Differences in the Role of Market Research and Internal CRM According to Strategy Type

Michael J Valos, Deakin University
David H B Bednall, Deakin University
Bill Callaghan, RMIT University

Abstract

The traditional or conventional role of market research is one of enabling marketing managers to make informed decisions about key strategic issues and likewise reduce chances of poor strategic decisions. (Hamlin, 2000; Raguragavan et al., 2000) Yet recent literature suggests marketing research is becoming marginalized in supporting strategic decision-making. (Weber, 2001) In addition internal CRM is emerging as a viable source of aggregated customer intelligence (Malhotra and Peterson, 2001). Very few studies have explored the contingent role business strategy may have in explaining either the changing role of market research or the emergence of internal CRM systems. This study involved a cross-industry postal survey of 240 Australian marketing managers. One contribution of this study was to find market research having a greater role in supporting productivity and political outcomes for Prospector strategies when compared to both Defender and Analyzer strategies. The findings also showed Prospector strategies to have more sophisticated internal CRM systems than Defender strategies.

Keywords: market research, strategy, CRM

Introduction

The purpose of this paper is to argue that inherent differences between marketing strategies require market research to take on different roles and functions within individual organisations.

The literature identifies different roles for market research. These roles include action oriented vs. knowledge enhancing (Slater and Narver, 2000); strategic vs. tactical (Raphael and Parket, 1991); identifying risks vs. identifying opportunities (Sherman, 1999); setting strategic direction, opportunity analysis and monitoring and control (Roberts, 1992); exploratory vs. confirmatory (Hart et al., 1999) and even a role as evidence to win an argument (Culkin et al., 1999).

Despite these various functions and roles of market research the major reason for undertaking market research is to support strategic decision-making (Hamlin 2000; Raguragavan et al., 2000). This paper assumes that different strategic approaches would require different types of market research to aid this decision making. For example, if a major Telco aims to expand into new markets, both domestically and internationally, it will require different market research than if its strategy is to focus on core business in its domestic market. Yet the Hart et
al. (1999) review of 20 years of academic literature examining “Factors influencing the use of marketing information” did not include strategy amongst the nine variables. The review covered the major seminal studies such as those of Deshpandé and Zaltman (1982; 1987).

In addition, recent literature suggests that market research’s role as a support to strategic decision-making is becoming marginalized (Weber, 2001). Part of the reason may be the emerging role of internal CRM systems. Unfortunately there is confusion and some level of disagreement about the term CRM. (Parvatiyar and Sheth, 2001) The CRM term emerged in the late 1990’s and to some degree integrates or replaces the traditional concepts of the MKIS (marketing information systems) and database marketing.

It should be pointed out that CRM has both a broad (Buttle, 2001) and a narrow (Khanna, 2001) definition. Narrow definitions range from data mining for actionable insights or simply having a database used for direct mailings. We are using the one of the narrow definitions in this study as it is more often used by market researchers. A broad definition of CRM is as a customer oriented philosophy with cultural, technological and strategic integration. In other words 'a way of doing business'.

The information CRM systems provide may complement, corroborate (Malhotra and Peterson, 2001), or substitute for information provided by traditional market research. Baker and Mouncey (2003, p. 417) raise the question “…whether the pursuit of relationship marketing, perhaps through CRM initiatives, demands any changes in how market research is undertaken or delivered.” They relate this to the concept of a “listening organization” which combines the traditional role of market research with integration of internal databases, customer contact points and other internal customer listening systems. Since market research and CRM may fulfil similar functions in providing information to support strategy decision making, their use should also be related to business strategy. Yet research on differences in either MKIS (Ashill and Jobber, 2001) or CRM according to strategy types is virtually non-existent. The current study assumes that in order to be successful each strategy type has unique requirements for the various roles of market research.

**Previous Research on Strategy Types and Marketing Information**

This paper follows the approach (and has similar assumptions to) previous researchers from the strategy/contingency theory school (see below) who tested for links between different Porter strategy types and/or different Miles and Snow strategy types and organisational characteristics. This paper is testing links between the roles of traditional market research and the type of CRM systems and different strategy types.

