# What is the use of formal market research?

Market research is the methodical, logical and objective gathering and study of information relating to certain target markets, their environment and also their competition (MarketResearchWorld, 2009). Market research is very often mistaken to be the same as marketing research. However the definition of marketing research is vaster. In addition to including market research it also covers research into modes of distribution like the internet or looking into new products (MarketingTeacher, 2010). It looks into the complete marketing process of the company (Palmer, 2000). Global market research involves recognizing and responding to differences across nations that have an effect on how information is collected. Its based on a global scale. These factors include historical, religious, political, economic, market and linguistic differences.

## 1. 1 THE INTERNATIONAL MARKETING RESEARCH PROCESS.

Gathering data and assembling it into meaningful information involves a number of steps. There are 8 basic steps that are followed in the marketing research process.

## INFORMATION REQUIREMENT.

The first step is to identify the information requirement. The market researcher needs to ask what information is needed and why this information is required (Keegan & Green, 2008: 194). In the case of Starbucks, they would be interested to know about customers preferences, how can they enhance their products, the atmosphere, how to appeal to non coffee drinkers. They will want to know about the existing market for coffee, what competition they face so that they can create the appropriate strategies to

improve and establish themselves as the most respected and recognized brand leader of coffee. Starbucks will also need to assess the possibilities of potential markets so as to reach out to more people. Possibly by going into producing healthy drinks etc. A case we will take into consideration is the research carried out in London UK to better understand consumer awareness towards Starbucks.

## DEFINING THE PROBLEM

The second step is defining the problem. In this step the self reference criterion is significant. The SRC principle comes into view when the analysis of a foreign country or culture is influenced by the home country's beliefs and values of a person (Keegan & Green, 2008: 194). A few examples of cases Starbucks came across are the situations in China and Japan. In China they opened up a store in the Forbidden City which is considered to be a traditional civilization and thought opening a store there was absurd. In Japan they faced criticism that the locals would never accept the ban on smoking inside and drinking in paper cups (Khan. S, 2010).

In the case that we are examining, Starbucks decided to shut down 61 of around 84 of its stores in Australia and 600 more in the USA. This was due to the drop in market share in Starbucks and the weak economy where customers were being discouraged by the $4 coffee shots. This fearless decision was made while taking into consideration Britain as a significant rising market with unexploited opportunities. Therefore research on consumer awareness on Starbucks' brand equity and pricing strategy was conducted in London (Salvi and Parkeh, 2010).

## CHOOSING A UNIT OF ANALYSIS.

This step involves choosing what the market will be. Starbucks operates on a global scale. The reason for going international is mainly with the aim to increase market share of the company as well as its finances. International marketing has been made easier with advances in technology and international relations. Another factor that has fuelled international expansion is the increase of competition. The management of Starbucks has the requirement to thrust the company ahead and hence managed to develop and sustain a successful international marketing culture (Tewell K et al, 2006).

## EXAMINE DATA AVAILABILITY.

Instead of conducting the full process of a formal market study, a company can instead refer to readily available data that can be accessed through libraries, computer files, trade or industry journals etc. Secondary research method involves summarizing, collating and analyzing existing research information. Examples are previous research experiments and subjects, company records etc. Starbucks had access to a lot of information during its research. It hired research companies like Bruzzone (Lamb C. W. et al, 2008). Secondary research is available too like government records which include a lot of information about consumer market, companies′ websites and records etc. In our case, Starbucks had to analyze its financial progress, its position in the market, its market share, its sales etc in various countries like Australia and the US and Britain. For example Starbucks used data from a FactSet analyst survey to determine share prices and how much was being earned per share (Andrejczak, 2008).

## VALUE OF RESEARCH.

This step is carried out if readily available data is not easily accessible pertaining to the situation in which it is needed for. Further studies of a particular region, country market, segment etc will be conducted. It assesses how much worth this information is worth to collect and compare it to how much the collection of such information would cost. This information will of highly valuable use to Starbucks because it helps them make important decisions like whether to expand specialty operations to consumers at shops, travel, work etc. A cost benefit analysis is taken out. Usually the benefits are more than the costs. Gaining customer insight will help Starbucks listen to their customers needs and gain their loyalty which is very important in maintaining a high brand position. However if data is available, then the research design step is carried out.