suitable for analysis, yielding a 23 per cent (i.e., 198/874) response rate. Although this response rate is low, it is considered adequate for an exploratory survey.

Non-response bias was assessed by comparing early and late respondents on a number of key organizational characteristics as recommended by Armstrong and Overton (1977). This analysis revealed no significant differences at the 0.05 level between the two groups of firms, suggesting that non-response bias is not a major problem. In order to determine whether the characteristics of the respondents differ from those of “non-respondents” the result of a sample of 30 non-respondents contacted by phone found that the companies could not participate due to “a lack of time”, or that the business executives/owners were away, or that the business executives/owners had no interest in participating in any academic research

studies due to company policy. Furthermore, analysis of data provided by the 30 non-respondents showed that the characteristics of non-respondents concerning firm size, total company sales turnover, business experience, number and type of markets did not differ significantly from those of respondents (at .05 significance level). On the whole, the majority of the companies (59 per cent) had fewer than 100 employees and the rest (41 per cent) employed more than 100 employees.

### **Definition of Marketing Research and Method of Performance Classification**

A review of the literature reveals many definitions of the term 'marketing research'. For example, Malhotra (2004, p. 7) defines marketing research as the "systematic and objective identification, collection, analysis, dissemination and use of information for the purpose of improving decision making related to the identification of problems and opportunities in marketing". Parasuraman, Grewal and Krishnan (2004, p.9), define marketing research as "a set of techniques and principles for systematically collecting, recording, analyzing and interpreting data that can aid decision makers involved in marketing goods, services or ideas". However, there appears to be a general consensus in the literature with respect to the underlying concepts of marketing research, in that marketing research is systematic, objective and involves the collection and analysis of information. Therefore, for the purpose of this study, marketing research was defined as "a systematic and objective process of gathering, recording, and analyzing data for aid in making marketing and business decisions".

Financial measures were used in this study for classifying businesses into high performing and low performing firms. The classification of the two groups of firms was based on the following four performance measures:

1. The profitability status of the firm
2. The firm's market share
3. The firm's total sales growth over the past three years
4. The firm's overall level of performance

To be classified as an organization with high level of performance, the organization must have performance scores higher than the median scale rating scores for each of the above performance measures. Based on the above criteria, 112 (57%) of business firms were classified as low performing firms, while the remaining 86 (43%) were classified as high performing firms. An industry comparison of the firms that were classified as organizations with a low level of performance versus organizations with a high level of performance showed no significant difference.

### **Data Analysis and Research Findings**

A linear discriminant analysis was used in this study to identify if differences exist between organizations with a high level of performance and organizations with a low level of performance in terms of their perceptions of the value of marketing research. The linear discriminant analysis was used because, according to Zikmund (2003), the aim of a discriminant analysis is to predict the probability of objects belonging in two or more mutually exclusive categories based on several independent variables. A discriminant analysis demonstrates which variables are the most important in distinguishing between the classes or groups (Green, Tull & Albaum 1988; Tull & Hawkins 1990). According to Klecka (1980) and Zikmund (2003), discriminant analysis is useful in interpreting the ways in which

groups differ by discriminating groups on the basis of some set of characteristics. Alreck and Settle (1995) stressed that when the independent variable is continuous and the dependent variable is categorical, discriminant analysis is the appropriate statistical tool to test the significance of the relationship between variables. In short, according to Peterson and Mahajan (1976 p. 649) and Ogunmokun, Shaw and FitzRoy (1999), discriminant analysis is a multivariate statistical technique whose general objectives include:

1. Determining whether a given set of predictor variables differentiates among two or more groups of objects and, if so, determining which of these variables contribute the most to this discrimination;
2. Delineating specific combinations of the predictor variables, which efficiently maximize differences among the groups;
3. Developing procedures for correctly assigning new objects whose predictor variable values are known but whose group membership is unknown, to appropriate groups.

A stepwise discriminant procedure was therefore employed to identify those perceptions of the value of marketing research, which discriminates organizations with high level of business performance from organizations with low level of business performers. The perceptions questions for this study were derived from Panigrahi et al. (1996) study as shown in Appendix

1.