In this paper we use generic conceptualisations of strategy, as devised by Miles and Snow (1978). Like Porter (1980) this assumes that the classification of business units or organizations according to strategy provides specific and appropriate guidelines for human resource, organizational structure and information requirements. According to Miles and Snow (1978), there are three successful generic strategies of Prospectors, Defenders and Analysers. The Prospector strategy achieves competitive advantage through being first into
new markets with new products. It is innovative and adapts to new technology well. In contrast the Defender achieves competitive advantage by becoming more efficient with older products. The Analyzer combines elements of both. Subramanian et al. (1993) found that Prospectors had more advanced environmental scanning than Defenders. Hagen and Amin (1995) found differences in external environment scanning and opportunity analysis practices between Differentiators and Cost Leaders. While they found the amount of research was similar for both strategies the type of issues being researched differed. Similarly Du Toit (1998 p. 207) found difference between Prospectors, Analysers and Defenders in “…the way in which information was managed (for competitive advantage)…” They found differences in internal records, competitive information and external information. Slater and Narver (2000) believed there would be differences between Prospectors, Analysers, and Defenders in terms of market intelligence generation. The foregoing studies are in contrast to an earlier finding by Hambrick (1982) that no differences between the external environmental scanning of strategy types existed.

In summary there is a gap in the market research literature in terms of differences between strategy types and the following roles of marketing research; a) enhancing strategic decision-making, b) increasing usability of existing data, c) representing marketing activities to senior management and d) achieving productivity and political outcomes. Further, a gap exists in the literature regarding differences between strategies and the usage of internal CRM systems.

Hypothesized Relationships (Research Propositions)

1. That Prospector strategy types will have a greater reliance on market research in its role of “enhancing strategic decision-making”, “increasing usability of existing data”, “communicating marketing activities to senior management” and “achieving productivity and political outcomes” than Defender and Analyzer strategy types.

2. That Prospector strategy types will have greater reliance on internal CRM system than Defender and Analyzer strategy types.

Methodology

The research was conducted in two phases. In the first phase, 16 preliminary discussions about market research and its value to the organisations were held with senior marketers and research managers in Australia and the United States. These interviews were used to generate a series of scale items to measure the roles of market research and the characteristics of internal CRM systems.

The second phase of the research was a self-completion survey using an initial mailing, then mail, phone or internet follow-up. A list derived from Dun and Bradstreet of the top 1000 senior marketing managers in for-profit Australian companies comprised the sample frame. Organizations were contacted to confirm the name of the person with major responsibility for marketing. Next a questionnaire was mailed with a subsequent follow-up reminder letter.
Academic colleagues in the Australia and the United States reviewed the questionnaire prior to its completion. A sample of 240 usable replies was received.

To measure the role of marketing research, the seven item scale of Maltz and Kohli (1996) scale was used as well as 11 items generated from the 16 depth interviews. Table 1 shows the market research role variables derived from a Varimax factor analysis and subsequent Cronbach Alpha test. Internal CRM was measured by five items coming from preliminary depth interviews. The items covered CRM, data warehousing and sales, service and billing databases. To measure business strategy a non-hierarchical Wards cluster analysis was undertaken on 12 items measuring characteristics of the Miles and Snow strategy types. (Conant et al., 1990)

One-way ANOVA was used to identify differences between market research roles and CRM usage between the Miles and Snow strategy types. One-way ANOVA “determines the degree to which differences found between the means of different groups or categories can be attributed to sampling error”. (Hair et al., 1995, p.617). Levene’s test of homogeneity showed equal variance within variables used in the ANOVA.

Findings

Seven point Likert scales were the basis of the Table 1 ANOVA results. There was support for two of the five research relationships contained within the two propositions. The Table 1 findings show Prospector strategies relying more on market research for productivity and political outcomes than either Analyzers or Defenders. The findings also show Prospectors having more sophisticated internal CRM systems than Defender strategies.

