

# >appendix

## How the Research Industry Works

The picture of the research industry is one of extremes. Very large suppliers account for the largest portion of the sales in the industry, but smaller firms and one-person shops dominate when you look at the number of research firms. **Exhibit Ha-1** provides an overview of the suppliers within the research industry.

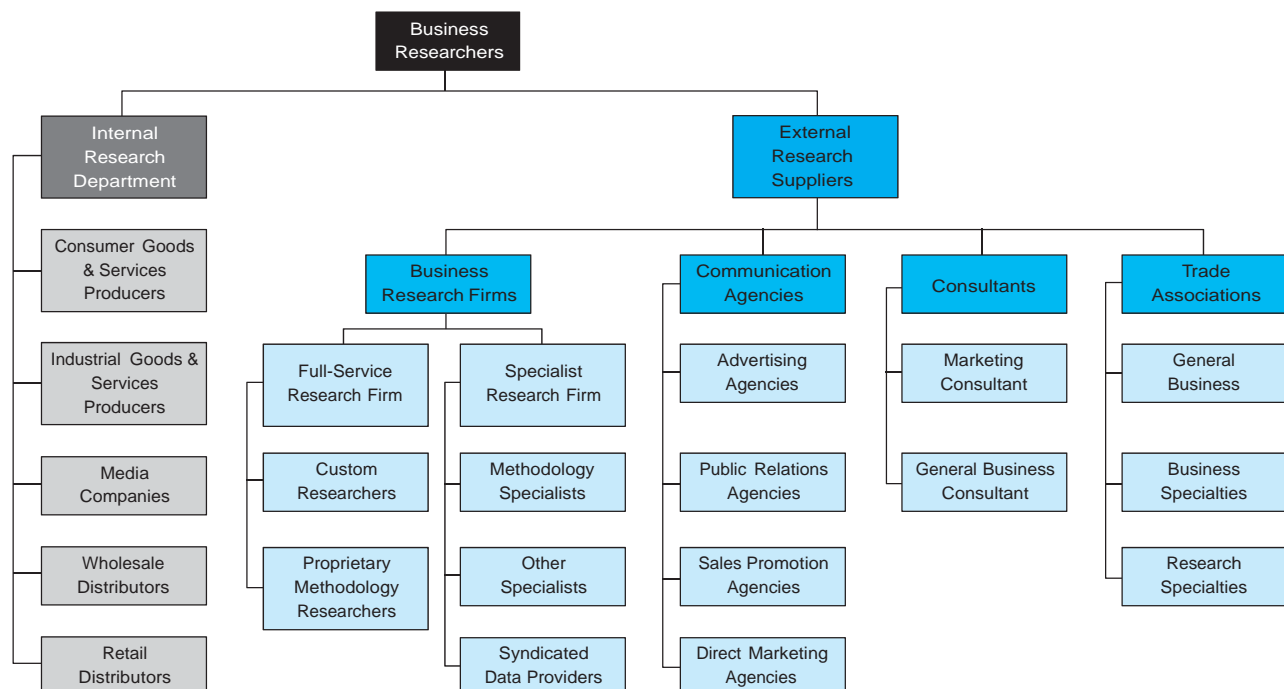
### Internal Research Suppliers<sup>1</sup>

Not all decision makers rely on research to make decisions. Those firms that do are likely to have an internal research department or an individual who coordinates research initiatives. The structure and scope of these operations are as diverse as the management dilemmas that they research. They range from one-person operations, in which the individual primarily coordinates the hiring of external research suppliers, to small-staffed operations that do some survey or qualitative studies, to large-staffed divisions that more closely approximate the structures of research companies.

