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THE PROBLEM OF OBTAINING INFORMATION ON DISTRIBUTION

Due to our situation and prospects which have been deteriorating both on foreign and home markets lately, the significance of market research in the companies' activity has extraordinarily increased. Consequently, the requirements of reliability of market analyses and especially those of prognoses have grown. To make a reliable market analysis, it is essential to have all the necessary information on the market. As in the current complicated market situation realistic analyses and prognoses can be made by thorough approximation only, parallel and control information is needed. As for the information basis, the situation seems rather complicated in Hungary. This is shown by the results of the latest survey made by students of the Karl Marx University of Economics (See table 1).

Table 1

Information sources of market research *

| Information sources | At companies producing | | | |
|-----------------------|-------------------------|-------------------|----------------------------------|---------|
| | production equipment | consumer goods | with | without |
| | | | the right for foreign trade | |
| | | | per cent of all those questioned | |
| | at home | abroad | | |
| Business trips | 43.8 | 50.7 | 85.7 | 72.2 |
| Study trips | 9.4 | 15.5 | 50.0 | 37.4 |
| Trade press | 68.7 | 70.4 | 78.6 | 60.0 |
| Expertises | 31.3 | 18.3 | 28.6 | 17.4 |
| Fairs and exhibitions | 81.3 | 76.1 | 57.1 | 66.9 |
| Official statistics | 43.8 | 39.4 | 50.0 | 20.9 |

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Table 1 (contd.)

| Information sources | At companies producing | | | |
|--|------------------------|----------------|----------------------------------|---------|
| | production equipment | consumer goods | with | without |
| | | | the right for foreign trade | |
| | | | per cent of all those questioned | |
| | at home | | abroad | |
| Statistical surveys | 43.8 | 26.8 | 50.0 | 12.2 |
| Catalogues of the competitors | 21.9 | 16.9 | 78.6 | 33.0 |
| Samples of the competitors | 12.5 | 28.2 | 42.9 | 29.6 |
| Information of trade associations | 40.6 | 29.6 | 28,6 | 9.6 |
| Information of the Chamber of Commerce | 43.8 | 29.6 | 64.3 | 41.7 |
| Services by documentation institutions | 25.0 | 12.7 | 42.9 | 11.3 |
| Information of foreign trade companies | 15.6 | 14.1 | 57.1 | 76.5 |
| Questioning of partners | 84.4 | 83.1 | 57.1 | 33.9 |
| Questioning of the population | 3.1 | 33.8 | — | — |
| Services by home market research institutes | 28.1 | 40.8 | 28.6 | 7.8 |
| Services of foreign market research institutes | — | 1.4 | — | 0.8 |

* The table does not include companies producing both consumer goods and capital equipment. Thus, the average values of the first two columns differ from those of the last two.

From the comparison many interesting conclusions can be drawn:

— In all groups of companies with clean profile the 3 most intensive sources of information have been framed. As for the home market, both manufacturers of capital equipment and those of consumer goods obtain information either through questioning their partners or at fairs and exhibitions, and from trade press. As regards obtaining information about foreign markets, the situation is no more so uniform. It is business trips, then trade press, catalogues of the competitors and information from foreign trade companies which are of the greatest importance here.

— As a matter of fact we ought to start from that to obtain a reliable knowledge of the market, both manufacturers of consumer goods and those of capital equipment — regardless whether they have the right of foreign trade activity or not — indispensably need all sources of information listed in the above table. In view of this, however, the proportion of their use is very low. Let us pick out some striking examples:

— Amidst sources of information used in the market research activity of foreign companies it is the information of documentation institutions that stands first, according to specialist literature. Why is this

information source of great importance rarely used by the companies manufacturing consumer goods?

To answer this question is all the more difficult as there are various documentation sources available for the companies.

— Concerning the home market, it is remarkable that catalogues of the competitors are barely used as a source of information. Our previous investigations have also shown that there are few manufacturing companies which possess an appropriate collection of catalogues issued by their potential competitors. Practically, there are none where the prospectuses would horizontally and dynamically be processed and analysed.

— Our companies hardly make use of the professional questioning methods already well-known and utilized abroad, e.g. the Delphi method which is — especially in the market research for capital equipment — one of the most effective methods.

