

“Client-driven change: the impact of changes in client needs on the research industry”

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This paper was initially presented at the Market Research Society annual conference in 2005 and was published in the International Journal of Market Research in 2006. Even though the intervening five years have seen much change in our industry, the basic tenets of the paper hold remarkably true.

SUMMARY

In the eighty year history of the market research industry, almost all of the fundamental changes that have taken place have been driven by changes in client needs and business circumstances. In the 1990s, however, changes on the supply side of the industry began to occur which were driven more by stakeholder and financial market needs than those of the client body. Dubbed ‘merger mania’, the research industry underwent a decade of extreme consolidation, with over 450 mergers and acquisitions taking place over a 14 year period. Journalists and analysts rightly spotlighted this as one of the most fundamental shifts in industry history.

At the beginning of the 21st Century, however, changes are occurring on the client side of the industry whose effect on the research agency community could be even more profound. After over 30 years in the wilderness, client researchers are regaining their role as fundamental strategic decision-influencers and decision-makers. They have done this through reconstructing the role of the research department into one which proactively promotes consumer insight as a driving force for business decision-making. To do so, they have reorganised the key skill sets that they need, emphasising consulting and communications abilities while at the same time outsourcing the management of more routine data gathering exercises such as trackers to brand management.

As a result, clients’ expectations of their research suppliers are changing dramatically. They expect more proactivity in the delivery of insight, more integration of information across a wider variety of platforms, more consulting and more senior involvement.

The implications of these changing demands on research suppliers are profound. As the market bifurcates into consulting on one hand and routine data gathering on the other, we are seeing third-party vendors move in quite easily to the role of data gatherers and disseminators. At the same time, research companies are faced with the need to restructure their own skill sets, emphasising consulting, business savvy and the ability to integrate data across studies and data sets. They are discovering the power of data ownership and the knowledge that brings. And they are discovering the need to reach out and incorporate new data sources such as CRM and observation into their repertoires.

Corporate and Marketing executives want to see greater business impact from market research, but it is failing to deliver. What’s the solution?

These changes in turn call into question many of the long-held tenets of the research industry such as the primacy of respondent confidentiality and challenge the industry and its representative associations to revisit their codes of standards.

This essay, based on hundreds of interviews over the last four years with clientside research directors, acts as a call to dialogue between all parts of the industry as to how to face and master the challenge of this set of changes.

INDUSTRY ORIGINS

Just over 80 years ago our industry was founded by two pioneers: Art Nielsen and Daniel Starch. While their respective visions of what it was that they were offering differed, their modus operandi was remarkably similar. They were consultants and they based their consulting services on the hard data that they derived from consumer research. In essence, they were the first ‘fact-based consultants’ that the modern commercial world had seen. They were similar too in terms of the type of client that they served: Chairmen or Chief Executive Officers of major consumer-oriented manufacturers. These two men operated at the highest level and were trusted gurus to the men that they served – they were people who could ‘read’ the buying public and offer up strategy as to how to approach them.

Even as the nascent science of market research grew in the 1920’s and 1930’s, it retained its position in the rarified atmosphere of consultancy to the top decisionmakers of industry. When General Motors instituted its market research department, its first director (in charge of a staggering budget of \$500,000) was so rare and respected a species that he ended up on the cover of Time magazine. Market research was the first independent and objective reader of market trends and it was respected as such by its first users as well as by the media and indeed the general public on whom it depended. To be asked to take a survey was a privilege. It meant that industry was listening in the most intimate way possible to its consumers.

The trend since then, of course, has been almost inexorably downward. In some ways this was an inevitable consequence of success. As market research became more and more indispensable so it required more and more specialists to be able to manage and control it. Manufacturers set up internal departments of market researchers who in turn became an embedded resource within companies’ marketing departments. As their demands grew, research companies such as Nielsen, Starch and Gallup could no longer service them solely with the wisdom of their founders. The new companies recruited specialists such as statisticians to manage their projects and project managers to interact with their counterparts on the manufacturing side. At the same time, visionaries such as David Ogilvy were staffing their agencies with researchers to inform their campaigns and advertising strategies.

As the new industry matured, so its sophistication grew. From early beginnings focused on market description, advertisers began to demand that survey research solve new problems for them: to test and guide advertising copy, measure the effectiveness of advertising, gauge price elasticity, model the marketing mix and so on. Methodologies developed from the descriptive to the predictive. All this fuelled the demand not only for research itself but

What worked yesterday
for market research
doesn’t work today.

also the infrastructure (data collection and processing) to provide it, the skills to analyse it and the specialists to develop it. Companies offering such services – usually as a package – mushroomed and both advertisers (especially in the USA) and providers churned out the training and human talent necessary to service the demand.

And so the modern market research company was born, shaped by the demands and needs of its primary market. Growth continued as new industries, increasingly aware of the need to compete with modern marketing tools, adopted the new-fangled discipline of market research. What was an industry used by a relatively narrow band of consumer packaged goods companies now became a staple of banking, insurance, health care, agriculture and technology.

