COMPARISON OF TRADITIONAL MARKET RESEARCH TECHNIQUES VS CONSUMER FEEDBACK ANALYSIS

Created by Wonderflow BV
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0. Introduction

This document aims to provide an overview of traditional market research techniques, comparing them with a new approach called: Consumer Feedback Analysis.

This report has been written using private and public sources (Wiki), with the intention of being unbiased and truly descriptive of the Market Research industry.

1. Market research: an introduction

Market research is any organized effort to gather insights about target markets or customers.

Market research is a key factor in maintaining competitiveness over competitors. Market research provides important information to identify and analyze the market need, market size and competition. Market-research techniques encompass both qualitative techniques such as focus groups, in-depth interviews, and ethnography, as well as quantitative techniques such as customer surveys, and analysis of secondary data.

Market research, which includes social and opinion research, is the systematic gathering and interpretation of information about individuals or organizations using statistical and analytical methods and techniques of the applied social sciences to gain insight or support decision making.

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2. Why do companies buy market research?

What companies want to learn through market research?	What companies want to achieve through market research?
Market trends: the tendency of a market (customers) to move in a particular direction over time.	Identify new opportunities and the evolving requirements of customers
Market segmentation: the division of an entire market into subsets of customers. Common criteria used to define subsets are interests, needs, age, location etc.	Sharpen communication and minimise risk
Pricing overview: the ability to find, gather and compare the prices of different products in one, or more, markets.	Define right positioning and optimise margins
SWOT analysis: the analysis of the strengths, weaknesses, opportunities and threats to a product or a brand.	Identify critical aspects of products and brands to solve problems or highlight strengths. Both for Marketing and R&D
Risk and opportunity analysis: the measurement of risks and opportunities related to a new or existing business. Product research and competition analysis belong to this same category.	Find the most efficient way to enter a new market or to acquire market shares

3. Types of market research: Primary and Secondary

Primary market research:
Includes the most frequent market research techniques that don't use any information already available on existing sources. This kind of field research is usually designed from scratch, is tailor made and aims to

Secondary market research:
Includes less frequent market research techniques that use only already available information both from public and private sources. This kind of research is usually faster and cheaper than primary techniques,

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answer to both quantitative and qualitative questions.

but its accuracy relies on the quality of the available dataset.

4. Quantitative and qualitative

Qualitative research:
Analyses opinions and feelings of customers. The goal of this kind of analysis is not only to identify what customers like and dislike, but also "the why". Usually qualitative research is executed by an interviewer. It can be 1 to 1 (interviews) or more to more (focus groups).

Quantitative research:
Analyses the frequency of actions and behaviors of a group of customers. The goal is to identify "how often", "where" or "when" customers make a certain thing. Usually qualitative research is executed by automated systems, with the scope of gathering a statistically relevant sample of the market (surveys, questionnaires, financial analyses).
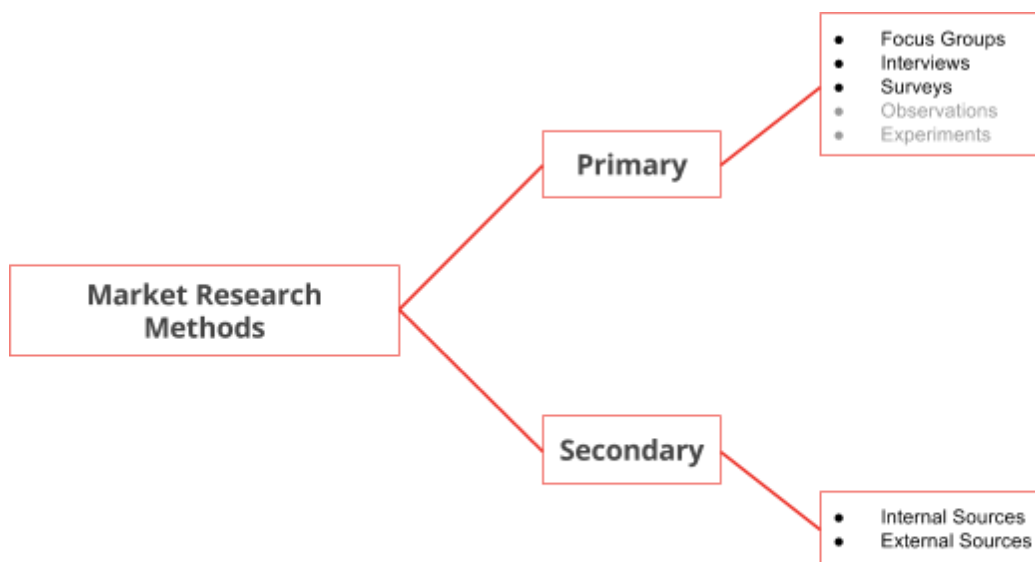
5. Most used techniques
(Primary)

