

## FOREWORD TO THE CHINESE EDITION

One of the most significant underlying theories of marketing is the process of consumer adoption of new ideas and products. Everett Rogers, in his *Diffusion of Innovations*, defined this process as “the spread of a new idea from its source of invention or creation to its ultimate users or adopters.” The process involves five stages: awareness, interest, evaluation, trial and adoption. The process explains how consumers adopt products from televisions to cell phones. It also applies to industrial products and even the adoption of management techniques such as just-in-time inventory management or marketing techniques such as market response models. It is, of course, the idea of market response that is the subject matter of this translation.

Market response, simply put, is the mechanism that relates changes in marketing mix variables to sales or market share. This underlying mechanism has always existed—since the time of barter—and so what we are concerned with here is not the mechanism itself but the *idea* that it can be measured and thus represented as a model. This is the idea whose adoption has spread over the past 30 years, first in academic communities, then in business and now in new economies. It is only recently, however, that market response models have become part of the decision making routine of companies. So the fact that this translation brings the “new” idea to China now means that any firm adopting the technology can quickly reach a level of marketing sophistication that matches firms already using it.

This translation will have the practical effect of making Chinese companies *aware* of the idea of market response, the use of marketing mix models to set prices, advertising and distribution and, in general, new ways to improve marketing management. The next stage of adoption, *interest*, should easily follow from the emerging databases that multinational companies doing business in China and Chinese national enterprises have been developing in the past few years. These databases are rapidly changing from pure macroeconomic data on income and spending to consumer panel and retail tracking data that are the foundation of market response. It is, after all, the availability of data that allows the kind of statistical analysis that is market response modeling.

The *evaluation* stage of adoption may be more difficult since it is not only the presence of data and the ideas in this book that will make for successful implementation of market response modeling in Chinese firms, but also the skill of those who are attempting to do it. While it is true that various marketing research techniques are becoming more common in China, it is also true that the mathematical approaches represented by market response modeling are considerably more advanced and so some combination of Chinese marketing scholars and consultants will be needed to guide—and perhaps do—the actual modeling, at least until this capability can be developed in Chinese universities and companies.

*Trial*, by which we mean using market response models for planning and forecasting, will follow evaluation and should again put the adoption process on more solid footing. We can say this because we know that market response models can improve marketing mix decisions and forecasting if used. When Chinese enterprises try this technique we are convinced that they will *adopt* it. This has been the history of the technique elsewhere, and we see no reason why it will not be the history of the technique in China. Once some companies adopt market response by making it a part of their decision making routine—and become better competitors because of it—others will need to follow them in order to stay competitive. Indeed, it is this very fact that we identify in the Preface as the main force in the development of a market response “industry” in the United States and other nations.

Sino Marketing Research Co., Ltd. has identified three consumer stages of the Chinese people: the first stage (1978-1987) was focused on basic needs such as heat and nutrition; the second stage (1988-1994) involved needs and wants such as refrigerators and color televisions; and today Chinese consumers are becoming more like consumers the world over with interest in mobile phones and personal computers. This history of consumption is remarkable in two ways: first, it parallels the history of consumption in all developed countries and, second, the stages have occurred so fast!

To us this means that Chinese marketing has reached a critical take-off point—a point where Chinese enterprises and multinational companies doing business in China had better recognize that this economy and these consumers are going to demand the best: the best products, the best services and, yes, the best marketing practices. We would like to think that a benchmark for best marketing practice is the idea of market response and the associated methodologies for measuring it and making it a tool for managing the marketing mix. If so, this translation will be the instrument of adoption of marketing science in China. We are thus indebted to the translators, Ming Ouyang and Ye Ping, for undertaking this task. We also thank the publishers, Shanghai People’s Press and Kluwer Academic Publishers, for making the book available in China. Special thanks goes to Mr. Fan Weiwen of Shanghai People’s Press for his role in initiating the project.

Our greatest satisfaction will be in seeing Chinese enterprises gain the expertise to not only compete successfully in China, but also in the world marketplace. Then the adoption of market response will be complete.

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