



White Paper

More Insight, Less Money: Four Steps to Market Research Savings

Introduction

American companies spend almost \$15 billion on third-party market research every year – and yet, the industry as a whole is facing a period of soft growth. The reasons? The aftermath of the recent recession and

shrinking marketing budgets. As a result, marketers are increasingly forced to do more with less and squeeze the maximum value from market research agencies.

The good news – the explosion in the number of research agencies, including a number of smaller upcoming firms, offering a variety of services and capabilities, as well as innovative and exciting new research technologies. As shown in the graph below,

although Nielsen is the clear market leader, other agencies are fairly concentrated with respect to market share and capabilities, causing high industry fragmentation and offering strong leverage to buyers of research services.

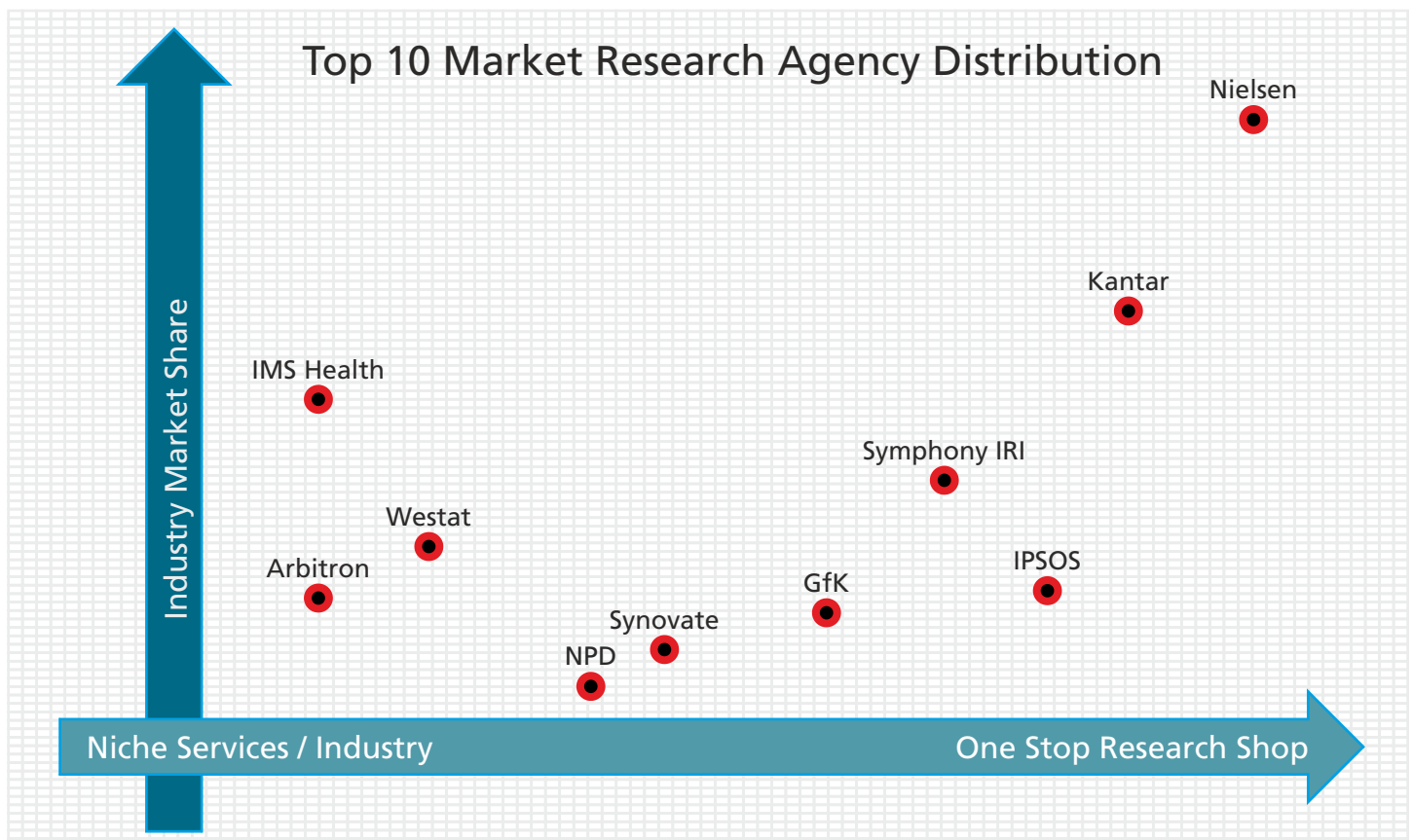


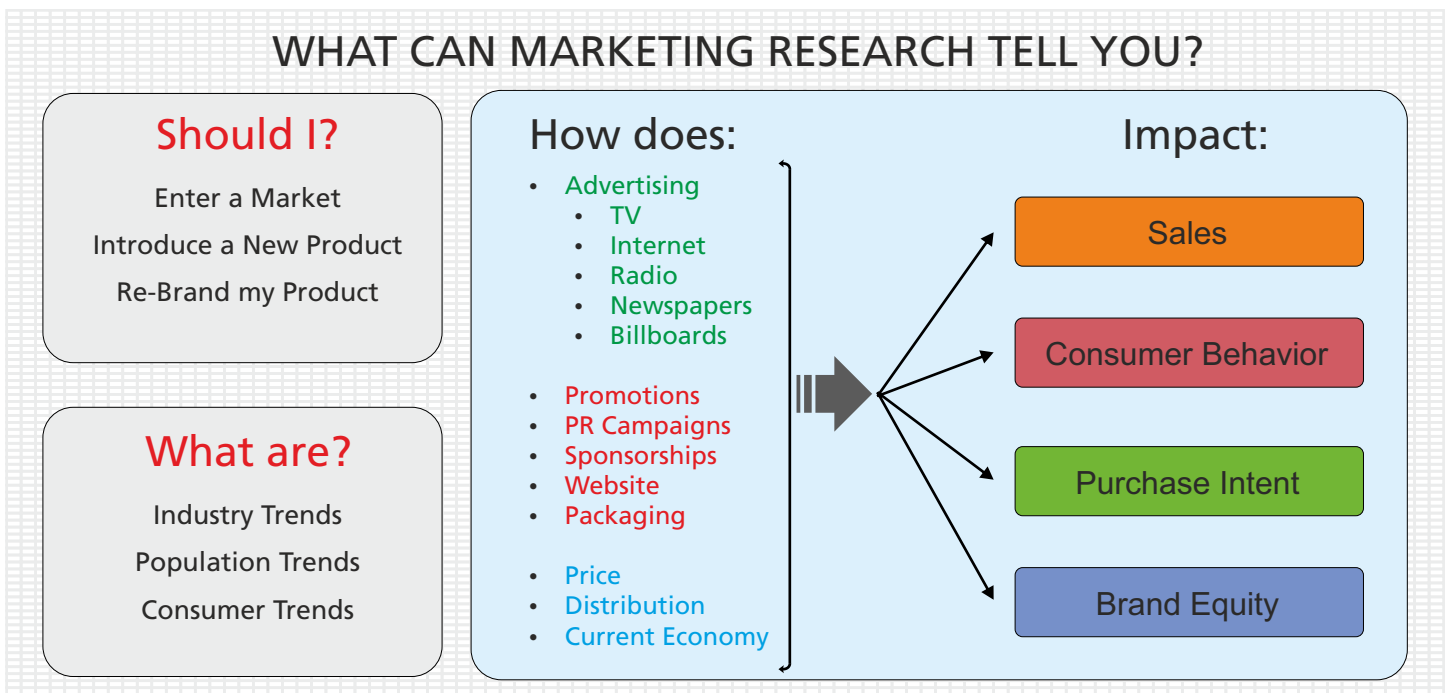
Figure 1 - Overview of Top 10 Research Agencies by Market Share & Service Offering
(Source: 2011 Honomichl Top 50)

The bad news – **most marketers are still struggling to effectively manage their market research costs.** Research is often conducted on an ad-hoc basis and market researchers are wary of letting in procurement professionals into this arena as

they fear that procurement teams may not fully comprehend the nuances of market research. More often than not, this really is the case. As a result, procurement teams are not able to realize potential savings fully.

