

## Summary

1. Marketing research is all about generating insights. Marketing insights provide diagnostic information about how and why we observe certain effects in the marketplace and what that means to marketers. Good marketing research is characterized by the scientific method, creativity, multiple research methods, accurate model building, cost–benefit analysis, healthy skepticism, and an ethical focus.
2. The marketing research process consists of defining the problem, developing the research plan, collecting information, analyzing the information, and making the decision. In conducting research, firms must decide whether to collect their own (primary) data or use data that already exist (secondary data). They must also choose a research approach (observational, focus group, survey, or behavioral) and research instruments (questionnaires, qualitative measures, or technological devices). In addition, they must decide on a sampling plan, contact methods (online, in person, mail or e-mail, or telephone), and data-mining strategies.
3. To estimate current demand, companies need to determine the size, growth, and profit potential of each market opportunity. To estimate future demand, companies survey buyers' intentions, solicit the input of their sales forces, gather expert opinions, analyze past sales, or engage in market testing. Mathematical models, advanced statistical techniques, and computerized data collection procedures are essential to all types of demand and sales forecasting.
4. Marketing research must assess the efficiency and effectiveness of marketing activities. Two complementary approaches to measuring marketing productivity are (1) marketing metrics to assess marketing effects and (2) marketing-mix modeling to estimate causal relationships and measure how marketing activity affects outcomes. The insights gleaned from these two approaches must be disseminated within the organization. Marketing dashboards provide all the up-to-the-minute information necessary to run the business operations for a company—such as actual sales versus forecast, distribution channel effectiveness, brand-equity evolution, and the development of human capital. Company input to the marketing dashboard should include two key market-based scorecards that reflect performance and provide possible early warning signals.

### Marketing Spotlight

#### IDEO



Source: Courtesy of IDEO

IDEO is an international design company with studios in North America, Asia, and Europe. It works with a diverse roster of clients across business, governmental, and social sectors to create positive impact through design. IDEO uses a human-centered approach to problem-solving known as design thinking, which prioritizes the needs of people as central drivers in creating products, services, and experiences. IDEO has designed products and services including Apple's first computer mouse; a network of world-class, affordable schools in Peru; and an inclusive and accessible voting system for Los Angeles County.

IDEO has roots dating back to 1978, but took its name in 1991 as a design firm that focused on product design and engineering. Like many other firms, it initially employed engineers from the industrial, electrical, manufacturing, and chemical fields to create and improve client products. However, IDEO set itself apart from other design firms through its multidisciplinary approach and by popularizing design thinking. As IDEO grew, the company took on a greater array of projects and employed people with a much wider breadth of skills. It sought the perspectives of marketers, anthropologists, doctors, teachers, architects, and experts in other fields.

Every aspect of the company—from the organizational structure and physical spaces to the hiring, training, and managing of employees—reflects a set of seven core values that IDEO articulated with the goal of fostering a creative and collaborative community within the company. The values are Talk Less, Do More; Make Others Successful; Learn from Failure; Embrace Ambiguity; Be Optimistic;

Collaborate; and Take Ownership. In IDEO offices, the desks of partners and senior leaders are interwoven with the desks of junior designers to create the conditions for collaboration across all levels. Open, flexible spaces allow employees to showcase their prototypes and host brainstorming sessions.

IDEO has applied its design thinking approach to a variety of innovative products, services, and experiences spanning industries and sectors. When Oral-B asked IDEO to design a new toothbrush for young children in 1996, IDEO began by observing kids brushing their teeth. During their observations, IDEO noticed that children hold their toothbrushes differently than adults do. Whereas adults have the fine motor skills to move their toothbrushes with just their fingers, children grip the toothbrush with their fist to move it around. Adult toothbrushes posed problems for children because they were thin and hard to hold. IDEO used this realization to create a toothbrush with a thick, squishy grip. This simple innovation was widely adopted and has become the dominant form-factor for children's toothbrushes.

Another example comes from Los Angeles, where county leaders wanted to revamp their antiquated voting system, which dated back to the 1960s. Los Angeles County hired IDEO to design the concept, look, and feel of its updated system, a modular solution that could adapt over time. With nearly 5 million registered voters, LA County represents the largest voting jurisdiction in the United States. IDEO researchers organized prototyping events at community centers around the county, hearing from voters of all ages and backgrounds. IDEO created a voting system that would be useful and accessible to all types of voters: those who are vision and hearing impaired, are in wheelchairs, have learning disabilities, are unfamiliar with technology, and speak languages other than English. The new system debuted during the 2020 Presidential Primary.

IDEO has also partnered with The North Face to help build the outdoor-product company's brand story in China. The North Face wanted to expand its presence in China but found that the extreme-sport and adventuring narratives used in the company's U.S. brand story did not resonate with Chinese consumers. IDEO researchers found that Chinese consumers responded better to a brand story that encouraged them to escape big-city life and enjoy the relaxing freedom of spending time with others in nature. IDEO researchers and designers helped build the company's Chinese marketing campaign, and they collaborated on digital platforms and in-store displays to attract new customers.

Working with the J.M. Smucker Company, IDEO helped Folgers, America's leading at-home coffee brand, to better connect with a millennial audience. The collaboration resulted in 1850, a brand inspired by the heritage and history of Folgers. IDEO helped design the go-to-market product experience, including

packaging, retail, and merchandise. Introduced in 2018, 1850 was considered the top launch in the Coffee Category for 2019.

