METHODOLOGICAL AND PRACTICAL ISSUES OF SCIENTIFIC RESEARCH ON THE RETAIL MARKET

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Abstract: *This paper highlights the role and importance of marketing research in a dynamic and complex sector such as retail. The paper approaches the theoretical issues related to the methods and instruments of marketing research appropriate for the retail market. The theory about qualitative and quantitative research methods is supported by relevant examples which lead to a better understanding of the marketing research process and of its effectiveness on retail activities.*

Key words: *retail, marketing research, consumer behaviour.*

1. Introduction

The functional involvement of scientific research in developing trade policies is possible due to the complexity of the processes taking place in the movement of goods and to the continuous improvement of trade. Private sector development, restructuring trade and social protection of consumers are just a few items of critical importance for scientific research, seen as a fundamental element of trade policy. Scientific research currently involves an operational involvement through studies, analyses and trade predictions to ensure proper diagnosis and solution of retail firms' problems.

The main objective of this paper is to determine the role of scientific research in retail businesses.

2. Scientific research of retail market

From our perspective, the study of the retail market should be conducted under two dimensions: the general coordinates of studying the consumer market and the practical research of the retail market [2].

2.1. General coordinates of studying the consumer market

Studying consumer goods market represents a process of structural-qualitative and quantitative analysis of the present and future supply and demand on the consumer goods market. Market research, using statistical data and secondary information collected directly from the market, is grouped as follows [11]:

A. *Study of market size* - conducting preliminary measurements by parameters such as: actual market capacity (volume of goods sales, number of buyers, supply volume etc.) or potential market capacity (maximum volume of sales that can be achieved based on potential demand, the number and structure of relative non-consumers); market share; spatial distribution of the market (the degree of

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market concentration, trade network density, average sales per capita in different cities, commercial gravity.

B. Research on the market structure allows the identification and measurement of the different market compartments and of the dynamic relationships between them. *Market segmentation* is one of the main marketing techniques used to approach the complex structure of the market.

C. Study of consumer demand - is achieved by a combination of methods including: methods of analysis (analysis and forecasting of goods sales, stock analysis, family budgets analysis); *indirect estimation methods* that approach demand as a result of economic phenomena (level of income, price index, inflation rate, interest rate, GDP per capita and its growth rate), demographic phenomena (population size, socio-professional structure, age, gender, urban, rural etc.) or other phenomena; *direct study methods* for gathering information directly from consumers (inside stores, at exhibitions, at home, in the street etc.) using empirical observation and (or) selective research.

D. *Study of goods and services supply* in both the static and dynamic profile, a domain involving: a) research of supply structure, b) research of supply dynamics that seeks to determine quantitative and qualitative variations, diversification and assortment renewal; c) research of supply localization that provides information about the disposal, territorial dispersion of the offer; d) research on the supply lifecycle.

E. *Prices study.* The research objectives may relate to: a) the absolute size of price: the wholesale price, the retail price, individual prices, prices in different seasons etc.; b) relationships between the prices of various products (from distribution links: manufacturer-wholesaler-retailer-consumer); c) price dynamics.

F. *Study of the market situation* - aims at the periodic research of factors influencing the market and establishing the main guidelines

and market trends. For example, because of the global financial and economic crisis, companies have a concern in finding information for understanding what changes occur in market components (size, structure, supply and demand, prices etc.)

2.2. Practical research of the trade market

In particular, the study of trade activities can be achieved by the following research categories [13]:
- Studies among wholesalers, for evaluating distribution channels;
- Studies among retailers generally seeking to evaluate consumer attitudes toward prices, brands and assortments offered;
- Studies to assess logistical aspects on the supplier-retailer-consumer relationship;
- Ad hoc studies in-store (mainly shops) for knowing consumer specific behaviour.

In projecting a market study in commerce, there are some defining issues taken into account, such as: sampling, data collection and reporting, and the costs of obtaining information.

There are two categories of samples generally used by research firms: samples containing a particular type of trade or shops, with a relatively broad spectrum (e.g.: food, cosmetics, paper etc.), relatively specialized samples, which try to reflect the distribution characteristics of a single class of products (such as sweets or cigarettes).

The collection of information from traders is delicate and difficult. Correct identification of the right person for such interviews is not always easy because the decision makers are not necessarily from the shop. Moreover, most of the times such decisions (which focus on interviews) are not taken by one person, but by several, and, thus, it becomes necessary to conduct several interviews in the same trade firm. The information can be collected daily or weekly, and processing and research reports may be made monthly or every two months.

