

Test Marketing as a Tool for Predicting Research (Study of Mr. Biggs Nigeria Limited, Umuahia)

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Abstract: *The purpose of this paper is to ascertain the marketing research tools used by Mr. Biggs and to identify the factors that need to be taking into account when forecasting/predicting. To achieve these objectives, a descriptive survey design was adopted out of the total population of the entire Mr. Biggs staff, 15 respondents were chosen as the sample size. The study found out that Mr. Biggs adopts any expert analysis; qualitative studies; quantitative diagnostic test – sales forecasting; quantitative tests with elements sales forecasting and strategic quantitative exploratory. The study further shows that the factors to be taken into account when researching includes; reliable information about market size, trends, drivers of development and sales opportunity; business objectives and actions; competitors and their likely response; defining the audience and sourcing product categories and strategic forecasting approach. The research thus concludes that Mr. Biggs adopts most of the tools stated on the research instrument for market testing and prediction and all the factors listed in the instrument as the factors to be taken into account when researching. The study thus recommends that to achieve flexibility, proactive and client oriented, fast foods firms should be conserved, and operate within model centred services based on global execution standards, also they should incorporate greater degree of adaptation to local market insights and provide a higher level of perceived value and services.*

Key words: *Mr. Biggs, predicting research, test marketing, marketing tool, Umuahia*

Background to the Study

According to “The Marketing Glossary”, test marketing is “a form of market testing where consumers are exposed to a purchase situation to gauge the buyers’ reactions to a product, advertising or marketing mix variation. It is used in marketing planning, estimating market demand and sales forecasting” (Clemente, 2002: 391). Test Marketing is widely employed to predict new product sales.

Clancy *et al* (1994: 46) pointed out that test marketing is ‘the single most validated tool in marketing research’. According to a recent study by Wherry (2006), the average accuracy claimed for developed markets has reached $\pm 9\%$. An on-going discussion between test marketing industry leaders at ESOMAR Congresses (Willke, 2002; Markowitz, 2010) reveals a number of areas for further improvement. Although Markowitz (2010) highlights the rising need for international “transferability”, the discussion revolves around mature “western” markets. The importance of emerging markets is visibly underestimated in spite of their rapidly growing contribution into the global FMCG sales.

Marketing is a restless, changing, and dynamic business activity. The role of marketing itself has changed dramatically due to various crises—material and energy shortages, inflation,

economic recessions, high unemployment, dying industries, dying companies, terrorism and war, and effects due to rapid technological changes in certain industries. Such changes, including the Internet, have forced today's marketing executive to becoming more market driven in their strategic decision-making, requiring a formalized means of acquiring accurate and timely information about customers, products and the marketplace and the overall environment. The means to help them do this is marketing research.

Research is a systematic and objective investigation of a subject or problem in order to discover relevant information or principles. It can be considered to be either primarily fundamental or applied in nature. *Fundamental research*, frequently called *basic* or *pure research*, seeks to extend the boundaries of knowledge in a given area with no necessary immediate application to existing problems, for example, the development of a research method that would be able to predict what people will be like x years in the future. In contrast, *applied research*, also known as *decisional research*, attempts to use existing knowledge to aid in the solution of some given problem or set of problems.

Marketing research assists in the overall management of the marketing function. A marketing manager must prioritize the more important and pressing problems selected for solution, reach the best possible solution based on the information available, implement the solution, modify the solution when additional information so dictates, and establish policy to act as a ready-made solution for any recurrence of the problem.

Marketing research often focuses on understanding the "Customer" (purchasers, consumers, influencers), the "Company" (product design, promotion, pricing, placement, service, sales), and can also be expanded toward the environment to include "Competitors" (and how their market offerings interact in the market environment).

Nowadays, there is a consensus among academics that international markets are vastly different (e.g.: Usunier, 2000; Burgess & Steenkamp, 2006). Markowitz (2010: 19) notes that, "it is not uncommon for products to be successful in some markets but fail in others. Sometimes success and failure relate to local tastes but other times it is due to a lack of understanding of certain characteristics of the market". This therefore suggests that tools for research should also be adapted and customized, taking in account the unique features of a given market, such as for example the Nigerian FMCG market (Kachalov, 2008; Malhotra, 2007), on which this paper will focus.