Historically, in the 1960s, as business research entered a new era of quantification and respectability, the number of firms with internal research departments grew. The research function gained acceptance as a formal part of the organization. When the decade of the 1970s arrived, researchers were often assigned to a particular functional area (e.g., marketing or human resources), and they reported directly to the executive in charge of that area. The researcher's influence at the strategic level was constrained by the rather narrow definition of their role—order takers who reacted to the demand for research projects and reports. This perception of a researcher's role as having limited strategic contribution continued through the 1990s. The results of one Advertising Research Foundation (ARF) study in 1999 indicated that “according to the CEOs surveyed, the accuracy and actionability of the information provided by research was thought to be low.”<sup>2</sup>

In a 2001 quantitative study conducted with the aid of the Cambridge Group, ARF sought to identify ways to redefine the research function, thereby making it more

### >Exhibit Ha-1 Who Conducts Business Research?



relevant to senior management. The opinions of CEOs, senior-level managers, and researchers at over 100 Fortune 500 companies were solicited to discover the core competencies possessed by an ideal management decision support function and to learn which decisions and activities were most important for research support. While results from executives revealed generally positive ratings for research, a gap still existed between researchers and senior-level managers and CEOs on their perceptions of researchers' role. Based on the executive's responses, research began to expand into such areas as providing actionable insights, reducing risk in marketplace actions, and improving return on investment.<sup>3</sup> This evolution of the research industry is consistent with scholar and consultant Philip Kotler's contention that, as costs rise, CEOs and board members demand greater accountability for decisions and expenditures.<sup>4</sup>

For budget, equipment, facilities, and expertise reasons, the trend in the industry is clearly not to staff large internal research departments. In poor economic times, many firms eliminate their internal research operations altogether, feeling that such services are expendable or are readily available from external suppliers. In some ways the growth in prominence of the role of information technology manager or officer (those that manage the DSS and BIS functions) has forced the researcher to an even more subordinate staff role. While both information technology management and research are critical, in most organizations the two functions have little directly to do with one another.

## External Research Suppliers

Within the category "research specialists," more than 2,000 research firms operate in the United States.<sup>5</sup>

### Research Firms

**Full-Service Firms** **Full-service researchers** include some of the largest research firms in the world and some of the smallest. **Exhibit Ha-2** identifies some of the largest firms. Full-service firms are often involved in research planning for their clients from the moment of discovery of the management dilemma or, at the very least, from the definition of the management question. Such firms usually have expertise in both quantitative and qualitative methodologies, and they often have at their disposal multifaceted facilities capable of serving a wide variety of research designs, including both fieldwork and laboratory operations. Some are capable of working in worldwide venues, while others offer their services to only one industry or one geographic region. While these firms may have one or more areas of noteworthy expertise, they are truly multidimensional in terms of both research planning and execution. In a research environment where clients increasingly demand managerial insights, not just research reporting, these firms are often a combination of research

and consulting operations. NFO WorldGroup is an example of a full-service research firm. It describes itself as "marketing minds who specialize in research."<sup>6</sup> Taylor Nelson Sofres Intersearch is another full-service firm. It describes its approach as follows: "We combine category knowledge with research expertise in our cross-functional research teams."<sup>7</sup>

**Custom Researchers** Such phrases as "ad hoc research" or "custom-designed research" are often used to describe custom full-service research firms. A **custom researcher** crafts a research design unique to the decision maker's dilemma. In essence, such research firms start each project from ground zero. This does not mean, however, that they fail to apply lessons learned from previous projects. What is implied is that such firms do not assume that a given methodology is appropriate for each client's research, even if the research to be done is in an arena in which the research firm has considerable expertise: for example, customer satisfaction or copy testing or product evaluation or employee motivation research. While a custom researcher might not always be a full-service research firm, by definition, a full-service researcher would always fit into the custom research category. Taylor Nelson Sofres Intersearch (TNS) describes its custom research operations this way: "[Our custom research capability] allows us to design approaches that truly meet [the client's] needs if proprietary research solutions do not."<sup>8</sup>

**Proprietary Methodology Researchers** A **proprietary methodology** is a research program or technique that is owned by a single firm. It may be a slight twist on an established methodology or may be a method developed by that firm. Firms often brand these methodologies to establish distinction in the minds of prospective clients, as ACNielsen did with its Homescan<sup>®</sup> syndicated panel. Proprietary methodologies often grow from significant expertise in a given methodology or a given industry and develop over many years and thousands of client projects.