What, then, can procurement teams do to get it right and keep research costs down for their companies and clients? We, at GEP, have identified procurement and other cost optimization strategies to reduce **Non-syndicated Market Research** spend, without sacrificing quality, to enable procurement professionals extract the most value from their market research dollars. Here are some of them:

1. Understanding the value and impact of market research insights



Market research is the systematic gathering, recording and analysis of data that helps marketers understand and evaluate the impact of their business strategy and/or marketing and advertising campaigns. This could take the form of a favorable impact on sales, an increase in brand awareness, consumer conversion, etc. The graphic below highlights some of the questions research can answer for marketers.

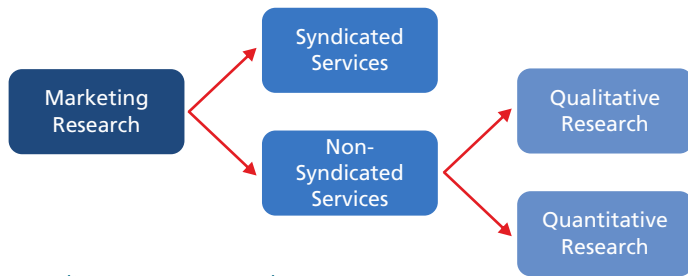
Understanding the differences between various types of research is key, especially when contracting and negotiating rates for various tests and studies. Market research falls broadly into two categories.

Syndicated Services:

These include market data (for example, point of sales, viewership) or general industry research reports that are regularly tracked or conducted by a company and made available to multiple firms via a subscription service. Examples include industry reports by Forrester and Gartner, surveys and polls conducted by Gallup, Nielsen's TV Ratings, etc.

Non-syndicated Services:

Also known as custom research, non-syndicated research includes specific research conducted for particular clients that addresses their needs, and to which only they have access. Non-syndicated Services are further divided into two categories: Qualitative Research and Quantitative Research.



Qualitative Research:

Qualitative Research: Qualitative research is mostly observational in nature and is conducted in the exploration phase. It is characterized by small groups of respondents, usually around 6-12, and cannot be generalized to the whole population. It is used by marketers for very early stage evaluation of ideas and concepts. Examples of qualitative research include findings gleaned

from Focus Groups, In Depth Interviews and Ethnographies.

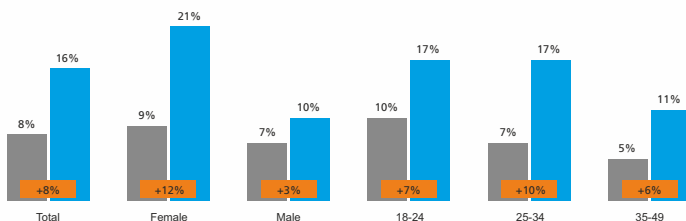
Quantitative Research:

This is generally used to test and measure marketing hypotheses and develop statistically verifiable insights. It involves surveying large groups of respondents that can vary from 100 to over 1000, and can be generalized to the whole population. Quantitative research is an important step prior to taking any key marketing decisions, such as product development or branding. Some examples of quantitative research are Copy Testing, Concept Testing, In-Home Use Testing, etc.

The chart below provides some sample outputs of conducted research studies.

Syndicated or Non-Syndicated Market Research?

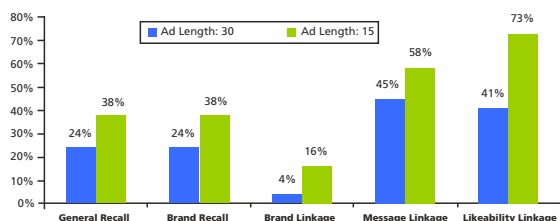
Ad Recall: Do you recall seeing an ad online for Product X in the past 7 days?



Key Findings:

Recall was up a statistically significant 8% points among those exposed to this campaign. Females and persons under 35 demonstrated significant lifts in recall.

