



The Market Research Industry in 2009

A Topline Report

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1. Executive Summary

The research industry does not appear to be immune to the recession, although it will perhaps fare a little better than some recent projections would suggest. Research companies seem to be more optimistic than their colleagues in data collection or, indeed, their clients. Aiming off for this, we would suggest that expenditure on research in 2009 will fall slightly, perhaps by 2% or 3%.

However, research suppliers may see a steeper decline than this suggests, as a considerable proportion of the client population appears to be preparing to take some online research in-house. Clients also signal strong intentions to build and use more in-house panels and communities, many of which may be built for them by research companies.

While the recession has its own direct impact on the industry, it also appears to be indirectly accelerating changes that were already under way. Researchers project even stronger movement towards online as a preferred medium of data collection, not just in 'traditional' quantitative interviewing, but also in areas such as online focus groups, 1:1 interviews, instant messaging, communities and ethnography. Interestingly, clients appear to be moving faster towards these methodologies than their research providers think they are.

About two-thirds of online sample procurement is outsourced, but even here there are signs of change. While the largest providers of sample are, and will continue to be, panel companies, there is evidence that sample sourced from social media and communities has established a healthy niche (around 4%) and that this will double in 2009.

Online sample and data quality remain very much at the forefront of the industry's mind. Not only is a guarantee of quality sample the primary factor in the choice of a sample provider, but research companies are now looking for *verifiable* methods of sample improvement, including elimination of duplicates.

Sample and data quality retain the top spots in terms of the things that seriously concern all parts of the industry, although interestingly less so among clients than among research companies. This has been a consistent finding since these surveys began in 2005, which to some extent flies against recent press coverage that has given the impression that clients are driving the 'quality revolution'. Data collectors, as might be expected, are more concerned with survey and questionnaire design as issues. Perhaps of greater import, however, is the new emphasis given (by all segments) to the issue of respondent engagement. Perhaps with more attention given to this issue, some of the other worries about data quality and design may be dealt with.

1. Executive Summary (continued)

When asked who should be responsible for working on resolving data quality issues, the majority of our respondents opted for research companies and sample/panel companies. But when it came to saying who should *pay* for these issues to be resolved, it was evident that respondents thought that all segments should be responsible, including clients. Interestingly, research companies were less convinced that they should pay than others in the industry thought.

Our sample is not yet convinced that any of the industry initiatives for resolving data quality have full credibility. Research companies especially seem to be adopting a wait-and-see attitude. Nonetheless, of all the initiatives presented that which appears to garner the most support – especially among data collectors and clients – is digital fingerprinting.

This 2009 survey of the industry confirms that we are in for rough times. But it also contains fascinating evidence that the recession may be accelerating changes that were already present, including an embracement (by clients especially) of online techniques above and beyond traditional quantitative interviewing. It also suggests that a new source of sample – social media and communities – has established a viable niche which is set to double in 2009.

But above all, it suggests that there is still much work to be done in terms of assuring sample and data quality in online research – and that the industry has finally awoken to the need to improve the respondent experience and engagement. While the research community is still not yet convinced by all the quality initiatives that are underway, the fact that they exist and that the community recognizes that there are real issues to be dealt with is in itself encouraging.

2. Introduction to the Survey

This survey, which was sponsored by Peanut Labs, Cambiar and MROps, was conducted online among senior research practitioners between February 11, 2009 and February 13, 2009. 6,200 invites were sent out from commercially available lists, of whom 895 responded and of those 691 qualified as respondents, yielding a final response rate of 14%, which is directly comparable to previous studies among this population conducted by Cambiar over the last 4 years. Of these responses, 293 were valid completes. The final sample was composed as follows:

- 185 research companies
- 39 data collection companies
- 67 research buyers in client organizations.

Among the industries more prominently represented among research buyers were consumer packaged goods, information technology, advertising agencies, pharmaceuticals and health care, insurance, automotive, media and entertainment and retail.

Client budgets represented were:

- Up to \$1 million 37.7%
- \$1m to \$10m 28.3%
- \$10m + 11.3%
- Prefer not to say 22.6%.

Research companies represented came from the US (83.8%), Canada (5.4%) and the United Kingdom (10.8%). Within the US, regional representation was as follows:

- Northeast 32.3%
- South 17.4%
- Midwest 21.9%
- Southwest 6.5%
- West 20.6%
- Other 1.5%.

In terms of size, research companies ranged as follows:

- Up to \$5m 49.7%
- \$5m to \$99m 29.1%
- \$100m+ 6.1%
- Prefer not to say 15.1%.

No weighting was performed on the data.

3. Main Findings

So, how bad is it?

Inside Research estimated earlier this year that U.S. expenditure on online research would increase by 5% in 2009, after a similar increase in 2008. However, the proportion of the overall market accounted for by online would increase dramatically to just under 49%. If true, this would mean that the total market for research in the United States would decline by up to 7%. Another study suggested an even steeper decline of 9.3% in the U.S. market this year. Hyperbole or reality?

Our findings at first sight appear to be slightly more optimistic than these projections.

