



The Online Research Industry
An Update on Current Practices
And Trends

Topline Report of a Study Among
Market Research Companies

May, 2006

Introduction

This topline report details the findings of a survey of research companies and how they conduct online research.

307 research companies participated in the survey which was conducted online in March 2006. Of these, 247 met qualification criteria, representing some \$3.1 billion in survey research revenues. Of these:

- 53% were in the United States
 - 16% in Europe
 - 12% in Asia-Pacific
 - 9% in Canada
 - 6% in Latin America
 - 2% in the Mid-East and Africa.
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- 52% had revenues under \$5 million
 - 26% between \$20 million and \$34.9 million
 - 7% above \$35 million
 - (14% preferred not to state their revenues)
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- 88% were full-service companies
 - 12% specialized in data collection or processing.

51% of respondents were senior officers in their company and the remainder line managers.

Geographically, the sample overstates the importance of the United States and understates Europe. Since we believe that the understatement in Europe was due to non-response among companies carrying out no online research, we have not weighted the sample according to geography as this would have introduced further distortions into the results. Accordingly, readers are cautioned that the results in this survey over-emphasize the influence of the most mature online market. As such, some of the trends highlighted in this report may be a little ahead of their time.

The sample was drawn from international and national directory listings as well as trade show marketing lists. 1,768 invitations to companies to participate were issued leading to 307 responses of which 247 were qualified, yielding an effective response rate of 13.9%.

Summary

Online research continues its headlong march to become one of the most dominant (if not the most dominant) data collection methodologies worldwide. Fueled by more research companies coming online, a greater reliance on the methodology by those already initiated in its virtues and a solid core (20%) of very heavy users, research over the Internet appears well-set to take a third of the survey research market in a very short space of time.

In our first survey of the market in 2005, we reported that research companies were debating the merits of keeping their online capabilities, including panels and software platforms, in-house or outsourcing them. There was evidence of a considerable amount of experimentation in this regard, together with a robust willingness to invest in both proprietary software and in-house panels. Today, that debate would appear to have been resolved, with most companies unlikely to invest further in either. Rather, it seems that most are content to outsource these key elements of the craft, even if there still exist a number of concerns surrounding its practice.

These concerns revolve primarily around panel quality and response rates. If anything, worries about these two issues have increased over the past year. It should not be a surprise, therefore, that the predominant factors taken into account when choosing a panel supplier are “hygiene” factors such as these, the overall management of the panel, the degree to which it is representative and the degree to which it is a “true” panel, not just an email list.

Adding to concerns about panel quality are some newer issues surrounding online research software, particularly in terms of missing functions or functions that don’t meet user needs. However, here the primary choice factors appear to be more customer service-oriented, with respondents increasingly stressing the importance of support, partnership and ease and functionality of use.

As the market matures in the not-too-distant future, therefore, it is probably safe to say that the winners among the providers of both software and panel services will be those who pay particular attention to product quality and customer service, proving that the online research market is in reality no different to any other!

Main Findings

Online growth continues apace

A year ago, 78% of research companies were found to be conducting online research, with another 8% intending to do so. Today, we find 87% of companies online. Even given the understatement of Europe in the sample, we believe that the actual number is probably in the low 80's.

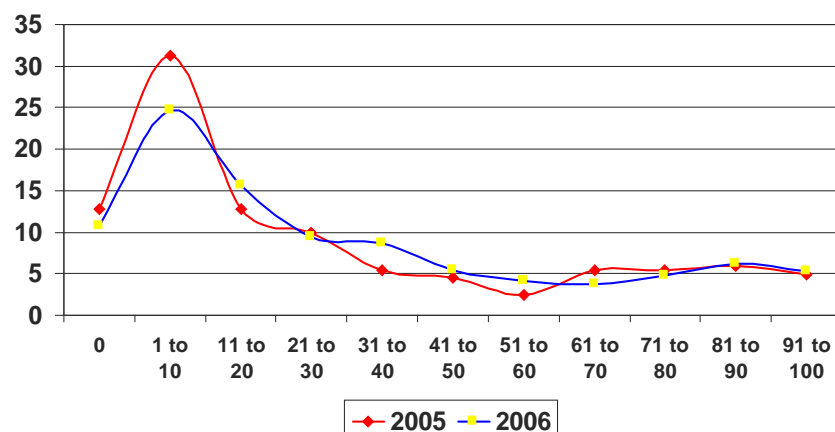
Companies sampled in the survey reported that 29% of their revenues were derived from research conducted over the Internet. Again, given the under sampling of European companies and the bias towards the US, we believe that this number is overstated, even if it accords to the proportion of budgets that clients told us in 2005 would be devoted to this methodology.

A better handle on the amount of work being conducted online may come from the *median* percentages of Internet work being reported. These suggest that 25% of work among those already online is being conducted using this medium in 2006. Taking into account those who have as yet to join the Internet revolution, this figure would drop to 20%, equivalent to \$3.07bn. This would place the market well on track to meet our projection last year of a market worth \$4bn by 2008.

