



Survival of the fittest

We talk to research agency chiefs about the year ahead.

Whichever way you cut it, 2009 was an extremely tough year for the market research industry, with falling budgets, shrinking departments, and clients desperate to do more, while at the same time spending less.

“At the start of 2009, we were surprised about the depth of the recession,” says Carlos Harding, deputy CEO at Ipsos. “We expected minus two to three percent for us, against minus five for the market overall, but in countries where the market research associations actively collect information, the first quarter trend was more towards minus ten percent.” Harding says he expects 2010 to be tough too, though he sees some optimism from the performance of emerging markets, as does Eric Salama, CEO at Kantar, who says: “It feels like it’s stabilised, but it doesn’t feel like we’re getting back to where we were in 2008 by any means. We are seeing growth in Asia, Latin America and Africa again, but the US and Europe seem to have stabilised at a lower level.”

HIT HARD

It’s perhaps not surprising that a recession as deep and long as the present one should have hit the market research business so hard.

“An awful lot of clients have simply disappeared,” notes Robert Philpott, CEO at Synovate. “In some client companies, almost the entire market research department went, which made it difficult to get a read on what was happening.”

And as GfK CEO Klaus Wübbenhorst points out, there are many companies in sectors such as financial services and automotive that simply “cannot afford market research at the moment.”

Kantar’s Salama says that virtually all clients have cut back on their spending, but that this is only partly in response to the economic situation, and partly a factor of whether they felt they were getting value from what they were spending.

In times like these, value is a key word. It’s something clients have to look at very closely, which puts the onus on their market research partners to look at their offerings, and reassess whether everything they do for their clients adds value to the relationship.

BACK TO BASICS

“It comes back to the basics of market research, which is to ask the right questions to the right person,” says Ipsos’s Harding. Synovate’s Philpott, meanwhile, believes the key is to look at each client’s individual circumstances and to create a custom-fit solution. “For many clients, it will just be about reducing costs on the core programmes,” he says. “I have seen clients who would not have considered offshoring or outsourcing in the past, but who are now entirely open to it.”

Another approach adopted by Synovate is to create adaptations of products or solutions, based on a reduced number of questions. “People say they want a ‘lite’ version of what we did before, but what they end up with is not a lite version at all,” says Philpott. “One of the benefits of a recession like this is that it has forced us to look very hard at how we do analysis and projects, and to rethink things. So what you get is not a lite version, but one that is leaner and better thought through.”

Another approach, adopted by IRI, is to mine the data assets already at the company’s disposal. According to CEO John Freeland, by combining data sources, including POS data, panel data, client proprietary panels and online access panels, IRI has been able to help clients achieve a more holistic, 360-degree view of their customers. “If all we were doing was providing a market measurement service, then this would be a

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commodity offering,” says Freeland. “But by integrating these various data sources, we can help our clients understand the effectiveness of their media spend, and deliver much greater insight into their customers.”

ALIVE AND KICKING

To a degree, it seems it is still possible to innovate during a recession. As the saying goes, necessity is the mother of invention. But what impact has it had on truly new methodologies and ways of thinking – things that require some investment? Feedback from our industry leaders suggests that despite the tough times, innovation is alive and kicking.

At GfK, focus is currently on what it calls “emotion measurement”. Since advertising increasingly relies on triggering emotions in consumers, the demand for new research methods and approaches in this field is high, GfK argues. And so they have developed the ‘EMO Sensor’ – a tool which makes it possible to gather data across a range of emotions that consumers experience on contact with a brand, such as when they see an advertisement. “We are working on a system which can accurately record even the slightest muscle movements in the faces of people,” says GfK’s Wübbenhorst. “Since emotional reactions are frequently reflected in facial expressions, this system aims to spontaneously record the emotions triggered in real time and analyse them. What we call ‘facial coding’ is not yet ready for the market, but when it is, we believe it will have a great potential.” Wübbenhorst adds that GfK is also developing its data modelling skills, in order to extract the most relevant insight from the huge volumes of data that market research delivers.

Innovation is very much on the agenda at Kantar too, within certain constraints. “We can’t do all we would like to do,” says Salama, “but there is still a huge amount of innovation going on.”

One example quoted by Salama is the partnership between Dynamic Logic and Compete to merge behavioural data with survey research to help clients understand consumers’ online behaviour and gain better insight into the ROI of their online marketing spend.

He also cites Kantar’s US \$6 million joint research programme with Google to measure the intersection of offline and online behaviour, and adds that in the field of

neuroscience, Millward Brown is “more advanced than most in terms of combining it with traditional techniques in order to help clients shape their communications and creative strategies.”