By the 1970s, many of the market research companies that dominate the market today were already becoming sizeable either under names that we still recognise (Research International, NOP) or in precursory forms (RSL, AGB). As they did so, sheer size was not necessarily a compelling competitive advantage. Just to be able to do what often nimbler and cheaper, smaller competitors could do – and needing always to feed the infrastructure on which they were built – these companies started to seek out competitive advantage through their methodologies and specialisms, giving birth to the branded research product. Though in many cases such branded products accounted for only a small proportion of sales, they gave their owners the imagery that sustained them in a competitive context. Burke was built on BASES, Research International on MicroTest and Locator. More than that, however, they also spawned the idea of branded specialism – that a research company could be built primarily on the basis of a specialised, branded methodology with which it would become synonymous. So in the 1980s we saw the emergence of companies such as Millward Brown and J.D. Power.

In the client world, such brands and specialisms were met with a mixture of dependence and skepticism – indeed the same is probably true today. Skepticism because they seemed to offer ‘cookie cutter solutions’ that were not necessarily tailored to client-specific needs. Dependence because many clients came to like the idea of standardised services on which they could rely – as the saying goes “Nobody gets fired for buying IBM”.

As globalisation became the norm for the world’s multinationals, it was natural that they should wish for the techniques and methodologies upon which they depended at home to follow them into global markets. Although it is difficult now to fathom or to remember, this trend was greeted with howls of outrage, particularly when it was ‘foisted’ on unwilling research companies around the world by American multinationals determined to achieve standardisation in every market in which they operated. The ‘it won’t work here’ mantra was quickly followed, however, by the realisation that to survive in this new environment meant that you had to play by the multinationals’ rules. Owners of branded solutions knew that they had to be able to service their clients’ needs in any market that was demanded; national research companies came to realise that being proudly independent was a pretty sure route to the poor house and so started to seek out liaisons, alliances and purchase by the ‘majors’.

“Merger mania”, as Jack Honomichl (2003) has dubbed it, started to take root. In a

Driving business impact requires rich insights; the research culture and way of working must be reinvented to deliver against this.

presentation to an ESOMAR workshop on mergers and acquisitions in December 2003, Honomichl (who has been an industry journalist and observer for nearly 40 years) pointed out that in the period 1990 - 2003 there were 455 marketing research firms whose ownership changed. As he also pointed out, this amounts to an average of over 32 a year or one every 11 days over the entire 14-year period. By 2005, the overall number had mushroomed to 585 acquisitions and the pace had not abated one jot.

Initially, merger mania was the product primarily of the need to globalise. Major brand owners needed to be where their clients were. In an age of global brand and customer satisfaction trackers, presence on the ground counted. This was especially true of the industry's top ten. For the most part either public companies themselves or owned by global media conglomerates such as WPP, VNU and UBM, these companies embarked in the 1990s on an extraordinary acquisition binge designed to deliver on-the-ground service to their multinational clients wherever it was demanded. Once again, Honomichl provides the raw data: in just ten years, seven market research conglomerates – VNU, TNS, GfK, IPSOS, Synovate, Kantar and NOP World – acquired 156 research firms whose combined annual revenues at the time of their acquisition amounted to over \$3.8 billion. This activity amounted to the greatest exercise in consolidation that the industry has ever seen, so much so that the top 25 companies in the global industry now account for over 60% of total industry revenue. The top ten account for over 50% on their own.

Interestingly, it is not clear that this glut of acquisition activity has actually delivered overwhelming share gains for the larger companies. In his important paper at the ESOMAR 2002 Annual Conference (*“The Impact of Consolidation on the Research Industry”*), Michael Mitrano had this to say: “Surprisingly, while the total share held by the Global 25 companies has bounced around slightly, it is still close to the 55% of the worldwide market that it was five years ago.”

Indeed, the industry is not yet as consolidated as many others are (advertising being but one example) and, to a financial analyst's eye, still remains relatively fragmented and ready for further consolidation. However, whereas the 1990s saw consolidation occur primarily as a vehicle to attain global coverage, that era (with a few notable exceptions) is probably over. The major six can claim to be saturate in their global presence:

Market research or consumer insight functions are failing to deliver on the need to be future-focused, strategic partners who drive business impact.

TABLE 1

Company	# countries
VNU	100+
TNS	70
Kantar	61
GfK	51
IPSOS	36
Synovate	46

Source: Marketing News, Aug. 15, 2004

Today's acquisitions are geared much more towards filling product and specialism gaps in key markets, acquiring new products that can be exported through the distribution system and rounding out portfolios of quant, qual, syndicated and consulting services. In the 14 years covered by Honomichl's analysis 'product acquisition' led the way as being the prime motivating factor behind M&A deals.

TABLE 2

Reason given # giving reason (Base = 430)	
Product acquisition	152
International coverage/expansion	108
Market share	86
Product/international expansion	31
Product/market share	14
International expansion/market share	7
Other	32

Source: Jack Honomichl

Over the past two years it would appear that product and/or the need to enter a particular market niche has predominated over other motives even more strongly than in the past. Leaving aside for the moment the mammoth acquisitions by TNS of NFO WorldGroup and GfK of NOP World, one can point to deals such as Kantar's acquisitions of Greenfield Consulting and Sadek Wynberg (qualitative),

Mattson Jack and Da Vinci Healthcare Partners (healthcare) and AGB Group (media); GfK's acquisition of V2 (healthcare) and Arbor (brand tracking and consulting); IPSOS' purchase of Japan Statistics and Research (access and online panels), Vantis (new product development) and Marketing Metrics (customer satisfaction); and Synovate's snapping up of Censydiam (qualitative) and Symmetrics (customer loyalty). Certainly these groups do continue to buy on a geographic basis but mainly this may be characterised as gap-filling (the Caribbean, South Africa, Australia, for example).

