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Research reinvented

Research Reinvented: How to beat the economic downturn with smarter and innovative insights

Full text of a speech delivered by Synovate CEO Adrian Chedore in Nairobi, Kenya on May 14th, 2009

It would be hard not to be aware of the global economic recession.

Most media seem to have nothing else to report. Business news is invariably gloomy. Anyone who dares to predict a more positive future is ridiculed.

I'm no economic pundit. I hope I'm also not a hopeless optimist. However the world hasn't stopped. I've just come from London where the economic situation is worse than most. And people are aware of it. In a recent Synovate survey, 75% felt the economy is going downhill and the biggest fear was not being able to pay their mortgage. Even so, the shops seemed pretty full, the traffic is as bad as ever and you still have to queue to get a beer in the pub. Life goes on.

Of course there are many parts of the world where GDP continues to grow, even if at a slower rate than previously.

That's certainly true of China, India and much of Africa. Advertising expenditure in Kenya in the first quarter of this year was 37% ahead of 2008. Given the social unrest of a year ago, you might argue that this is a bad comparison. However the figure is 47% ahead of the same period in 2007. Ad industries in most parts of the world would be very happy with that indeed!

It is true that in general marketers are chasing reducing number of dollars.

Consumers are becoming more cautious and selective. They are holding off on major purchases and looking for bargains everywhere.

In our global survey, 60% of people claimed they have made cuts in their spending in the past six months. That figure is closer to 80% in many developed markets. The spending cuts are varied. Of course it includes deferring major purchases – the problems for the automotive industry are clear for all to see. It also involves cutting back on luxury or discretionary spending. For example many say they are eating out less, choosing cheaper cosmetics or cutting back on alcoholic drinks.

Even here and in other markets with growth, consumer sentiment is increasingly focused on value for money. People are comparing prices more carefully. They are consciously reducing their impulse purchases. And they're more concerned about what other members of their families are spending! It can't be explained in simple economic statistics, but the world really is a different and more cautious place.

As a result, marketers are increasingly focused on short term promotions aimed at quick sales.

Brand building is taking a back seat. New product entries tend to be based on value propositions and line extensions are designed to milk existing offers rather than offering anything really new.

It's true that many people have consciously traded down across many product categories. Marketers of premium brands need to ensure coverage of multiple price points to avoid losing customers to lower price or own label brands. For example trading down to a smaller package of a premium brand is still trading down. But the corollary to this is that the current economic situation is creating opportunities for lower priced brands and generics. What better time could there be to encourage trial?

It is a fact that there are more changes in brand shares and brand leadership in a downturn than in good times. Price is certainly a factor, but it's more than this. Consumers are simply more open to change in times of economic stress.

Cost-cutting is the number one priority of CEOs in Kenya, but 68% still claim to be looking at new products and services to meet customer needs. That's a lot of potential new products.

The timing may well be right, but most will still fail.

A related issue that is particularly relevant to Africa is the increased attention on developing markets from multinational marketers. With sales contracting in their home markets, the attraction of growth elsewhere is ever stronger.

And the same is true within Africa. We are seeing more and more clients looking to expand geographically. This may be through increased coverage of rural areas, more focus on less “obvious” markets – such as lower SEC areas – or expansion to other countries – in Africa or further afield. As many as 52% of CEOs in Kenya claim to be planning expansion to new markets.

All this will increase competition. And it won’t be short term. Once companies have made the investment to enter a new market, they will be very reluctant to withdraw.

And that’s where an undue focus on price and promotion can be dangerous.

Branding, marketing and communication all remain critical to both short and long term success. Whilst it may be tempting to cut back on such things, the short term gain will often come with considerable risk.

Our data shows that it is mainly the multinationals that are driving up total advertising expenditure in Kenya and around the region. Smaller local spenders are cutting their budgets. Whilst understandable there are real dangers in such an approach. Bad times are when competitors leave opportunities on the table. Once missed such opportunities are far harder to realise when times get better again. It will certainly cost a lot more money. And when consumer spending starts to flow more freely again, those brands that have established stronger positions will be that much harder to dislodge. As I mentioned changes in brand shares are more common when times are bad.