With reference to the use of test marketing in emerging markets, there is a visible lack of academic knowledge. The observed accuracy for the market is not reported and it is not available from independent reliable sources. Moreover, the effectiveness of Test Marketing in Nigeria hasn't been discussed yet in the academic and business literature.

The area of pre-test marketing, more commonly known today as Test Marketing was pioneered in the 1970's by Glen Urban and Alvin Silk. Over the following decade, the methods would be refined and commercialized into several products. The methods were considerably cheaper and faster than traditional test markets. They have retained their reputation for being highly accurate for making a go/no-go decision for new consumer product launches, with several suppliers of test marketing techniques claiming an average accuracy within +/-10% of the actual forecast up to 90% of the time.

Objectives of the Study

The specific objective of the study includes:

1. To ascertain the marketing research tools used by Mr Biggs
2. To identify the factors that need to be taken into account when predicting

Research Questions

The research will be guided by the following research questions:

1. What are the marketing research tools used by Mr Biggs?
2. What are the factors that need to be taken into account when predicting?

Scope of the Study

This study is limited to test marketing as a tool for predicting research at Mr Biggs.

Furthermore, looking at how many business organizations carry out their own market research, not all business organizations have adopted a tool for predicting research neither have they identified the factors to be taking into account when predicting.

Test Marketing (TM): Theory and Practice

The history of test marketing starts with the rise of mass marketing and consolidation of retail in the U.S. in early 60-ies (Clancy et al, 2006; Kratt, 2009). Test marketing theoretical foundations are generally built upon the fundamental works by Fourt&Woodlock (1960), Juster (1966), Charneset *al* (1966), Parfitt& Collins (1968), Eskin&Malec (1976), Urban (1970, 1975), Urban & Silk (1978) and Lin (1986,1997). The methods have significantly evolved over the past decades and now “all major test marketing research models are similar enough that they exhibit some common strengths and weaknesses” due to the use of few well-developed calculation principles (Clancy et al, 1994: 49). The first principle is that future sales are typically decomposed following Fourt-Woodlock approach, i.e. “trial” and “repeat” components are estimated separately. This represents the major challenge for modern test marketing to provide accurate assessments for both “trial” and “repeat”. The second principle is concerned with the fundamental way of purchase probability estimation. According to available reviews (Shocker & Hall, 1986; Baldinger, 1988; Mahajan& Wind, 1988; Baldinger& Haley, 1991; Lilienet *al*, 1992; Clancy et al, 1994, 2006; Bemmaor, 1995; Bockenholt& Dillon, 1997; Fader *et al*, 2003; Wherry, 2006; Peng& Finn, 2007), currently existing models are based either on “purchase intent” or “preference share” approaches. The first method implies monadic evaluation of the tested offer using “purchase intent” scale (e.g. Juster’s scale), while “preference share” measures probability of choice in a competitive context, very often in a store-like environment. According to Wherry (2006), there are two world leading models, Nielsen’s BASES (over 50% market share) and Ipsos’ DESIGNOR (around 20% share). Both models claim accuracy of $\pm 9\%$ in developed markets (85% of validations) and differentiate between various types of new product launches (Booz et al, 1988; Griffin, 1997; Schneider, 2004). They are well-fit in the standardized NPD process, such as “stage-gate” (Baldinger, 1988; Baldinger& Haley, 1991; Urban & Hauser, 1993; Tidd & Bessant, 2009; Cooper & Edgett, 2010) and perfectly integrated with other