With the development of its customer engagement methodology, The Gallup Organization has reinvented itself using the proprietary research model, moving from public opinion pollster and custom researcher to research-based consulting firm. Although Gallup is capable of doing and still does custom research, it captures a significant portion of its revenue from management consulting based on proprietary methodologies. One of its proprietary methodologies is called *Q12*. This survey methodology uses 12 questions to measure customer engagement. Gallup uses these same questions with all clients, so *Q12* serves as a benchmark diagnostic for its subsequent consulting work. Gallup has copyrighted its questions and the survey instrument that incorporates them to guarantee that its intellectual property remains protected. Having

**Exhibit Ha-2** Some of the World's Research Companies

Organization	Type of Research	U.S. (\$ Millions)	Total (\$ millions)
<b>Nielsen</b> www.nielsen.com	The global leader in providing services in marketing and consumer information, TV and other media measurement, online intelligence, mobile measurement, trade shows, and business publications. Has multiple divisions, including Nielsen Claritas, Nielsen BASES, and Scarborough Research.	\$3,600	\$6,300
<b>QuintilesIMS</b> www.imshealth.com/	The merger of IMS Health, a leading global information and technology services company, and Quintiles, the world's largest provider of product development and integrated healthcare services, creates a leading information and tech-enabled healthcare service provider with global scale and reach, and a full suite of end-to-end clinical and commercial offerings.	\$1,400	\$3,300
<b>Kantar</b> http://www.kantar.com	Kantar is home to some of the world's leading research brands, including Kantar Millward Brown, Kantar TNS, Kantar Media, Kantar Worldpanel, Kantar Added Value and Kantar Futures. Collectively, they offer the most complete view of consumers – the way they live, shop, vote, watch and tweet – in over a hundred countries worldwide.	\$ 994	\$3,894
<b>IRI</b> IRworldwidel.com	A leader in delivering powerful market and shopper information and predictive analysis to the CPG, retail, and over-the-counter healthcare industries.	\$ 641	\$1,026
<b>IPSOS</b> ipsos.com	Explores market potential and market trends, tests products and advertising, studies audiences and their perceptions of various media, and measures public opinion trends around the globe.	\$ 568	\$1,968
<b>Westat Inc.</b> westat.com	Recognized as one of the foremost research and statistical survey organizations United States, it provides services to agencies of the U.S. Government, as well as businesses, foundations, and state and local governments.	\$ 501	\$ 512
<b>GfK</b> Gfk.com	Provides both custom and syndicated research, as well as research based consulting, and analytical customer-relationship management (CRM) services	\$ 310	\$1,710
The NPD Group, Inc NPD.com	Provides market information and advisory services, using sales tracking and consumer panels, and are known as the industry authority for market size and trends.	\$ 259	\$ 341
<b>ICF</b> www.icf.com	Provide both government and commercial clients with research services, but are especially noted for their regulatory policy expertise.	\$ 164	\$ 224
<b>Wood Mackenzie</b> www.woodmac.com	Provide research services to energy companies.	\$ 133	\$ 443
<b>MaritzCX</b> www.maritzcx.com	Specializes in providing customer insights, including surveys and mystery shopping.	\$ 129	\$ 170
<b>LRW</b> www.lrw.com	A research consultancy that operates on three continents. Known for its Pragmatic Brain Science Institute.	\$ 103	\$ 144
<b>Burke Inc</b> www.burke.com	This full-service research firm is noted for its use of advanced analytical techniques and technology to provide decision support services to manufacturing and service companies. Burke is also known for providing research and consumer insights education through the Burke Institute, which has trained participants through public and in-house customized research seminars worldwide.	\$ 71	\$ 79.9
<b>Radius Global</b> www.radius-global.com	Provides both quantitative and qualitative research to commercial clients; also offers omnibus surveys.	\$ 33	\$ 34