Having laid aside the NFO and NOP World acquisitions, we should not ignore them. What is at stake here? What are the prime motivations of the buyers in these two acquisitions that, between them, soaked up \$1.1 billion of shareholder capital? In TNS' case, it cannot have been geographic advantage – they already had that. GfK's motives were perhaps a little clearer: the company was not strong in the US nor in ad hoc research and NOP gave them a route into these markets. However, in both cases, it is probably true that sheer size was an underlying motive – in a consolidating market, the merely medium-sized themselves become bait. All the better to become inedible through becoming bigger. In neither case does there seem to have been any major increase in value. Indeed, TNS' share

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value has not risen perceptibly since acquiring NFO; NFO itself represented a monumental destruction in shareholder value, having been acquired by Interpublic for \$787 million before being sold on two years later for \$425 million; and there is little doubt that GfK overpaid for NOP World, the deal representing a staggering 17 times EBITDA.

Is this the end of mega-deals in the research world? Unlikely, given recent speculation on the future of Synovate (being stalked by WPP) and TNS itself (ditto).

What is interesting in this analysis is that one cannot assert that the motivations of the majors in pursuing their current acquisitions are truly client driven. While it is true that lip service is given to client needs as a basis for continuing the acquisition onslaught, it is not clear that the needs being attributed to clients are actually those that clients would ascribe to themselves. The assertion seems to be that clients will enjoy and demand the ability to indulge in 'one-stop shopping' – all their needs from advertising tracking to mystery shopping, from customer loyalty to market mix modelling can be met by one source. While it is true that a (very) few advertisers have struck deals with market research companies on this basis, it is much more likely that clients themselves wish to retain the power of being able to shop comparatively, even if between a small set of preferred suppliers. Indeed, some MNC clients are becoming quite voluble in their denunciation of the continuance of 'big is best' philosophies by major research conglomerates. Of these, C. Frederic John (VP of Consumer Intelligence at Mastercard International) is perhaps one of the loudest and most scathing:

“Most of the discussion of consolidation has focused its impact on suppliers... touting global coverage and the synergies forged from the complementary strengths of the combined firms. Very little attention, however, has been devoted to the impact of consolidation on customers. ... My assessment of the impact on these customers is fairly pessimistic. I believe that economic pressures belie the merger mantra that global coverage yields seamless service of unprecedented depth and value. Instead they force the buyer to accept less real value, less quality and fewer options.”

John (2003) asserts that acquisitions lead to a dilution of choice for clients and at best yield a mediocre standard of fieldwork around the world. He bemoans the fact that the 'behemoths', as he calls the big six, rarely put senior personnel onto the analytical or interpretative stages of a project, either internationally or at local level. In rejecting the notion that enhanced product or client service is at the heart of the behemoths' motives he instead asserts that the real motive lies in the desire of owners to squeeze cost out of the system.

“[T]he combination of two external forces, globalisation and a group of non-researchers with deep pockets who think structural changes can yield margins that have always eluded the industry, may prove lethal.”

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John concludes that “it all evokes an image of a group of very oversized lemmings taking a lot over the cliff with them: colleagues, firms, standards.”

Whether or not John and other like-minded clients are right, it does seem likely that the demands of shareholders are indeed driving strategy today, with the demands of clients being used as a cloak to make the chosen strategy more palatable. Even the best of the majors can expect organic growth to top out at around 8% p.a., which does not necessarily make the hearts of analysts sing. To keep growing at more attractive rates acquisition is necessary, whether it is to plug product gaps or to enter market niches (research-based consulting and syndicated services being among the more popular at present) or indeed to avoid becoming acquisition fodder oneself.

If this is true, it will be the first time that the needs of clients have not been the primary force behind change in the research industry. It is the opinion of this author that, if true, this is a very dangerous path down which the industry appears to be travelling.

DISRUPTIVE TECHNOLOGY

The concept of Disruptive Technology was developed and disseminated by Clayton Christensen (1997), a Professor at Harvard Business School. In his book *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*, he noted that companies' existing capabilities and technologies develop to the point where they lose sight of the primary needs of their users, so allowing cheaper (but not necessarily better) technologies to usurp their market at a much lower price. Comparing the success of so-called disruptive market entrants such as Charles Schwab in broking to the failure of established leaders such as Digital Equipment in computing, Christensen notes that existing companies in a leadership position very often do not have the internal capabilities or values to be able effectively to respond to disruptive technologies when they appear and are only able to innovate in a more linear (and ultimately less relevant) way.

“Disruptive innovations create an entirely new market through the introduction of a new kind of product or service, one that's actually worse, initially, as judged by the performance metrics that mainstream customers value.”

Established companies often disregard the new market that is created until they find themselves being overtaken by a product, service or technology that they originally deemed as being inferior.

We have already seen this phenomenon in the last few years in the research industry in the advent of the Internet as a data collection, analysis and dissemination tool. Initially aimed at smaller or more B2B-oriented research users, Internet research was often disregarded or even disparaged by the more established companies as being unreliable and based in poor science. In the United States today, 30% of data collection is now carried out over the Internet and its acceptability is barely mentioned. While the same is not yet true of Europe, it is not unreasonable to assume that a similar phenomenon will occur here too.

