

State of the Market Research Industry

Research Professionals' Survey – Wave Eight

For the last seven years RSM's Research Professionals' Survey has taken the pulse of the UK Market Research Industry, anticipating key trends and measuring confidence in the commercial health of the sector.

Last year's wave revealed clear concerns over the impact of the financial crisis on the research industry. This year's study suggests that the impact has already been severe and is expected to remain so for at least the next six months – and many feel the impact will be felt for the next two to three years.

The industry also continues to have concerns that its public image is declining, at least partly due to cheap and poor quality online solutions.

The positive news is that the perceived value of research and its importance in informing business decisions continues to be recognised amongst both clients and suppliers.

The clear message is that during these difficult times the research industry needs, more than ever, to provide value, quality and a clear focus on the needs and priorities of client organisations.

It is also vital that online research must be handled responsibly – poor implementation can reduce response rates and produce poor quality data and therefore damage the reputation of the research industry as a whole.

Executive Summary

Recession bites

- Six out of ten research professionals have seen their budgets decline in the past six months and only one in twenty have experienced an increase.
- This decline is expected to slow down over the next six months but a third still expect budgets to drop. The proportion expecting an increase is static at one in twenty.
- Even with this slightly more optimistic outlook budgets are expected to shrink by 3.5% over the next six months (indicating a year on year decline of at least 7%).
- Research activity in most sectors is expected to experience a net decline - most significantly in the automotive and media sectors.
- Most research methods will feel the impact of recession, with face to face hit hardest (48% expect to spend less on face to face research and only 6% expect to spend more).
- Half of research professionals think the impact of the economic turndown will continue to be felt over the next two to three years.

The impact of technology

- Research professionals see technology as key to the way the industry will do business in the future, particularly driving down costs and increasing efficiency at all stages of the research process. However:
 - Poor implementation of online surveys is seen as one of the key reasons for a decline in the image of market research.
 - Web 2.0 technologies are seen as being important for the industry's future, but there is a distinct lack of detail about how these technologies will be used and what specific impact they may have.

The competitive edge

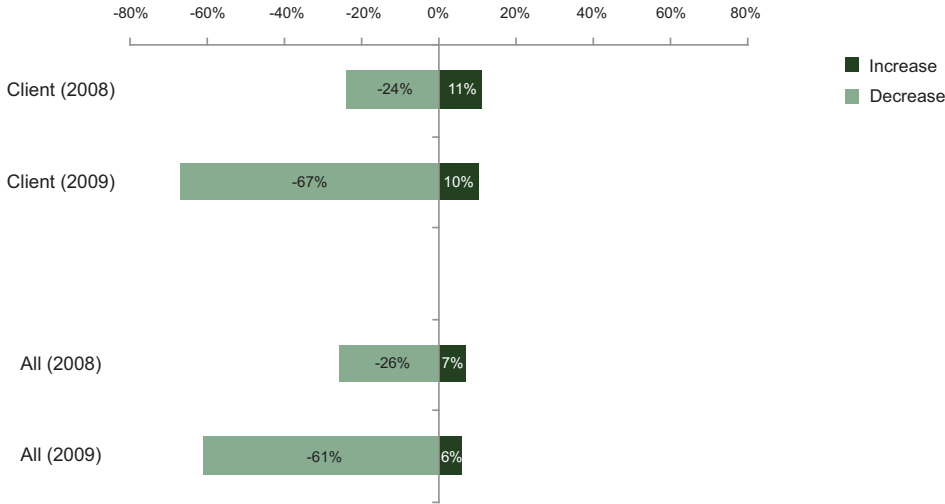
- There remains room for improving the quality of pitches to clients. 36% of clients state the overall standard of pitches they received was good or very good (compared to 60% in 2008). Dissatisfaction with pitches is mostly due to agencies failing to provide innovative research solutions that are tailored to the client.
- Against a back drop of continued budget restrictions and reduced volume the industry needs to provide value, innovation and a streamlined and focussed approach to client needs.
- Reassuringly for the best practitioners, the intrinsic value of market research to business is not in doubt - a quarter of clients state that research will maintain or increase its importance for informing business decisions.