A feature of market research in retail is the cost of obtaining information and their sales prices. In this case, research companies produce information with a certain frequency, and then they must find the interested clients. The effective functioning of a panel of stores must be provided no matter the number of customers who buy the information gathered, which induces certain financial risks. The management of trading activities studies is somewhat a unique sector in the market research landscape, so they are conducted by specialized providers as compared to other market studies [13].

3. The market research process

The marketing research process requires a database and its analysis in relation to certain matters regarding the retailer. In some companies, this kind of research is one of the elements that make up the data system, for others it may be the only type of data available.

Market research involves the development of certain activities [3]: defining the research theme, examining secondary data, generating primary data (if needed), analysing data, making recommendations, implementing solutions.

Defining the research theme involves a clear and precise formulation. The aim is to obtain the necessary information for the retailer decisions. Without knowing which information is required, there is a risk of gathering irrelevant and confusing data.

Inside the process of obtaining marketing information, the trader must pay most attention to the advantages and disadvantages of the two broad categories of data: secondary data and primary data. **Secondary data** may come from internal or external sources. The most important *internal sources* [5] for secondary data refer to sales, costs, ongoing marketing activities, information on distribution and consumers. *External secondary data* is provided by organizations, associations, institutions etc.

Of particular importance are *standardized marketing data* (or secondary syndicated data), which is information obtained by specialized agencies from surveys or panels consisting of consumers, retailers or both categories [1].

In developed countries there is a high demand of *electronic scanning services* that are based on the electronic interconnection of supermarkets and other types of consumer goods stores, where information is collected by scanning special labels attached to products (bar code). This way, detailed information is provided about sales, market shares, distribution, pricing and promotion.

Marketing researchers use qualitative and quantitative methods and techniques to obtain primary data.

In our opinion [2], retailers, considering their financial, human and organizational means, can use the following qualitative methods and investigation techniques: exploratory research, independent qualitative research, projective research, observations.

3.1. Qualitative research methods and techniques

a) Exploratory research - the most important methods used in exploratory research are: exploratory surveys among potential consumers, exploratory surveys among experts, secondary data, and case studies.

a.1. *Exploratory surveys among potential consumers*

There are times when traders choose to sell new products, to introduce on the market new services or to open new stores. Their interest is to know the possible reactions of potential customers in these situations. There are other types of exploratory surveys among consumers,

such as those which require a diagnosis of the current situation of a product or service on the market, or testing a product or service concept.

Situation diagnosis [7,] is an analysis of a given marketing context, in order to highlight the dimension of the problems and the priorities of a future research project, for new marketing activities. For example, a retail firm is interested in the introduction and expansion of a new service: the temporary supervision of children inside the store, as long as parents are doing their shopping. Before engaging in such an activity, the firm initiated a diagnosis of the current situation based on an exploratory investigation, and the result was that the majority of potentially interested families had not heard or known what this service meant.

In exploratory research, an important role in terms of marketing decision is held by the *concept testing*. This is a general name for different research methods when consumers express their attitudes, preference and intention to purchase a new idea of product or service, or a new idea of revision or repositioning of a good or service [14]. Testing concepts refer to how new ideas can be evaluated based on their benefits for consumers. Based on results, the firm can decide rejection or acceptance of new ideas.

a.2. *Exploratory surveys among experts* - is a technique based on questioning highly qualified competent persons, with relevant experience in the field related to the topic under investigation [7]. When company management concludes that a new idea deserves to be considered, as a first step, marketing researchers can conduct a survey based on direct informal personal interviews among experts and specialists.

a.3. *Secondary data* - is existing data stored in different forms. These data can be found in various magazines and books, publications, reports, scientific papers etc.

In marketing research, particularly important are the statistics that take into account the production and sales of goods and services, price levels and their evolution, the evolution of wages, taxes, interest rates, the volume of international transactions, demographic evolution etc.

a.4. *Case studies* - are another exploratory technique that aims to deeply explore one or more situations similar to the considered problem. In retail marketing, the case study is used for analysing relationships such as manufacturers - wholesalers, wholesalers - retailers, or for analysing sales force management, the performance of the marketing mix etc.

b. Independent qualitative research

Among many qualitative research methods, this paper brings forth individual techniques and group techniques, due to their applicability in retail.

b.1. *Individual techniques* include direct communication, unstructured techniques [7] as:

• *informal discussions* - involve gathering useful information from the researcher's discussions with friends, colleagues, neighbours, or listening to consumer comments or complaints on different occasions. Such information may explain or facilitate the understanding of research phenomena or processes.