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In the US, the reasons why this change has occurred are not hard to fathom. Sir Martin Sorrell (2002) put it best when he said “How often do I hear a CEO say ‘By the time we send out a questionnaire, have consumer responses and analyse the data dump, the problem has changed?’”. Speed and cost were at the forefront of making this a disruptive technology for data collection. Initially it was true that sampling and sample design on the Net were not up to the usual standards of the industry, but the Net delivered the speed with which some clients wanted data and it was cheaper. As Internet penetration grew, so the sampling questions fell away. As respondent cooperation over the phone declined to disastrous levels, so the attraction of Internet panels grew. Today, the Internet is a mainstream mode of data collection and US phone centres are being outsourced to places such as Canada, Costa Rica and India.

But the Internet revolution did not stop with data collection. As the technology industry has risen to the challenges set it by advertisers and research companies alike, so have the platforms it has built allowed for sophisticated panel management techniques, instant data processing, online analytics and real-time delivery of data in raw, malleable and presentation-ready formats. Where many routine trackers are now concerned, the advertiser client is now in control, able to slice, dice and present the data anyway he or she wants. The information and insights derived are not necessarily better (many would argue the opposite) but the technology offers greater utility at a higher speed and a lower cost – classic disruptive technology.

The disruption does not end there, however. It has been instructive both as an observer and, in the case of this author, as a manager of a large market research company, to watch the full-service market research industry try to assess and cope with the strategic challenges posed by Internet research. Should one build one’s own platform? Own one’s own software? Build one’s own panels? Or should the savvy research company outsource part of or the whole shebang to those whose livelihood the Internet is? Today there are between 15 and 20 serious companies whose core business it is to provide the software, platform, hosting and panels with which to make Internet research work. Is it worth the investment to try and build internally when such firms are out there and can take care of most, if not all, of the details for you? Particularly when the investment needs of a major research firm today – R&D, technological infrastructure, training and education, offshore supply capabilities – are so pressing? What value is there in building an internal capability when your smaller competitors can avail themselves of exactly the same services from an independent panel, software and service bureau provider? Truly, the Internet has become a leveller of the playing field.

If Internet research were the only disruptive technology out there changing our business models today, we could probably cope. However, the unfortunate truth is that this is not the case. As many who compete in today’s market know, it is often difficult to know from where your competition is coming. A client seeking insights from his or her customer satisfaction or loyalty data is equally as likely to turn to a CRM data aggregator as he is to you. Names

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such as Axiom and Catalina are becoming much more familiar to us as they tout their ability to derive insight from their vast databases. But what about Longwoods International and Integration? These are companies that use integrated data sources to derive not only insights but also implementable models to enable the marketer to play with different marketing mixes to optimise ROI. In the case of Integration, the software and model does it all – only data collectors need apply to collect the raw materials. These are companies of whom the traditional research industry has never heard and yet who are eating our proverbial lunch and diverting spend from us as we try and eek out our targeted organic growth rates of 4 – 6%. And we have not even begun to talk of ethnographers, product design consultants such as Ideo or our beloved nemesis, the management consultants!

Disruptive technology moves the ground under the feet of established players. The ground is definitely moving under the feet of the traditional market research industry. So what is happening? What is the source of this change and why? As ever, the answer lies with the primary source of our business – our clients.

THE CLIENT PERSPECTIVE

In 2002, NOP World set out to segment the research market as part of its strategy to redefine itself in the face of a changing market. The company conducted 35 in-depth interviews with research directors and marketers in Fortune 500 companies in both the US and Europe. Key findings from this study suggested that there existed a taxonomy of needs among clients, which ranged from the very basic (mere primary data collection) to the ultra-sophisticated (knowledge management and business decision support). Overall, clients tended to fall into five distinct categories (or Value Added Levels) where their needs and demands of their research suppliers were concerned:

- Level 5 Knowledge Management and Business Decision Support**
- Level 4 Integration of information and insight generation across multiple data sources**
- Level 3b Design, analysis, reporting and generation of insights across multiple studies from this source**
- Level 3a Design, analysis, reporting and generation of insights from this study alone**
- Level 2 Project management, data processing and quality control**
- Level 1 Primary data collection**

(Level 3 was divided into two sub-categories of Value Added as clients reported that there was a difference between research companies who derived insight just from the current study as opposed to those who could bring their cumulative experience with the client across multiple studies to bear).

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In segmenting the client population in 2002, the majority of research directors (two-thirds) demanded service ranging between Levels 1 and 3a from their research companies. Indeed, they felt uncomfortable if anything beyond that was offered, viewing this as competition to the role that they felt that they should play within the organisation. A third, however, were very consciously expecting at least Level 3b and even Level 4 from their suppliers, as they themselves reengineered their own departments to be more consultative and influential within their own companies' management structures and business decision making fabrics. Interestingly, the majority of marketers in the study (primarily Marketing Directors and above) wanted Levels 4 and 5 service from research companies.

Their concept was of research companies as experts from whom they could derive insight and advice born of experience in the market, the category or the discipline.