Past budgets: recession bites

The past six months have been tough for the research industry. Six out of ten research professionals have experienced budget decreases and only one in twenty have enjoyed an increase.

The net proportion experiencing a decrease (i.e. the percentage saying 'budgets have been lower' minus the percentage saying 'budgets have been higher') is 55%. This is the highest proportion in the eight year history of the survey (the previous record being 22% in 2002).

Q. Just in general, have the budgets for UK market research you are involved with, either as a client or as a supplier, been higher, lower or about the same over the past six months compared with the same period last year?



All	345
Clients	39

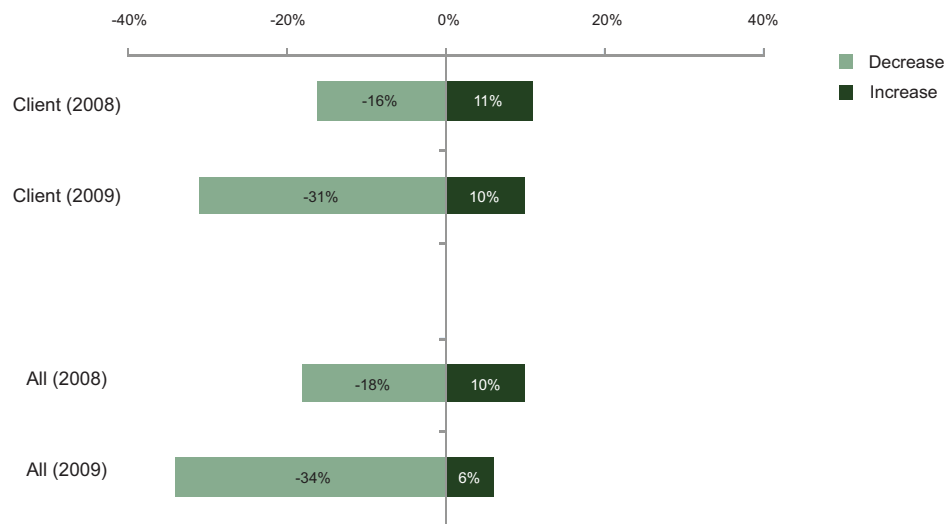
Future budgets: tough trading conditions expected to continue for the next six months

The industry anticipates another difficult six months ahead – a third expect budgets to decline and just over one in ten expect an increase.

The net proportion expecting a decrease in budgets (i.e. the percentage saying 'budgets will be lower' minus the percentage saying 'budgets will be higher' in the next six months) is 22% - again, this is the highest proportion in the eight year history of the survey.

The average decline in budgets expected across the whole sample is 3.5%.

Q. Do you expect budgets to increase, decrease, or remain about the same over the next six months compared with the past six months?



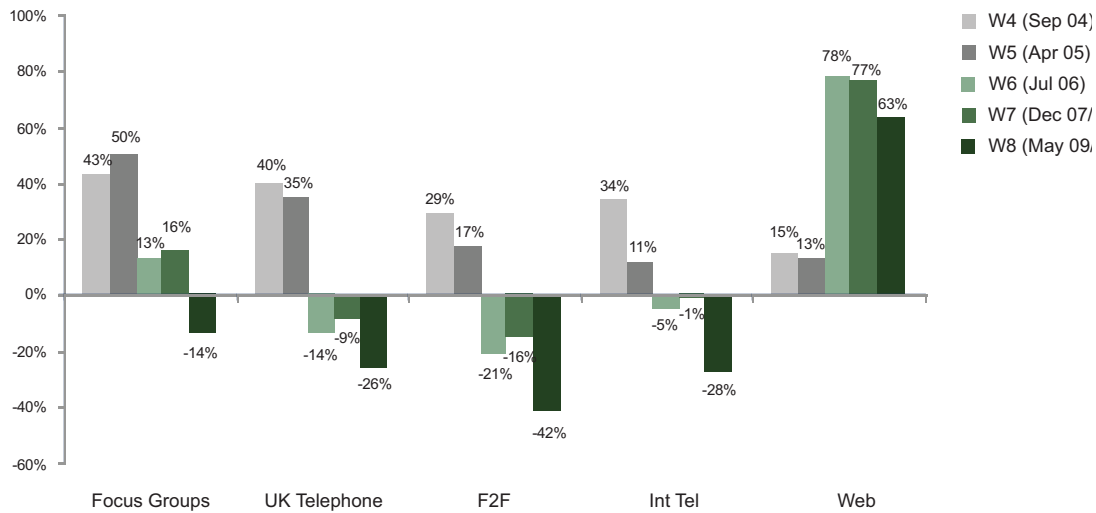
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Face-to-face research hit the hardest

