

Market Research: Web 1.0 in a Web 2.0 World

How can we *listen* instead of asking questions?

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Introduction

Over the last 15 years, growing industries have leveraged the internet to expand their businesses, reduce costs, and provide better products and services. The market research industry is no exception to this phenomenon. Firms in this \$17 billion industry have used online applications of traditional research methods to expand their capabilities, lower costs, and grow the size of their surveyed population samples.¹

However, in recent years other industries have gone a step further than merely adapting old methods to new technologies. The media and advertising industries in particular have embraced, adapted to, or been dominated by the new “Web 2.0” operating paradigm, in which user-generated content has forced companies to achieve their core mission through genuinely new methods. Wikipedia has overtaken Encyclopedia Britannica, YouTube airs over 100 million user-generated videos each day, and Google has found a gold mine in monetizing everyday blogs and other ‘long tail’ web content.²

Thus far, most market research firms have yet to make this transition, and today the industry faces falling prices, blurred quality standards, and limited access to key demographics. Seeking to grapple with these challenges and take advantage of new technologies in recent years, researchers have brought their methodologies progressively closer to the natural activities of internet users. Most recently, several firms have built relationships with popular social networks and a few have begun to experiment with monetizing the market research data already inherent in user-generated content. Today, a clear opportunity is emerging for firms to take advantage of this Web 2.0 paradigm to learn more about their customers, by finding innovative new ways to *listen* to user-generated online content rather than *asking* specific questions.

Challenges

The market research industry is currently seeing increasing demand for research services, driven mainly by increased research on existing products and new product development. Seventy percent of new products fail within the first year on the market, and companies have augmented their new product development and testing process with intensified market research.³ Yet while market research revenue as a whole is growing, the industry

is becoming increasingly competitive. With the internet ensuring low barriers to entry, a large number of small market research firms keep prices and average returns to market research firms low.⁴ Firms are increasingly challenged to provide differentiated research at a lower cost point, and market research professionals point to a “race to the bottom” as marketers pressure them to learn more about their customers with smaller slivers of a budget.^{5 6}

With the advent of online market research has also come a race to provide survey results quickly. Traditional telephone and focus group surveys took weeks to gather a critical mass of data, but online surveys can be done much quicker. In order to differentiate themselves, online market research products have started advertising the speed with which they can achieve results. For example, Facebook Polls offers answers to a custom survey in 30 minutes.⁷

This trend of providing lower cost, more timely market research has blurred the lines between high and low quality data collection and analysis. Online methodologies make it relatively easy to ‘game’ the system, and the economics for both survey respondents and the firms that acquire these respondents have created incentives for market researchers to sacrifice quality for cost and timeliness.⁸ At the extreme end, Facebook polls offers very fast survey results but will not verify the statistical significance of response data.⁹ Online research quality has declined so much that a council was formed by the Association of National Advertisers and the American Association of Advertising Agencies (ARF) to establish a set of standards for the industry. According to Robert Barocci, President/CEO of the ARF, “The ‘good, fast, cheap...pick any two’ syndrome has jeopardized the client credibility of online access panels.”¹⁰

Meanwhile, the companies that consume market research data are well aware of the data integrity issues facing the market research firms, and are unsure how to ensure quality data. Combined with a general increase in pressure to produce better results for their products, this has created a strong demand for more authentic and easily validated data.¹¹

A final challenge facing the industry is research firms’ limited access to communicate directly with key demographic groups, like college students. Students are far less available for the traditional market research techniques necessary to complement online research and validate their results. For example, land line usage in college dormitories is diminishing rapidly with the increase of cell phones on campuses across the country, making students unreachable for phone surveys.¹² College students also frequently move and tend to avoid written surveys.¹³ Further, they rarely participate in paid panels and there is inherent responder bias for those who do. A 2005 *Research in Higher Education* report on the problem found that students characterized as more socially engaged or with investigative personality types are more likely to respond to surveys, while enterprising personality types are less so. Females were also more likely to respond than males.¹⁴

Social Networks as an Opportunity

One way the market research industry has attempted to deal with these challenges is by turning to online social networks, an integral part of Web 2.0 technology that people use to communicate and connect with each other. These networks revolve around common connections, creating links between people and using those links to expand users' social spheres. Members keep profiles which contain a discretionary amount of information about themselves, their interests, opinions, and relationships all posted by the users themselves and available for others in their network (and sometimes beyond) to read.