research tools (Malhotra, 2007). However, they attract a lot of criticism in various aspects, mostly due to their tendency to penalize “true” innovations, poor performance on entirely new or fuzzy markets, difficulties with modelling new media and retail effects, relative complexity and inflexibility (Gundee, 1982; Watkins, 1984; Belinson, 1986; Armstrong & Scott, 1987; Mahajan & Wind, 1988; Baldinger, 1988; Schlossberg, 1989; Wilson, 1990; Baldinger & Haley, 1991; Prince, 1992; Hamel & Prahalad, 1994; Francis, 1994; Martin, 1995; Christensen, 1997; Mahajan & Muller, 1998; Von Hippel *et al.*, 1988, 1999, 2002, 2005; Hart *et al.*, 1999; Trott, 2001, 2008; Bilgram *et al.*, 2002; Belliveau *et al.*, 2002; Veryzer, 2003; Fader & Hardie, 2005; Wherry, 2006; Morwitz *et al.*, 2007; Hoffman, 2007; Markowitz, 2007; Buur & Matthews, 2008; Hassan, 2008). These findings have triggered some of the recent discussions at ESOMAR conferences about the future of Simulated Test Marketing (Willke, 2002; Markowitz, 2010). Those discussions seem still to have paid, as mentioned above, relatively little attention to future developments of test marketing in emerging markets, such as Nigeria.

Types of Marketing Surveys

Market Description Surveys

To determine the size and relative market share of the market. Such studies provide key information about market growth, competitive positioning and tracking share of market.

Market Profiling-Segmentation Surveys

To identify who the customers are, who they are not, and why they are or are not your customers. This is often a descriptive market segmentation and market share analysis

Stage in the Purchase Process / Tracking Surveys

Where is the customer in the adoption process? This information shows market Awareness – Knowledge – Intention – Trial – Purchase – Repurchase of the product.

Customer Intention - Purchase Analysis Surveys

Directed at understanding the current customer; what motivates the customer to move from interest in the product to actual purchase? This is a key to understanding customer conversion, commitment and loyalty.

Customer Attitudes and Expectations Surveys

Does the product meet customer expectations? What attitudes have customers formed about the product and/or company. Used to direct advertising and improve customer conversion, commitment and loyalty.

Customer Trust - Loyalty – Retention Analysis Surveys

Especially for high priced consumer goods with long decision and purchase processes (time from need recognition to purchase), and depth of consumer attitudes formed about the product and/or company.

New Product Concept Analysis Surveys

Concept test studies are appropriate in the initial screening of new product concepts. Likes and dislikes about the concept and evaluation of acceptability and likelihood of purchase are especially useful measures.

New Product Acceptance and Demand Surveys (Conjoint Analysis)

Primarily for estimating demand for new products that can be described or have been developed in drawing or concept, but have not yet been developed physically. Develops market share estimates of market potential for the alternative potential products.

Habits and Uses Surveys

Directed at understanding usage situations, including how, when and where the product is used, Habits and uses studies sometimes include a real or virtual pantry audit.

Product Fulfilment Surveys (Attribute, Features, Promised Benefits)

Evaluation of the product's promised bundle of benefits (both tangible and image). Are expectations created for the product by advertising, packaging and the produce appearance fulfilled by the product?

Product Positioning Surveys (Competitive Market Position)

A "Best Practices" study of "How does the market view us relative to the competition?" Competitive positioning analyses often compare the attributes and benefits that make up the product using multidimensional scaling.

Brand Equity Analysis Surveys

What is psychological value that a brand holds in the market place? Brand equity is a composite of brand awareness, brand quality, brand associations and brand loyalty measures.

Advertising Value Identification and Analysis Surveys

Advertising value analysis focuses on mapping the hierarchical attributes, benefits and values that are associated with and portrayed by an advertisement. Means-end analysis is often part of this type of study.

Customer Service Surveys

Akin to customer satisfaction surveys, but focus in detail on the actual customer service that was received, the process involved in receiving that service and the evaluation of the participants in the service process.

Sales Forecasting and Market Tracking Surveys

Sales forecasting and market tracking studies can include expert opinion (experts estimate the market), judgmental bootstrapping (expert based rules describing how to use available secondary market information), conjoint analysis (estimation of consumer intentions based on product attributes that are important in the decision), and intentions evaluations (consumer self-reported intentions of future purchases) are to be made.

Price Setting Surveys and Elasticity of Demand Analysis

Price surveys estimate the elasticity of demand and show optimal price points, including prices too low or too high. Price surveys may estimate the demand for different product or service segments, or different usage situations.

http://www.qualtrics.com/wiki/index.php/Market_Surveys.