Returning to the means being reported, two factors appear to play a major role in explaining the surge in Internet revenues:

- i) greater utilization of the medium by companies who last year were “dipping their toes” into Internet research
- ii) a hard core of 20%+ of companies who are conducting 60% or more of their work online.

Fig.1. Proportion of work carried out online



Research companies moving towards outsourcing

In 2005, we reported that 59% of research companies were capable of conducting an online study using entirely their own resources. That situation has not changed, with 60% reporting the same situation this year. Nonetheless, 49% do use service bureaus for some portion of their studies (again, this is higher in the US), with three such companies – Greenfield Online, GMI and e-Rewards – accounting for the bulk of this.

What *has* changed, however, is that research companies appear to have shifted their focus from trying to do everything in-house to outsourcing key portions of their online offer. This is particularly true of panels and online software platforms. Where panels are concerned, 63% of companies surveyed in 2005 were using their own in-house panels to source sample – today only 44% are doing so. More to the point, half as many panel owners today are intending to invest in panel expansion as were a year ago and a bare 8% are intending to invest in new panels. Clearly, research companies have decided that it is uneconomic to continue investing in panels when there are specialist companies out there to whom they can outsource.

Fig.2. Panel Usage and Investment Plans

Sample source	% using	% of volume		2005	2006
Own panels	44%	22%	Will invest in panel expansion	77%	34%
Panel company	66%	32%	Will invest in new panels	55%	8%
Specialized sample company	44%	13%	Will pursue mix 'n match policy	55%	48%
Client sample	78%	24%			
Employee lists	30%	6%			
Other	10%	3%			

Interestingly, companies are still willing to pursue a “mix ‘n match” policy whereby they mix use of their own panels with those of outside suppliers. This would suggest that companies wish to leverage the investments that they have already made, but do not necessarily wish to invest further to enhance the panels they have already built.

It's a similar story where software platforms are concerned. Where 67% of companies were using an external platform last year (often in conjunction with one built in-house), 81% are doing so today. Those relying on their own proprietary systems have declined from 41% to 32%. More tellingly...

- only 13% of these use their own platform exclusively (down from 24%)

- 44% intend to develop their system further, down from 79% last year.

It would appear that research companies have decided that investing in their own systems is money not well-spent when there are off-the-shelf solutions that they can equally as well rely upon.

Choosing a software supplier

Research companies appear to be relatively well-informed when it comes to choosing a software supplier to meet their online platform needs. Awareness of the major suppliers ranges from 45% to 90%. Of these, SPSS, GMI and Sawtooth appear to be the most popular.

When deciding upon a supplier in this area, the key attributes seem to be that the software be robust and reliable, that it can handle projects of any size, be able to import and export from and to a wide variety of other software applications and be good value for money. In this, not much has changed since last year. However, what is apparent this year is that research companies are placing that much more emphasis on *customer-related* issues:

- is the software extendable/flexible and adaptable?
- How oriented is the supplier to customer service?
- Does the software meet *my* needs?
- Is it intuitive for project managers to use?
- Will the supplier customize it to meet my needs?
- Is there a 24/7 help desk?
- Is the company willing to become my strategic partner?

Choosing a panel company

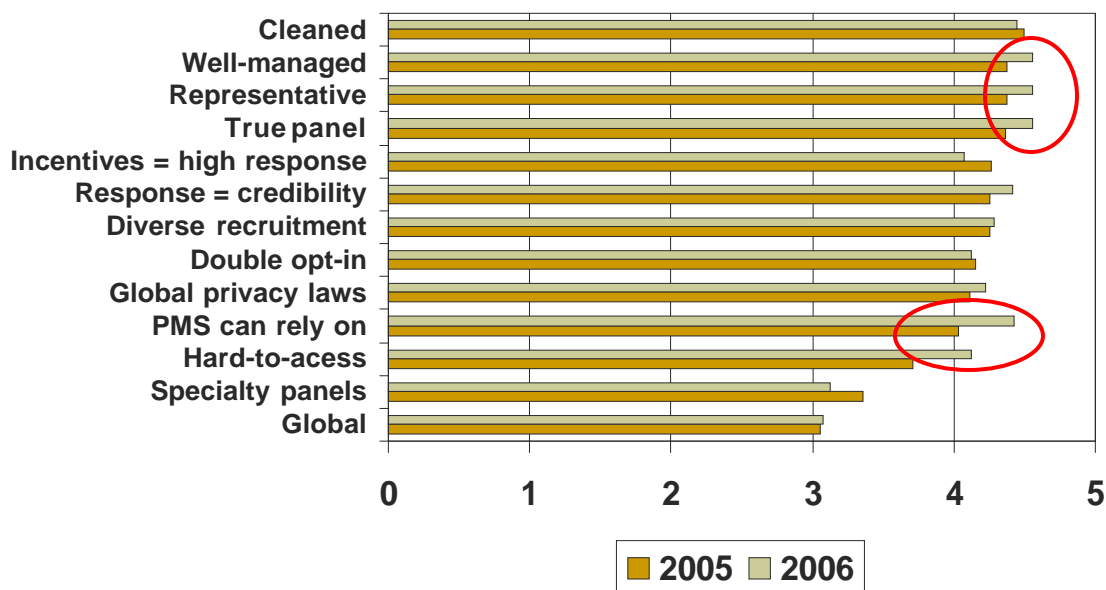
The year since our last report has been characterized by heavy consolidation of the panel market, together with a smattering of new entrants in Europe and Asia. Greenfield Online snapped up goZing and Ciao, while SSI bought Bloomerco. Countering the attack by these American goliaths in the European market, we have also seen the emergence of viable new competitors in the likes of To Luna and Research Now. Worldwide, these developments have resulted in a market that is primarily dominated by the 'Big Four' – SSI, Greenfield, GMI and e-Rewards. We shall have to wait and see if the new entrants can make an impact on the dominance of these four.