The industry anticipates a net decline in most methods - face to face, focus groups, UK and international telephone - with face-to-face expected to fare the worst. Even in difficult times the industry consensus is that web-based data collection will continue to increase (albeit at a reduced rate compared to previous years).

Q. Please indicate whether you expect an increase or decrease in your use of the following methods in the next six months:

- UK telephone
- International telephone
- Face to face
- Web based data collection



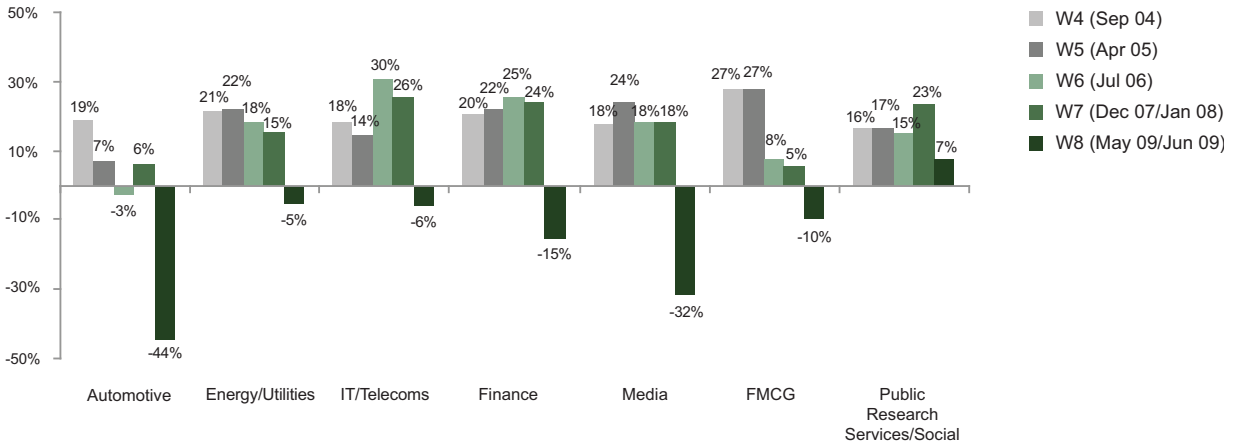
Bases	W4	W5	W6	W7	W8
All	306	299	323	335	345
Clients	46	40	40	38	39

Research activity is expected to experience a net decrease in most sectors. The most significant net decline is expected in automotive and media research.

A modest net increase is expected in public services and social research, although this is at a lower rate than projected in previous waves.

Q. Please indicate whether you expect an increase or decrease in research for the following industry sectors in the next six months:

- Automotive
- Energy/ Utilities
- IT/ Telecoms
- Finance
- Media
- FMCG
- Public services/ Social Research