To all these negatives we have, of course, to add that the answers and frequency indices resp. shown by the survey cover rather a mixed situation. Just one example. At least two-thirds of the companies rely on trade journals as a source of information. I wonder, however, to what extent and at what level the possibilities are utilised in practice. Unfortunately, the experience in this field is very unfavourable.

The answer is very negative to the following question, too: To what extent can managers and executives of manufacturing companies obtain the indispensably necessary market information?

Without aiming at completeness, we see the main reasons of this unfavourable situation in the following:

— A great deal of information obtained on the market reaches the company's top executives only, or

— It is put into documentation the use of which is very low.

— The information is not kept in data bank, thus, there is no possibility of its „call-in“ at any time.

— The flow of information inside the company is not organized. This means that not only is the quantity and quality of information flowing into the company insufficient but the available information is not properly used either.

As a reason for this, it might occur that there are no adequate models for the organization of information system. In this regard, however, the situation is fairly positive. In addition to models structured and adaptable for any trade there are specialized institutions which undertake as a service to work out organizational models adapted to a given company.

In my opinion, the cause of this unfavourable situation lies in the

depreciation of importance of continuous collection of information on the market by the manufacturers, and in the opinion that it is the task of foreign and home trade companies to give this information.

There are still a lot of companies which think that the regular market survey is necessary in the case of the buyers' market only. Thus, until the supply exceeds the demand, to a large extent, the organization of the information system is not of primary importance. Many cases prove, however, that in recent years in consequence of a quick change of the market situation, for instance, decrease of export supplies, the comfortable position of the sellers' market has rapidly turned into a situation requiring a flexible market policy of the buyers' market and a reliable information system. However, in companies where no great attention had been paid to gathering information, the new situation has caused severe difficulties for the management.

It follows from all this that each producing company has to organize its own market information system in one way or another, all the more so because its smooth realization requires an activity involving rather great expenses and much work for many years. Since there are usually high requirements — even unrealistically high ones nowadays — against information models, this is also reflected in the difficulties of their realization. It is just these primary factors in many companies due to which they give up their plan in spite of their initial interest. I consider it as a solution of this problem that the market information system be realized step by step. This has the advantage that they recognize the positive side of being well-informed earlier than learn the difficulties of organization of the information system.

In the course of the gradual realization it is practicable to start from the principle that the fields of the company's information requirements should be ranked and the registration and flow of information should be organized accordingly.

One of the most important tasks of market research of a company is to meet the requirements both of the upper management and those of the executives for market information, the scope of which is various and, of course, different for each company. Therefore, the information system has to provide the information required for the proper market attitude and decisions, while bearing in mind that the information should support various decisions.

Inside a company there are many decision levels and each decision circle needs information. The more operative decisions have to be made, the more data and information in view of the present and the near future are required. The farther we deviate from operative work, the greater the requirements are for the information needed to determine

the future and to decide on long-term objectives. It is very difficult to distinguish between information process and the decision-making one. The decision-making process is nothing else than an advanced form of the information process. It follows from this that it is the task of information systems to gather the appropriate information from various sources in order to let each circle of decision get the required information.

The market research must ensure

- special information for determining business objectives,
- information required for planning, as well as,
- information for the control of plans, objectives and their realization.

In the solution of this task the greatest difficulty lies in determining the scope and quantity of the necessary information. The experience usually shows that the „appetite for information” is much bigger than it is possible to utilize the information at all. On the other hand, the flow of information beyond an optimal limit diminishes the effectiveness of the information activity. That is why the data and other information required and flowing in should be thoroughly examined and selected.

Now we are going to introduce the set-up, the organization and the functioning mechanism of a simplified model. This simplification means that the model includes on the one hand the so-called general information on the market only, while on the other hand it only includes the information input, without feedback.

The construction of the model consists of the following phases:

- determination of the requirements,
- designation of the scope of information,
- decision on how to obtain information,
- selection of information,
- determination of those interested in the information,
- organization of mechanism of information flow,
- information storage.

Let us have a look at each phase of organization:

a) DETERMINATION OF THE REQUIREMENTS

A certain amount of market information is continuously required for the activity of practically all departments and groups of market-oriented manufacturing companies, their managers and executives. The technical departments do not form an exception either. For instance, the department of product development should not only be familiar with

the essential parameters of the latest basic materials and those of finished products appearing abroad but also with the tendencies shown therein in order to properly envisage the new and the further developed products which might turn up on the market in the future. The department of production development must know the changes taking place and those expected in production equipment which might affect its activity directly or indirectly, so that all this can be drawn into consideration in the planning of investments. Of course, this information is needed by the department of product development and that of distribution too since modern machines do at the same time determine a considerable part of the parameters of products to be manufactured with them as well.