Among the most popular social networks in the United States today are Facebook, MySpace, LinkedIn, and Classmates Online.¹⁵ They have grown rapidly in recent years, with combined membership far exceeding 100 million users¹⁶, and with very healthy representation from adolescents, young adults, and college students. The sites are characterized by the large amount of information that people are willing to post about themselves. This information creates a natural source of data for market research, especially since the data colors the demographics that are notoriously hard to research, including the sought-after college student.

There are several hurdles to using the information provided through online social networks for market research purposes. For one, the data is not easily mined or aggregated because the bulk of information is qualitative in nature, making it hard to translate into a readily usable data source. Additionally, there are privacy concerns with using data provided on social networking sites.¹⁷ Despite these conditions, advertisers have begun to use the tremendous data available on these sites to target their advertising. Marketers can now target their message to a great degree using the parameters present on social networking sites (e.g. location, school, age, relationship status, etc.).¹⁸ However, this intelligence is primarily focused on pushing messages and has yet to be translated into a usable application for learning about the users.

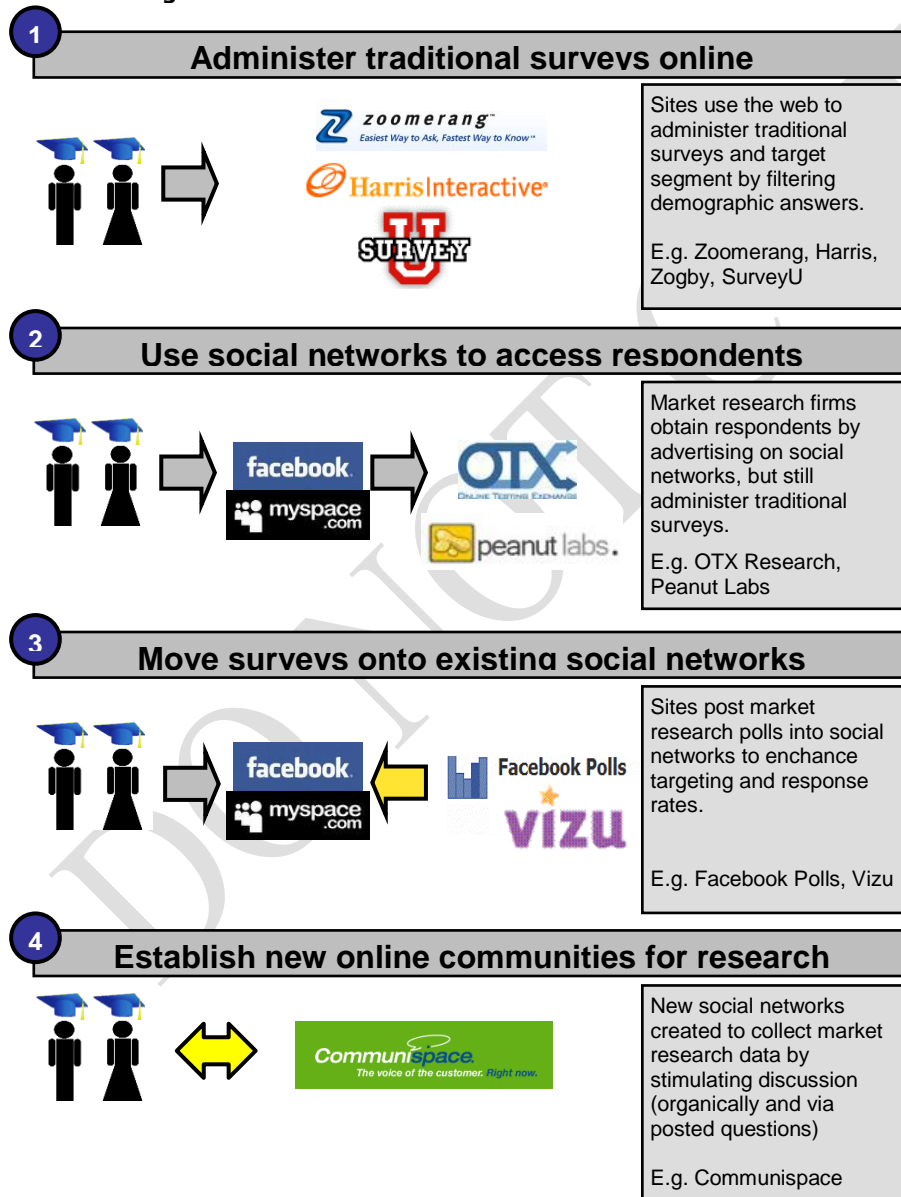
To date, the market research industry has been trying to ask the right people the right questions using online methodologies.¹⁹ While they have been able to leverage social networks and other technologies to help find the right people, they have not yet developed a true Web 2.0 application: the ability to effectively listen, rather than ask.