SOCIAL MEDIA

It’s not so much a question of the market research business innovating from within, of its own volition, so much as coming to terms with the way the rest of the world is behaving, and developing solutions to help brands cope with it. There’s no better example than social media, which over the past 12 to 18 months has been the hot topic on the web. And while individual brands and platforms may have their day in the sun before ceding it to someone else – remember Second Life anyone? – as an overarching theme, the rise of social media is undeniable.

For market research, social media are of huge importance, because they give consumers – in developed markets at least – the means and platform to express their opinion about any brand or company they have experienced, with a potentially global audience. To see this in action, you only need to go to Twitter, type in the name of a big company followed by the word ‘fail’ (with no gap between the words) in the ‘Search’ box, and look at the results that are returned. (If the first name returns nothing, try another, it won’t take long.)

Clearly, for an industry whose raison d’être is knowing what consumers think about a brand, this development is too important to ignore. GfK’s Wübbenhorst acknowledges this: “Blogs and suchlike have produced a range of new touch points for brands. You need only to think of the many product assessment portals which have mushroomed up, representing communications which do not come directly from the manufacturers, but which reach a wide audience. The significance and scope of these touch points must be analysed and evaluated.”

GfK’s solution is ‘Ceres’, a tool monitoring activity on blogs, forums and consumer portals, which systematically analyses what Wübbenhorst calls “the online consumer buzz.”

But while he believes that assessments given by opinion-formers on such forums are important for companies because of the credibility they hold among fellow consumers, Wübbenhorst argues that traditional surveys will remain important in informing brands about the attitudes of their whole target market, not just the consumers making a lot of noise online. “Achieving the right combination of information will be both the major challenge and the greatest opportunity for market research,” he says.

At Synovate, Philpott argues that the real challenge for market research firms and their clients is to identify the best way to leverage the power of social media. “We have to look beyond the technology and identify how we take value out of it,” he says. “Just as with online, where people were excited initially, because they could send photos and movies, you have to get past the technology and ask how you use this tool to give you richer data, or something you can add to other sources to give you a complete picture.” Philpott describes listening in and monitoring conversations as reactive ways in which brands and their market research partners can use social media, but adds that by forming their own panels for a short period of time, brands can start and steer the conversation, and get more meaningful insights.



KEY THEMES

How to leverage social media is likely to remain a key theme for the market research industry in 2010, but it won't be the only one. The perennials – respondent fatigue, online panel quality, offshoring and commoditisation – will continue to tax the industry's finest minds. Alongside these issues, they will need to continue to make the most of budgets that are likely to be flat and in many cases even smaller than in 2009. More than ever, they will need to convince the budget-holders that market research is still worth the money.

IRI's Freeland believes the key is to make market research relevant beyond its own department. "We figured out two years ago that part of our future needed to be to appeal to constituencies beyond market research, so we have focused on areas such as sales and the C-level executives," he says. "So for the CEO of one of our clients, we are sorting out what is the right balance between trade promotional spend and advertising. For another client, we are measuring the effectiveness of their spend on print media as the basis of their pay-by-performance business arrangement with their agency. Market research has to extend its sphere of influence beyond the market research department."

And despite a tough 2009, and a 2010 that doesn't promise to be much easier, there is ground for at least some optimism. Wübbenhorst says he expects a rise in demand for new product research as companies look to launch products in order to kick-start demand and increase sales. At Synovate, Philpott takes confidence in the short term as he is starting to see indications of recovery in certain markets, and an increase in activity among some major clients. "I also take confidence from the fact that the industry has been pretty resilient," he says. "I remember the forecasts of the death of the market research as we know it when telephone research and then online research came in, and they were always wrong."

Not surprisingly, the emerging markets are the source of most optimism. As Kantar's Salama puts it: "There are some parts of the world like Asia, Latin America, Africa and eastern Europe, which are growing healthily, where we are the market leader and have a great offer, so we are in really good shape

there." Salama continues to believe in market research's ability to benefit brands by delivering great insights that are actionable. But he ends on a note of caution: "Where insights are not actioned, it is because the users in the client organisation get the information too late, or not in a form they can do something with, or it's not delivered in an engaging way, and there's a lesson there. Coming into the recession, some people thought the industry would be recession-proof, but it wasn't, because there is a component of what the industry does that is not used as effectively as it ought to be and so it gets cut. That's what needs to change."

And given the current state of the market, it needs to change sooner, rather than later. **RW**



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