**OLC Supplement: Appendix 1a**

**How the Research Industry Works**

Appendix Lecture Notes

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

## Internal Research Suppliers

* Firms that rely on research to make decisions are likely to have an internal research department or an individual who coordinates research initiatives.
* The number of firms with internal research departments began to grow in the 1960s.
* In the 1970s, researchers were often assigned to a functional area, such as marketing, and reported to the executive in charge of that area.
* The researcher’s influence at the strategic level was constrained by their role… order takers who reacted to the demand for research projects and reports.
* Through the 1990s, the accuracy and actionability of the information provided by research was thought to be low.
* In 2001, the Cambridge Group and ARF sought to redefine the research function in order to make it more relevant to senior management.
* Based on executives’ feedback, research began to expand into such areas as:
* Providing actionable insights
* Reducing risk in marketplace actions
* Improving return on investment
* This evolution is consistent with Northwestern’s Philip Kotler’s contention that, as costs rise, CEOs and board members demand greater accountability for decisions and expenditures.
* However, there is no trend toward staffing large internal research departments. In poor economic times, internal research departments may be eliminated altogether, because firms feel that such services are expendable or available from external suppliers.
* In some ways, the prominence of the DSS and BIS functions has forced the researcher into an even more subordinate role.
* While both information technology management and research are critical, in most organizations the two functions have little to do with one another.

## External Research Suppliers

* More than 2,000 research firms operate in the United States.

### Research Firms

* Full Service Firms
* **Full-service researchers** include some of the largest research firms, and some of the smallest.
* Exhibit 1a-2 identifies some of the largest firms.
* These firms are often involved in research planning from the moment of discovery of a dilemma or from the definition of a management question.
* Such firms often have expertise in both quantitative and qualitative methodologies, as well as multifaceted facilities.
* Some are capable of working in worldwide venues, while others are limited to one industry or geographic region.
* These firms are often a combination of research and consulting operations.
* Custom Researchers
* Often described with phrases like “ad hoc research” or “custom-designed research”
* A **custom researcher** crafts a research design unique to the decision maker’s dilemma. In other words, each project starts from ground zero.
* What is implied is that such firms do not assume that a given methodology is appropriate for each client’s research.
* Although a custom researcher may not always be a full-service research firm, a full-service researcher would always fit into the custom research category.
* Proprietary Methodology Researchers
* A **proprietary methodology** is a research program or technique that is owned by a single firm.
* It may be a new method developed by the firm, or a twist on an established methodology.
* Firms often brand these methodologies to distinguish themselves from the competition. (ACNielsen did this with its Homescan syndicated panel.)
* The Gallup Organization reinvented itself using the proprietary research model, moving from public opinion pollster and custom researcher to research-based consulting firm.
* Q12 is a Gallup proprietary methodology that 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.
* These questions and the survey instrument are copyrighted to guarantee that its intellectual property remains protected.
* Having a proprietary method allows Gallop to charge significant premiums for its research and consulting services.
* Specialty Research Firms
* **Specialty researchers** represent the largest number of research firms.
* These firms specialize in one or more arenas:
* Methodology
* Process
* Industry
* Participant group
* Geographic region
* They may also perform a subset of a methodology specialty, such as:
* Offering focus group moderators, but not the focus group facilities
* Offering recruitment of focus group participants, but not the facilities or the moderator
* Firms doing observation studies are another subset of specialty researchers.
* They often study retail shoppers
* Envirosell and Design Forum both offer observation studies
* Envirosell’s research is designed to make retail environments and processes more productive.
* Design Forum uses research to create internal and external environments that establish and reinforce the retailer’s image.
* *Ethnography* is a type of study that combines the skills of cultural anthropologists with communication and business experts.
* Firms providing Web page optimization research and Web performance metrics are an emerging group of methodology specialists. (Yahoo!, NetIQ, NetConversions)
* Other specialty research firms:
* MORInsight: employee research
* Mercer HR Consulting: employee research
* Survey Sampling, Inc.: suppliers of samples for telephone, mail, and online surveys.
* Greenfield Online: assists research firms by providing online samples and a large panel of opt-in participants in the online community.
* Qualtrics Labs: an array of software and service products
* [QuestionPro.com](http://questionpro.com/): complex surveys
* [PerfectSurveys.com](http://PerfectSurveys.com): online surveys
* Training Technologies, Inc.: designs, fields, tracks, and posts survey results
* Specialty researchers often assist other research firms with their projects.
* Syndicated Data Providers:
* A **syndicated data provider** tracks the change of one or more measures over time, usually in a given industry.
* Product movement may be tracked through retail outlets and wholesale environments.
* Sales performance may be tracked through coupon drop, distribution of product samples, special events, etc.
* May also be responsible for tracking price elasticity.
* Frequency of data collection and reporting is based on the need of the members in the syndicate.
* Nielsen Media Research is well known for its People Meter research that reveals the viewing habits of television watchers. Data is collected four time per year during *sweep weeks*.
* Exhibit 1a-3 lists some syndicated data providers.
* Omnibus Researchers
* Specializes in fast survey research, such as 24- to 48-hour turnaround
* 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 bills by the number of questions ($700 to $1,500 per question).
* Research generally done via phone or internet.
* Exhibit 1a-4 shows samples of Omnibus studies.
* Communication Agencies
* Advertising, public relations, sales promotion, and direct marketing agencies are heavy users of syndicated research data.
* It is difficult to develop a creative strategy without research on target audience knowledge, motivations, attitudes, and behavior.
* Some agencies do extensive basic research on:
* Ad recall and wear-out
* Ad placement effectiveness
* Effectiveness of creative approaches
* ROI on media buys
* Effectiveness of different action stimulants
* All agencies do extensive testing when building a campaign. Such measures combine custom research with syndicated research to explain why a campaign was a success.
* Consultants
* Offer a wide range of services at the strategic and tactical levels.
* All are involved in doing extensive secondary data research for clients.
* May be major influencers in research design.
* Are often involved in the interpretation of results.
* Some conduct both qualitative (focus groups, expert interviews) and quantitative studies (surveys) as they seek new opportunities or solutions to their clients’ problems.
* Trade Associations
* Promote, educate, and lobby for the interests of their members.

Not all conduct or supply research services.