

Module 1: Marketing

Lesson 5 - Market Research

OVERVIEW

In this lesson, students will gain a fundamental understanding of the market research process and how businesses use market research to develop marketing strategies.

OBJECTIVES

1. Define market research
2. Understand the concept of consumer behavior.
3. Identify factors that influence consumer behavior.
4. Provide an example of a shift in consumer behavior.
5. Explain the concept of a “pivot” and why a business might choose to pivot.

KEY TERMS

Consumer behavior

Market research

Pivot

Shrinkflation

This Lesson Bundle Includes:

- Market Research - Lesson Outline
- Market Research - Presentation Slides
- Industry Application - Related Links
- Discussion Deck - Market Research (“Most Trusted Brands”)
- Infographic - 7 Products That Saw COVID-19 Sales Spikes
- Infographic - 7 Products That Saw COVID-19 Sales Declines

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CONSUMER BEHAVIOR

Consumer behavior is the study of how individuals and organizations make purchase decisions that satisfy their wants and needs. This behavior explains consumer motivations and the psychology and behavioral factors that influence purchase decisions. For a business to thrive, it is critical that it understands consumer behavior and the trends that influence how customers may respond to product and service offerings.

A business can benefit from an effective marketing strategy that influences consumer behavior in a manner that helps to drive sales while ensuring high levels of customer satisfaction. However, marketing professionals must find the appropriate balance between influence, ideally, in a way that benefits the consumer, and manipulation. Determining the best method of influence and implementing strategies in an ethical manner will yield results in the most positive way possible.

Consumer behavior is influenced by three primary factors:

1. Psychological factors

- Consumer perceptions
- Attitudes

2. Demographic factors

- Age
- Profession
- Income
- Education

3. Behavioral factors

- Social groups
- Interests

Shifts in Consumer Behavior

Over time, environmental and economic factors will result in shifts in consumer behavior. Businesses must monitor these trends and adjust marketing strategies accordingly.

Environmental Factors

Consumers changed how and where they purchased goods and services during the pandemic. More consumers began ordering takeout food and purchasing goods online. As the environment changed, businesses had to quickly pivot to adapt to this shift in consumer behavior. In some cases, like home care and cleaning products, demand increased. Other businesses like grocery stores and restaurants were forced to find ways to reach consumers or run the risk of going out of business.

Overall, e-commerce benefited from the shifting environment during the pandemic, propelling an already thriving sector forward.

- According to the [U.S. Census Bureau](#), American consumers increased online spending by nearly 32% when the pandemic forced a lockdown and consumers were forced to stay at home
- According to [Digital Commerce 360](#), the pandemic contributed an estimated additional \$218.53 billion to e-commerce's bottom line over the past two years.





75%

According to market research, 75% of consumers tried new shopping behaviors during the pandemic

Source: McKinsey & Company

The pandemic also influenced consumer discretionary spending. In 2023, retail spending in the U.S. had slowed, but consumers were spending more on “experiences” like travel. After monitoring consumer behavior trends, Amazon shifted its marketing strategy for its annual “Prime Day” shopping event by [partnering with Priceline](#) to offer exclusive travel deals.



DISCUSSION TOPIC

Some industries were hit hard during the COVID-19 pandemic while others flourished, resulting in significant product and service sales increases and decreases. To see which industries were impacted most, review the following infographics, then discuss the questions below.

- 7 Products That Saw COVID-19 Sales Spikes (Infographic)
- 7 Products That Saw COVID-19 Sales Declines (Infographic)

Discussion Questions:

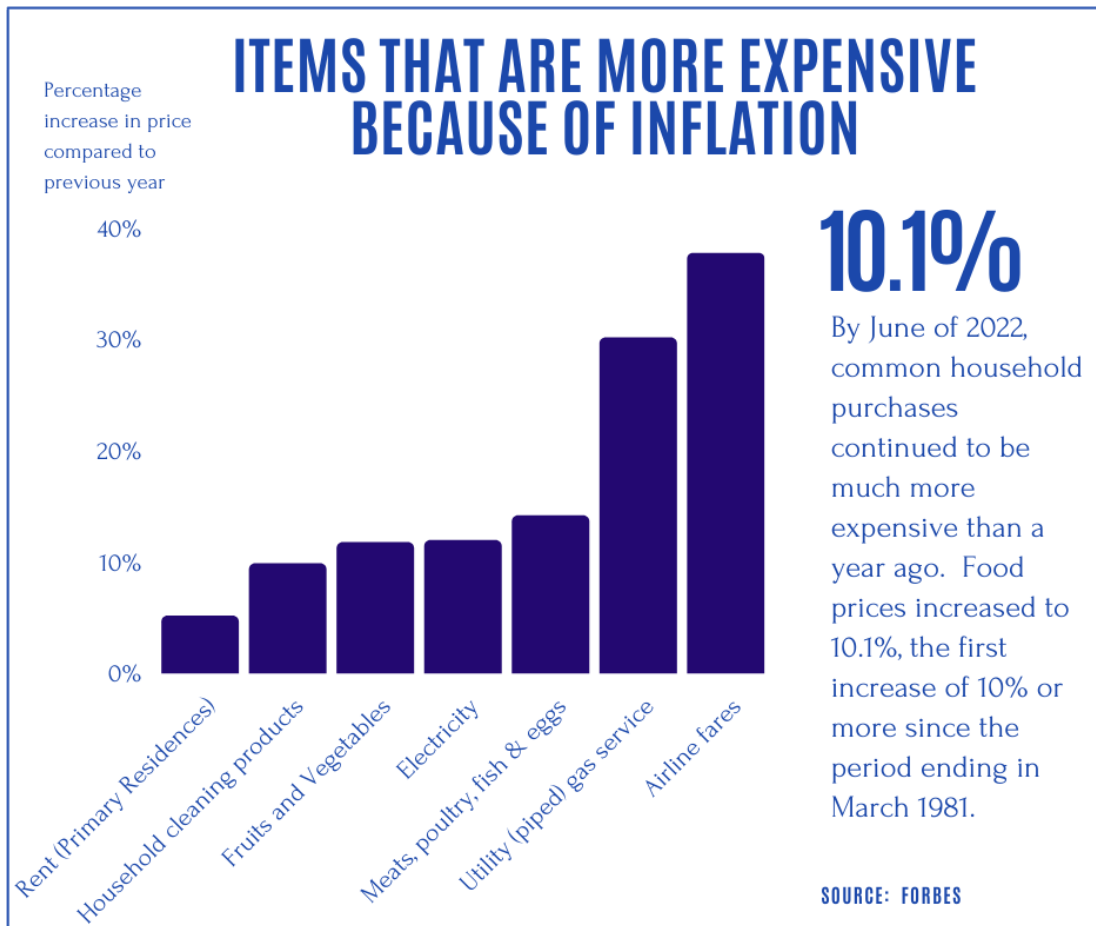
- Which industries do you think were hit hardest during the pandemic?
- Which industries actually saw a benefit from a sales perspective during the pandemic?
- Why do you think those industries were impacted in that way?
- How do these infographics demonstrate the concept of consumer behavior?
- How do these infographics demonstrate the concept of market research?
- What type of business might benefit from the data in these infographics?

Economic Factors

Economic conditions can also impact purchase decisions, influencing shifts in consumer behavior. When inflation drives up prices for everyday consumer goods like toothpaste and pasta and the cost of gas surges, consumers spend less on discretionary items like clothing, beauty products, luxury goods, and electronics. Consumers begin to look for private-label and generic brands to help save money and seek out affordable retailers for shopping needs.

For example, as inflation pushed price increases for just about everything in 2022, millions of consumers were forced to re-evaluate spending habits. According to one [study](#), more than 80% of consumers planned to rethink or even reduce product spending. As a result, businesses were forced to rethink marketing strategies.





As inflation continued to push the price of goods and services higher, consumers had less available discretionary dollars to spend on things like apparel and fashion. This created a shift in consumer behavior, with more people thrift shopping and buying second hand. According to a [report from thredUP](#) in 2023, the market for secondhand apparel grew 24% from the year before, to \$119 billion dollars, and is expected to grow 127% by 2026 to \$218 billion worldwide, three times faster than the apparel market overall.



127%

The global secondhand apparel market is expected to grow 127% by 2026, three times faster than the overall apparel market

Source: thredUp



DISCUSSION TOPIC

Think about your behavior as a consumer. Then, discuss the following questions:

- What influences any changes in the way you purchase products or services?
- Do you prioritize price or brand when making purchase decisions?
- Have you noticed more interest in secondhand fashion in recent years among your friends or family? How might that influence the way fashion businesses and brands market their products?

Businesses Pivot

When consumer behavior changes, businesses are forced to rethink the way they do business. If the business is not meeting the wants and needs of the consumer, it must shift strategies. In marketing, this is referred to as a **pivot**. In some cases, a business might pivot by shifting the target audience to help increase sales. In other, they might pivot by altering product or service features. When a company pivots, it means that it is making a significant change to the way they do business.