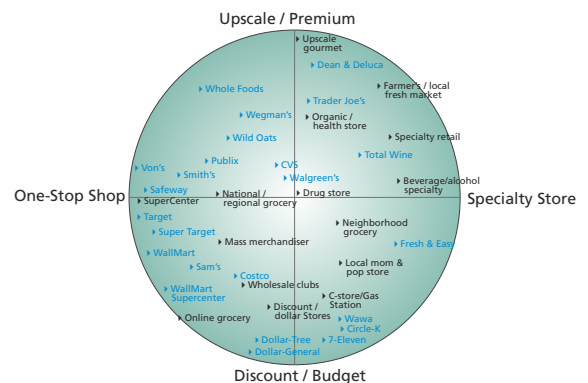
Fortune 500 HBA Client Ad Performance Evaluation



Top 10 Broadcast TV Programs for the week of September 22, 2008 (Live+5D)

Rank*	Program	Network	Rating**	Viewers***	Chart by Rating
1	DANCING WITH THE STARS	ABC	13.4	21.338	
2	GREY'S ANATOMY-THU 9PM	ABC	11.9	18.469	
3	DANCING W/STARS SP-9/23(S)	ABC	11.7	18.302	
4	DESPERATE HOUSEWIVES	ABC	11.4	18.684	
5	NCIS	CBS	11.3	18.026	
6	CSI: MIAMI	CBS	11.1	17.233	
7	NBC SUNDAY NIGHT	NBC	10.8	17.34	
8	CRIMINAL MINDS	CBS	10.5	17.007	
9	DANCING W/STARS RESULTS	ABC	10.4	15.867	
10	MENTALIST, THE	CBS	9.9	15.603	

United States Retailer Segmentation



Worldwide Mobile Device Sales to End Users by Vendor in 2011 (Thousands of Units)

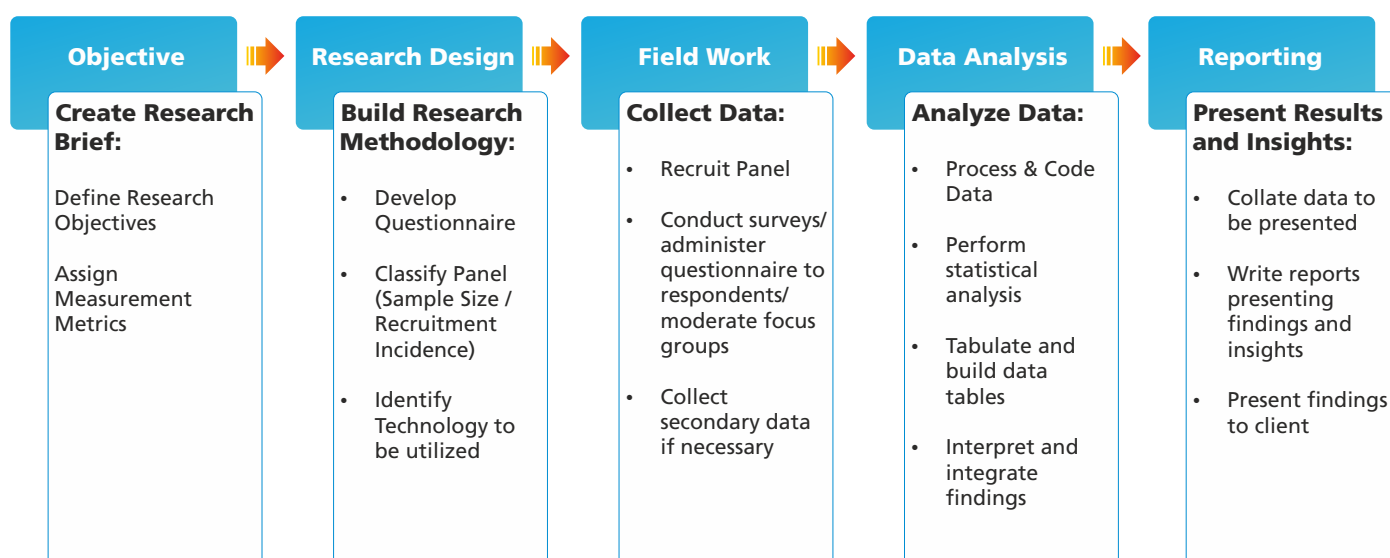
Company	2011 Units	2011 Market Share (%)	2010 Units	2011 Market Share (%)
Nokia	422,478.3	23.8	461,318.2	28.9
Samsung	313,904.2	17.7	281,065.8	17.6
Apple	89,263.2	5.0	46,598.3	2.9
LG Electronics	86,370.9	4.9	114,154.6	7.1
ZTE	56,881.8	3.2	29,686.0	1.9
Research in Motion	51,541.9	2.9	49,651.6	3.1
HTC	43,266.9	2.4	24,688.4	1.5
Huawei	40,663.4	2.3	23,814.7	1.5
Motorola	40,269.0	2.3	38,553.7	2.4
Sony Ericsson	32,597.5	1.8	41,819.2	2.6
Others	597,326.9	33.7	485,452.0	30.4
Total	1,774,564.1	100.0	1,596,802.4	100.0