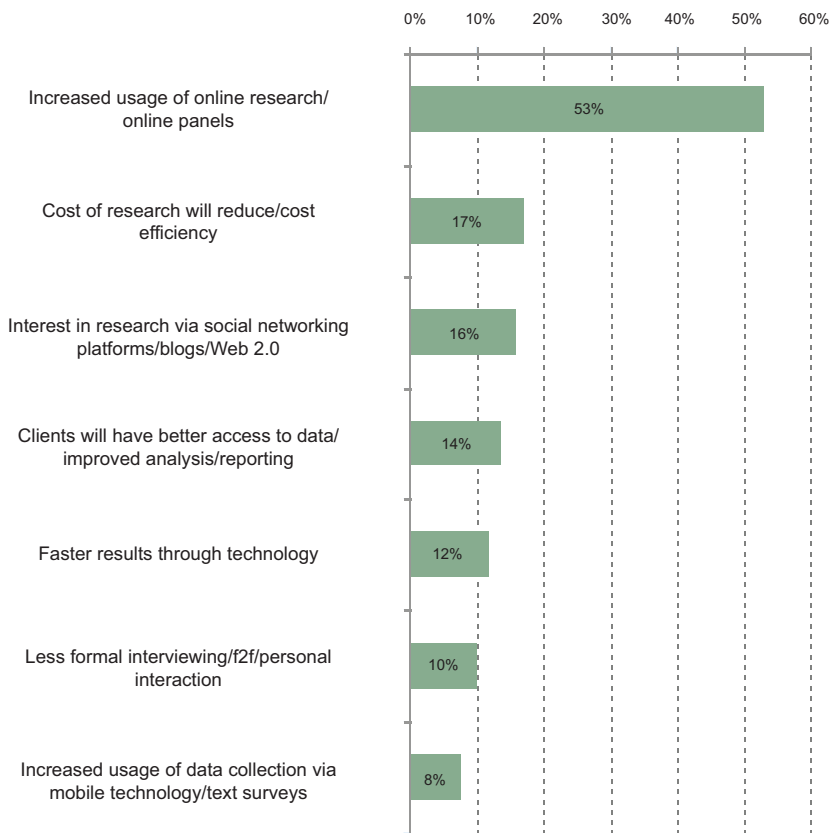
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Technology: a driver for reducing cost

Research professionals see the Internet and online panels as a key influence on the way the industry does business in the future. Technology is seen as a way of driving down costs and increasing efficiency at all stages of the research process – fieldwork, delivery of data and reporting for end clients.

Technologies including social networking sites, blogs, SMS text surveying and mobile data collection are mentioned as being potentially important for the industry, although there is a distinct lack of detail about how these technologies will be used and what specific impact they may have.