Controlled Market Experimentation

In a sense, manufacturers are learning that the establishment of *ad hoc* research measurements in test marketing environments simply are not adequate or rigorous enough for accurate measurement and prediction. Increasingly, manufacturers are showing a willingness to bring the test marketing problem to an established research environment or marketing laboratory. Some major grocery product companies are running as many as a dozen controlled experiments of this type concurrently over a wide range of products and problems. Five years ago, these same companies were running none.

Test marketing is, of course, an experiment. Like all experiments, the test should be designed to test one hypothesis or several. In most new product tests the hypothesis to be tested

is that the new product can obtain a given brand share within a given time under given conditions.

The establishment and maintenance of all experimental controls and designs are simply not within the competence framework of the wholesaler or the manufacturer's sales force. Moreover, they cannot be overly temporary. Temporary facilities lack the measurement precision possible with a permanent arrangement—in terms of both measuring personnel and the establishments to be measured. The conditions to be established are always within reason. Certainly the product should not be given an advantage that could not readily be duplicated.

However, the issue is increasingly one of *controlled* rather than *natural* conditions. Management is learning far more from consecutive experiments which contrast products given *identical* market treatments than formerly was learned from test markets which provided no real comparability. It is far more useful to contrast the sales results from products A, B, and C which were all based on two facings in the baked-goods department, than it is to know sales results where product A was out of stock one-fourth to one-third of the time and product B was granted far more shelf space than C because of favourable sales results when product A was launched.

Distribution must be immediate and as total as possible. The distribution period needs to be specified, so there is no discontinuance of distribution within the measurement period. By having continuous servicing of product, out-of-stock conditions are minimal or absent. Conditions of price, facings, and location should not be allowed to fluctuate during the study, unless such fluctuations are a condition of the research design.

Under these controlled conditions, the product sales data can then be related to management expectations and plans. In a sense, the researcher has virtually built a "marketing laboratory" within the test cities for the specific purpose of measuring consumer acceptance of new products. For measuring marketing alternatives, each market may be further divided into marketing zones. Each of the zones may contain matched store panels with matched customer demographic characteristics.

Because the experiment is tightly controlled, observation of competitive actions can be systematically monitored and evaluated. Constant checking in the stores and of local media produces measures of competitive activity that can aid in explaining apparent anomalies in the data. Stores with special activity can be eliminated from the measures, if necessary.

The sample of stores should be large enough to permit a narrowing of the sample by this type of elimination. The permanent nature of the test relationships acts to dampen special activities that would constitute experimental interference.

Data based on controlled experimentation do *not* produce estimated national figures. But it has already been seen that traditional test market data also fail to permit national estimates, and at much greater cost. The experimental approach ties the data to history and earlier controlled experiments, thus permitting management to contrast the present product with koura winners and losers. Moreover, the consistent development of these types of data on various product lines produces more and more precise prediction criteria.

Discussions with major food marketers make it clear that the use of experimental marketing data is rapidly increasing. Also, experimental measurements of the interactions of various marketing devices such as advertising expenditures, retail allowances, shelf space, and displays are essential to predictions of sales through the use of computer models.

“The interaction of a brand's advertising expenditure, retail allowance, allocation of sales

force effort, and market share determine the relative measure of a brand's retail availability. This measure attempts to simulate the effect of retail distribution, the allocation of shelf space, and in-store special display promotions on the brand's sales. Once these interaction mechanisms are tested and developed to the point where they are reasonably correct determinants of sales effectiveness, guidance can be provided to marketing executives in proper allocation of resources to these variables”.

The tightly controlled experimental test market understandably produces data precision vastly superior to classical test markets. Statistical sales variance in these tests; as found to be only 25 to 30% of the variance produced by traditional measures, based on comparisons of controlled and uncontrolled brands in three product classes moist dog food, cake mixes, and canned meats. And measurement error also was reduced. Experimentation of this type provides a determination of the effectiveness of overall new product marketing strategy; and it also permits the evaluation of alternative tactics through matched store panel experiments.

RESEARCH METHODOLOGY

Research Design

As this study is aimed at identifying marketing research tools used by Mr Biggs, factors that need to be taken into account when predicting and difficulties faced by market researchers when predicting, a quantitative descriptive survey has been undertaken. According to Sekaran (2003) and McNeil (2005), the proposed methodological approach falls under the general category of “descriptive survey”.

