



## To What Extent Is The UK Market Research Industry A World Leader?

A White Paper by Matthew Harrison of B2B International



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## A MARKET RESEARCH CULTURE

Anyone who has lived in the UK will quickly realise that market research – the exploration, analysis and interpretation of the views of people and businesses – is an integral part of everyday life. On a daily basis, newspapers report survey data on subjects as diverse as voting intentions, confidence in the economy and the population's nocturnal habits. Prime-time TV shows ask participants to predict the results of surveys of the British people's views of subjects ranging from the interesting to the ridiculous. Two weeks' bad results in the political opinions polls can dictate the date of a general election.

This obsession with polls and surveys is linked to some of our national character traits – we love giving our opinions on subjects – arguably regardless of our level of knowledge of those subjects – and we have an insatiable thirst to find out about the habits and lives of others.

Thankfully, only a small proportion of UK surveys are as spurious as some of the examples above. To an extent unmatched by any other country, market research informs almost all levels of economic, social and political decision-making, resulting in the world's highest level of market research spend per head (around £20 per capita according to ESOMAR<sup>1</sup>), and a total market value of almost £1.5bn per annum (only the USA has a bigger market research industry). The international nature of the industry is shown by the fact that around a quarter of all research is commissioned from abroad, with at least the same proportion of projects referring to foreign markets.

In purely economic terms, therefore, there is a strong argument that the UK is an international leader in market research. But is this position sustainable, and can the industry be regarded as world-leading in terms of the quality and nature of its offering, its investment in new techniques and the application of its findings?

## THE EXTENT OF THE INTERNATIONAL OFFERING

The number of market research agencies in the UK is subject to some debate – there is no 'entry level' requirement that a company must meet in order to describe itself as a market research agency. However, there are around 700 companies in the *Research Buyers Guide*, of which 370 specifically claim to offer international research. Of the 163 UK companies listed in the *ESOMAR Directory*, all but a handful offer international research.

It is therefore clear that – at the very least – a high proportion of UK research companies recognise the importance of offering international research and have some experience of doing so. This in itself marks out the UK from other research industries – even other advanced research markets such as the USA, France and Germany have a lower proportion of agencies conducting international research than the UK.

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<sup>1</sup> ESOMAR world research report 2007 (ESOMAR is the European Society of Market Research)

## IN WHICH WAYS ARE COMPANIES INTERNATIONAL?

In at least 3 key respects, the UK market research can be regarded as truly international:

- **Over half of UK ‘research agencies’ conduct international research.** If we exclude independent consultants and other extremely small outfits, the figure rises to over 75%. Indeed, for research agencies of any size it is taken as a given that international research will be part of the offering. This reflects the fact that most research is commissioned by large companies, who expect their suppliers to share the international outlook that they themselves have.
- **Of these, around 85% of agencies collect at least some of their international data in-house** (telephone interviewing being the most common methodology), and the vast majority of these conduct foreign fieldwork where language and time zones allow. The simple fact that the UK has English as its maternal language – which, although not ideal, can often be used as a second language for interviewing, particularly in business markets – is a key advantage in this respect. Most agencies will conduct fieldwork in the major European languages in-house, and outsource some of the less common languages.
- **Around 25% of all market research commissioned in the UK is from international rather than domestic clients**, reflecting the high levels of foreign direct investment and import/export in the country. This has resulted in a research industry that is used to dealing with foreign clients, as well as exploring foreign markets.

## DATA COLLECTION TECHNIQUES USED FOR INTERNATIONAL RESEARCH

The UK has shown itself to be an early adopter, rather than an innovator, in terms of data collection techniques, with online surveys and focus groups, mobile phone texting research and other techniques typically pioneered in Japan and the United States. This is reflected, for example, by the fact that online research represents 19% of all research conducted in the United States, against 13% in the UK (this does make the UK the leading major European country to conduct online research, however).

This tendency to show a level of caution when adopting new techniques can be partly explained by the pragmatic philosophy of UK research agencies. Agencies in the UK are increasingly ‘solutions-focused’ rather than ‘technique-focused’, in that they concentrate above all on the output of the research rather than the inputs – *what* they discover, not *how* they discover it. Indeed this approach would appear to have had some success, in that most UK agencies have managed to keep their margins at similar levels throughout the last decade, whereas many other mature research industries have seen their margins squeezed.

It remains to be seen whether the UK catches up with the US in terms of the proportion of research conducted online, as the country potentially enters a downturn and suffers all of the associated focus on costs by clients.

The three key online techniques used by the industry are worth mentioning. The oldest online technique – web surveys – is used for studies where there is a very large target



audience (1,000 plus) and where quantitative results are required. This relates to a couple of practical issues – firstly, participation rates are low in online surveys (usually under 10%) and secondly, most audiences' attention span is rarely longer than 10 minutes. Like all online techniques, however, a key advantage is the ability to involve target audiences from around the world at a relatively low cost.