Q. How will technology change how the Market Research Industry does business in the next few years?

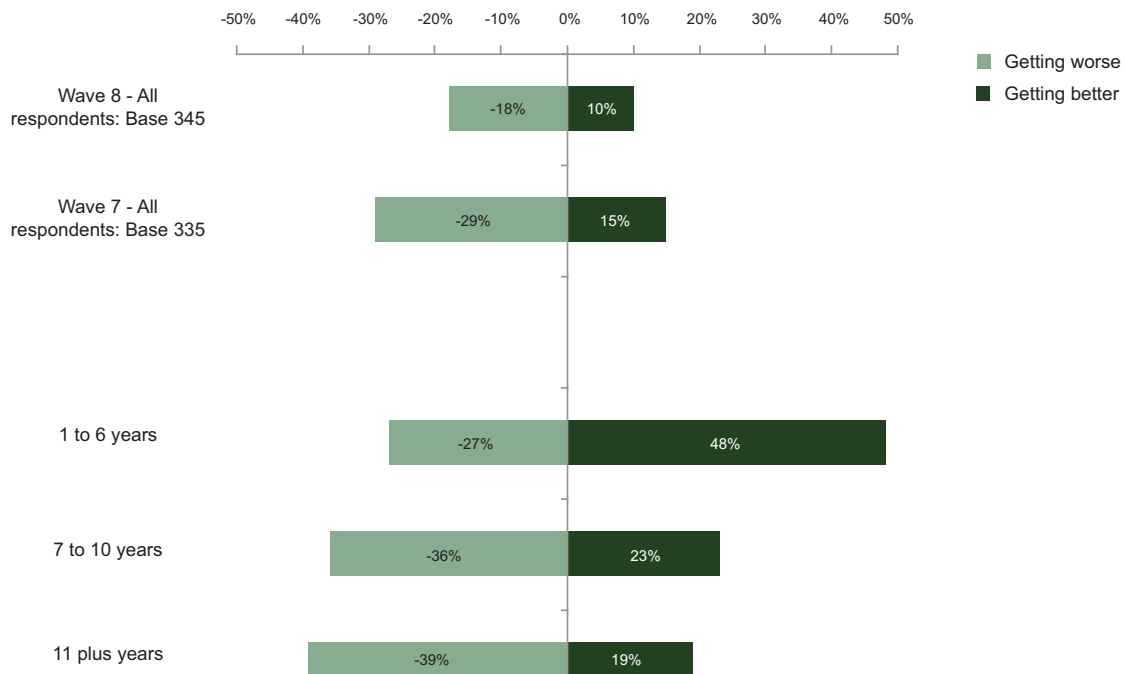


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The industry's image

As in 2008, there is a net perception that the industry's reputation is deteriorating. Professionals with the most experience are more concerned than any other segment:

Q. In general, do you think the public image of market research is getting worse..?

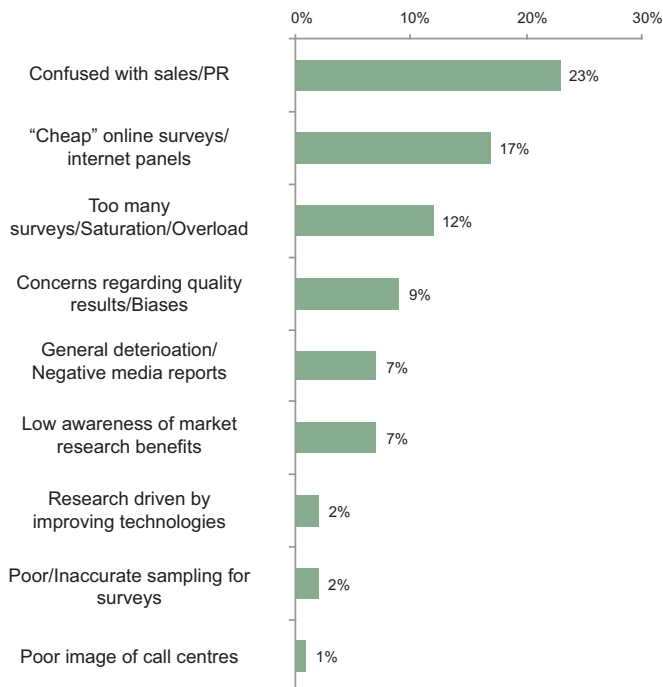


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The most common reasons for perceived deterioration of the image of the Market Research industry include:

- “Sugging”, where sales companies to use market research as a guise for selling (23%),
- A perceived proliferation of cheap and poor quality panel and online solutions (17%)
- Saturation of research aimed at the same key target audiences (12%)
- Concerns over the quality of results obtained generally (9%).

Q. *Why do you think the public image of market research is...?*



Base	96
Getting better	34
Getting worse	62

“[There are] too many poor quality "surveys" around on the web and continued use of “sugging” from non MRS organisations”

“Too many cowboy Internet panel companies coming on stream”

“Too many database building marketing companies calling and saying they are doing research”