• *the in-depth interview method;* depending on the structure, this method can be found under three forms: nondirective in-depth interviews (unstructured), semi-directive in-depth interviews (semi-structured), paper plus pencil interviews (involving a high level of structure) [7]. Nondirective in-depth interviews are used when the researcher wants a detailed examination of consumer buying behaviour, especially for high value products or services, when the information is related to sensitive issues (personal investment, personal hygiene).

• *the verbal protocol method* [7] - serves to marketing decision making and focuses on knowledge of consumer thinking process when he is involved in an act of purchasing. Basically, the researcher asks the buyer to think by speaking loudly. This method can be applied, for example in retail to points of sale. It can be done simultaneously with the process of buying or after the buying process. In the last situation, the purchasing process is video recorded and the consumer will explain his thinking on watching his own behaviour. To the point of sale, for example, the researcher seeks to know buyer reactions related to the price, advertising, point of sale promotion, goods labelling etc.

b.2. Group techniques are considered useful in the study of trading processes:

• *the group discussion method* - considers the exposure of participants opinions and feelings, the reasons and the restrictive factors, about a pre-set theme. It can be used to formulate hypotheses or to know the vocabulary which will be found in the questionnaire.

• *the Reflection Group method* [7] - It is believed that a small group is a set of interrelated individuals who have strong interactions. This form of investigation is known as *focus group* in the Anglo-Saxon space. In practice, this method is used for:
- generating ideas and assumptions; identifying opinions, attitudes, images, perceptions and representations of consumers; finding ideas for new products and services; studying purchase and consumption behaviour; testing new products and services concepts and names; positioning a product or store on the market; pre-testing a means of communication; determining the size and content of the questionnaire.

• *the nominal group method* - is highly structured, based on a special questionnaire. Its main objective is to produce a large number of ideas and opinions.

• *the Delphi method* - brings together a group of 8-10 experts, which ultimately leads to some consensus regarding medium and long-term forecasts in technology, demand evolution, new products adoption etc. The investigation is highly structured and requires several steps.

c. Projective research

Projective methods are indirect ways of obtaining information through the projection of beliefs, desires and feelings of a person on another person. So, the subjects have to interpret the behaviour of others and this way they indirectly project their own beliefs and feelings. Projective methods are based on association techniques, completion techniques, construction techniques and techniques of expression, which we will further analyse [7].

c.1. As *association techniques,* we mention (free) *association words tests*: the subject receives a list of words and he has to find a word associated to each word found in the list. It is used to test potential brand names for different products and stores, to pre-test keyword or identify consumers' criteria for choosing a product or store.

c.2. *The most important* completion techniques are: sentences completion test and story continuing test.

• *the sentence completion test* is based on the principle of free association. The subject is asked to complete a number of unfinished sentences, with the first word or phrase that comes into his mind [7]. The consumers' answers are generally larger than those used for the word association test.

• *the story continuing test* – the subject is given the opportunity to continue a story that has a given beginning. For example, we have the situation of a couple who has to decide on buying a durable commodity, and the subjects have to imagine how things will evolve, what can happen.

c.3. A distinct category of projective methods gives the subject the possibility to build a dialogue, a script, a description starting from a given stimulus. As *construction techniques*, one can mention [7]: the thematic apperception test, the comics technique, the photographic portrait, the third person technique, the Chinese portrait technique.

c.4. A meaningful *expression technique* is the technique of role playing. It assumes that a subject interprets a role or acts based on the behaviour of other people on a given situation. This method can reveal real opinions of subjects about a store, product, packaging, advertising etc.

d. Observations

Observation means the systematic process of recording the behaviour of people, objects and events without the observer communicating in any way with those who have these behaviours [12].

The object of observation can be: *in-store purchasing behaviour* (moving, products research, purchased quantity etc.); *verbal behaviour* (discussions with vendors); *nonverbal behaviour* (facial expression, gesture, posture etc.); *subjects activities* (watching TV., radio listening); *spatial and localization ratios* (traffic count of visitors, shoppers and pedestrians, shelf space); *temporal behaviour* (the time spent on purchase, in a restaurant, watching TV channels, listening to a radio station); *physical objects* (the availability of a product on shelf, brands in consumers household, recycled newspapers); audio – video recording and ways of encoding (commercials content, bar codes for prices, the contents of the press releases etc.).

Observation, in general, is an alternative research method used simultaneously as a complement to other methods of obtaining primary data such as: surveys, marketing experiments, individual or group interviews, case studies [5].