Area of Study

Mr. Bigg's is one of Nigeria's first chain of fast food restaurants. Owned by conglomerate United African Company of Nigeria PLC, there are currently around 170 locations in Nigeria. The restaurant is styled after McDonald's, and is known for its red and yellow colour scheme and meat pies. Mr. Bigg's history begins with the coffee shops inside Kingsway Department Stores in the 1960s. In 1973, these shops were rebranded as Kingsway Rendezvous, which became Mr. Bigg's in 1986. The chain saw rapid expansion after becoming one of the first Nigerian companies to sell franchises to investors.

Mr Biggs specialty is the meat pie. A common lunch might also include scotch eggs, a sugared donut, chicken, and a soft drink. While western fare such as hamburgers is served, Nigerian delicacies such as Jollof rice and Moi Moi are more popular. Birthday cakes are also a popular product, and Mr Biggs bakery offers cakes and pastries.

Sample and Sampling Techniques

The entire population of the study is the staff of Mr Biggs. Therefore, catering, marketing and research departments will be taking as the sample of the study through purposive sampling technique while the target population is twenty three (23) which will be selected from the 3 departments. 5 respondents will be selected from catering department, 7 from marketing while 3 will be selected from research department. It is these 15 respondents that will be sampled for data collection. According to Crossman (2012) “a purposive sampling is very useful for

situations where you need to reach the targeted sample quickly and the sampling is not proportional in nature”.

Instrument for Data Collection

The researcher used questionnaire which was titled “**Test Marketing as a tool for predicting research**” as the instrument for collecting data considering the nature and predisposition of the respondents. The researcher was convinced that the questionnaire is of good standard and adequate to provide the data needed for the research. This is in line with Ndagi (1999) who noted that questionnaire is the most suitable and easiest instrument administered in collecting data. It helps to keep the respondent’s mind fixed to the subject and facilitate the process of research generalization. Iheanacho (2004) explained that the questionnaire as a research instrument is designed in question form to obtain feedback information from subjects with respect to their opinions, attitudes beliefs and motives regarding a situation. It is on the basis of these facts that the questionnaire was adopted as research instrument for this study. It was designed by the researcher.

Method of Data Analysis

Descriptive statistics will be used for data analysis. Tables will be used to present the data collected. The answer to each research question will be generated through frequency.

Data Analysis

Research Question One: What are the marketing research tools used by your firm?

The analysis which seeks to investigate the marketing research tools adopted by Mr Biggs, shows that Mr Biggs adopts any expert analysis; qualitative studies; quantitative diagnostic test sales forecasting; quantitative tests with elements sales forecasting and strategic quantitative exploratory studies. Majority of the respondents disagreed that Mr Biggs adopted simulated test marketing as a tool for market testing.

Research Question Two: What are the factors that need to be taken into account when predicting/forecasting?

The analysis which seeks to investigate the factors to be taken into account by Mr Biggs when researching shows that the factors to be taken into account includes; reliable information about market size, trends, drivers of development and sales opportunity; business objectives and actions; competitors and their likely response; defining the audience and sourcing product categories and strategic forecasting approach. which implies that Mr Biggs adopts all the factors listed in the instrumental factors to be taken into account when researching.

Conclusion

The research undertaken leads to a general conclusion from the literatures reviewed that although TM has attained relatively high awareness in Nigeria, their use is still limited. Instead, simpler alternatives are often employed, i.e. concept product tests. Although the most commonly acknowledged advantages of TM are well understood in Nigeria, there are key some key barriers to its widespread adoption: poor quality or insufficient market data, lack of local market experience and validations, lower forecast accuracy as compared to “western” markets, low flexibility in terms of design and cost.

Recommendation

The future development of TM models in Nigeria and emerging markets with similar very dynamic environment should incorporate a greater degree of adaptation to local market insights and provide a higher level of perceived value and services. In view of the findings discussed, fast food firms will appreciate flexible, proactive, “client-oriented” approach as opposed to conservative, “model centred” services based on “global” execution standards. This should lead to the co-creation of TM models that would achieve more accurate forecasts in emerging markets and achieve a greater level of confidence in the use of TM among Nigerian companies

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