2. Understanding how Non-syndicated Marketing Research works

Marketers generally use a number of specialized agencies to carry out market research, analyze results and develop insights. As research can be a complex process, involving a variety of technologies, methodologies and expert judgment from highly experienced market

researchers, using a professional market research agency is essential for ensuring strong results and avoiding the risk of inaccurate findings. It is, therefore, necessary to understand how research is conducted to be able to analyze and identify areas to optimize costs.

Most research studies can be broken down into the following steps



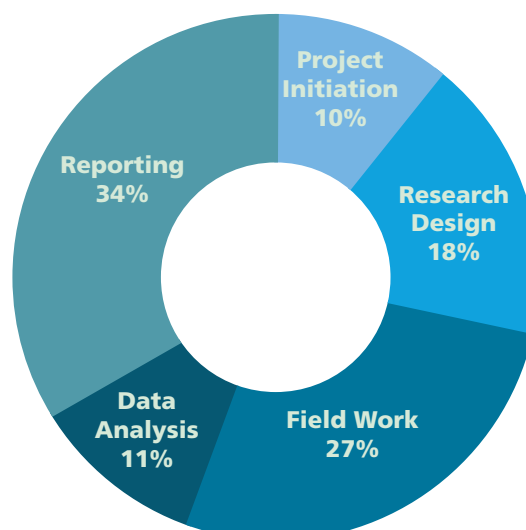
Each of these steps can add variable complexity and costs to research which will be discussed in detail.

3. Identifying cost drivers and addressing them

Non-syndicated Market Research is a process that involves various steps and phases. In order to realize savings, it is important to identify cost drivers, so as to address the costs. The following figure demonstrates the average cost breakdown of each phase of research.

Each phase of research is different, with a different set of costs involved.

Marketing Research Cost Breakdown



Objective Phase: This is the first phase of research and is the stage where the project is initiated and designed. In most cases, there is a pre-objective phase, which is the briefing stage.

In most cases, marketers already have long-standing relationships with their research agencies, which are fully aware of the marketer's brands, products and target audience, as well as their research needs and objectives. Hence, the initial briefing and proposal phase is generally free of costs due to pre-designed metrics and pre-defined goals.

Costs arise in the main objective phase, particularly if a new agency is brought on board, or if a new type of research is to be conducted by an existing agency. These costs are generally associated with agency immersion; they comprise hourly consulting fees for internal meetings and

workshops conducted with key firm stakeholders, such as brand managers and researchers, to get a better understanding of the brands, as well as the objectives of the study.



These costs can be addressed by internally evaluating the time spent on this phase, and the consulting fees charged by agencies for it. Be specific in your requests to ensure clarity of purpose and avoid misinterpretation.

Research Design Phase: This phase includes the following factors:

Questionnaire Development:

This is a crucial aspect of a research study. Studies generally have two questionnaires, the screener – which is used to screen participants for the study -- and the actual research questionnaire. Constructing a questionnaire requires skill and experience. The right number and the right type of questions need to be framed in order to provide strong statistical insights. Besides, the questions have to be worded carefully to ensure that they are unbiased, unambiguous, exhaustive and mutually exclusive. The amount of time spent on responding to a questionnaire can range from 10 minutes to over half an hour. The comprehensiveness of a questionnaire is the main driver of costs. Research tests that are regularly conducted by marketers, such as advertising or concept tests, have pre-designed questionnaires that are slightly modified for each

new test. Questionnaire development does not contribute considerably to overall research study costs, unless a new set of questions is specifically needed.

