

and accessible file of unexpired patents and trademarks. In addition, they will have a standardized cross-tabulated keyword system whereby the patent file can be scanned to reduce patent search time. The file will also contain items such as degree of development and availability for license. Also, I expect a struggling young company will have tried and succeeded in building a similar system for keeping track of service opportunities, but deriving most of its income by acting as a national business brokerage exchange. Both of these files will be available to you through NCFNSN (The National Computer File Switching Network).

You will have available in your personal computer, a series of quantitative routines. Based on profit analysis and upon being fed certain specifications, these routines will kick out the "optimal" royalty rate range, lump sum range or other financial possibilities in which these routines (through the previously noted flat TV) to try alternative arrangements and learn the probable outcomes of the alternatives in seconds.

Another localized routine will be a legal documents text-editor. In it will be sorted standard licensing clauses which can be altered on-line for immediate hard copy on the Xerofaxlithprint Model 100 or transmitted to the licensee for approval. (By the way, if you are working for one of the wealthier corporations, you will probably have the newer Multi-Xerofaxlithprint Model 200 which can receive and transmit simultaneously from a centralized economic data file, substantial market and industry data and evaluate econometric models will be available to aid venture analysis teams in completing business plans.

What will all this do for you? Your work load will not decrease any. With all these decisions aids and clerical tools readily available, you will spend a good deal of time expanding the usage of these tools to more and more peripheral areas of licensing until you are so tired of making decisions that you seek tedious chores to give your mind a chance to relax (e.g. you will learn to type your own licensing agreements).

I will leave to your imagination and possibly a future speech, what it is that a day with all these tools could really be like. The interesting aspect of this glimpse into the future is that the technology is available for 90% of the things I have just mentioned. Within five years, all the necessary technology should exist.

In conclusion, I came today to share with you the methodology used by INED to form new enterprises and to apprise you of, as I see it, growth opportunities in licensing. You, as a licensing executive, must be prepared to meet the future challenges of licensing. You are potentially the logical intermediary for seed capital investing, for technology transfer in all its ramifications, for entrepreneurial team formation, and hence for concrete economic development.

Our present patent system was formulated to provide the incentive for invention. The licensing executive must now provide the mechanism for what Mr. Alfred Brown at last year's LES conference called the

process of innovation — "the total complex process by which an invention, or an idea, is brought to commercial reality for the first time".

I hope I have stimulated you to think of licensing in some new and different ways.

Thank you.

*\*About the Speaker: Stephen J. Gilbert, Assistant Director, Institute for New Enterprise Development.*



*Arthur M. Sloan, Program Chairman, welcomes speaker James C. Makens to LES.*

## THE GROWING MISUSE OF MARKETING RESEARCH

by

*James C. Makens, Ph.D.\**

If anyone has priced Marketing research lately, they know that it is impossible to purchase a good study for under \$5,000. Studies of \$40,000 to \$50,000 are quite common and several go for more than \$100,000.

Anyone buying \$50,000 worth of merchandise would demand a contract, specifications, delivery requirements and a host of other qualifications. A client considering the purchase of \$50,000 worth of legal services would demand a top man with good credentials and references.

Unfortunately, these same requirements are often not made of research people. There seems to be a mystique that surrounds people in the research field.

A few set themselves up like ancient Mayan Priests. They are unapproachable! Many others who hold the Ph.D. and are from a University are seldom if ever questioned. This goes back to the training most of us received in colleges and universities where we were taught to listen at the feet of the great master.

We were told to take notes, memorize and spit back the professor's words as best we could, but seldom were we allowed, much less encouraged, to engage him in debate.

In addition, it is difficult for a layman to penetrate the research curtain. We talk in terms of Psychographics, Algorithms, Alpha Levels, Null

Hypothesis, Factor Analysis and Cognitive Dissonance. If all this doesn't confuse the client, we throw out such terms as Non-Metric Multi Dimensional Scaling and at that point confuse even ourselves.

Marketing Research is the only profession I know of that is not a profession at all, since it is not guided by a professional board.

Lawyers, Doctors, Dentists, and Accountants all have qualifying exams and boards but not Marketing Research.

There is far more assurance of professional ethics, adherence to standards, and fair pricing from the man who gives rabies shots to your dog than from the man who provides information upon which decisions are made that affect the entire company. I am referring to decisions such as, whether or not to drop a product line, add one, invest overseas or locate in a proposed shopping center.

These are decisions worth millions. They are decisions that can, and have determined the fate of companies and of executives.

I am equally as concerned with "so called" objective research that purports to show:

1. Market Potential for Franchise Establishments:

As an example, two years ago a firm was selling franchises in a tax filing business. Their claim was, that marketing research had demonstrated a large potential for this service.

In fact, the company had set up poorly organized offices in Waco and Austin and had sold nothing. They did manage to sell around \$2,000 worth in Dallas.

The rest of their "scientific" research consisted of the total number of tax returns filed the previous year.

Before this company went out of business it had attracted several hundred thousand dollars in franchise fees.