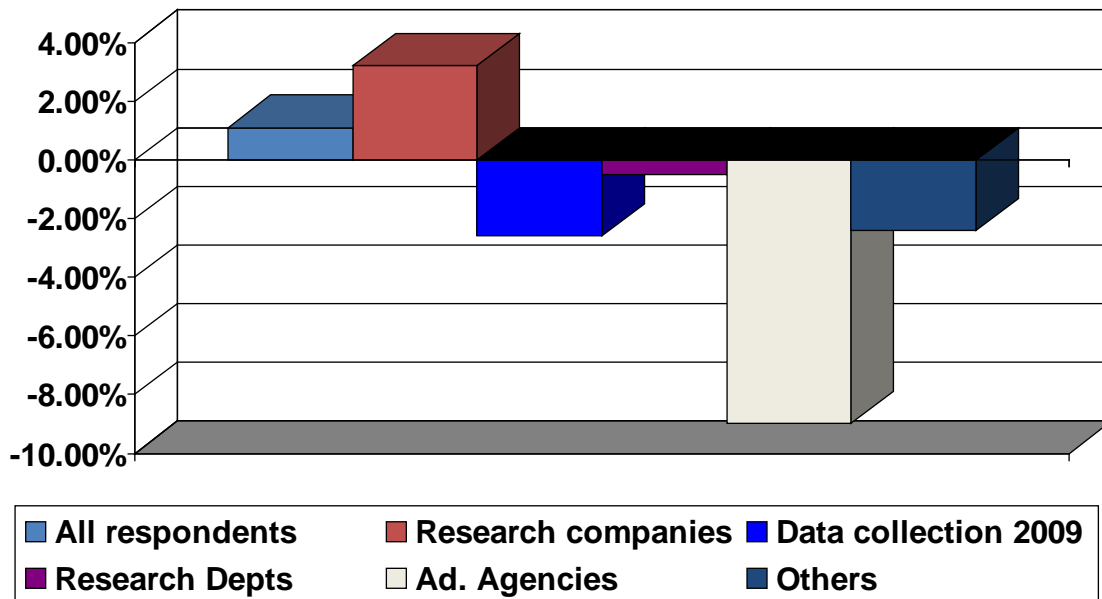


Fig. 1. Market research revenue/expenditure projections for 2009

Our overall respondent base (not weighted in any way) projects a market increase in 2009 of 1.1%. However, the relative “positivism” in this projection is driven solely by full-service research companies, whose average prognosis for their revenues this year is in excess of 3%. It is probable that these expectations will not be met, for three reasons:

- the client community does not share them, projecting expenditures on research that range from flat (MR functions in marketing companies) through a decline of 3%+ (other research buyers) to one of 9% (ad. agencies)
- data collection companies (the “canaries in the coal mine”) project a decline in excess of 2%
- the data strongly suggest that clients will bring more work in house this year, which will depress research company revenues (see below).

Overall, therefore, we believe it would be prudent to base business projections on a moderate decline in the market in 2009 of about 3%.

Impact on data collection modes

Our data would suggest that the march towards online data collection will not only continue in 2009, but will *accelerate* and *broaden*.