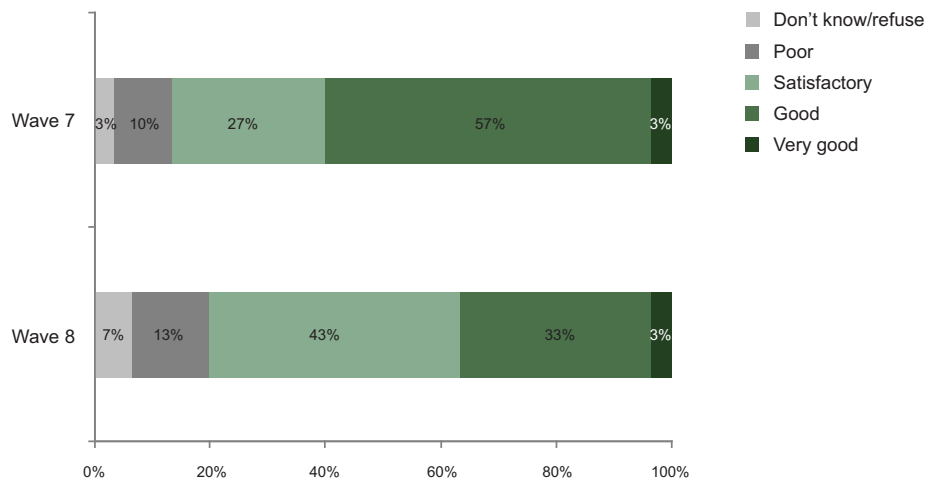
“People have research fatigue: it is not valued. Many associate it with being hassled or sold too.”

Sales pitches: room for improvement

Clients received an average of approximately seven pitches from market research agencies in the past year, a slight drop from nine in 2008.

Fewer clients consider the pitches they received to be anything other than satisfactory, so there is clearly room for improvement.

Q. Overall, what was the standard of the pitches you received?



Clients 39

Amongst those that give 'good' scores the key reason is that suppliers were creative in their approach and had taken time to research the client...:

"Agencies are listening, more focused on our needs, taking longer term views, innovating more and doing more research off their own bat as a way of having a story to tell".

...and 'poor' scores are primarily given because the agency did not take this approach:

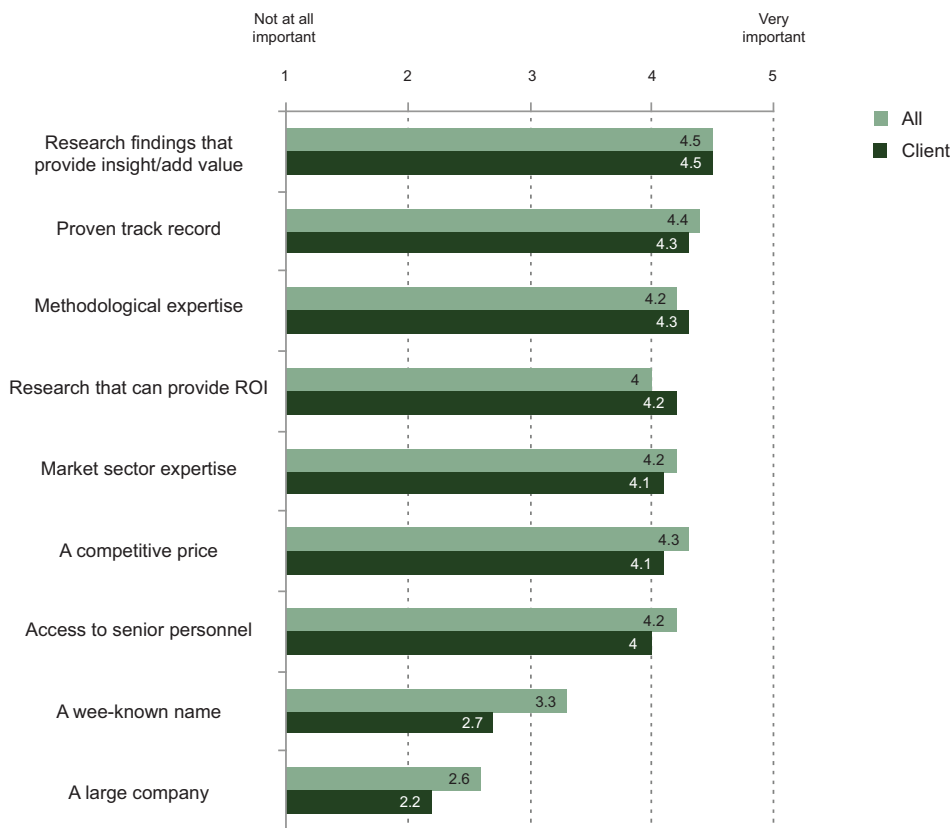
"Too generic and not tailored sufficiently to us as a company and to our needs. Too interested in selling their "black box" products rather than tailored solutions".