Based on all this, the most essential requirements facing information system can be determined as follows:

— The information required for the continuous activity must reach in due time not only the competent department but the responsible executives too.

— It must be ensured that information continuously needed be steadily at hand either remaining at the disposal of those interested in it or being stored centrally, with the possibility of its immediate accessibility.

b) DESIGNATION OF THE SCOPE OF INFORMATION

The designation of the scope of information consists of two work phases, namely the exact determination of the required information on the one hand, and the statement of sources of information, on the other.

— It is a complex task to determine the market information important for a given company. To do this, each sector of the company's activity should be dissolved to details the information demands of which are to be examined separately.

In most companies this work is rendered more difficult by the circumstance that in this field there is no general experience, and thus no beaten track can be followed. For instance, where subjective one-man decision substitutes the preliminary investigation of the market when launching the production of a new product, the information groups the detailed and exact determination of which is necessary, are scarcely known. Accordingly, they demand a separate investigation.

It is not less difficult to determine the information sources and what's more to ensure their availability for the company from which the required information can be obtained. To solve this problem, all secondary and primary data sources should be used.

c) DECISION ON HOW TO OBTAIN INFORMATION

After having determined the scope of information required for running the company, and its sources too the next step is to decide on how to obtain the information. In this activity, the company is not left to its own devices although large companies with an organization specialized just for this activity can themselves obtain a considerable part of the necessary information with the indirect use of information sources. The services of data banks, foreign statistics, catalogues of fairs, leaflets, foreign dailies and monthlies as well as periodicals etc. are of interest here.

This is, however, not the case for smaller companies i.e. institutions which do not possess a special apparatus for this activity. Such companies have to resort to assistance from outside. It is necessary to remark here that even the most developed company's apparatus is unable to obtain all information itself and it would not be reasonable to induce it to do so either. Let's see just one example: In most cases it is practical to entrust a neutral organization with obtaining information required for the analysis of competition.

What kind of assistance rendered by external institutions is available in the activity of gathering information? The most common types of institutions are as follows:

- home market research institutes,
- foreign market research institutes, and, marketing advisory agencies (which can be contacted through home market research institutes and foreign trade companies),
- information and documentation institutions,
- foreign trade companies,
- advisory institutions promoting business relations,
- institutions dealing with the subscription of foreign publications.

Making use of services of home market research institutes

Hungary's market research institutes prepare complex analyses and studies for their clients, on one hand, and undertake to conduct partial research, for example questioning in professional circles and in the circle of inhabitants. Although the market research activity on the large scale should be more economical, the prices for the services of market research institutes are rather high. However, it should be taken into consideration that it is never practical to examine the expenses of market survey in themselves; they should always be compared with the expected gains (or incurred losses). The company should commi-

ssion the market research institutes to obtain only the information which is not — or not economically — available by itself.

As nowadays there are several market research institutes and other bodies carrying out market research in Hungary, when intending to employ one of them a company can ask for offers from each institution concerned and choose the most favourable one.

Making use of services of foreign market research institutes

No one is a prophet in his own country — says the proverb but in market research it is just the other way round.

The market position of a product, its possible changes and the distribution possibilities in a country can be judged most realistically first of all by market research institutes functioning in that very country. The available information quantity on the market of another country can be adapted for carrying out successful desk-research. However, field research, that is analysis based on local surveys, questioning of the population and businessmen, or motivation research can exclusively be done by local institutes in order to obtain reliable data. One certainly cannot exclude cases when experts of the company dealing with market research and those of the home market research institute visit the foreign institutions i.e. their experts to carry out the questioning. It is, however, doubtful whether these interviews produce the expected results.

The very keen competition appearing also in the field of market research has necessitated for the institutes to make their general regulations which suit their interests and are to be observed by all those concerned. For instance, it was ten years ago when ESOMAR elaborated the ethical normatives of the activity of market research institutes and they were accepted with modification after a lengthy and thorough debate by the members. These regulations include certain important restrictions. Accordingly, an independant institution specialized in market research must not, for instance, disclose the name and address of those giving information, and the research must not directly influence the market.