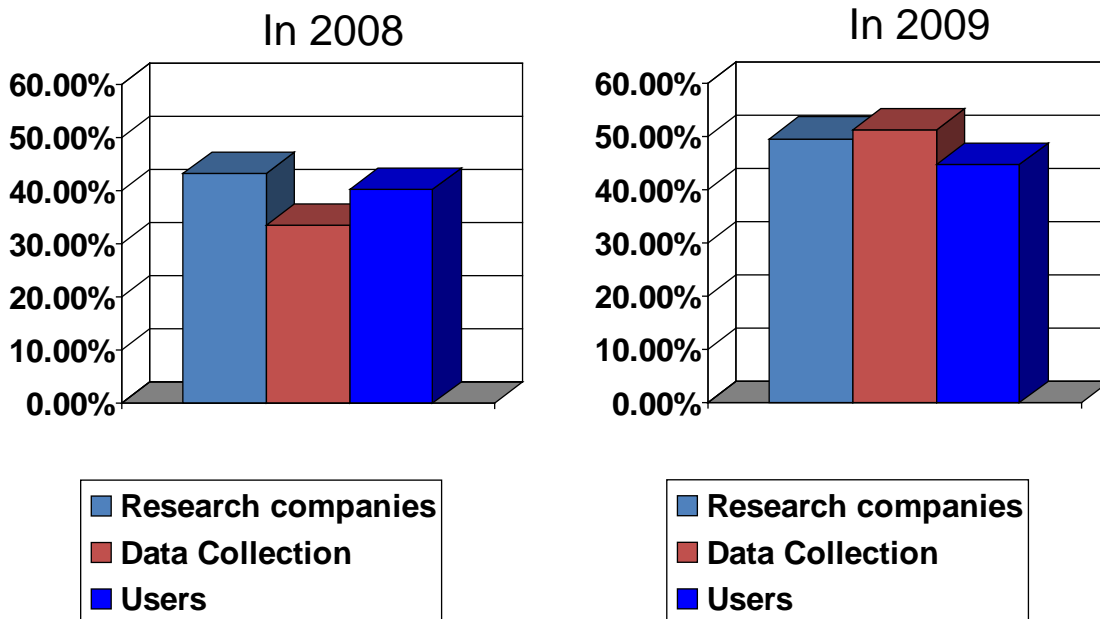
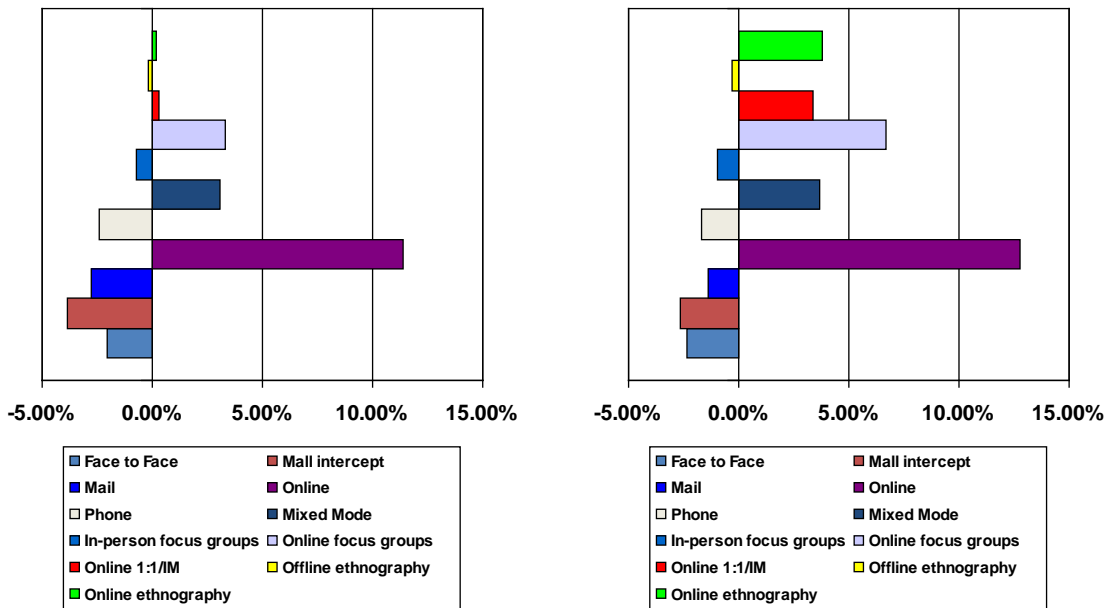


Fig. 2. % respondents saying they have or will see shifts in data collection modes

Around 40% of research companies and end clients reported having changed their data collection emphases in 2008 (although slightly fewer data collectors reported the same thing). That tendency accelerates in plans for 2009 with nearly 50% of all respondents intending to shift their emphases in data collection.

If we take the shifts reported by these respondents and base them on the total sample, we get a broad measure of the movement in the overall data collection market. From this we can see that, whereas there was continued strong movement towards online interviewing in 2008, as well as some movement towards mixed mode and online qualitative, these trends accelerate in 2009.



Base = Total Sample

Fig 3. Shifts towards online methodologies in 2008/2009

What is also interesting, however, is the emergence of a slight trend towards online ethnography and online 1:1 qualitative interviewing and instant messaging. Indeed, this tendency towards online qualitative is stronger among research users, suggesting that their research company partners may not be fully aware of the degree to which clients are tending towards methods that may allow them to make more effective use of their budgets.

Outsourcing well-established but only in traditional areas

Outsourcing is a well-established phenomenon in the market research industry (and most certainly in the North American market), with many of the key operational and project functions entrusted to others. (Note that this does not refer to offshoring, merely outsourcing to another company).

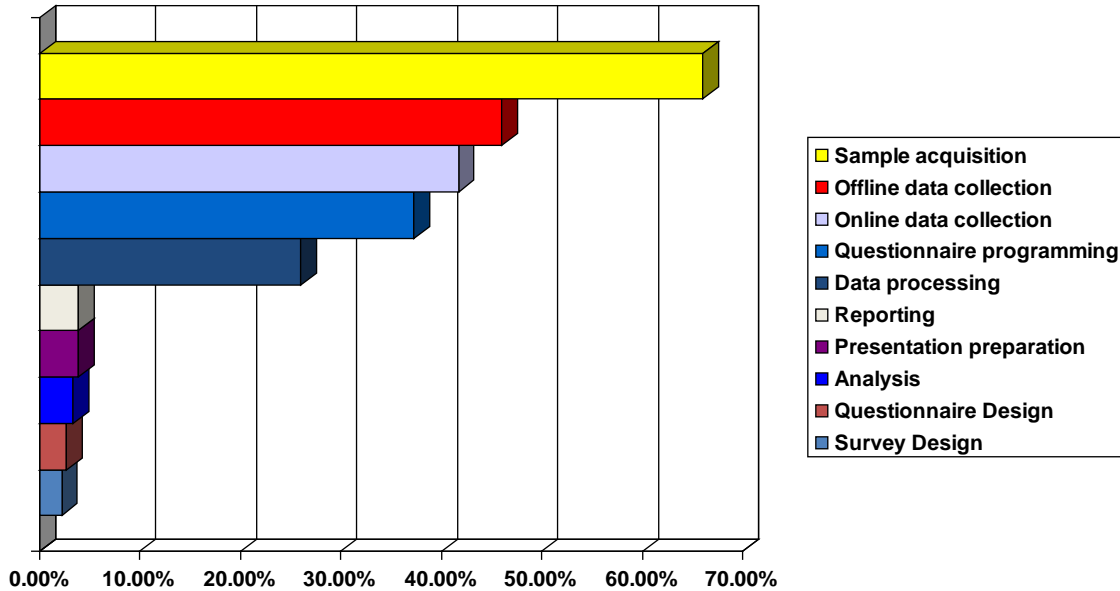


Fig. 4. What are research companies outsourcing?