So what does all this mean for market research? How can we “Reinvent Research” to provide the kind of insights that will help in a situation where price is ever more important, but where long term brand health remains critical; where promotions and discounts can rapidly change brand shares, but often at the cost of sustainable margins; and where budgets are under constant pressure, greatly increasing the need to justify all marketing, advertising or media expenditure?

To start with, we need to accept that the demands and priorities of research clients are changing.

Even where budgets are not being reduced, the focus on value is extremely high. Procurement is now a regular feature of the research purchasing process. Clients expect to get their data faster. They also want more data and more insight. And they want to pay less. Faster: Better: Bigger: Cheaper!

Despite the fact that these challenges apply to almost every industry some in market research are terrified of such trends. Personally I believe we should embrace them.

- Why shouldn't we justify our prices to procurement? If we build our quotations correctly, there should be nothing to hide. On the contrary, it should be an opportunity to build trust between client and agency.
- Why shouldn't we pass on the benefits from efficiency and technology in terms of speed of data collection or processing?
- Why shouldn't we take advantage of the opportunity to contact much larger samples than was possible in the past to provide more reliable and comprehensive data?

And why shouldn't we be challenged to deliver the kind of insight that makes research a valuable investment rather than a "nice to have"?

Of course we should!

But it takes a partnership approach to make changes like these happen.

As with any supplier, the value to be gained from a research company is directly related to the quality of the relationship with the client. We have a joint responsibility to increase value and drive out cost. Procurement can play a role, but we should also be looking for ways to improve efficiency through collaboration.

A research brief based on a shared understanding of business issues will invariably produce better insights than one based on a required research methodology or specified information requirements.

If clients are willing to share existing data, we can refine the research requirement still further. We may even be able to limit the need for additional work. And if research companies are allowed to assist in consolidating information – from all sources (internal and external), we can make the data work harder still

One example of this is the use of portals.

Not only can they speed up the delivery of data, they provide a centralised repository for all kinds of information – internal and external. And most important of all, they can be used to link these various sources to help show how they impact one another – ad spend to awareness, image to loyalty, employee commitment to customer satisfaction and so on.

We can build them. Clients can build them. But the real benefit is in working together to maximise the use of them. That's the kind of thing I mean by partnership.

But let's get back to the need to beat the economic downturn – right now!

Customer priorities and behaviour are changing rapidly.

Marketers are in a battlefield of pricing and promotions. There is a proliferation of new competitors, new line extensions and new packaging. We're all under pressure to reduce costs, but we can't afford to miss the opportunities that exist. We certainly can't afford to risk the long term health of our brands.

And just to complicate things further there are underlying trends that continue to shape our world irrespective of economic circumstances. To mention just two examples – the Internet and specifically Web 2.0 is creating a revolution in the way consumers interact with brands and their owners, whilst the proliferation of media options makes it ever more difficult to reach target audiences or hold their attention.

I'm sure everyone would agree that marketers need to understand the motivations of the people they are trying to sell to. That is always the case, but never more so than in times of change or when markets are tough. Research can help. Let's think about some of the tactical issues I mentioned earlier.

It may be tempting to experiment with a price cut of say 20% or a promotional offer of three packs for two or a new pack size offering a cheaper option or even a change to cheaper ingredients or reduced benefits in a service offer. After all we know people are looking for more for less.

But what if the offer is too good? What if you could have got the same sales lift with a 15% discount? What if a change in packaging undermines your brand image? And how effective will your tactic be if the competition reacts?

You could be leaving money on the table.

You could be wasting money on offers that don't produce the effect you want. You could even be creating opportunities for the competition.

It would seem prudent to conduct a test before committing to such tactics. It could be a test of new concepts, new packaging, new offers, new pricing or new formulations – whatever you need.

And it's not just about reducing risk. Nor is it necessarily a matter of "go/no go". Applying the right techniques, such research should be able to identify opportunities for more effective action. It might recommend modified marketing approaches. And with proper planning it can be used to build a simulation model that will help you evaluate other similar situations in the future without the need to resort to extra research.

Some people will tell you that it's not worth the effort to build simulators in markets such as Kenya. The demand for such sophisticated analysis isn't there. A simple test will do. I disagree. The main cost of the research relates to data collection. Building a model adds relatively little cost, but enormously enhances value. And that formula is just as true in Kenya as it in the US, UK or anywhere else.