The most interesting part of this segmentation exercise (qualitative though it was) lay in the minority of research directors who were engaged in wholesale reengineering of their departments and who thus expected their research suppliers to change their roles as a result. These managers had taken the conscious decision that the role of their department was to act as expert consultant not only to marketing and brand management but also to the C-suite. As a result they had embarked on a wholesale change not only in the types of work with which they were involved (more strategic) but also the types of people whom they hired (more MBAs, fewer avowed researchers). They viewed their departments as being strategic and proactive and many either aspired to or were integral in the business decision-making fabric of their organisations. As a result, they viewed their skill sets in a very different light. They had broad business experience, were experts in communications and persuasion (note: not analysis), were group facilitators and internal consultants. They were alert to and receptive of new approaches, kept close to the data and were customer advocates. Instead of being subservient to brand and product teams, they saw themselves as being aligned with them and sought to bring them in proactively to projects up front. In addition, they would actively seek links to the operational parts of the company. Perhaps above all, they relished cross-project knowledge, saw integration of data across diverse sources as a key competency and sought as much as possible to reuse data and information assets.

Not surprisingly, these research directors had some very specific views of what they expected from their research company partners. Such attributes as price, accuracy, integrity of processes and speed were seen as cost of entry, as were objectivity, statistical integrity and logistical efficiency. Experienced researchers on their accounts who could use higher-level analytics to provide actionable insights and who could communicate these easily were also a given. What these research directors wanted and prized above all was the ability to integrate data (from different custom studies as well as between syndicated and ad hoc studies), to bring their experience to the studies in question and to put findings into an holistic context.

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An excellent example of this type of internal research organization can be found in Nokia. In a wide-ranging reorganisation of Nokia's US research function, a number of core principles were put to work:

- 1) that the research team would concentrate on core strategic assignments only
- 2) that routine 'data add' studies (such as brand or customer satisfaction trackers) would be managed by their user groups under guidance from the research function
- 3) that the team would proactively seek out strategic studies through regular and close engagement with senior management throughout the organisation
- 4) that the research team would work on fewer studies in any given year but that each one of them should have strategic impact
- 5) that research would become part of the decision-making fabric of Nokia.

Today, Nokia US' research function is one of only four strategic decision-making groups within the company.

Nokia's insistence on reducing the number of projects handled by the core research team while at the same time placing more emphasis on proactive strategic work was strongly echoed by a smaller transatlantic study of MNC research directors carried out by Cambiar in 2004. In this qualitative study, conducted with 10 companies (5 in the US and 5 in the UK) matched by size and sector, the themes uncovered in 2002 were reiterated strongly. Respondents talked of "becoming involved in the fabric of decision making" and of the critical importance of "managing relationships with other parts of the business". The directors involved saw their role in a much more strategic light. As one UK technology company research head put it: "It's about integrating information from all around the business. It's no longer about delivering the project. We need fewer projects, more time and more use for the research." As another put it "Less research, more knowledge." Respondents referred to themselves and their departments as 'thought leaders' and 'integrators'. Their job is to generate insight, which can impact on strategy, and they do it, as one respondent put it, by "extracting value from the research and from the knowledge of the team."

For the respondents in these studies, the strategic focus, which they emphasised so strongly, had profound implications for the types of people which they wished to employ and on the relationships that they expected to have with their research company partners. Many recognised that they would need fewer 'pure' researchers and project managers and more "insight-type" people who were possessed of consulting and communications skills. More than one mentioned the need to "bring the creative into research" – an interesting echo from the client side to DVL Smith's ESOMAR call (2004) for more creativity in the research process and in our use of analytics. Perhaps the concept was best described by

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Corinne Rosinski of Unilever in her award-winning paper at ESOMAR 2004 when she said:

“The transformation of the role from market research manager to consultant making an impact requires a shift in the type of activities. More time is spent on preparing and managing big scale strategic projects, mining the work for foresight and insight, raising the profile of consumers in the business, playing a real advisory role. And less time is spent on administration, quality checking, method development, small-scale evaluative projects. Of course, expertise and specialist skills are still necessary to play this bigger role, but we need in addition new leadership competencies, such as ‘Seizing the future’ and ‘Strategic Influencing’.”

But if the clients are de-emphasising project management and basic researcher skill sets, does this mean that they will expect their research companies to take up the slack and emphasise even more their basic skill sets? Or, to put it more bluntly, will research companies be relegated to the role of data collectors and project managers? According to the clients themselves, the answer is a very definitive “no”. What they wish to see is their research partners leveraging the knowledge and experience that they already possess and bringing integrated insights to them as part of the partnership.

At the same time, however, it is clear that some clients are beginning to view different types of research in different lights and that the way they manage projects will depend significantly on how strategically important they are deemed to be. A number, including Nokia, distinguish between core strategic projects that are kept firmly under the management of the research team and routine data update projects such as customer satisfaction or brand tracking, which are often outsourced to user groups within the organization to manage.

What we appear to be seeing here is a true bifurcation of client demand. On the one hand, there is the demand for consultative, research-led decision involvement fuelled by creative business intelligence and a leveraging of available knowledge. Such intelligence and knowledge comes from the integration of data, information and insights both internal and external and is achieved in full partnership with proactive research providers who themselves actively mine their own knowledge, experience and databases to bring “foresight and insight” to the table.

On the other, there will continue to be demand for standardised, routine tracking information (often on a global basis) that is process-oriented and that serves to update routine metrics that become a part of the overall decision making process. In these instances, the emphasis is less on a research partner bringing unique insights to the party than it is about meticulous process, global coverage and the ability to feed data into the client company through real time, malleable software packages.