a. *Focus Groups*: a focus group is a form of qualitative research in which a group of people (usually from 6 to 12) are asked about their perceptions, opinions, beliefs, and attitudes towards a product, service, concept, advertisement, idea, or packaging. Questions are asked in an interactive group setting where participants are free to talk with other group members. Commonly used for exploration, but also for deep dives after a survey.

PROS
Exploration, pre-testing / new ideas
Understand a common behaviour of a specific customer segment
Gives some freedom of speech to participants
Non-verbal communication
CONS
Samples are usually very small (6-8), therefore not a realistic description of the customer segment
Quality based on the ability of the interviewer/moderator
Setting might not be natural, and consequently respondents might be biased
Participants are often paid, it's proven that this influences their answers
Hard to analyse results in a scientific way

b. *Surveys and Questionnaires*: a survey consists of a predetermined set of questions that is given to a sample. With a representative sample, that is, one that is representative of the larger population of interest, one can describe the attitudes of the population from which the sample was drawn. Further, one can compare the attitudes of different populations

as well as look for changes in attitudes over time. A single survey is made of at least a sample (or full population in the case of a census), a method of data collection (e.g., a questionnaire) and individual questions or items that become data that can be analyzed statistically. A good sample selection is key as it allows one to generalize the findings from the sample to the population, which is the whole purpose of survey research. Surveys are generally divided in the following categories: written, telephone, web, intercept.

PROS
No geographical boundaries
Easy to monitor and check results
Target a potentially large number of people
Requires limited investment to start
CONS
Non-web surveys can be extremely slow to execute
Response rates are often very low
Difficult and expensive to obtain emails, numbers etc
Limited possibility to learn something unknown

c. *Interviews*: an interview is a conversation between two or more people where questions are asked by the interviewer to elicit facts or statements from the interviewee. Interviews are a standard part of qualitative research. They are also used in journalism and media reporting and in various employment-related contexts. The qualitative research interview seeks to describe and the meanings of central themes in the life world of the subjects. The main task in interviewing is to understand the meaning of what the interviewees say. Interviewing, when considered as a method for conducting qualitative research, is a technique used to understand the experiences of others.

PROS
Directly ask and get more in-depth results

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Non-verbal communication
Easy to focus on specific customers segments
Get answers on intimate questions
CONS
Very time consuming and expensive
Quality based on the ability of the interviewer/moderator
Hard to analyse results in a scientific way
Hard to interview a statistically relevant sample

d. *Experiments and Field trials*: an experiment is a procedure carried out to verify, refute, or establish the validity of a hypothesis. Experiments provide insight into cause-and-effect by demonstrating what outcome occurs when a particular factor is manipulated. Experiments vary greatly in goal and scale, but always rely on repeatable procedure and logical analysis of the results.

e. *Observation*: observation is the active acquisition of information from a primary source. In living beings, observation employs the senses. In science, observation can also involve the recording of data via the use of instruments. The term may also refer to any data collected during the scientific activity. Observations can be qualitative, that is, only the absence or presence of a property is noted, or quantitative if a numerical value is attached to the observed phenomenon by counting or measuring.

(Secondary)

f. *Internal sources*: are already existing sources which usually lie in company's database. They include information that has been collected by the company itself in the past, and can be reused (analysed) to predict the future. This kind of source is very useful for companies operating in specific businesses, in which the company has strong knowledge. Some examples: P&L, balance sheets, inventory, sales related data etc.

g. *External sources*: are collected by other organisations or people/professionals, and refer to events happening outside of the

company. Usually brands access these sources using a structured/controlled process to extract data. Some examples: government & institutions, competition, internet etc.