Outsourced functions range from sample acquisition (two thirds of research companies outsource at least some of this) to data collection and data processing. However, contrary to some received wisdom, elements of project management that relate to design, analysis or reporting are hardly outsourced at all. Whether this will change in response to current economic conditions, we will have to wait and see.

Subtle, but significant, changes in online sample sourcing

The predominant source of online sample is – and will remain in 2009 – the panel company, accounting for 50% of sample sourced. Just over 20% of sample is sourced from in-house panels.

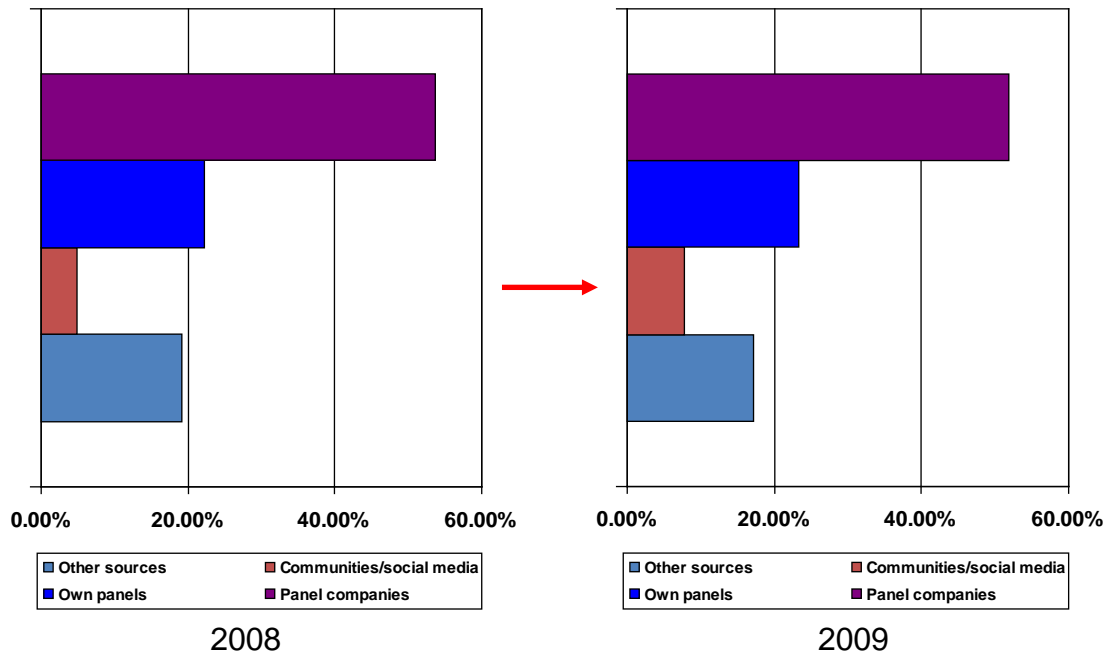


Fig. 5. Sources of online sample in 2008 and 2009

However, a potentially significant movement appears to be occurring in the use of online communities and social media as important sources of online sample. While just less than 4% of sample was obtained from these media in 2008, respondents project that some 7.5% will be so sourced this year. While still small figures, this represents almost a doubling of this “sub-market” in one year and suggests that these media may well play an important part in the market research process in the near future.

Investment plans signal major shifts in the future

The importance of communities in the future is further signaled by research companies’ own investment plans for this year. 20% of companies intend to build their own online communities in 2009 and 30% anticipate building them for their clients’ use. This does not mean that communities will supplant panels in the near future, however. A third of research companies still plan to invest in their own panels this year.