The implications of both sides of this bifurcation are profound for the research supply industry. The road to consultative partnership has major implications in terms of hiring,

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structures and business models, which we will examine below. That which leads to standardisation of routine tracking information is equally impactful since it is arguable that (especially with the advent of the Internet) advertisers do not really need full-service research companies to carry out such services for them. One can envision any one of the major emergent Internet data collection companies taking over most of the process and management of such trackers through the deployment of their multinational panels in combination with proprietary software governing everything from survey design to sample management, analysis and electronic reporting.

Beyond this, we can again point to the emergence of what are essentially software companies whose essence is to aid and enable the brand or product manager to derive their own insights from tracking information through the deployment on their desktops of black box programs designed to optimise integrated marketing and communications ROI. The beauty of such programs is that they relieve the research function of the need constantly to hold brand management's hands (freeing them up for the strategic studies they count as being at the core of their mission) while helping those same brand managers to make decisions that are scientifically based and proven to enhance ROI. All this at a substantially lower cost than traditional research involvement.

CONSEQUENCES FOR RESEARCH SUPPLIERS

We have identified above a client-led revolution in terms of the types of support required in the future:

- i) support via a consultative partnership built on leverageable knowledge, experience and the ability to integrate information and insights from across a wide variety of sources
- ii) process-driven support in the execution of standard, repetitive and routine tracking programmes
- iii) support directly aimed at brand and product managers which, while research-based, actually disintermediates the research company and the internal research function and relies solely on a data collector to feed a validated decision support tool.

What can we project as being the potential consequences of this revolution for market research companies?

Potentially the most impactful word above is "integrate". Traditionally, research companies have been accustomed to the project-based environment where the results to be analysed and interpreted came primarily if not solely from a single study. While I acknowledge that this is not always the case (one can point to norms built up over hundreds of studies for copy tests or volumetric studies as well as to insights deriving from ad monitors, for

Potentially the most impactful word is "integrate".

example) it is nonetheless true to say that the norm has been to be single study-centric. What clients are saying today is that they want their (preferred) research suppliers to integrate results across studies as well as mining insights and knowledge from previous studies. More powerful still is the integration of custom research with knowledge already gleaned from in-house databases, often built on the back of syndicated services.

The implication of this is that companies who truly are preferred suppliers will have a better chance of being able to bring their accumulated knowledge of a client to bear through study integration, while those that of themselves possess major syndicated offerings and databases will also start from a position of strength. In this scenario, a TGI or an FRS becomes worth its weight in gold (literally).

But integration also leads us beyond this point. The holy grail of market research has always been (and always will be) to be able to integrate attitudinal, behavioural and media consumption data. Even though the number of efforts to reach this point have not been terribly successful to date, it is true to say that both the technology and the willingness to seek out relevant partners is higher today than it has ever been. Even ignoring the potential in passive people meters (PPM) and in RFID, renewed interest in techniques such as multibasing and fusion mean that the possibility now exists for knowledge and insights to be gleaned from a large and diverse set of databases and custom studies. It only has to be a matter of time before the likes of ACNielsen and IRI are courted by custom houses to produce integrated products of a sort rarely seen before. The advent of online behavioural monitoring also shifts the horizons further – the emergence onto the market of companies such as comScore means that it is now possible to combine survey research, qualitative studies, ethnographics and behavioural monitoring on a single source basis.

It will not be enough, however, for such companies to act purely as data integrators or purveyors of segmentation systems. Clients are clearly demanding that, with the knowledge released by the integration of data sets, there comes a measure of consulting, insight and advice. With data comes knowledge, with knowledge insight, with insight involvement in the client's business and its decisions.

Involvement, advice and consulting do not come easily or cheaply, however. They demand senior involvement with clients and a business mindset rather than just a research one. Just how does this jibe with a research company's need to be expert in process and to keep costs down? In an industry in which 10% margins are regarded as 'good', how can one justify loading one's infrastructure with costly senior consulting types while at the same time providing excellence in data collection, processing, manipulation and dissemination? How can one compete in the 'bread and butter' segments of the market – customer satisfaction tracking or brand monitoring, for example – while at the same time meeting client demands for greater insight, more consulting and deeper involvement?

One answer may be that you don't. It is unlikely that the demand for large scale, standardised, global trackers will disappear. However, we have seen that some advertisers

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are now passing management responsibility for such trackers to others outside the research department and that the key issues in assessing the type of support needed from external vendors are primarily logistical – can the data collection process be trusted and are the data dissemination and online analysis systems such that non-researchers can access and manipulate their data safely, easily and in a way that upholds analytic integrity? In some instances, entire software systems are being embedded into advertisers' brand management processes which require only that third party vendors collect and deliver the data directly into the system. Many of these are not unsophisticated. In the case of Integration, for example, the system is based on an entire theory of brand management and integrated marketing communications which requires indepth training of brand and product managers as well as research-based consultative support when needed. Critically, however, the mediation of research companies is one thing that is not required.

In the face of third party (online and offline) vendors who have mastered the process of seamless routine data collection and dissemination as well as systems providers who offer a 'do-it-yourself' option, does the traditional market research company have a future role in providing tracking services that add any value? Surprisingly, the answer could still be 'yes', but getting there will entail a series of changes in the business model that may well be painful and farreaching.