Evolution of Market Research on the Web

Market research firms and their clients have been attempting to exploit the internet for low-cost, accurate, and innovative research. While they have succeeded in making progress, their applications to date have still focused on an outdated Web 1.0 model, in which they take traditional offline activities and simply move them online. Most companies have taken advantage of the internet to find survey respondents, target a certain demographic or characteristic, and boost response rates – but few have taken advantage of the hallmark of Web 2.0: user-generated content.

Below (and illustrated in Figure 1) are the four main ways by which market research firms have sought to exploit the web to increase reach and reduce the cost of their research.

Figure 1: There are 4 ways by which market research has progressed to take advantage of the web and online communities



Step 1: Administer traditional surveys online²⁰

From the early days of the internet, this was a relatively easy way for firms to access respondents in a cost effective way. They created their own market research survey environments and used e-mail, advertisements and even phone calls as the primary methods of attracting people to complete the surveys. By doing this, the market research firms kept themselves distinct from other web environments. The internet enabled much higher volume of surveys, which has increased the validity of statistical sampling. While this was a new way to reach people, it was essentially nothing more than the traditional phone or mail survey on a new channel. Since this is the simplest and most obvious way to conduct online market research, it has become close to a commodity product. Firms such as Zoomerang and Survey Monkey offer only survey applications and access to a pool of potential respondents. Major market research and polling firms, such as Zogby and Harris Interactive, also have added online systems to their offerings. In the college market, however, there are still only a limited number of players. SurveyU is a site that only accesses college students; others can target their surveys to students as a subset of their respondent pool, but at a higher cost.

The primary downside of online surveys is the higher quality risk due to uncertainty about who is actually responding and what their motivations are – leading to problems like respondents who have multiple personas and respond to surveys even if they are not of the target demographic.

Step 2: Use social networks to access respondents^{21 22}

As the major online social networks started to grow in users, market research firms adapted their applications to take advantage of the user base that was being attracted online by those sites. By placing banner advertisements on their sites or by creating pop-up solicitations, they attracted users to a complete their survey, thereby in effect moving themselves closer to the users' original site while maintaining a controlled market research environment for survey completion. The social network gets a fee per complete survey, and the market research firm gets access to their users. This is a boon for market research since it attracts a large number of new online users into their market research environments and also gives them the ability to target users to increase the likelihood that the survey responses will be relevant and valid. This technique has been refined in the last year by firms such as OTX Research and Peanut Labs. However, firms have interacted with online social networks only for the purpose of attracting respondents to their traditional online survey. Although this strategy is an innovative way to target and acquire respondents, it does not represent a substantive change in market research methodology.