The one constant behind IDEO's many solutions is its application of human-centered design. IDEO continues to uphold its philosophy that the best design solutions are found by orienting the process around the user's desires and needs. IDEO has applied human-centered design to a multitude of fields, including financial services, nonprofit organizations, brand building, health care, learning and education, and consumer goods.<sup>38</sup>

### Questions

1. Why has IDEO been so successful?
2. What is the most difficult challenge that IDEO faces in conducting its research and designing its products?
3. In the end, IDEO creates great solutions for companies that then receive all the credit. Should IDEO try to create more brand awareness for itself? Why or why not?

### Marketing Spotlight

#### LEGO



Source: Hemis/Alamy Stock Photo

LEGO is one of the world's most recognizable toys. The small, colorful building blocks have spawned countless sets, figurines, video games, and even movies and theme parks. LEGO is built on a very simple concept: Each block fits together with every other block, which creates an endless combination of buildings, robots, cars, and anything else the user can think of. LEGO employs a design-thinking approach to its product innovation, keeping things fresh with new releases that utilize the colorful bricks in creative ways. In 2017, LEGO became the world's largest toy manufacturer and is one of the strongest brands across all industries.

The LEGO company began in 1932, in a small shop located in Billund, Denmark. Carpenter Ole Kirk Christiansen sold wooden toys, stepladders, and ironing boards with his son Godtfred. Two years later, the pair named their business LEGO, short for the Danish words *leg godt*, which translate to "play well." During the next several years, LEGO expanded its product line to include wooden ducks, clothes hangers, and simple wooden bricks. It wasn't until 1947, when LEGO purchased a plastic injection-molding machine, that it began to mass produce plastic toys that served as the predecessor of the modern LEGO brick. In 1957, LEGO created the interlocking plastic brick, and the following year it introduced the stud-and-tube coupling mechanism that became the model for all future LEGO toys. LEGO bricks became wildly popular among customers, and the company began expanding worldwide in the early 1960s. In 1964 the company started selling sets, which included the parts and instructions to construct a particular model. Soon thereafter, theme sets from movies and books such as the *Harry Potter*, *Star Wars*, and *Jurassic Park* series became some of the most sought-after children's toys in the world.

LEGO's growth and expansion slowed at the end of the 20th century. Birth rates had declined, and children were less interested in toys that didn't offer instant gratification. The many theme parks that LEGO opened around the world failed to turn a profit because of the company's unfamiliarity with the hospitality industry. LEGO began churning out increasingly complex and unique sets to draw in more customers, but sales failed to grow. The increased complexity of LEGO bricks also made production more complicated and inventory harder to manage. Major retailers ended up with large portions of inventory unsold, even during holiday seasons. In 1998, the company suffered its first financial loss, and by 2003, LEGO was on the verge of bankruptcy.

In 2004, Jorgen Knudstorp was promoted to CEO, only three years after arriving at the company. Knudstorp, who had previously worked at McKinsey & Company, began turning the company around and improving businesses processes, cutting costs, and better managing cash flow, which stabilized the company. To revive the popularity of LEGO toys, Knudstorp focused heavily on innovation and emphasized market and consumer research. Knudstorp believed that in order to

rekindle the emotional connection between customers and LEGO toys, LEGO had to deeply understand each customer's desires and behavior.

LEGO's shift toward basing decisions on extensive research reduced complexity in production and ensured the success of its product releases. In 2011, the company launched the LEGO Friends line, an effort to attract more girls to the brand. The company's market research led to the insight that girls preferred to use their LEGO sets for roleplay, whereas boys enjoyed strong narratives and backstories, such as those offered by the Ninjago and Legends of Chima sets. Both girls and boys enjoyed the building aspect of LEGOs. The LEGO Friends line offered more sets and locations like shopping malls, juice bars, and creative labs, so girls could use their figurines to roleplay. The line caught on strongly in markets worldwide, including China, Germany, and the United States.

LEGO also established the Future Lab, a secretive research and development team that is responsible for creating some of its most innovative and successful toy lines ever. Future Lab teams are made up of industrial designers, programmers, marketers, and even master builders, who brainstorm to generate modern products. During an annual one-week field trip to Barcelona, Future Lab teams extensively brainstorm and produce prototypes from the bins of bricks, animation software, and professional-quality digital cameras available. The most successful prototypes generated are pursued back in Denmark, where viable ideas are launched into production. LEGO toy lines created by the Future Lab include LEGO Mindstorms, a robotics platform created in partnership with MIT; LEGO Fusion, an augmented-reality application; and LEGO Architecture, collections that model the world's most famous buildings.

In 2017, LEGO surpassed rival Mattel to become the biggest toy manufacturer in the world. Though LEGO has enjoyed great financial success since its all-time low in 2003, company studies have indicated that kids spend less and less time playing with physical toys every year. In an increasingly digital age, LEGO must continue researching its customers and experimenting with innovative product lines to stay at the top of the toy industry.<sup>39</sup>

## Questions

1. How does LEGO manage to constantly reinvent its business?
2. What role did marketing research play in LEGO's market success?
3. What differentiates LEGO from its competitors? Is LEGO's competitive advantage sustainable?