Table 1 ANOVA Comparison of a) Market Research Roles and b) CRM Reliance for Strategy Types Using 7 point Likert Scales
### Market Research Role Propositions (Cronbach Alpha)

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Defender Marketing Strategy (D) (n=73)</th>
<th>Analyzer Marketing Strategy (A) (n=58)</th>
<th>Prospector Marketing Strategy (P) (n=109)</th>
<th>Signif. Differ. Means</th>
<th>F Rat.</th>
<th>F Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing Decision-making (.90)</td>
<td>4.08 (1.67)</td>
<td>3.96 (2.17)</td>
<td>4.49 (1.90)</td>
<td>N/S</td>
<td>1.81</td>
<td>0.17</td>
</tr>
<tr>
<td>Increasing Usability of Existing Data (.76)</td>
<td>3.20 (1.62)</td>
<td>3.11 (1.82)</td>
<td>3.67 (1.81)</td>
<td>N/S</td>
<td>2.49</td>
<td>0.09</td>
</tr>
<tr>
<td>Communicating Actions to Senior Management (.67)</td>
<td>3.38 (1.71)</td>
<td>3.21 (1.87)</td>
<td>3.71 (1.82)</td>
<td>N/S</td>
<td>1.64</td>
<td>0.20</td>
</tr>
<tr>
<td>Achieving Productivity &amp; Political Outcomes (.63)</td>
<td>2.99 (1.41)</td>
<td>2.83 (1.71)</td>
<td>3.58 (1.76)</td>
<td>P&gt;A,D</td>
<td>4.97</td>
<td>0.01</td>
</tr>
<tr>
<td>CRM Proposition</td>
<td>3.30 (2.20)</td>
<td>3.90 (2.23)</td>
<td>4.31 (2.1)</td>
<td>P&gt;D</td>
<td>4.78</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Although the proposition that Prospector strategies had a higher “productivity/political outcome” role for market research other expected differences in research roles were not found. It appears the greater chances of failure in high risk and/or/highly uncertain ventures make marketing managers of Prospector strategies more aware of how easy it is for them to be criticized for failure or underperformance. Prospector managers appear to require market research as a “scapegoat” in case of failure. Piercy (1983) observed the non-rational use of research which recognises the politicised information environment inside firms.

The study shows strategic aggression or strategic proactivity has a narrow and limited rather than universal effect on the traditional role of marketing research. Nevertheless the mixed findings for the first research proposition concerning the role of market research support previous literature which showed some mixed findings in terms of relationships between strategy and market research and/or market information.

### Discussion and Contribution

As expected Prospectors having many decisions to make in risky and uncertain environments relied on CRM to a greater extent. This suggests that Prospectors operating in more challenging environments are using a diverse range of data to remain market focused. In contrast Defenders are less CRM sophisticated as they are dealing with issues they may have previously faced as they defend market share with older generation products.
Possibly CRM is taking over a role from traditional research (Malhotra and Peterson, 2001) of a) enhanced strategic decision-making, b) increasing usability of existing data and c) representing marketing activities to senior management. As no differences between the strategy types were found for these research roles, it could be that a “substitution effect” may be occurring between CRM usage and the traditional roles of market research. In terms of research proposition two it appears CRM may be carrying out these traditional research roles.

This study makes an overall contribution to the study of the role of market research as a facilitator or enhancer of strategic decision-making. This was the first study to measure differences in the relationship between market research roles and internal CRM for alternative strategies. Previous authors (Hart et al., 1999) have not included strategy as a contingent variable in the different ways organisations utilise market research. Two of the five research relationships within the two propositions were supported. Firstly, Prospectors are using traditional market research for productivity/political purposes as they face high risks and greater job insecurity. Secondly Prospectors realise the importance of internal CRM systems to reduce risk in new markets with innovative products. The major limitations of the study were a cross sectional design, cross industry sample and single respondent for each business unit. Nevertheless it was a large sample and senior executives responded.

Research and Practical Implications

Future researchers should include individual marketing manager characteristics such as “attitude to risk” and “previous experience” which may also explain differences in the role and usage of market research and CRM. In terms of practical findings marketing managers operating in risky and uncertain internal and external environments should use CRM to corroborate and/or complement traditional market research and use traditional research as “due diligence/job insurance” should underperformance occur.
References