Online focus groups are a recently developed technique (they have been in use for around 3 years) and are proving an excellent answer to what had been a perennial problem – gaining qualitative interaction between geographically dispersed respondents, often in a business setting. There are two types of online focus groups – 'chatroom' style discussions in which a specific hour or two is allotted to discuss a particular topic, or more commonly 'bulletin board' groups, in which respondents can join the discussion at a time to suit them over a period of a day or two. Both techniques have proved extremely successful, particularly in international business-to-business research and concept development research relating to websites or 'intangible' services.

Online techniques for international research will continue to develop, although the following challenges in particular remain:

- Variable bandwidth, particularly in emerging markets, means that there can be technical difficulties with respondents submitting information online
- Low internet penetration, even in some Western countries, means that web samples cannot always be regarded as 'representative' (and in all countries older people are less likely to be online compared to younger people)
- Unfamiliarity with the concept of submitting information online in many developing countries can mean that gaining co-operation is difficult
- As with any group methodology, it is impossible to mix respondents who speak different languages

Above all, the industry continues to test different techniques in different situations, and proceed with a degree of caution. There is a strong resistance by most agencies to conduct online research purely to minimise project costs – the low response rates and lack of detail that can occur when online techniques are used inappropriately are thought to be too high a risk in terms of maintaining quality.

## DATA ANALYSIS TECHNIQUES USED IN INTERNATIONAL RESEARCH

The UK differs from other major research industries, such as the USA and Germany, in that it is seen to be less 'technique driven', particularly in terms of data analysis. Whilst UK agencies make use of, for example, conjoint and regression analysis where appropriate, they tend to be extremely strong at recognising the limitations of these techniques and putting them in their full context to clients. Indeed, agencies increasingly incorporate a number of open-ended questions into 'quantitative' surveys in order to ensure that the findings 'pass the common sense test'. There is far less reliance on statistics alone than is the case in other markets, as quantitative and qualitative techniques are combined in the formulation of research conclusions. This is a particular advantage in international research, in which quantitative survey results can vary due to cultural factors rather than fundamental differences in opinion. Only through combining qualitative and quantitative analysis can the full context of an international study's findings be understood.



In adopting a solutions-focused approach, agencies are proving that they can provide insights and intelligence rather than simply data, making market research a far more useful aid to decision-making in international markets.

## THE QUALITY OF THE OFFERING

The size and international reputation of the UK market research industry suggest that the quality is high. Furthermore, formal quality standards such as IQCS (possessed by around 80% of agencies) and BS7911 (since superseded by ISO 20252), which a decade or so ago were of key interest to clients, are now barely considered, as clients assume that most research is of a good standard, and judge agencies by their proposals and presentations. The apparent faith that the client base now has in the research industry is further manifested by the fact that an estimated 25% of projects are commissioned without the client and supplier meeting each other.

Many agencies have introduced formal procedures for obtaining client feedback, with customer satisfaction questionnaires sent to clients at the end of projects.

## PEOPLE

As the worldwide research industry grows, more and more UK researchers are gaining experience abroad, making them extremely appealing to potential employers. Likewise, the UK's position as a major economy and multicultural country makes it an appealing location for foreign researchers. This has greatly improved UK companies' ability to understand foreign markets and therefore conduct convincing projects in those locations.

## AN UNDERSTANDING CLIENT BASE

All clients are different, of course, and it would be unfair to label decision-makers in one country as 'superior' to those in another. It does appear, however, that UK clients possess a number of characteristics that make them an extremely appealing target market.

Two such characteristics are the pragmatism and flexibility that UK clients tend to afford agencies. The United States and Germany are mentioned by many agencies as countries from which research buyers tend to be extremely detail-focused. Whilst in both cases this relates to a level of thoroughness which many UK businesses would do well to emulate, there are cases where this insistence on 'granularity' can result in agencies feeling they have to achieve the impossible. One agency states, "Without a huge six-figure budget, it is impossible to guarantee absolute quantitative accuracy on our surveys. UK clients tend to recognise this, and place more emphasis than most on the qualitative aspects of our work. They cut to the chase and see the big picture, and don't worry too much about the smaller details."



## SUMMARY

In summary, it is clear that the UK has a high quality and well respected market research industry, with a strong international focus. At the core of the industry's success is its ability to combine techniques with pragmatism, and curiosity with experience. Above all, this is an industry with a truly international outlook. As research industries in developing markets continue to emerge and the penetration of technology-driven research increases in mature markets, these characteristics will enable the UK to maintain its position as a leading player in international market research.

### **About This White Paper**

*This white paper is based on 20 in-depth discussions with senior international market research professionals across the UK, USA, France, Germany, China, Singapore and Japan, as well as the experience of the author (see below).*

### **About The Author**

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