The COVID-19 pandemic took a massive toll on businesses around the world. According to a study from [The Hamilton Project](#), as many as 400,000 businesses had permanently closed by June of 2020 with another 200,000 shutting their doors between March 2020 and February 2021, based on [data](#) from the U.S. Federal Reserve.

As a result of the pandemic, many businesses (large and small) decided to **pivot**. A 2021 [study](#) from the International Journal of Disaster Reduction found that 63% of U.S. small businesses had changed how they served customers as a result of the pandemic, while 49% of the businesses surveyed had increased their social media presence and 41% had shifted to online sales.

Shrinkflation

Economic factors that influence shifts in consumer behavior can also result in a pivot from businesses. One example is “shrinkflation.” **Shrinkflation** refers to the practice of reducing the size of the package or amount of product without lowering the price.

While a “shrinkflation” response to rising costs of producing goods and services might not represent a pivot in the traditional sense as it isn’t a fundamental change in the way companies do business, it is an example of how businesses must adapt to changing consumer behaviors.

Examples of shrinkflation include:

[Quartz](#) reported that several major brands downsized product quantities:

- A 4.1-ounce tube of Crest 3D White toothpaste was reduced to 3.8 ounces, the equivalent of one less brushing.
- A 9.75-ounce bag of Doritos decreased to 9.25 ounces or roughly 5 fewer chips than the previous packaging provided.
- A Family Size box of What Thins that previously held 16 ounces of crackers was downsized to 14 ounces, providing approximately 28 fewer crackers.
- At Noir, a supper club in Chelsea, New York, still charged \$38 for Maine lobster tails in 2022, but they were 4-ounce tails instead of five, while a \$24 appetizer of vegan gyoza dumplings now consists of an order of five instead of six, according to a story from the [NY Post](#).

SHRINKFLATION

16 oz



\$1.49



12 oz



\$1.49

10.5 oz



\$3.79



9 oz



\$3.79



Market Research

Market research is the process of systematically collecting, recording, analyzing, and presenting data related to marketing goods and services. The data uncovered through research provides an opportunity for marketing professionals to get to know their customers. This information helps a business to recognize and understand consumer behavior patterns in a way that allows for them to develop effective marketing strategies. This process is known as marketing information management.

Today, marketing professionals have more access to consumer data than ever before, and the collection of that data has spawned a new era of approaching how businesses communicate with consumers. We will explore the concepts of data and analytics further in module five.

Before engaging in market research, a business must first determine what information they are after. What do they want to learn about consumers?

Some typical market research questions include:

- Who is the customer?
- How does the customer determine satisfaction with a purchase?
- How does the purchase fill a customer's wants or needs?
- Where does the customer shop?
- When does the customer shop and in what environment?
- How does the customer prefer to pay for a product or service?
- Why does the customer choose to buy or not buy a product or service?
- What motivates customer purchase decisions?
- How can the company reach and connect with the target customer?

Market Research Data

Market research gathers data relating to groups of people who could potentially be identified as a company's target audience. Once a business identifies appropriate questions about prospective customers, it must then determine what type of data can help to provide answers. Research could also uncover information that would help a business to identify current trends that might represent potential threats or opportunities within a marketplace.

Groups within a market include:

- Consumers
- Competitors
- Culture/climate
- Company

The Research Process

Typically, an organization would follow a set process when engaging in the market research process.

Step One: Identification Phase

In this phase of the research process, a business will identify the problem, concern or additional desired information to be gathered.

Step Two: Design Phase

In this phase of the research process, a business will select and design research.

There are two types of research projects that an organization might typically conduct. Primary research is the original research conducted for a specific marketing situation.



Primary research consists of:

- Surveys
- Direct mail
- Telephone
- Interviews
- Focus groups

Another type of research features secondary research. Secondary research is published data that has been collected for some other purpose (data collection).

Examples of secondary research:

- Census reports
 - A census is a method used for obtaining statistical information that counts every member of a population.
- Demographic analyses
- Trade associations
- State agencies
- Commercial research firms

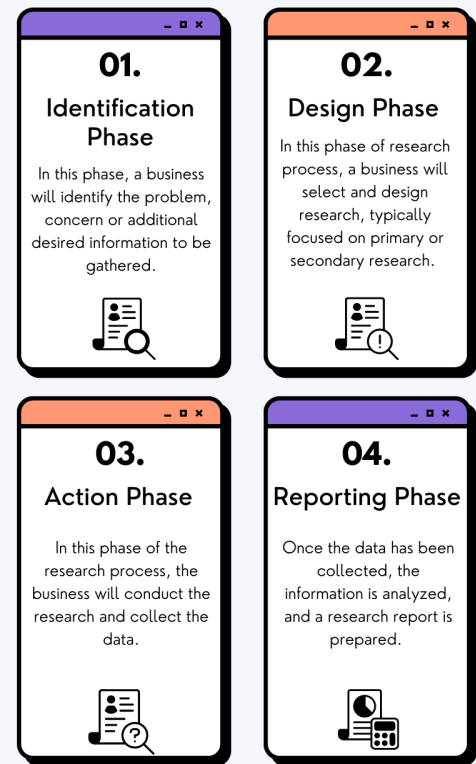
Step Three: Action Phase

In this phase of the research process, the business will conduct the research and collect the data.