A NEW BUSINESS MODEL

One answer – and I stress that it is but one answer – may be to return to our roots, the roots of Daniel Starch, George Gallup and Art Nielsen. To do so would be to embrace the need expressed by clients for more senior involvement, more consultative power, more business knowledge and savvy and more creativity. That in turn would mean that research companies would have consciously to build up their resources at the top end of the spectrum and be prepared to involve them more in client service, research design, analysis and (most importantly) continuous consultation. The types of people that we would hire at the 'top end' may also not be exactly as we have them now. They would be more business consultants than researchers, more analysts than managers. (Indeed, we may need to rethink entirely our bizarre tendency to take our best researchers, analysts and clients servicers and make them managers where they see less of clients, do less research and are rarely involved in analysis).

The elephant in the room here, however, is that all of this adds cost. In a world of 10% margins and highly competitive pricing, research company owners are not likely to view such cost addition with much enthusiasm. A small number of research companies (Millward Brown being a recent example) are attacking this conundrum through the addition – either organically or through acquisition – of specialist consulting units. Such additions address one of the most vexing of issues in moving into a more consultative role which is that researchers do not make the best consultants and yet consultants fit uneasily

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into a research environment. Added to which, consultants cost more than researchers which can lead to a myriad of problems in terms of perceived value as researchers compare their salaries with those being paid to consultants within the same organisation. Such 'add-ons', however, do not have a great record of success. Owners tend themselves to balk at paying the salaries necessary to attract good consultants while at the same time expecting miracles to occur a little too soon. It takes a long time for researchers to trust the consultants in the new unit, with many believing that they can 'do it themselves' and being distrustful that the consultants will 'take their clients' from them. Additionally, it is arguable that such units represent a band-aid when confronting the problem of client demand – they leave the primary organisation untouched (essentially project- and processbased) while adding on the icing of a consultative capability.

I would therefore argue that a more substantive change of business model is needed. If more creativity, more consultative firepower and more analytic capability at a senior level are needed; if the cost of adding this to the enterprise is high; and if competition is emerging which begins to undermine the ability of the organisation to compete on a logistical basis, then a conscious decision needs to be taken to alter completely the basis on which it does business. Conscious decisions will be required to

- add consultative, business-oriented resources throughout the organisation at senior levels
- shed infrastructure and overhead through offshoring and outsourcing
- build on and acquire accumulated knowledge in the form of databases
- seek out alliances with data integrators and aggregators.

Essentially, the traditional economic model of the research company will have to transition from that of feeding the factory and bottom-up pricing to one of consultation, knowledge ownership and market pricing. Where process is concerned, the model will transition from ownership to management of third-party supply.

The consequences of such a shift are clearly fairly dramatic. David Smith (2004), in his award winning paper "*Consolidating the role of market research in business decision-making by extending our skill set into business consultancy*" talked at length about the consequences for our hiring practices. We will be looking less for managers and process supervisors, more for creatives, superanalysts and knowledge managers. As we look to our graduate intakes, we will look less for those who are numerate research types, more for those who have an innate potential understanding for business. As we move from being 'research' companies to 'knowledge' companies, we will also need to elevate the role in those companies of people who are comfortable with and qualified in data mining and data management. People whose forte is multibasing, fusion or artificial intelligence will play a greater role than at present and will become part of the company's front line instead of being perennial 'backroom boys'.

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Similarly, there will be consequences for how we train and educate our graduates and our employees. While I would still strongly advocate a thorough grounding in the basics of research and the principles that underlie it, there will also be a need to include much more in terms of comprehensive business training, as well as education in data management, data integration and communication.

The people that we will wish to recruit to the industry will undoubtedly be a mixture of those that we bring in now and those for whom a more broad involvement in business decisions and processes holds attraction. For those that we bring in now – and I would still argue that they are among the brightest and the best – we will need to provide an education and training environment that is broader, more attuned to the marketing process and more aligned with business decision-making as a whole. Those for whom business per se is an attracting factor we will need to attract through emphasising the pivotal role of business intelligence in the decision-making process. These will necessarily include more MBAs and business majors than before. But they may also include people who previously would have been attracted to the more creative side of marketing, people who would gravitate to advertising agencies, design houses and PR companies.

In making such a conscious shift, we will also need to reevaluate our compensation standards and policies. At the graduate level, compensation more in line with that which graduates may expect to receive in accounting companies and management consultancies would be in order, with an expectation of rapid advancement for high performance. At senior levels, we may have to get used to paying the more senior, client-focused consultants more than we pay senior management. Equity-based compensation systems combined with bonus schemes that are not artificially capped would also become part and parcel of our normal remuneration fabric. While such compensation systems would not necessarily be popular with some of the larger research company owners, it could be argued that, as part of a broader shift in business model, they would lead to higher gross margins and a breakout from the 10% net margin trap that many of us face today.

Owners would be correct, however, in their demand to know how exactly we expect to pay for such a shift in employment and compensation patterns. As the industry moves to a model based more on business intelligence and less on process-driven research products, how can we justify packing our ranks with high-paid consultants and aspiring graduates while still retaining our massive factory-based infrastructures? The answer, of course, is that we cannot. I would argue that the era of the 'full service' research company is coming to an end. There simply is no justification for a market research company to retain an entire data collection, processing and dissemination factory. Indeed, to do so would be to negate the business model which I describe: pouring money into an infrastructure in order to retain control over the entire data collection process becomes an irrelevance in an era in which research data are but a part of the whole intelligence gathering apparatus, especially when there exist more and more companies that specialise in the logistics of data collection and manipulation.