Whatever the case, it remains true that the factors most impacting a research company's choice of panel supplier are those that we can label as "hygiene" issues:

- is the panel cleaned regularly?
- Is it well-managed?
- Is it representative of the populations it claims to offer?
- Is it a true panel, not just an email list?
- Do its incentive systems guarantee a high response rate?
- Are response rates high enough to yield credibility to results?
- Are recruitment methods diverse enough?

If anything, emphasis on these hygiene factors has increased over the year.

Fig.3. Factors important in choice of a panel company



What is also interesting – given the reduced reliance on internal panels – is the increased emphasis this year on panel management systems that research companies can rely on and the ability to reach hard-to-access populations.

Heightened concerns about conduct of online research

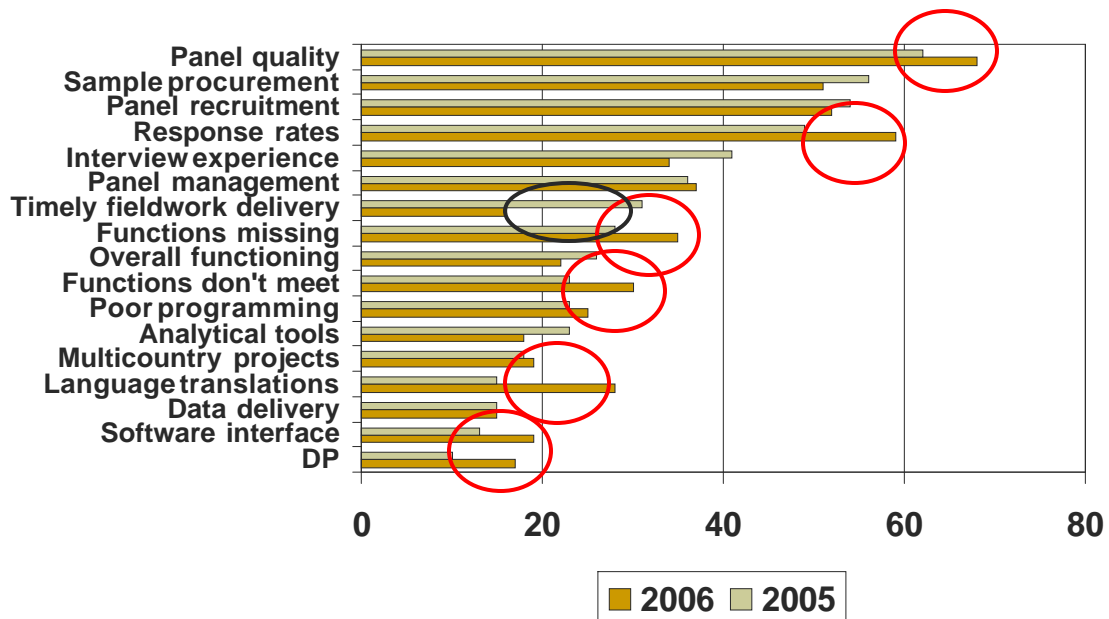
Perhaps because research companies have opted to put more of their online capabilities into the hands of outsource suppliers, there seems to be a heightened level of anxiety surrounding the overall conduct of online research.

The over-riding concerns remain those of panel quality and response rates. Indeed, if anything, research companies seem to be more worried about these issues today than they were a year ago.

To these, however, are added a number of other concerns that appear to be pushing their way up the ladder:

- Missing software functions
- Software functions that don't meet user needs
- The quality of language translations (this reflecting perhaps an increasing amount of international work done on the Web)
- The overall software interface
- DP capabilities.

Fig. 4. Main concerns about online research as conducted today



Moving against this trend, it is heartening to see that the panel industry appears to have got to grips with at least one of the concerns from last year: timely fieldwork delivery would no longer appear to be a major problem.

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