Sources: The research profiles are provided by each company's website. The revenue information is provided by The 2017 AMA Gold Top 50 Report, Marketing News, June 2017, downloaded November 3, 2017 (<https://www.ama.org/publications/MarketingNews/Documents/2017-top-50-gold-report-article.pdf>).

a proprietary research methodology allows Gallup to charge its clients significant premiums for its research and consulting services.<sup>9</sup> Without proprietary methodologies, all research firms essentially offer the same research services—although we accept that some perform such services with far more skill and expertise than others.

**Specialty Research Firms** **Specialty researchers** represent the largest number of research firms and tend to dominate the small research firms operated by a single researcher or a very small staff. These firms may establish a specialty in one or several different arenas:

- *Methodology.* The firms (methodology specialists) may conduct only one type of research (e.g., survey research, customer satisfaction research, ad copy testing, packaging evaluation, focus groups, retail mystery shopping, or retail design research).
- *Process.* The firms usually contribute to only a portion of the research process (e.g., sample recruiting, telephone interviewing, or fielding a Web survey).
- *Industry.* The firms become experts in one or a few industries (e.g., pharmaceutical research or entertainment research or telecommunications research).
- *Participant group.* The firms become experts in a particular participant group (e.g., Latino-Americans or children or doctors or country club golfers).
- *Geographic region.* The firms may operate in only one region of a country—as is true for many mystery shopping firms—or a single country or group of countries.

One large group in this specialty research category includes firms that conduct focus groups. These firms not only offer the trained moderators who manage the small-group discussions, many of whom hold a PhD in psychology, but also provide the sample screening procedures, the specially designed facilities, and the technical communications equipment for making this qualitative research as insightful as possible. Specialty researchers may also perform a subset of a methodology specialty. For example, numerous firms offer focus group moderators but not the focus group facilities. Others provide the recruiting of focus group participants and the facilities but not the moderators.

Firms doing observation studies comprise another subset of specialty researchers. These researchers are often found studying retail shoppers, tracing their footsteps or recording the amount of time a shopper spends reading labels or interacting with displays. EnviroSell and Design Forum both do observation studies: EnviroSell's research is designed to make retail environments and processes more productive; Design Forum uses research to create the external and internal environment that establishes and

reinforces the retailer's image. Ethnography is a type of study that combines observation and communication studies. The Context-Based Research Group describes itself as "an ethnographic research and consulting firm." It combines the backgrounds and skills of cultural anthropologists (more than 3,000 around the world) with the communications and business strategy discipline experts to serve a diverse client base, including retailers, software manufacturers, food manufacturers, hotels, pharmaceutical companies, and even proponents of social causes.<sup>10</sup>

Firms providing Web page optimization research and Web performance metrics are an emerging group of methodology specialists. Such firms as Yahoo!, NetIQ (with WebTrends), and NetConversions are examples of methodology specialists in metrics related to Web content development.

One of Britain's fastest-growing research firms MORInsight is a specialist in employee research. It claims "MORInsight contains benchmarking data from over 200 employee surveys covering a wide range of subjects from job satisfaction to employee engagement and advocacy."<sup>11</sup> Mercer HR Consulting, with offices in more than 41 countries, also specializes in employee research. Mercer claims, "Advancements in quantification and measurement now make it possible to enhance this process by linking what employees say to what they actually do—and measuring the impact on business performance."<sup>12</sup> IBM's operations research specialists were able to design and introduce a new Web-based procurement auction process for Mars, Incorporated, that paid for itself in increased cost savings in just one year and wins accolades from suppliers for "increased efficiency, transparency, and fairness."<sup>13</sup>