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For many in the research industry, control over the data collection process signifies control over quality. Yet in a world of competition between data providers and of service level agreements this need not necessarily be so. Outsourcing to preferred providers, whether they be in one's own region, in India, China or Costa Rica is now a relatively proven and simple process of supply chain management. However, the true business intelligence partner should not be content merely to outsource or offshore the rudiments of data collection or data processing. In order to be able to free up the resources to upgrade their client-facing personnel, research companies who wish to become business intelligence partners will need to contemplate going much further and offshoring many of the research design, analytic and presentation functions that they currently source in-house. Although at first this may seem a frightening prospect, one need only consider the quality of graduates and the growing sophistication of the research industries in countries such as India, the Philippines and China to realise that analytics centred on studies such as brand or advertising trackers, customer satisfaction monitors or other repetitive studies can quite easily and safely be transferred offshore.

Similar arguments pertain to the need to free up resources to invest in the construction and maintenance of knowledge databases. Those companies which are able to 'construct' knowledge are those which hold a natural advantage in becoming true business intelligence enterprises. In the future, research companies which are able to bring knowledge from a variety of sources will hold the advantage, whether it be from CRM databases, syndicated products or observational panels. It is for this reason that the business intelligence company of the future will seek out alliances with any and all types of company that can bring such knowledge to the table. The company of our 'imagination' outlined earlier in this paper will come to fruition – perhaps not exactly in the way I outlined, but in some recognisable form which will combine data from a variety of different sources. At that point, its consulting power will be magnified and its competitive advantage sealed.

HOW DO WE SUPPORT THE TRANSITION?

The clients have spoken and are speaking. What they desire and demand is clear. In one way or another, the industry will need to transition to meet their demands. Will it be the industry that currently exists or will it be a new industry that rises up and usurps our existing position? While Jack Honomichl and others in the journalistic industry focus on our consolidation activities, a new breed of researchers, born out of the refragmentation of our industry, is redefining the game. How will the research industry react? Will it go the way of other industries hit by disruptive technology or will it adapt to the meet the needs of the new generation?

While it is true that many in our industry are reading the writing on the wall, it is equally true that there will be many who will resist change. Researchers who entered the industry because of what it is and what it offered; research company owners who are not willing to see dramatic change because it threatens their short-term livelihoods and stock prices;

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employees who feel threatened by the imminent movement of their jobs offshore. How then can we enable change and help our industry enter into a new phase of its development?

I would suggest that there are many players whom we can tap to help us in our journey. First and foremost there are the educators, primarily in universities and business schools around the world. In the UK and USA we are fortunate that there a small number of universities that have embraced the discipline of market research as one which they wish to promote. In the US, a handful of universities offer the MSMR degree which attract some of the brightest graduates from around the world. Yet these universities only produce around 100 new masters graduates a year and it is arguable that they are teaching 'traditional' market research, not the broader business intelligence disciplines that have been discussed in this paper. I would argue that, if the industry is to project a new persona to the aspiring graduates of this world, it needs to be much more aggressive in doing so in a wider arena: the industry, as personified by its companies and associations, needs aggressively to market itself to the faculty, staff and students of MBA programmes, business schools, marketing, economics, sociology and psychology programmes in all major universities in the developed and developing worlds. In a word, the industry needs to become as 'sexy' as management consulting in these disciplines.

As important as the educators are the market analysts who guide perceptions in the City and on Wall Street as to what market research is and what we as investors might expect of it. At present, their expectations are grounded in the traditional mould of survey research. It is up to us to educate them as to the possibilities inherent in a new model, that of business intelligence. In doing so, we should use one weapon that has as yet to be deployed – our clients. Since clients are shaping the future of the industry, clients themselves would be a surefire way of shaping the attitudes and expectations of the market.

To get close to be able to doing this, however, we are also going to need to educate and convert our owners. I say this knowing that much of the industry is self-owned. However, it is also true that a vast proportion of the industry's revenues are concentrated in a small number of multinational companies, many of which are owned by larger, media-oriented concerns. These owners will need to be educated on the need for change and the potential economic returns that will likely be derived from it.

Similarly, we will need to educate our industry associations – MRS, ESOMAR, CASRO, MRA and others around the world – since it will be they who will need to take the lead in enabling us to redefine our industry. They will need to reevaluate their codes of standards and, in doing so, will need to confront some of the previously-held norms and sacred cows of the industry. As an example, most if not all of the codes that currently exist assume that the prime source of information in market research is the respondent. In the future, this may not be true – the respondent may be just one element of our information resource. We may not be in a position to accord respondents all of the protections that we have held

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as being a core tenet of our profession – how do we deal with this and what effect will this have on our legislative positioning?

If that is the case, then we will also need to assess what our relationship is with other associations that share our space. Dialogue will be required with direct marketers and those in the competitive intelligence industry, to name but two. How do we distinguish ourselves and yet cooperate with them to ensure that we all adhere to the norms of privacy and confidentiality that we hold dear?

Finally, in order to pursue the transition which I have outlined, we have to believe that it is possible and, indeed, desirable. Do we want this to be our future? Are we willing to stake this out as our ground? Or are we willing to see others stake it out as theirs? A dialogue between all of the stakeholders in our future - clients, owners, analysts, employees, managers, associations - will be necessary if we are to be successful in meeting the needs that are being presented to us by advertisers today.

It is my hope that this paper may stimulate the opening of such a dialogue.

How do we distinguish ourselves and yet cooperate with them to ensure that we all adhere to the norms of privacy and confidentiality that we hold dear?

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