I wonder how much of that represented the life savings of small, unsophisticated investors.

2. Raising Capital for New Companies:

Only a few weeks ago an entrepreneur appeared in my office. He was raising equity capital for a new company to sell a new product to the medical profession. Again, he stated, that he had conducted "in-depth market research".

Upon pressing for details, I discovered that these statistics consisted of the total number of Doctors, Osteopaths, Chiropractors and Veterinarians in the U.S. and nothing more.

3. Research used to show need for new legislation:

This is the type of research that demonstrates the need to raise rates, lower them or do a thousand other things.

Not long ago, a researcher presented research findings before the C.A.B. These supposedly showed the need for one thing but

in fact, upon close inspection, showed quite the opposite.

Sometimes it seems that researchers are in reality using the same techniques as the ancients who used oracles. They would holler in one end of a cave or hollow log and then listen for whatever came out. At most it was an unintelligible echo, but there was plenty of room for personal interpretation on the part of the listener. If he happened to be titled, his interpretation was the one used to solve the problems of the day.

4. Facts Concerning Political Candidates:

Personally, I tend to respect the work done by those such as Hooper *BUT* the woods are full of others.

The concept of a company that is expected to do P.R. work for a client and objective research as well, is like the mythical creature of half man and half horse.

In some of these companies there are no professional researchers. In my opinion, whenever a client buys the entire package from one of these firms he should remember that he's bound to end up with the posterior end of the horse.

5. On a larger scale:

I'm concerned about so-called scientific research in which the nation, and indeed the world is the client. These are supported by a host of institutions and purport to show a variety of things from: Personal sex habits to opinions of society regarding yo-yo championships.

I am concerned here with "flaky" research that wastes public dollars and that is sometimes used to take advantage of a nation's fears and prejudices.

Let's not forget that within our lifetime, so-called "objective facts" were used to back up the fears and hatreds of a civilized nation, eventually leading to millions of deaths by gas.

We can also question our right to ask many personal questions regardless of the gullibility of people to answer them.

Now that we have looked at some of the abuses, let's take a look at the researchers themselves. Where do they come from?

The answer is everywhere! Many come from undergraduate and graduate training in marketing. Others are psychologists, sociologists, statisticians, mathematicians, and a host of others.

While this mix is probably a healthy thing, there is no way to presently determine whether or not an individual is qualified.

Is my own background, training, and experience valid? Who knows?

As a "profession", we have meetings, a journal and others in England and Australia but still no governing board.

It should also be recognized that in far too many cases, the corporate Marketing Research Department is simply a short run stepping stone. Men are promoted

there from a variety of areas regardless of training and often as little more than a training ground.

O.K. — Enough about the problems! The real issue is, "What can you as individuals do to protect yourselves?"

1. In the long run

Hire professionals who are truly interested in the field and have demonstrated their interest through their training, writings, and experience.

2. Know from whom you are buying research.

The same questions you have concerning a lawyer apply equally as well for researchers i.e., experience, education, general background, other clients and the individual's speciality.

It is well known that not all lawyers are qualified to do patent work and the same thing is true with areas of marketing research. The problem is to get the individual or firms to admit their areas of specialty. All too often, the answer is, we can do anything!

It is equally as important to determine what else the researcher is selling. As an example, I personally would not hire an advertising agency to do marketing research. Their livelihood depends upon a commission from media. In such cases, it's far too easy to use the results of research to recommend, "Do more advertising".

3. Who will do the actual research?

Don't buy the old story of, "We have qualified interviewers". In far too many cases, these interviewers are part-time housewives who may or may not have been given more than a five minute set of instructions.

4. Come to a firm price agreement.

Research is not an open check and should not be treated as such.

5. Require a proposal in writing.

Here's an example of an all too typical agreement: Dear Bob, Thanks for lunch and the invitation to work with you on the study we discussed. We will proceed soon.

In the first place, poor old Bob doesn't know who should pay for the lunch and in the second he's buying trouble. Let's not forget that a good proposal should contain:

a. Statement of Problem

Often the researcher and the client don't agree on/or understand the basic problem. Unless this is agreed to, there can be nothing but research chaos.

b. Objectives

These should state, "To determine".

c. Methodology

This doesn't have to be long and involved but should give the client a basic idea of the method to be used. Will it be done by mail questionnaires, a laboratory panel or thirteen playboy bunnies on horseback.

d. Definition of Terms

Terms such as "The Chicago Market" should be clearly defined, as the researcher may be thinking of the Chicago Phone District and the client of "The Loop".

e. Time Schedule

f. Cost

6. Demand an interim report.

This doesn't have to be lengthy. It can be a letter, but it should give the client an idea of progress to date and expected time of completion, plus an indication of any unusual problems which have been discovered.

7. Inspect Test Markets

Make sure the test market is well set-up. The only way to do this is to visit the area in person. It is not unusual to find that test markets have been established using the wrong retail outlets, or inferior shelf space.