Collectively, specialty researchers often assist other research firms to complete projects. One large group in the process specialist category is the sampling specialist. These firms provide the screening and recruiting of probability samples for a wide range of survey studies, as well as studies employing in-depth interviews, laboratory and in-home product testing, laboratory experiments, home ethnographies, and so on. Survey Sampling Inc. is one of the largest suppliers of samples for telephone, mail, and online surveys and also offers specialty samples for industrial and health care research.<sup>14</sup> Greenfield Online specializes in assisting research firms by providing online samples that fulfill a variety of characteristics. Greenfield claims to have compiled the largest panel of opt-in participants in the online community. It has also partnered with Microsoft to build recruited online samples drawn from MSN.com membership.<sup>15</sup>

With the increase of online research, many researchers—especially internal research departments and small custom research firms—want to offer this methodology but do not have the capability to field such a study themselves. Qualtrics Labs, with its array of software and service products (surveypro.com for designing and fielding simple surveys, QuestionPro.com for more complex surveys,



PerfectSurveys.com for intranet and e-mail surveys) promises researchers without online capabilities the ability to deliver professional-quality online survey results.<sup>16</sup> Training Technologies Inc. also designs, fields, tracks, and posts survey results for those researchers without the necessary technical capabilities.<sup>17</sup>

**Syndicated Data Providers** When managers want comparative performance and opinion data, pitting themselves against their competitors in sales, market share, share of voice, image as a corporate citizen or employer, or salary and benefit levels, they turn to researchers that are syndicated data providers. For a substantial fee, often millions of dollars per year, managers subscribe to receive the periodic data as well as the interpretation of these data. A **syndicated data provider** tracks the change of one or more measures over time, usually in a given industry. For example, a syndicated data provider might track product movements through various retail outlets and wholesale environments. The tracking of sales performance measures during promotional events such as coupon drops, distribution of product samples, special events (e.g., the appearance of a celebrity at a charity event), and advertising is often the key to successful strategic planning. These research firms are also responsible for providing decision makers with measures of price elasticity. In consumer packaged goods, the first research company to provide scanner-based tracking through grocery outlets was Information Resources Inc. (IRI), in 1987.<sup>18</sup> Other firms providing syndicated research are noted in **Exhibit Ha-3**.

Each syndicated data provider determines the frequency of data collection and reporting based on the needs of the members in the syndicate. Although some studies provide data monthly or weekly, not all such studies are done as frequently as sales tracking studies. Some syndicated data are collected only once per year or once every few years. Other syndicated data are collected several times per year during designated collection periods. One example is the tracking of media consumption. Nielsen Media Research is well known for its *People Meter* research that mechanically records and then reveals the viewing habits of a panel of television watchers. Data are collected four times per year during so-called *sweep weeks*. These are times when the TV networks often substitute special programming for their regular shows to increase viewership. Advertising rates for the whole season of advertising slots are determined by a show's audience size and composition during a sweep week. Arbitron collects similar data on radio listening habits. Typically the firm subscribing to the syndicate has full access to its data and the composite data, but not to an individual competitor's data.

**Omnibus Researchers** Sometimes the decision maker needs the answer to one or a few questions to make

a quick tactical decision, such as when it faces a crisis caused by a product recall or the indictment of a company executive for fraud. Within the world of survey research, several research firms provide such a service, some even with a 24- to 48-hour turnaround. **Exhibit Ha-4** offers some examples. An **omnibus researcher** fields research studies, often by survey, at regular, predetermined intervals. An **omnibus study** combines one or a few questions from several decision makers who need information from the same population. Typically, the manager pays by the number of questions, usually between \$700 and \$1,500 per question. Many omnibus studies are still done by phone, but as online participants increasingly mirror the general population, an increasing number are being offered via the Internet. NOP World (NOP) uses a representative sample of 1,000 adults for its Telebus study.<sup>19</sup> NOP contacts participants during the weekend and provides the decision maker with feedback on Monday morning. For a firm facing a public relations crisis, the quick turnaround is invaluable, and the data are available at a fraction of the cost of a custom-designed study. NOP does omnibus studies with automobile drivers, parents, youths, and other population segments in Great Britain, using telephone and online surveys as well as face-to-face interviews. Medical Marketing Research Inc. conducts omnibus studies with physicians in all the medical specialties, while TNS offers the PhoneBus survey, interviewing 1,000 to 2,000 participants twice per week, with results within four days.<sup>20</sup>