Sample Size:

Sample size is the number of participants needed in the research study to achieve statistically significant and reliable results and insights. A sample size is obtained after a certain number of candidates has cleared the screener. Sample sizes for research studies can range from 100 to over 1000 participants, and is a major driver of costs within a research study as it is expensive to include a large sample of people to participate in a study. Furthermore, unlike questionnaire development and proposal design, a new sample has to be identified each time a study has to be conducted to avoid respondent bias.

Augments:

Also called over-quotas, augments act like independent smaller samples added to a study in order to get an understanding of a sub-segment of a population. The augments are weighted and merged to the total sample to avoid over or under representation of the sub-segments. As with sample size, adding augments to a study increases the cost due to additional recruiting of participants.

Recruitment Incidence Rate:

Incidence rate is the percentage of a category of people within a population satisfying certain criteria. For example, the incidence rate of people who drink cola in the United States is 75%. This translates to three in every four people

within the United States drinking cola. In marketing research, incidence rate reflects the ease of obtaining eligible candidates for the research study. The lower the incidence rate, the harder it is to find eligible candidates to partake in the study, leading to an increase in the cost of the research study.

Technologies Used:

Research has become more technology-oriented and agencies nowadays use patented techniques or technologies, such as virtual stores, eye-tracking or brain activity monitoring devices, to understand consumer engagement. Administering technology devices, maintaining them and translating their output into measurable insights can significantly increase the cost of a research study.

These costs can be addressed by evaluating if the following can be accomplished without compromising the quality of the study:

- ▶ Modifying existing questionnaires instead of building a new one
- ▶ Reducing questionnaire length, sample size and augments
- ▶ Increasing incidence rates
- ▶ Reducing use of advanced technology, especially for smaller research tests
- ▶ Right-sizing the scope

Field Work Phase: This phase includes the following factors:

Panel Recruitment & Surveying:

The method of panel recruitment and surveying adds to the cost of a research study. Recruiting participants and administering surveys online is much cheaper than conducting telephonic or face-to-face interviews, although in some cases (for example, Hispanic research) this cannot be avoided. In qualitative research, such as focus groups, the length of the discussion session affects the cost of the research study.

Incentives:

Incentives provided to respondents to participate in a study can also affect the cost of research, especially in studies such as Central Location Tests and focus groups, where participants may have to travel to a facility for the research study. Although participants need to be fairly incentivized to participate in studies, a balance needs to be struck to ensure that the incentive does not add to costs disproportionately.

Shipping/Facilities/Other Costs:

Depending on the research study, other costs that arise during field work include shipping of products, facility usage and moderator costs, especially for Central Location Tests and focus groups. These costs will be dependent on the sample size, as well as the number of products tested.



These costs can be addressed by assessing the feasibility of the following:

- ▶ Conducting online surveys vs. face-to-face or telephonic interviews
- ▶ Reducing session length for focus groups
- ▶ Evaluating, benchmarking and negotiating costs for incentives, shipping and facilities
- ▶ Asking shippers to utilize the client's freight providers

Data Analysis Phase: This phase includes the following factors:

Open Ended Questions:

While coding and processing of survey responses is a fairly standard process, additional costs arise when coding open-ended questions, which do not have a fixed set of responses and, instead, require the participant to enter detailed responses. Although open ends can be a great source for qualitative data within a quantitative survey, the coding process to ensure reliable results can be extremely tedious. A questionnaire having one open-ended question administered to 100 people will result in 100 qualitative responses, which will need to be normalized in order to be measured quantitatively.

Source of Volume or Total Unduplicated Reach & Frequency for concept tests) can add significant costs to the study.

Additional Analysis:

Regular data tabulation, statistical analysis and insights will generally be included within the research cost. However, asking for additional analysis (for example, Volumetric Forecasting,



These costs can be addressed by internally evaluating the number of open-ended questions and analysis conducted on the research study.