From the point of view of the clients' requirements these restrictions have caused more and more troubles lately and of course the institutes strive to solve them in one way or another. Let's start from one example:

An export-oriented company producing textile clothing wants to make a market research including a number of countries in Western Europe in order to improve its production structure.

Among others the following questions are to be answered:

- What kind of distribution channel is it reasonable to employ?
- Who are the most important potential buyers and how to get in touch with them?
- What sales promotion and other ways and means of influencing the market seem to be the most effective?
- What is the opinion of the buyers of the big trade companies about the product concerned?

However, to answer these questions involves disclosing the name of the client, what's more it may extensively influence the market, since making use of the information received may result in entering the market. This is, however, contrary to the ethical normatives of ESOMAR.

This dilemma has been solved in the West European countries by establishing marketing institutes as well as marketing advisory offices and agencies besides market research institutes. These institutions with a relatively small staff are with their flexible activity able to meet also the requirements beyond market-research. All this does not mean that market research institutes should refuse assignments which though favourable might also involve influence on the market.

During talks with the head of a market research institute in the North of West-Germany quite a few years ago I found a good example for this. We wanted to give this institute an assignment requiring both market research work and marketing activity influencing the market. Our partner suggested the following: „The market research can be done by my institute, while as for the marketing work, please entrust it to the marketing advisory office which is also owned by me”.

The so-called multi-client studies should be mentioned too. During the recent decades, market relations have become more and more complicated, especially the international ones. To understand market phenomena and especially to make reliable forecasts on distribution, various and thorough investigations including manysided surveys and statistical analyses have become necessary. The widening of the examinations into this direction has at the same time brought about higher expenses. That's why fewer and fewer medium-sized and small manufacturing companies have requested the institutes to carry out comprehensive market research. In case the institutes could not agree with a client for financial reasons, they offered to search for further clients having similar requirements with whom the expenses of the research work could be shared. This has, of course, meant that competitors have been brought together to jointly obtain market information required for their business activity. In the contract for multiclient study, the

institute has undertaken the commitment not to sell the information to third institutions. The contracting parties have also undertaken not to sell the study results to any other company.

The competition among West European market research institutes has resulted in a new form of research based on multi-client studies. Institutes of considerable means also carry out market research investigating what subjects are in big demand, and whether it is worth carrying out the research for their own risk and selling its findings to interested institutions (such as state organs, scientific institutes but first of all producing companies). Nowadays, such studies are easily available but often at exorbitant prices.

For the dynamism of market research it is characteristic that „market research” has been made even on these studies. One of such extraordinarily useful studies was published 1978 by The British Overseas Trade Board. The International Directory of Published Market Research contains the most important characteristics, among others the selling price of 3000 fairly new multi-client studies made in more than 100 countries.

Making use of the services of information and documentation institutions

If we accept the principle that the documentation institutions are centers of gathering, processing and publishing both home and foreign trade press (such as newspapers, periodicals, annuals, technical books etc.) at several levels according to the companies' requirements, then the significance of these institutions in providing the companies with market information is obvious.

Information services by foreign trade companies

Apart from the large industrial companies having the right of foreign trade activity, in Hungary it is the specialized foreign trade companies which deal with export and import. Whatever the form of their cooperation with the manufactures should be (commissioner, joint account business etc.), it is fixed in their contract that it is the foreign trade company that has to provide information on foreign markets for the manufacturers. Unfortunately, there is a general experience that most of the foreign trade companies fail to fulfil this requirement. Let us have a closer look at this problem.

In their current practice, foreign trade companies provide following information for their industrial partners:

- regular monthly (maybe more or less often) information on the events and news on foreign markets in regard of the foreign trade company's profile,

- providing the possibility for the experts of the industrial partners to attend the most important business talks,

- enabling them to visit international fairs, in order to obtain information.

Provided that all these opportunities are utilised, there will certainly be a great variety of useful information available, is is however, by far not satisfying actual demands.

In addition to information on the products in question i.e. their current market position and trends, the product and production development as well as the distribution activity of manufacturing companies require a thorough knowledge of the market's possible changes in the short and long run. As the specialized foreign trade companies deal with thousands of articles and do not usually have a special department for market research, it is obvious that they are unable to provide detailed information and prognoses on the very product for their industrial partners.