Understanding customers is even more important in the areas of branding and customer satisfaction. A failed promotion or pack change should only be a short term cost. Damage to a brand's reputation can be far more long lasting. As I mentioned, brand shares change more rapidly in bad times. A lost position can take a lot of money and time to recover.

I'm not going to bore you with details about different approaches to branding or customer satisfaction research, but I will challenge why these two things are so often considered and measured separately rather than together. If I'm satisfied with a brand I'm more likely to have a positive perception of it. If my brand feelings are strong, I'm more likely to be forgiving if I find reason for minor dissatisfaction. There is an obvious linkage and we need to understand it.

If you are already conducting a brand tracker, the cost of adding satisfaction or relationship measures needn't be high.

The same applies if you're already conducting a satisfaction monitor. You can add questions on brand. If you're conducting both – lucky you (and lucky us if we're your supplier!) – but there should be savings to be had from an integrated approach.

Again people will argue that it isn't necessary to conduct such comprehensive research in markets like Kenya. Again I disagree. It certainly requires additional planning and considerable discipline to remove unnecessary questions. But just because interviewer costs are lower than in some parts of the world, doesn't mean we should be wasteful.

Earlier I mentioned the impact of Web 2.0 on consumer behaviour. The generation that is growing up with social networking sites such as Facebook, Twitter and the like have access to far more detailed information on brands than was ever possible in the past. And they're used to exchanging views on brands with other people. Word-of-mouth spreads at light-speed and – for this audience - is probably more important than advertising, promotions or anything else.

The first obvious implication for market research is that we need to recognise and measure this factor. Even more important is the opportunity to leverage the technology to communicate with respondents in the way they consider natural.

Community panels are the fastest growing sector of market research.

These are communities of people recruited on the basis of a shared interest. They might be a client's customers, heavy users of a product category or just people with a relevant interest or knowledge base – doctors, frequent travelers, motorists, etc. We recruit them to an on-line panel where we encourage them to interact with one another in the same way as they might on Facebook.

We send them surveys, get them involved in chat rooms or discussions and leverage all the benefits of Web 2.0 applications. However a great deal of the benefit comes from just listening, which in Internet speak means watching what they do on the site, how they interact with one another and so on. Community panels can contribute directly to a client's thinking. They are a sounding board for new ideas. They can even play a direct role in the creation of new products or services.

Many would argue that Kenya is not ready for such research. Well you know my answer to that by now. I disagree. Synovate's technology is as available here as anywhere. Why shouldn't we take advantage of it?

To be fair community panels require reasonably high levels of Internet access amongst your target audience. That won't always be the case and in such circumstances we need to find other ways to listen to customers.

Qualitative research is all too often over-looked.

It's a great way to gauge consumer reactions to trends and often provides a fast return on research investment. Qualitative shouldn't be about asking people what they plan to do or buy. They probably don't know and can't tell us. We need to focus on their problems and needs, their aspirations and fears. It is the joint task of researcher and client to come up with solutions, not that of the respondent.

All this requires above-average moderators and the application of specialist techniques. It may take a little longer and cost a little more, but the return will more than justify that. And you know what? Some people don't think Kenya is ready for such diagnostics. They feel a "standard group" is the very most that can be required. Well you know what? Yes – I disagree!

Come to think of it, I disagree with rather a lot! Economic conditions will always impact consumer sentiment, but I disagree that spending has dried up and we simply have to wait for things to get better. I disagree with those who want to cut support for brands in the hope of protecting short term profits. On the contrary I believe the current situation offers great opportunities to steal share and position. And I disagree with those who don't think Kenya or other developing markets need or deserve the latest in research thinking and technology.

Synovate has been in Kenya and pan-Africa for 10 months now. I'm ashamed to say this is my first visit in that time. Personally and as a company we have a passion for developing markets. We have a major presence in Asia, Latin America, the Middle East and other areas and the integration of Steadman has filled out our coverage of Africa perfectly.

I have been enormously impressed by what I have seen here.

From the advanced approaches to media monitoring, to the investment in Computer Assisted Telephone interviewing; from the use of PDA's for data capture to the quality and coverage of the media and consumer surveys.

I know my colleagues here believe the time is right for investment in the best possible research techniques. And this time – I agree. Totally.