Reporting Phase: This phase includes the following factors:

Depth of Reporting:

The type of report requested at the end of the study can affect the cost of a research study. An Excel data table will not incur additional costs, while top-line reports and in-depth reports detailing the methodology and findings in PowerPoint can be significantly more costly.

Travel Costs:

In case the research agency team is asked to present its findings onsite, the associated travel costs will add considerably to the total research cost.



These costs can be addressed by replacing in-depth reports by top-line reports and reducing agency travel costs by utilizing video conferencing options.

3. Identifying other sourcing levers to address Non-syndicated Marketing Research Costs

The cost of conducting a research study can vary immensely, depending on the methodology, technology, approach and the depth of analysis and reporting. A Fortune 500 company can easily conduct up to at least 500 custom studies to research products, new concepts, advertising impact, customer satisfaction, etc. And although research can be costly, in the long run, it is often more expensive to make erroneous decisions based on incorrect or inadequate information. Thus, it becomes all the more important to effectively manage and optimize marketing research dollars. Marketers can extract greater value for their money by taking the following steps:

Evaluating current agency network and creating preferred agency pools:

The classic procurement and sourcing best practices are highly applicable to market

research. Evaluating and benchmarking needs versus agencies currently used, and consolidating certain types of tests with a set of preferred agencies provides great leverage in terms of pricing, as agencies are better able to understand the marketer's business needs and forecast future research requirements.



Figure – Sample Evaluation Criteria for Market Research Agencies

Standardizing agency research teams:

Labor is one of the biggest drivers of marketing research costs as human capital is required to conduct surveys as well as data analysis and reporting. The quality of the researchers on the agency team can drastically affect the costs of a study, as well as the depth of the insights

provided. An industry veteran with over ten years of experience can provide stronger insights, compared to an analyst, but will definitely be more expensive. It is essential to ensure that the agency research team has a good balance of senior leaders as well as analysts to get maximum value for your research dollars.

SAMPLE PRICING GRID FOR RESEARCH STUDY

Questionnaire Length: 15 Minutes
Base Sample Size (N) = 200 / Cell

Survey Method: Online Survey
Augment Size (N) = 50 / Cell

Base Test Cost

Incidence	1 Cell	2 Cell	3 Cell	4 Cell
30%	\$100	\$180	\$240	\$280
70%	\$90	\$160	\$210	\$240

Augment Cost

Incidence	1 Cell	2 Cell	3 Cell	4 Cell
30%	\$50	\$90	\$120	\$150
70%	\$40	\$70	\$90	\$140

+

+

+

Additional Analysis Cost

Type	1 Cell	2 Cell	3 Cell	4 Cell
Open End	\$50	\$90	\$120	\$150
Forecast	\$40	\$70	\$90	\$140

Product Shipping Cost

Method	1 Cell	2 Cell	3 Cell	4 Cell
2 Day	\$50	\$100	\$150	\$220
1 Day	\$100	\$150	\$200	\$250

Standardizing test parameters and creating pricing grids:

Standardizing research tests and creating pricing grids can provide greater visibility into the cost of conducting a research study, and help with pricing negotiations. If items such as questionnaire length and the technology utilized are standardized, a pricing grid for each type of research study can be created, as illustrated in the following figure. The grid shown on the left is purely for illustrative purposes where one cell is equivalent to a survey conducted on a single concept. One will notice that the cost decreases as the incidence rate increases and when the number of cells increase. While an increase in the incidence rate highlights the ease of recruitment, the cost per cell decreases as multiple cells are used in a study, indicating the efficiencies achieved due to economies of scale.

Analyzing demand management in test parameters:

In many cases, marketers may plan to conduct an extensive one-off research study that may not follow the contracted pricing. For example, studies conducted before a global launch of a new product or to understand new branding or retail strategies can incur significant costs -- upwards of a million dollars. While demand management techniques can be applied in such cases, it is essential to understand the aspects of the agency proposal, as well as client needs, to ensure that the quality of the study does not get eroded.

