

Online Options Change Biz Little - And a Lot



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Online – a.k.a. Web – or Internet-based – surveys have become the dominant mode of quantitative market research in such a short period of time that the ramifications on the industry are only now becoming apparent.

No doubt remains on the proliferation of online research: One of the most recent surveys of market researchers – *Research Industry Trends'* 2006 Report, comprising 600 respondents – reported, “More than half of those on the academic or client side now rely on the Internet as their primary data modality.” The newsletter *Inside Research* has been quoted as saying that online market research spending has increased to an estimated \$1.3 billion in 2006 from \$253 million in 2000.

The rush to online research has been made possible by the swift acceptance of the Internet. At least two-thirds of Americans now have Internet access. Declining response rates of the former dominant quantitative method – telephone/CATI – is another major contributing factor.

Motives for corporate preference for online research include speed, relatively low cost and client and respondent interactivity. Quality, as always, is a topic of debate, with adherents saying the respondents prefer – and are more thoughtful – in answering online surveys and skeptics observing that opt-in panels do not really represent projectable populations.

While the extent to which online has overtaken traditional research methods is not at all that clear, its impact has led to major industry innovations – for example, the rush to enlist opt-in panels, with Greenfield Online and Harris Interactive, as two of dozens of examples, and the introduction of self-service survey vendors such as Zoomerang and SurveyMonkey, as just two of the many such platforms that offer a do-it-yourself survey traditionally provided by professional researchers.

For competitive reasons, many longtime users of traditional market research – the major consumer packaged goods companies – have not been trumpeting their switch to online research, but one marketing professor estimates that such industry groups now invest two-thirds of their quantitative budgets in this new medium.

Actually, the extent to which online is a true revolution is unclear even now. After all, in some respects, it mimics mail surveys in that consumers fill out their own questionnaires and then submit them to the survey sponsor. But the information technology aspects of online surveys certainly play a decisive new role for many market research firms.

The upheavals in the market research industry include the following five effects:

- **Bifurcation of market research firms** – Firms are either getting bigger or more specialized. Market research, in parallel with corporate clients, is gaining more global reach, as evidenced by the Honomichl 50 Report in the June 15, 2006, edition of *Marketing News*.

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Since for corporate end-users online surveys have been sold as offering lower costs, more and more new research projects are being evaluated through corporate purchasing departments, putting pressure on research fees.

To compete in this arena, small to medium-sized vendors are having to decide whether to invest in IT capabilities such as servers to host Web surveys or take the option of outsourcing to panel firms not only respondents but also statistical outcomes such as tables of data and resulting graphics.

- **More analytical horsepower in the hands of clients** – Online research firms with IT firepower have changed client expectations: They get more from online’s heavy-duty interaction. For example, The University of Texas M. D. Anderson Cancer Center in Houston doesn’t conduct periodic surveys of referring physicians anymore. Their research firm developed an online feedback and reporting system that allows referring physicians to report about their patients’ experiences – in real-time. M. D. Anderson managers can go online and see these reports as they are entered.

Further, if referring physicians report any dissatisfaction, their comments are automatically “escalated” to a designee within the M. D. Anderson clinical practice.

Downloadable spreadsheets and PDF reports are among other advances that online research can provide and that clients are beginning to expect.

- **Smaller firms generating specialty panels** – U.S.-based market research firms without a global reach are generating specialized online panels as a business opportunity. These customer panels may target an industry, such as Gulf Research, a panel of oil and gas personnel, or Interactive Innovation, a panel of “exceptionally creative individuals” to test new product concepts.

Research firms that in the past have specialized in a specific industry can use the databases they’ve built to offer online panels. IT decision-makers are available online from at least one vendor, as are e-mail addresses from research firms focused on Hispanic audiences, healthcare professionals, and food and beverage buyers and so on.

- **Small-business prospects enter research arena through online Do-It-Yourself (DIY)** – Surveys are proliferating in a new market: enterprises that in the past felt they could not afford a professional survey. For \$20 to \$50 a month, a small organization can conduct its own do-it-yourself online surveys. As one example, the Houston-based Harris County Medical Society using the SurveyMonkey product can publish its own survey among member physicians using a simple point-and-click interface.

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A leader in this DIY business, Zoomerang, claims it has 800,000 customers.

Typically such users later gravitate to professional firms as they become more knowledgeable and require more sophisticated statistical approaches, such as conjoint analysis, that are not available on DIY platforms.

- **Greater expectations of respondent profiles** – As noted above, researchers are captivated by relatively low-cost access to online general population panels consisting of hundreds of thousands or millions of households offered by panel specialists.

Vendors of online panels know a lot more about their respondents than CATI services ever did. Aside from mass consumer panels, specialized panels that are recruited indirectly because, for example, they are member of an association may be more reliable than those recruited on the basis of an incentive offer. Another example of high-quality respondents would be existing customers such as physicians who have bought medical products from a vendor and make themselves available for research.

However, quality concerns abound and require comparison among online providers as to who is in their sample, how they were recruited, the incentives given to respondents and the turnover they experience.

About the Author

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Reprinted with permission from *Marketing News*, Gabriel M. Gelb, November 1, 2006, p 23-24

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- Marketing and Brand Strategy
- Operations
- Technology Deployment
- Strategic Human Capital
- Corporate Finance

The firm's 40 year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor's clients span the globe and are typically leaders in their industry.

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