PROS (f+g)
Can be very fast to execute
It's usually very cheap
Could be easily based on very large samples
Variety of available information
Gets insights about the "unknown"

CONS (f+g)
Can be difficult to find the answer to a specific question
Risk of analysing fraudulent sources
Requires intensive use of technology to extract the right data
Can be hard to extract demographics

6. **Which kind of research to run? Primary or Secondary, quantitative or qualitative? Common mistakes.**

Usually brands run both primary and secondary, and also quantitative and qualitative research. There's not a "best" research, however some techniques work better than others in certain circumstances. E.g. focus groups for exploration, surveys for deep dives.

It's also essential to get both qualitative and quantitative research. We've seen a lot of meaningful insights based on a 8-10 customers sample. In this case there's a big lack in numbers, while the quality of results might be perceived as high. Would you make any serious investment to improve a product after receiving a feedback from 8 customers? That would be a real leap of faith.

Running different kinds of research also helps the company to have a wider view on the unknown. Which is often the most important accomplishment a brand can get.

As we said, there are multiple ways to get market insights, and each one has its

own fit. However, as a general rule, we can say that any qualitative research must be backed by on a solid quantitative basis.

7. **The 4 drawbacks of traditional market research techniques.**

Market research methods have been the same for the last 20 years, with no big innovation involved. Today's markets change at the speed of light, and has become nearly impossible to analyse them with traditional research techniques. Good news. There's a new market research method that will blow your mind. But let's recap the macro disadvantages of traditional market research:

a. *Most market research techniques are based on "asking questions", but asking questions is bad.* Companies can only ask about something they are already aware of, preventing them from knowing the unknown. As a result it's hard to identify hidden insights, which often are highly relevant for customers.

b. *Research is never really up-to-date.* It takes months from when companies need results to when they get them. Defining customers segment, defining questions, executing the research, analysing results, building reports etc. are time consuming activities, and brands cannot deal with them anymore.

c. *Results are often biased.* Most of traditional methods are executed by an interviewer or a moderator, therefore the accuracy of results is influenced by his/her ability. Consider that most of the participants in surveys, interviews and focus groups are paid to give feedback. It's proven that paid respondents tend to say more than what they would have said in a free environment. As a result, customers might mention aspects of a product/service even if these are insignificant for their satisfaction.

d. *Samples are often too small.* Would you make an important decision based on insights coming from an 8-people focus group? A big issue of traditional research methods is that are often based on limited datasets (due to high costs and time consumption), while brands should only consider results based on statistically relevant samples.

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8. New opportunities

Today we can run a market research that is immune from all the above mentioned issues: consumer feedback analysis. This research consists in analysing existing online reviews (mostly from online shops, e.g. Amazon) and other kind of opinions, such as call center data. Customers freely leave these comments on the web without being paid, and consequently biased. There's no need to ask questions since customers have already shared their thoughts online. The main advantage of this kind of sources are:

a. *Availability:* billions of reviews are written every year, e.g. more than 20.000 new reviews per month only about electronics on Amazon, or 190.000.000 total reviews on Tripadvisor. This means that you might be running your research on big datasets.

b. *Relevance:* reviews drive sales, 80% of customers base their purchase decisions on reviews written by others. This means that you might be running your research on extremely relevant datasets.

What's needed to run this kind of research? Essentially 3 things:

a. *Crawlers:* software used to extract data from online sources and move them to a database.

b. *Sentiment Analysis Engine (NLP):* it's an algorithm able to identify and understand the positiveness of tags (aspects) mentioned by customers in unstructured texts.

c. *Quality check:* a process necessary to increase the accuracy of the automatic analysis (usually executed by humans). The expected accuracy of sentiment algorithms is usually around 60%, which is definitely not enough. Therefore a good quality check is extremely important.

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9. Overall comparison

	Surveys	Focus groups	Interviews	Consumer Feedback Analysis
Qualitative	✘	✔	✔	✔
Quantitative	✔	✘	✘	✔
Exploration	✘	✔	✔	✔
In-depth/specific	✘	✔	✔	✔
Easy to reach big samples	✔	✘	✘	✔
Unbiased data	✔	✘	✘	✔
No geographical boundaries	✔	✘	✘	✔
High-speed/realtime	✔	✘	✘	✔
Discover unknown insights	✘	✘	✔	✔
High price/value ratio	✔	✘	✘	✔

Check what **Wonderflow** can do for your company.

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