3.2. Quantitative research methods and techniques

To obtain primary data, retail managers may require researchers to perform quantitative investigations which enable results extrapolation to the entire population. So, researchers can conduct surveys or marketing experiments usually found in market tests.

a. Surveys aim to describe purchase and consumption behaviour, to know opinions and attitudes, to identify the reasons underlying marketing actions, to find the values shared by buyers or consumers. In this respect, in an investigation, the main information needed for decision-making in retail firm, are the following [10]:

a.1. Knowing the buyer and consumer behaviour - it may concern: knowledge about the stores visited by consumers; knowledge on the products and the brands owned by consumers; durable goods possessed; ways to get informed; purchasing behaviour (who bought, quantity purchased, brand, frequency of purchase, time of purchase, type of store, store brand loyalty and/ or products loyalty); circumstances of use: by whom? when? where?.

a.2. *Knowing the attitudes and purchase reasons* [13]. The most important aspects that can be considered are: knowledge of the needs and desires; knowledge of the reasons for buying the product or service; identify the reasons related to habits; knowledge of the restrictive factors that influence purchase; existing attitudes towards the store, product, service, brand; selection criteria; purchase intentions of a product, service, brand.

a.3. *Knowing the opinions and values shared by the subjects* - the preference shown for a certain type of store, product or brand; satisfaction or dissatisfaction related to purchasing from a particular

store, to the consumption of a product or service; the involvement in the purchase process; knowledge of shared values of subjects; knowledge of lifestyle.

a.4. *Knowing consumer characteristics* - this includes: knowledge of demographic characteristics: gender, age, nationality; living environment; economic characteristics: income, savings; socio-professional category: profession, occupation, position; education; household type; membership of various associations: cultural, sports ones etc.

Surveys are structured ways of collecting primary data based on a questionnaire. Conducting a survey involves more opportunities to communicate with subjects who are part of the sample. The main communication methods, depending on data collection, are: face to face survey; survey by mail; survey by telephone; Computer-aided investigation; Internet survey [7].

b. Marketing experiment in retail

The basic feature of the experiment in marketing research is to analyse the cause-effect relationships between two or more variables [7]. Any experiment assumes that changing experimental factors generates certain effects or results that can be measured. This means that in an experiment, an independent variable is subject to change, and the effect of this treatment on the dependent variable is measured and then analysed while the other variables remain the same.

The marketing experiment requires the existence of experimental units or groups and control groups. The experimental unit or group are subjects undergoing experimental treatment. For each treatment a different experimental group is required. The control group comprises the subjects who supervise all experimental conditions. The marketing experiment requires the selection of test units, i.e. that entity (person, family, trade firm) whose

response to experimental treatments can be observed and measured.

An essential aspect of the experiment is to control external variables. By external variables we understand those influence sources that are not taken into account in the experiment, but whose influence on the dependent variable can distort the results of the experiment. Because the experimenter does not want any external variables that influence the outcome, he must control the results and be able to know their influence or eliminate them.

Retail managers and researchers must handle two main problems when they have to choose an experimental project or to evaluate it: internal validity and external validity problems [4].

The *Marketing Test* is a controlled experiment that offers the possibility of sales measurement, potential profit for new products or other marketing actions in the context of marketing real conditions [14]. The marketing test range is wide and includes: market tests, product tests, tests of promotional activities, tests on distribution etc. Marketing tests for retailers when opening new stores include: testing new point of sale location, acceptance tests of the new store, price test, private brand names tests, tests on advertising, sales promotion, merchandising tests etc.

Simulation is a type of experiment where a computer is used for handling the strategy elements [3, 238]. There are two types of simulations: simulation which uses mathematical elements and simulation using "virtual reality". The first type builds the model of a controllable and uncontrollable retail environment. There is no need of consumer cooperation. This format is gaining popularity especially due to software performance. The second type of simulation uses interactive software which allows participants to simulate the behaviour in a realist manner, but there is a restricted supply of such software.

4. Conclusions

The content of the trade activity is complex. Besides the intermediary activity, trade includes other activities such as: market research, public information, consumer education, advertising, promotion, creation of the necessary environment for the sale act etc.

Marketing research in retail can be defined as all the means that enable the collection, analysis, presentation and measurement of all information useful to the marketing approach. Retail managers or marketing specialists are constantly in contact with the client, but their action requires perfect knowledge of other sale agents who perform the market activity. Marketing research can be considered the starting point in marketing actions for any trade firm. They are a means to define new products or redefine existing ones, in order to adapt them to the consumer needs; a way for choosing the best marketing strategy or tactics.

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