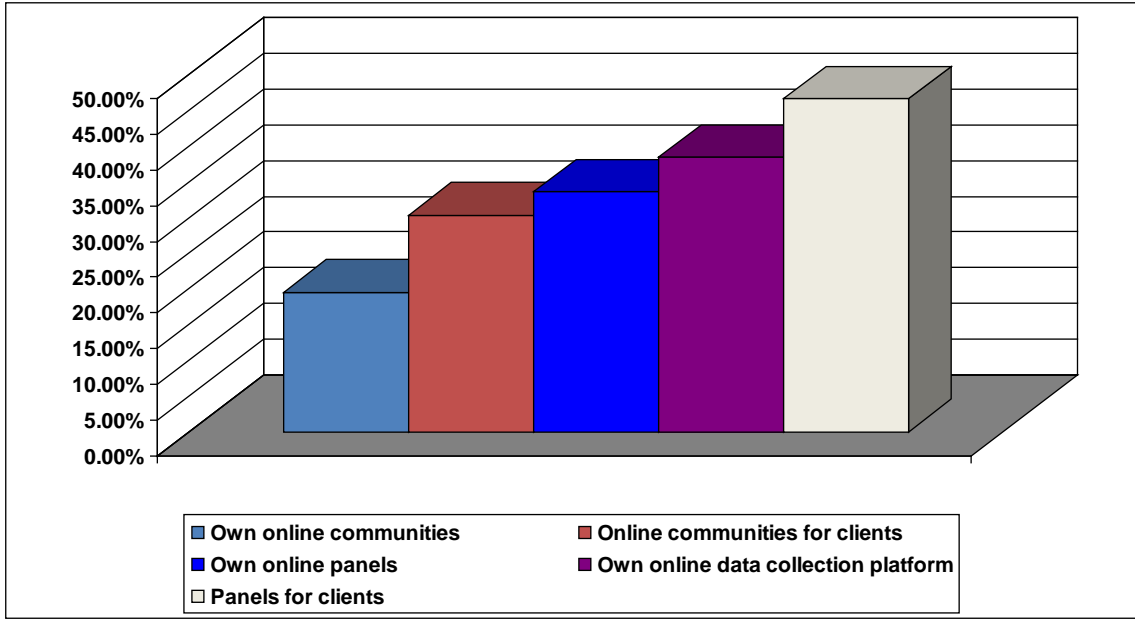


Fig. 6. Research company investment plans in 2009

What is really striking here, however, is that the area of greatest concentration for investment is in *panels for clients*. Nearly half of the research companies interviewed intend to build panels for their clients' use this year, which leads one to suspect that clients intend to do more utilizing their own resources in the near future.

If there were any doubt on this subject, it is completely dispelled by *clients' own stated intentions*.

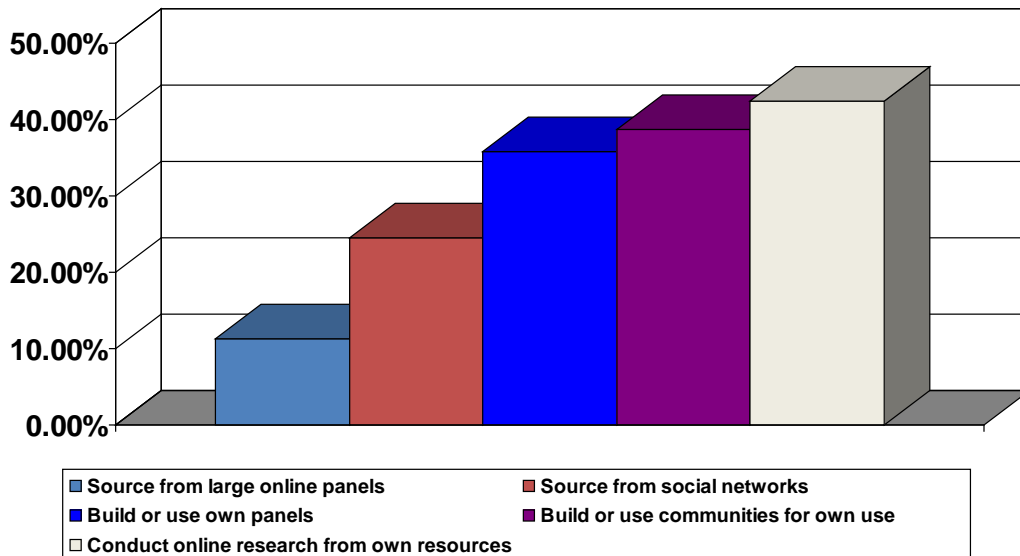


Fig. 7. Client investment intentions (net % change "do more - do less")

Over a third of clients intend to build or use their own panels more; build or use communities for their own use more; and *conduct online research from their own resources* more.

It is for this reason that we suggest above that the decline in research industry revenues in 2009 may be higher than that anticipated by research companies and data collectors. While clients are anticipating that budgets may be flat to falling, the fact that they intend to do more in-house would suggest that there will be less for the research supply community.

Also of interest in this analysis is the intention by a quarter of clients to source sample from *social networks* more, backing up the projections of research companies that they too will be sourcing more from this new medium.

The importance of (verifiable) quality

When asked to rate attributes of importance in choosing an online sample provider, research companies’ top six choices revolved squarely around sample/data quality and service.