In the current situation even if we say that each manufacturing company should itself obtain information on the market, including the foreign market, it would be advisable to establish a market research apparatus of the foreign trade companies thus enabling them to obtain a considerable amount of information centrally and in cooperation with the specialized home and foreign market research institutes at much lower prices.

Information available from advisory institutions

As sources of information from among advisory institutions, first of all, the information from chambers of commerce functioning in almost every developed country including Hungary, or their subcommittees organized for themes and countries should be mentioned.

From the point of view of obtaining information on foreign markets, the market studies and documentation services of the international advisory organs of the UN, for example, the ITC in Geneva, the FAO in Rome and the UNIDO in Vienna are of special importance. There are national missions delegated beside them, a home library keeps UN publications in evidence and last but not least the Chamber of Commerce that can advise as to the information provided by the organisation mentioned above.

d) SELECTING INFORMATION

As I have already mentioned the information received in too large a quantity may cause difficulties when processing it. Therefore, it should be selected by concentrating on the substantial documentation only. During this process the unnecessary parallelism in the information as regards its sources can be eliminated. In order to organize this and the flow of information later, it is advisable to set up a team in the company. This team should include technical, commercial, planning and financial experts who have a thorough and comprehensive knowledge on the activity, tasks and problems of each department of a given company.

e) CHOOSING THE PERSONS INTERESTED IN INFORMATION

The information requirement can be determined for each person, according to the duties of every department i.e. its director and executives.

The supposed information requirements of each post are not identical with the actual requirements of the persons occupying the posts. This contradiction which might seem strange ensues from the fact that as a result of many objective and subjective factors, the amount and content of information somebody can absorb is very individual. When determining the information requirements of the company's managers and executives the team should start from the requirements of the posts but they should adapt them to the person occupying the very post. In this connection it should be mentioned and even emphasized that when deciding on personal information requirements it is absolutely advisable not to make a questioning to state what information is required. The experience shows that the information requirements arrived at this way can many times go beyond the requirements which are in fact needed and can be continuously worked up. Through its members, the team should guarantee the realistic adaptation of information requirements for each person.

f) FLOW OF INFORMATION AND STORAGE

There is a large number of possibilities how to let information flow inside a company, and, there are well tried methods to be made use of in this connection. In spite of this, there are a few manufacturing companies only which have properly organized and kept in operation their information system. Under these circumstances, it is most practical, as already mentioned, to look for the most simple solution which can at the same time satisfy the primary requirements

and can be carried out with minimal costs and small staff. May I picture it with the following case-study:

It is the task of a two-men team including a professional library-assistant, to meet information requirements inside a company and it is this team which also runs the trade library of the company.

After the information requirements of the managers and executives of the company have been determined, all those demanding information receive a so-called identity number. All information flowing into the company, except for that serving the top management's personal demands, is directly forwarded to this team after mail reading. The team also receives a copy of all documentation containing useful information gathered inside the company.

Every day, the documentator reads the documents received and marks the persons they may concern. In case of newspapers and periodicals he marks the interesting articles, advertisements etc. To trade book and leaflets he attaches a slip of paper indicating the title and the short contents and adding also the identity numbers of those interested in them.

After all documentation received has been processed in this way, the assistant makes the required number of copies with an up-to-date copying machine, then indicates the identity number on each copy. Finally he groups the ready copies according to the identity numbers. For this purpose pigeon-hole-system filing racks are used.

After completing this work phase, the documentation can be distributed to the persons concerned. Thus, it is possible to pass the daily information to every executive during one workday.

One copy of each documentation, except for the personal ones, is kept in central archives where in case of need it can easily be produced with the use of various search systems.

László Szabó

PROBLEM UZYSKIWANIA INFORMACJI NA TEMAT DYSTRYBUCJI

Autor rozpoczyna artykuł od przedstawienia wyników badań dotyczących możliwości uzyskiwania informacji na temat dystrybucji w gospodarce węgierskiej oraz charakteryzuje podstawowe źródła informacji i przepływy informacji między podmiotami rynku. Wskazując na znaczenie właściwie zorganizowanego systemu informacji dla procesów podejmowania decyzji, autor omawia z kolei kierunki usprawnienia sytuacji — postuluje m. in. opracowanie kompleksowego systemu informacji dla potrzeb rynku wewnętrznego i handlu zagranicznego oraz jego stopniowe wdrażanie. Daje również przykład uproszczonego modelu przepływu informacji oraz opisuje poszczególne fazy jego konstrukcji.