Results of the discriminant analysis shown in Table 1 identified the following three perceptions as the perceptions differentiating between organizations with a high level of performance versus organizations with a low level of performance:

- Question 12 - “marketing research is too complex a process to be worth the effort of our firm”;
- Question 10 - “the marketing research process is very costly and time consuming”; and
- Question 11 - “marketing research cannot make a significant contribution to the firm’s sales, profits and growth of the firm”.

**Table 1: Summary of Perceptions of Marketing Research Differentiating Organizations With High level of Performance From Organizations With Low Level of Performance**

<b>Question Number</b>	<b>Variable Description</b>	<b>Sig. Level</b>	<b>Wilks Lambda</b>
12	Marketing research is too complex a process to be worth the effort of our firm	0.0001	0.87852
10	The marketing research process is very costly and time consuming	0.0000	0.84521
11	Marketing research cannot make a significant contribution to the firm’s sales, profits and growth of the firm	0.0000	0.76214

\* Correctly classified 72.25%  
 Overall Wilks Lambda = 0.851, (p < 0.0001)  
 Canonical correlation = 0.4115

As shown in Table 1, the overall classification accuracy of the discriminant function was 72 per cent. The Wilks Lambda (0.851) was significant at the 0.0001 level, indicating that the

two groups of firms were significantly different in terms of the discriminant function. The discriminant function had a canonical correlation of 0.4115.

When asked to indicate the level of agreement with each of the attitudinal statements (on a five-point scale ranging from 1 “strongly disagree” to 5 “strongly agree”), high performing firms, as opposed to low performing firms, had a lower mean level of agreement rating for all of the discriminating variables dealing with the cost-benefit of marketing research. On the basis of the mean rating values, this study found that high performing firms perceived marketing research as being worth the cost and time involved in doing it; they are more inclined to view the marketing research process as being worth the effort of their firms and found marketing research to be a potential contributor to their firm’s overall performance.

### **Conclusions and Implications**

The findings of this study provide some insights into the Western Australian business organizations’ perceptions of the value of marketing research. The perceptions that differentiate organizations with a high level of business performance from organizations with a low level performance are that low level performing firms view marketing research as too complex a process to be worth the effort, very costly and time consuming; and as an activity that cannot make a significant contribution to the firm’s sales, profits and growth. One of the challenges facing marketing educators is to find out, when, where and how to train these business executives about the value of marketing research.

An industry comparison of the firms that were classified as organizations with a low level of performance versus organizations with a high level of performance, showed no significant difference. However, because this study used a small sample (N=198 companies), a much more intensive national study is required to investigate further the validity of the findings of this exploratory study.

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## Appendix 1: Perceptions Statements Used For This Research

### Attitudinal Statement

#### ***Business Situation:***

1. Marketing research helps a company since changes are taking place continuously in the surrounding environment
2. Marketing research is justifiable only for large firms
3. There is no need for marketing research when the demand for a firm's products exceeds its supply
4. In today's business world, our company faces stiff competition
5. We are satisfied with the number of customers we have for our business

#### ***Cost/Benefit of Marketing Research:***

6. We are not likely to benefit from marketing research, since we already know enough about our target market (s)
7. Compared to other activities necessary to successfully run our business, marketing research is not that important
8. Marketing research results are useful in making more reliable sales forecast
9. The marketing research process is insignificant compared to the cost of making a major mistake
10. The marketing research process is very costly and time consuming
11. Marketing research cannot make a major contribution to the firm's sales, profits and growth of the firm
12. Marketing research is too complex a process to be worth the effort for our firm
13. Successful products can only be introduced after thorough marketing research
14. Marketing research is a wasteful activity for our firm

#### ***Ability to do Marketing Research:***

15. We don't conduct marketing research as we don't have the necessary personnel and expertise
16. We would have difficulty in implementing the results of a marketing research study
17. We would have difficulty in evaluating the results of a marketing research study

#### ***Future Importance of Marketing Research:***

18. Formal marketing research in our line of business will become very important in the future

Source: Panigrahi et al., 1996, p.619-620