Commissioning projects: value and reliability key

Adding value, a proven track record, methodological expertise and ROI all remain the most important factors influencing commissioning decisions.

'A well known brand name' and 'large company' are least important, particularly for clients.

Q. Looking at the list below, please indicate how important you think each attribute is when you/clients are commissioning a research agency? Please use a 5-point scale where 1 is 'very unimportant' and 5 is 'very important'



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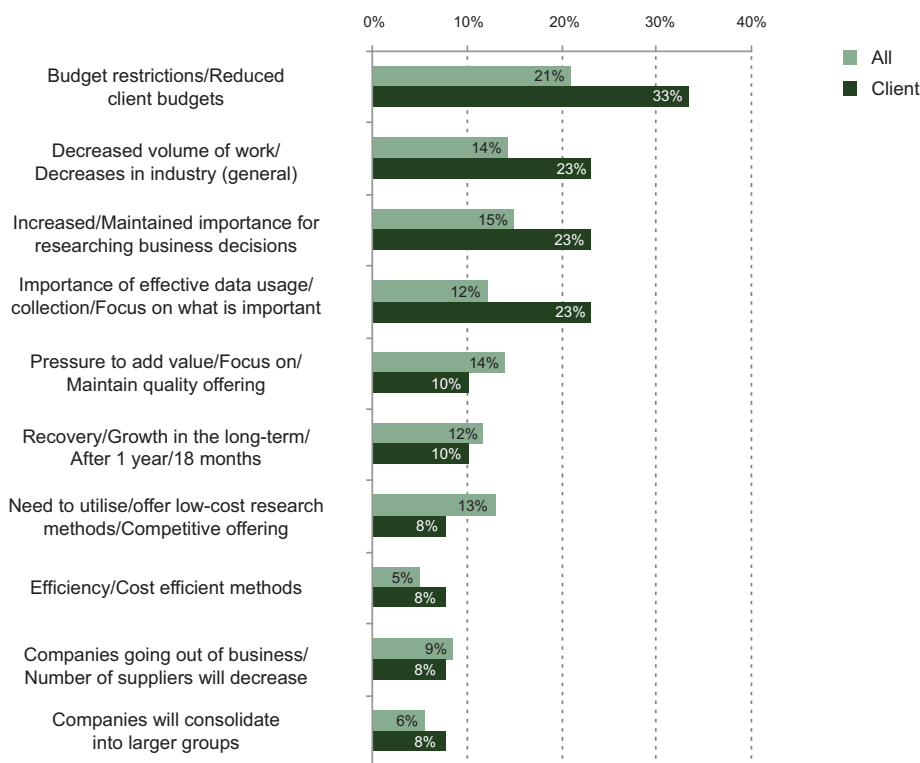
Looking ahead

Budget restrictions are expected for the research industry over the next two or three years - importantly clients are more likely to expect cuts than suppliers.

Clients are also more likely than suppliers to expect their research needs to be streamlined, and to expect a decrease in the volume of work commissioned.

The results suggest that the value of research is not in doubt - a quarter of clients state that research will maintain or increase its importance for informing business decisions - suggesting any decreases in research activity will be driven by focussing on what is important and ensuring the effective and efficient use of suppliers.

Q. Finally, what impact do you think the current difficult global economic conditions will have on the market research industry's prospects in the next two or three years?



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Clients	39

Who we interviewed

Wave 8, 2009: A total of 345 on-line interviews were completed in May and June 2009 with clients and suppliers with an average of 14 years market research experience.

Contact

If you have any questions or comments please contact **John Madden or Rick Dent.**

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RSM would like to thank all respondents who gave their time and opinions.