Step Four: Reporting Phase

Once the data has been collected, the information is analyzed, and a research report is prepared. Data and information from the report are used to assist in the decision-making process.

Market Research Process



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Market Research Applications

There are all kinds of applications where marketing professionals use market research to guide key decisions in businesses from every type of industry.

Examples of market research applications include:

- A sneaker company working to identify specific colors that appeal to consumers
- A clothing company researching ways to reduce costs of materials used to manufacture products
- An almond producer studying possible new flavor combinations
- An electronics company launching a survey to gather feedback on a new product
- A Fortune 500 company contracting a market research firm to better understand consumer perception



DISCUSSION TOPIC

Can you think of a time you were involved in the market research process?

- Have you ever responded to a survey?
- Were you incentivized to participate in a survey with a discount or an offer for a free product?
- Have you ever left a product or service review on a website like Yelp? How do you think a business might benefit from that information?
- How might any of these activities represent an example of marketing information management?



Market Research Application:

According to [Driver Research](#), LEGO leaned on market research to promote inclusivity for all children to enjoy its products:

- Historically, LEGO toys were primarily geared toward boys, but the company didn't want to limit sales by catering to just one gender.
- Within a four-year period, the company conducted a study involving 3,500 girls and their mothers to gain a better understanding of the children's playing habits.
- Using market research, LEGO developed a new toy line called "Friends", encouraging girls to play with its toys, leaning on the data collected to determine the packaging colors and size of the figurines.



DISCUSSION TOPIC

Each year, the research firm Piper Sandler conducts a "Taking Stock With Teens" research product to assess which brands are most popular among Gen-Z. The survey gathers input from 7,100 teens with an average age of 16.2 years.

Click [here](#) for an infographic from Piper Sandler or [here](#) to download the complete results.

Review the graphic below illustrating a few of the top brands among teenagers in 2022 and consider the following:

- Do you agree with the survey results? What would you change?
- Why would Piper Sandler conduct this research?
- What type of research is this?
- Who might benefit from the results of this research? How?





ACTIVITY

As a class, review the graphic above along with the complete results from the Piper Sandler survey. Then create your own list of favorite brands in the classroom and compare the results. Discuss how each brand might adjust its marketing strategy based on the results of the study.



KEY TAKEAWAY

Consumer behavior describes the study of how individuals and organizations make purchase decisions that satisfy their wants and needs. This behavior explains consumer motivations and the psychology and behavioral factors that influence purchase decisions. For a business to thrive, it is critical that it understands consumer behavior and the trends that influence how customers may respond to product and service offerings.

Market research is a critical component of understanding consumer behavior, and businesses invest a lot of resources in finding that data.



INDUSTRY APPLICATION

Connect your classroom with industry examples by reviewing the following news stories relating to concepts covered in this lesson:

Consumer Behavior - [Conagra CEO notes 'hunkering down' behavior in grocery shoppers](#)

Consumer Behavior - [US airlines thrown a curveball as consumer habits change post-pandemic](#)

Consumer Behavior - [The rise of sustainable fashion: a shift in western consumer behavior](#)

Consumer Behavior - [Higher Food Prices Bring Bigger Profits, but Consumers Start to Resist](#)

Market Research - [Consumers are more likely to cut back on restaurant visits than trade down to fight inflation, report says](#)

Market Research - [Gen Z, Millennial Travelers Seek Rewards Programs, but Vacation Rentals Aren't Delivering](#)

Pivot - [The Board Game Industry's Pandemic Pivot to the Future](#)

"Shrinkflation" - [How companies are hiding inflation without charging you more](#)

"Restaurantflation" - [Forget 'tipflation': Restaurant surcharges for inflation, health care, water are consumers' latest pet peeve](#)

KEY TERMS DEFINED

Consumer behavior: The study of how individuals and organizations make purchase decisions that satisfy their wants and needs.

Market research: The process of systematically collecting, recording, analyzing, and presenting data related to marketing goods and services.

Pivot: When businesses shift marketing strategies.

Shrinkflation: The practice of reducing the size of the package or amount of product without lowering the price.