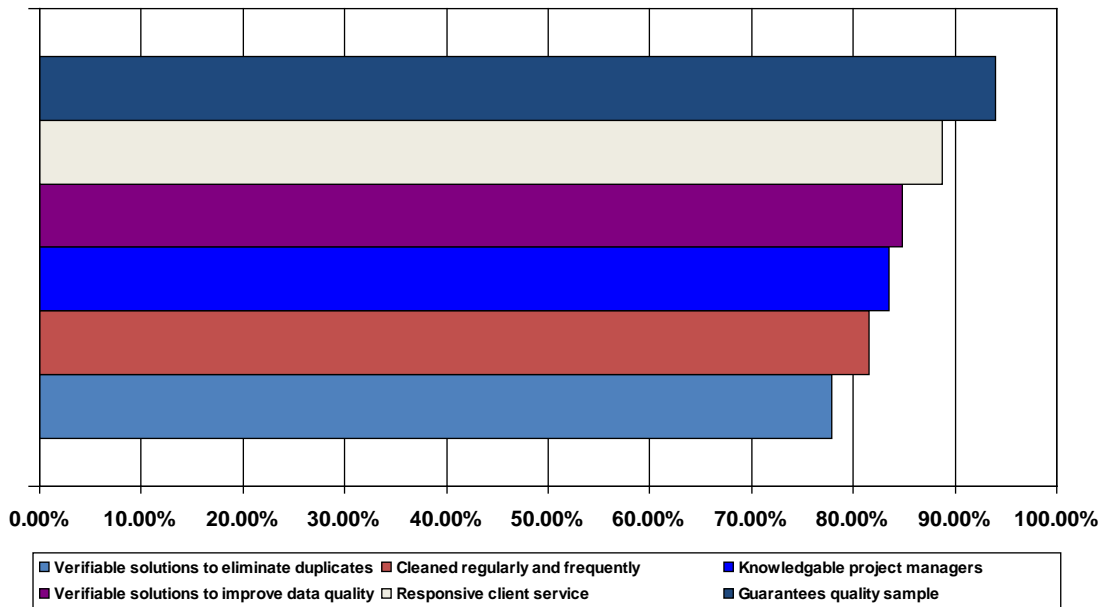
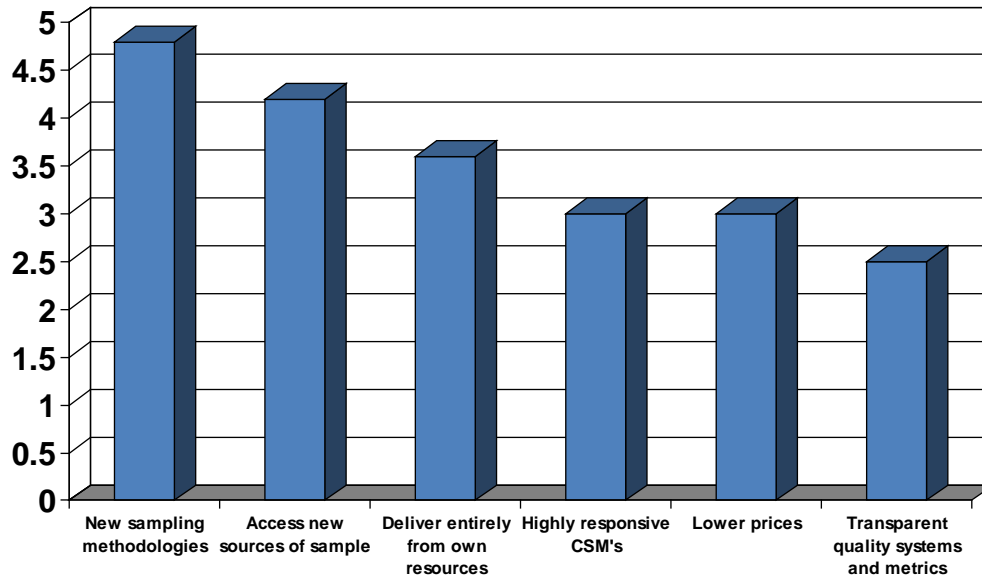


Fig. 8. Attributes of importance in picking a sample provider (top 2 box)

While the emphasis on “guarantees quality sample” does not represent a major shift from findings in previous studies, what is interesting here is the new emphasis on “*verifiable solutions to improve data quality*” and “*verifiable solutions to eliminate duplicates*” (our italics). From a position in the past where research

companies were concerned in a broader sense about the quality of sample, it would appear that there is now more granularity to that concern and a desire to see solutions which can be proven to work.

Quality and service are therefore the bedrocks of supplier choice. However, these are not what prompt research companies to actually *try a new sample supplier*. That revolves much more around innovation and new ways of approaching sampling methodology.



5-point scale (agree/disagree)

Fig. 9. What gets research companies to try a new sample provider

The three top attributes here – new sampling methodologies, access to new sources of sample and the ability to deliver a project entirely from within the sample provider’s own resources – all speak to an industry need to find new solutions for the provision of online sample that supplement existing ones. It is interesting that price is not that great of a motivator to try.

However, while new sources of sample and new methodologies are concerns, they are not the primary ones that worry the industry the most. As in past years, that honor is reserved for the *quality* of data and sample.

Quality remains the No. 1 concern

In the four years that Cambiar has been studying the evolution of the online sample industry, data and sample quality have consistently been the top issues that concern the research community. However, in that time the “sub-issues” that

go to define quality have changed fairly dramatically. Whereas in 2005 researchers were concerned about sample procurement and panel recruitment (i.e. where do sample companies get these people?), today the primary concerns revolve around respondent engagement, lack of representativeness and the quality of up-front survey and questionnaire design.