8. Don't accept the word of experts as a substitute for objective research.

This is especially true in international marketing research.

Since income data and other statistics may be difficult to come by in other countries, the researcher sometimes takes short cuts. The results from 50 government officials, 10 bankers and 40 school teachers is not a substitute for a good sample of the potential users of a household product.

9. Examine the Sampling Technique from a logical standpoint.

Don't worry about the hieroglyphics of statistics.

The major questions are: (a) Is the size sufficient? (b) Who will be included in this sample? (c) Does the sample match the objectives?

It's easy for a researcher to say, this will be a random sample, but that's usually not enough of an answer.

10. Keep a diary of outside environment.

What important political, climatic, and social events took place during the time of the study that could easily affect the results?

11. Put everything in writing.

12. Ask for a copy of the report before the presentation.

Otherwise the final presentation is simply a "dog and pony show". It is impossible for anyone to thoroughly understand the mass of results that will be thrown at them during a final, one-hour presentation. Come to that meeting prepared, by having read the report. The researcher won't like this and will do his best to avoid giving you a prior copy of the report but it's to your advantage to demand one.

13. Don't accept unfinished work.

It is easy to give the client a huge bulk of data, but what does it mean?

You wouldn't accept the work sheets of

an accountant as the finished balance sheet and the same is true for marketing research.

14. Make sure its readable, if not reject it.

The report must be written in a style that can be read by a layman and in a style that lends itself to decision making.

If you can't read it, neither can the president and it will only gather dust and quickly grow useless.

15. Ask for Clarification of detail.

The details of a balance sheet are questioned and so should the details of a research report.

16. Don't let statistics throw you.

Keep asking the researcher, "What is the purpose of this test?" Ask until he explains in a manner that an ordinary, intelligent executive can understand.

Basically, statistics serve these purposes  
 (a) To determine sample size (b) To test an hypothesis (c) Forecasting.

In Statistics, watch for such statements as:

This proves cause and effect.

Our Statistics prove our results are 95% or 99% true, or correct.

Neither of these statements is true!

In the use of statistics for forecasting, watch for the type of data the researcher used. Most forecasting models use something called "Least Squares" or "Two Variable Linear Regression". Basically, it's nothing more than a mean or average of past data, using the mean change to predict the future.

What happens if your company has three plants and one of them burned down last year? Production surely dropped, but does this mean that production will also be cut by a third next year when the plant is rebuilt? Surely not, yet the indiscriminate use of all past data in a least squares model fails to take account of this and gives a faulty forecast.

17. If necessary, ask for the consultant to come back to further explain the data.

If this wasn't agreed to in the original contract, pay him extra.

18. Have the report checked and analyzed by others.

If in-house capability exists, great! Use it! If not, pay a small consulting fee to an outsider to evaluate the report.

19. Realize that the best of research by the most qualified researchers in the world is not 100% perfect.

Any report can be picked apart in some area. Trial lawyers long ago learned this.

The point is not to be ridiculous about the depth of criticism but to instead look for gross errors, and misinterpretation of data.

20. Apply common sense.

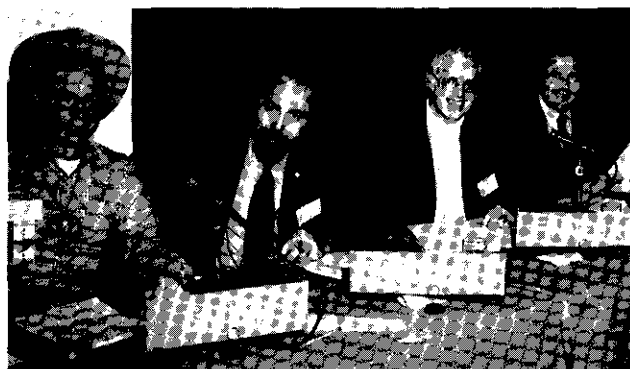
Don't completely disregard "gut feel", or forget your past experiences.

Marketing research is an excellent tool to aid in decision making when it is done well and used with thought. However, decision making is far too complex to ever let a research report replace all other con-

siderations.

In the final analysis there is no substitute for sound management decision making by seasoned and knowledgeable executives who know how to use research as a useful tool.

*\*About the Speaker: Dr. J. C. Mackens is an associate professor in the graduate school at the University at Dallas.*



*The basic and advanced licensing courses were un-written, untaped, and otherwise unrecorded to encourage free exchange of information. The panel, reading left to right, are Dudley B. Smith, Licensing Co-ordinator, Celanese Corporation; James B. Gambrell, New York University School of Law; Marcus B. Finnegan, Senior Partner, Finnegan, Henderson, Farrah and Garrett; and Irving Kayton, George Washington School of Law.*



*Howard I. Forman*

**PATENT/ANTI-TRUST ECOLOGY  
 vs.  
 NATIONAL PROSPERITY**

*by  
 Howard I. Forman\**

The invitation which I received to address you today was accompanied with the suggestion that I might elaborate upon a subject I discussed at a meeting