The following table shows how demand management can be applied to reduce costs

Study Area	Methodology Specs	SUPPLIER PROPOSAL	Applying Demand Management
Qualitative	Interview Type Interview Length Sample Size	In Depth Interviews 90 Minutes 16	<ul style="list-style-type: none"> Can we conduct Focus Groups instead? Can we reduce to 60 Minutes? Can we reduce sample size to 10?
Quantitative	Interview Type Interview Length Incidence Rates Sample Size	Face to Face 30 Minutes 30% 500	<ul style="list-style-type: none"> Can we conduct online interviews? Can we reduce to 20 Minutes? Can we increase incidence rate to 50%? Can we reduce sample size to 300?
Analysis & Implementation	Deliverables	<ul style="list-style-type: none"> In Depth Analysis Presentation at Client Site 	<ul style="list-style-type: none"> Can results be presented via web conference to reduce travel costs?

Figure 4 – Employing Demand Management without impacting statistical “Degrees of Freedom”



Other Best Practices to Optimize Market Research costs

Supplier Management

- ▶ Conduct monthly research spend tracking to ensure vendor and price compliance

More Demand Management

- ▶ Utilize local resources and facilities for tests, such as focus groups
- ▶ Plan ahead to avoid rush-jobs which are marked up 15%-20% for quicker turnaround times
- ▶ Institute an online approval process to avoid unnecessary testing
- ▶ Conduct quarterly/semi-annual reviews with stakeholders to assess if studies/reports being procured are still relevant for business

Process Improvements

- ▶ Conduct tests in quarterly/monthly waves to save up to 30% costs compared to individual studies
- ▶ Build library of past studies and introduce information-sharing across brands and departments
- ▶ Conduct omnibus surveys vs. customized research to gain generic insights
- ▶ Consider offshore field work and data analysis to receive competitive pricing

Contract Management

- ▶ Develop multi-year agreement with rates
- ▶ Introduce volume discounts and rebates
- ▶ Consolidate spend with agency subsidiaries
- ▶ Tie price escalation clauses to an index
- ▶ Introduce travel expense caps

Conclusion

Market research is essential for marketers, as strong insights are critical for making strategic business decisions. While this fact cannot be ignored, the current economic conditions, as well as the push for businesses to cut overhead expenses in order to remain profitable, will impact market research spend. It is important to realize that both of the two seemingly divergent strategies need to be in sync for the company's future success. Even with the uncertain economic conditions prevalent today, market research does not need to be sacrificed to maintain costs. Instead, procurement should find ways to optimize market research costs in order to maximize both sides of the profit equation.



GEP helps global enterprises operate more efficiently and effectively, gain competitive advantage, boost profitability, and maximize business and shareholder value.

Fresh thinking, innovative products, unrivaled domain and subject expertise, and smart, passionate people – this is how GEP creates and delivers unified business solutions of unprecedented scale, power and effectiveness.

With 14 offices and operations centers in Europe, Asia and the Americas, Clark, New Jersey-based GEP helps enterprises worldwide realize their strategic, operational and financial objectives.

Recently named Best Supplier at the EPIC Procurement Excellence Awards, GEP is frequently honored as an innovator and leading provider of source-to-pay procurement software by top industry and technology analysts, such as Forrester, Gartner, Spend Matters, Paystream and Ardent Partners. GEP also earns top honors in consulting and managed services from the industry's leading research firms, professional associations and journals, including Everest Group on its PEAK Matrices of Procurement Services Providers and Supply Chain Services Providers; NelsonHall on its NEAT Matrix of Global Procurement BPO Service Providers; HfS in its Blueprint Report on Procurement-as-a-Service; and ALM Intelligence in its Vanguard Reports on both Procurement Consulting and Supply Chain Consulting.

To learn more about our comprehensive range of strategic and managed services, please visit www.gep.com. For more about SMART by GEP, our cloud-native, unified source-to-pay platform, please visit www.smartbygep.com.

Access our free knowledge resources at <https://www.gep.com/knowledge-bank>

100 Walnut Avenue, Clark, NJ 07066 | P 732.382.6565 | info@gep.com | www.gep.com

Clark, NJ | Princeton | Toronto | Dublin | London | Prague | Mumbai | Hyderabad | Shanghai | Mexico City | Costa Rica | São Paulo | Singapore | Sydney

Copyright © 2017 GEP. All rights reserved.