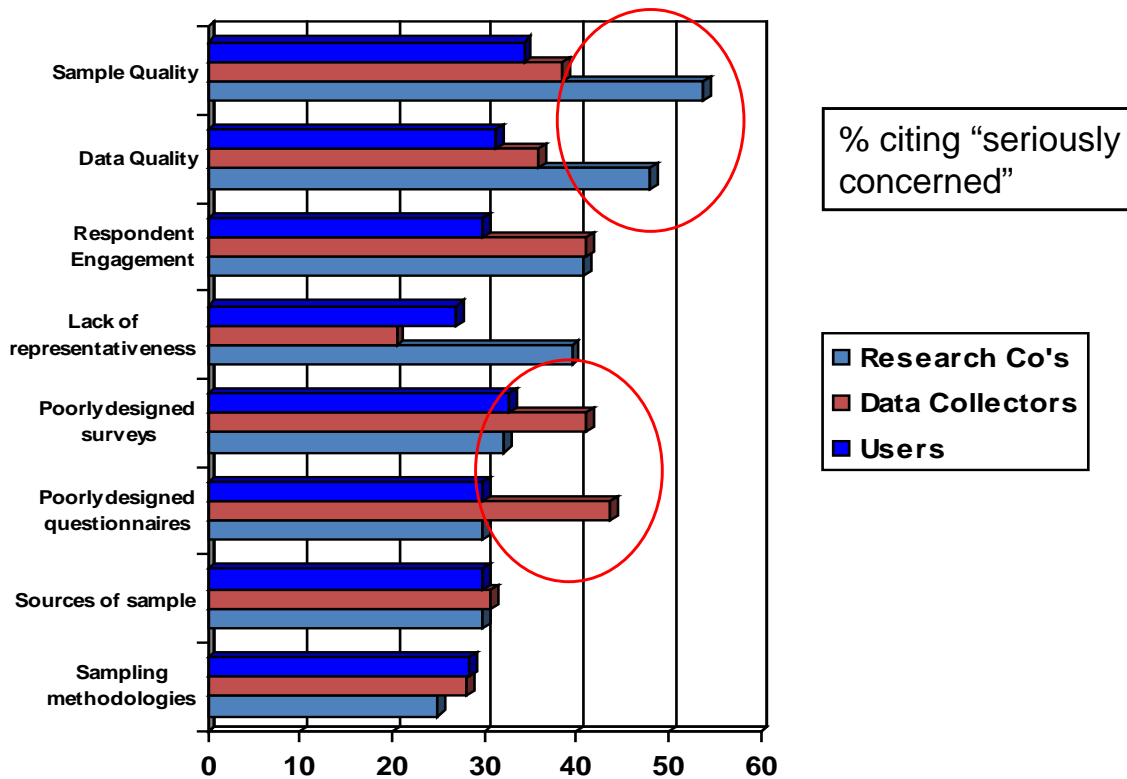


Fig. 10. Main concerns in online research

However, not all concerns are shared equally. Clients, for example, appear to be rather less concerned about data and sample quality than do research companies. This disparity repeats findings that go all the way back to 2005, suggesting that recent press claiming the quality debate to have been spurred by clients may have been a little over-optimistic.

Similarly, data collectors, being at the “sharp end” of the online research process, are much more concerned than their colleagues elsewhere about poor design of surveys and questionnaires.

It should be pointed out, however, that these disparities are mitigated when one compares top 2 box scores (rather than top 1 box, as above). This would suggest that differences in levels of concern are more ones of degree than anything else.

When asked who should work to resolve quality issues in the industry, respondents are fairly unanimous in emphasizing that this is the responsibility of research companies and sample/panel companies, perhaps with some encouragement from industry associations. Far fewer feel that this is something for clients to work on.

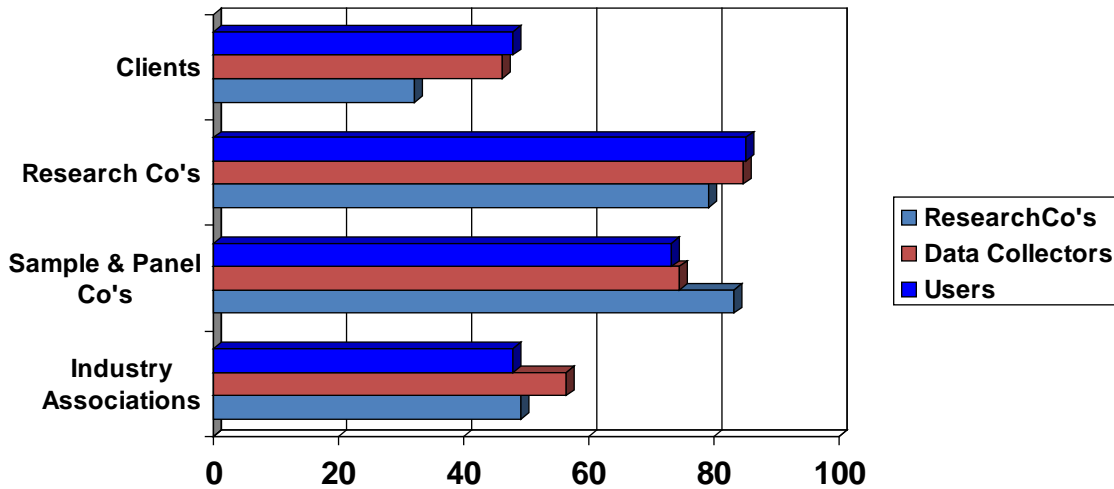


Fig. 11. Who should work on resolving quality issues?