### Communication Agencies

It is difficult for an advertising agency to recommend advertising in a particular medium (e.g., television) or on a particular program (e.g., *Survivor* or *CSI*) without fully understanding the demographics and lifestyles of the viewing audiences of each show. This explains why advertising, public relations, sales promotion, and direct marketing agencies are heavy users of syndicated research data, especially from media industry suppliers. It is even more difficult to develop a creative strategy without research on target audience knowledge, motivations, attitudes, and behavior. Agencies are also voracious consumers and providers of custom and proprietary research. Within communication agency circles, there is some debate on whether a research division within an agency can maintain the objectivity needed to do custom research or whether, with conflicting demands from numerous clients, an internal research operation can be efficient and timely, so clients sometimes request that the research needed by these communication specialists be done by an external supplier.

Some agencies do extensive basic research to identify influences on ad recall and ad wear-out, on ad placement effectiveness, on the effectiveness of various creative approaches (e.g., celebrity endorser versus animated product as spokesperson), on the effectiveness of communication

> **Exhibit Ha-3** Some Syndicated Data Providers

Company	Syndicated Service	What It Measures
ACNielsen en-us.nielsen.com	Scantrack  Homescan	Provides sales tracking across grocery, drug, and mass merchandisers. Provides consumer panel service for tracking retail purchases and motivations.
Yahoo! and ACNielsen www.yahoo.com	Internet Confidence Index	Measures (quarterly) the confidence levels in Internet products and services.
Scarborough Research (a service of Arbitron Inc. and VNU) www.scarborough.com		Provides a syndicated study to print and electronic media, new media companies, outdoor media, sports teams and leagues, agencies, advertisers, and Yellow Pages on local, regional, and national levels—including local market shopping patterns, demographics, media usage, and lifestyle activities.
Millward Brown www.millwardbrown.com	IntelliQuest www.intelliquest.com	Provides studies enabling clients to understand and improve the position of their technology, brands, products, media, or channels.
Information Resources www.infores.com	BehaviorScan	Collects store tracking data used with consumer panel data to track advertising influence in consumer packaged goods.
Nielsen Media Research www.nielsenmedia.com	National People Meter	Provides audience estimates for all national program sources, including broadcast networks, cable networks, Spanish-language networks, and national syndicators.
GfK NOP www.gfkamerica.com	Starch Ad Readership Studies	Provides raw readership scores collected via individual depth interview; records the percent of readers who saw the ad and read the copy. The ad is ranked not only against other ads in the issue but also against other ads in its product category over the last two years.
CSA TMO www.csa-fr.com	OPERBAC	Provides continuous tracking of banking insurance and credit purchases in European markets.
DoubleClick www.doubleclick.com	Diameter	Provides online audience measurement services for Web publishers, advertisers, and agencies.
Nielsen//NetRatings www.nielsen-netratings.com		Measures audience data using actual click-by-click Internet user behavior measured through a comprehensive real-time meter installed on individual computers worldwide (home and work).
Taylor Nelson Sofres Intersearch www.tns-i.com	Global eCommerce	Measures e-commerce activity in 27 countries, providing insights into 37 marketplaces via interviews.
ORC International www.orc.co.uk	NHS Talkback	Measures employee opinion for NHS Trusts in the United Kingdom via phone surveys.
J.D. Power Associates www.jdpower.com	PowerReport, PowerGram, etc.	Publishes in-depth analytical reports on automotive, travel, health, and other industries.
BMRB www.bmr.co.uk	Youth TGI	A biannual survey of youth aged 7–19 on purchase and media consumption habits and lifestyle behaviors.

Source: This table was developed from descriptions published on each company's website. All sites were accessed in January 2010.