When it comes to *paying* for resolving these issues, however, clients come back into the picture strongly. Indeed, it can be said that respondents generally think that this should be a shared pain between clients, research companies and sample/panel companies. The only exception here seems to be that research companies themselves feel less inclined to pay for solutions than others do.

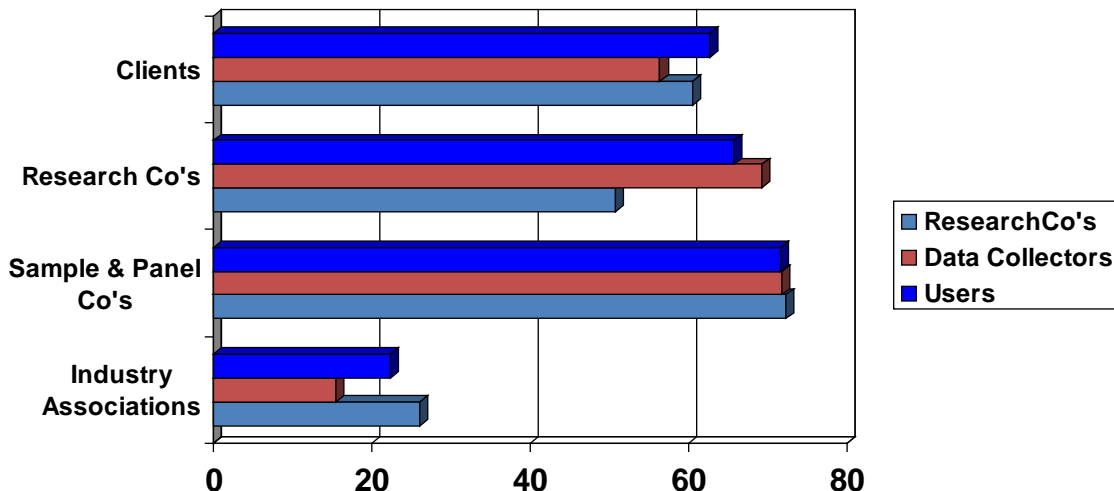


Fig. 12. Who should pay to resolve quality issues?

Finally, we wanted to find out what the industry felt about the various quality initiatives being put forward as ways of resolving the issue. We chose to look at four:

- ISO – the International Standards Organization initiative aimed at providing a quality blueprint for access panels on a global basis
- ACE – an initiative combining the resources of a number of US-based research industry associations
- ORQC – the ARF-sponsored initiative combining all aspects of the industry to produce comprehensive quality guidelines
- Digital Fingerprinting – technology designed to allow researchers to block duplicates as well as flag other “suspect” behavior such as speeding, satisficing and geographical IP violations (an example of which is Peanut Labs’ Optimus™ technology).

The question we asked was which of these had the most credibility as an initiative that would work to resolve quality issues.

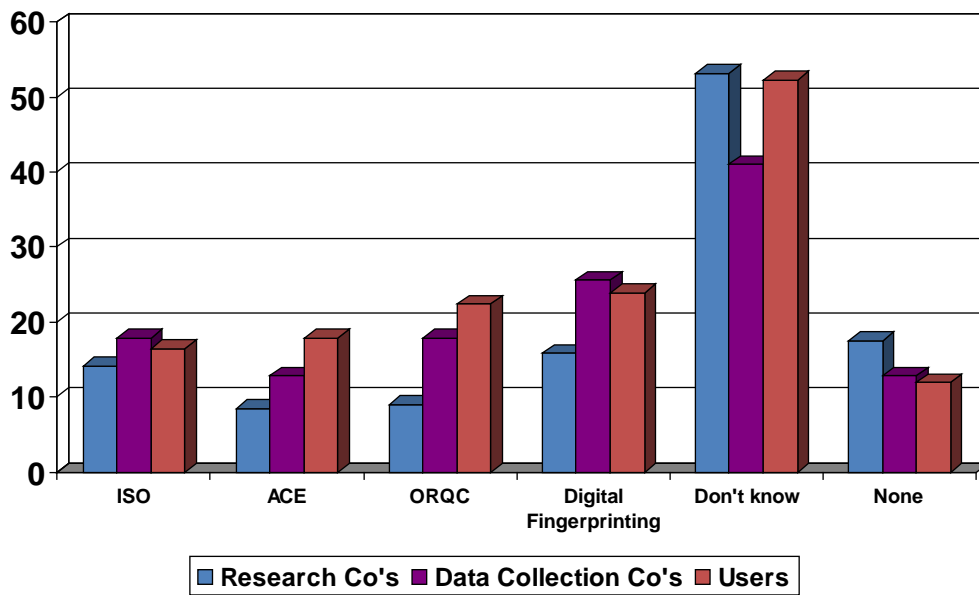


Fig. 13. Which initiative is most credible to resolve quality issues?

The answer would appear to be that the industry does not yet know and is reserving judgment. Among those that did vote for one or more initiatives, digital fingerprinting appears to be perceived as more credible, especially among data collectors and clients.

Interestingly, research companies appear to be much more reserved about all the initiatives on the table than their colleagues elsewhere in the industry.