Step 3: Move surveys into existing social networks²³

Some market research firms evolved to step three by moving the actual survey questions into the online social network environment, thereby effectively joining the market research and Web 2.0 sites. By doing this, they gain access to the

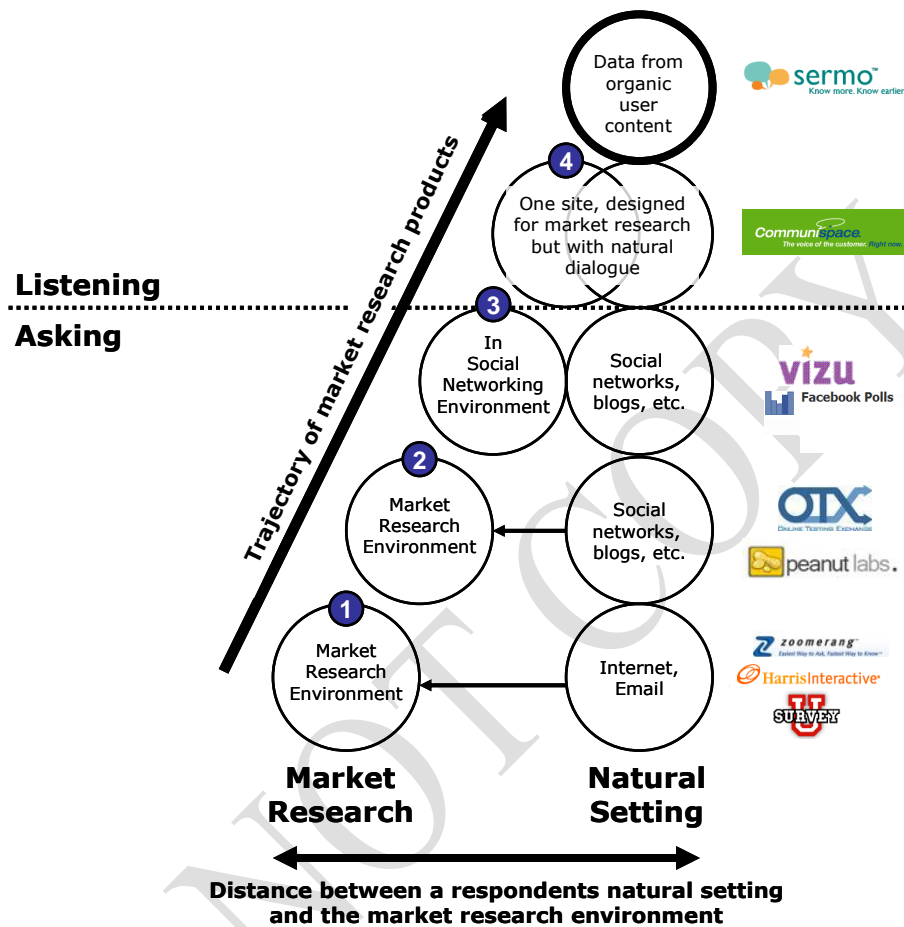
social network users and are able to target carefully, while increasing the probability that users will answer questions. They also allow users to see the real-time results as a way to increase the value of the interaction on the site. While this methodology severely constrains the type of market research that can be conducted, it is a very effective method for getting a high number of responses while targeting a rather specific demographic or type of person. Examples include Vizu and Facebook Polls, which place polls on various sites such as blogs, Facebook, and other social networks on behalf of their clients. They can then deliver the results based on a targeted population. While they ask questions in a more natural environment for the user, they still suffer from respondent bias and they do not currently offer statistically significant survey results. Additionally, they are still essentially using traditional methodologies and simply applying them to a new channel.

Step 4: Establish new online communities for research²⁴

The first major change in online research methodology can be seen in the creation of new online social networks for the express purpose of market research – in effect, crossing the role of social networking and market research data collection. Communispace creates private social network communities around target customers for a particular client. The goal is to establish natural dialogue between its members and allow its clients to use that community as way to learn about and communicate with customers. Clients can pose questions and stimulate dialogue so as to target the conversation towards their specific interests. This application bears similarity to the traditional focus group, providing deep qualitative feedback but unable to quantify the preferences or establish trends over a broad swath of potential customers. Additionally, this methodology still suffers from some level of respondent bias, as the setting is fundamentally a research-oriented environment. Communispace is poised to do well in this qualitative niche, indicating potential for similar quantitative approaches.

These four steps show an evolution in online market research as it grows closer to the natural online environment of their respondents (see Figure 2).

Figure 2: Market research has progressed to integrate with natural web settings and will eventually drive value from organic user content.

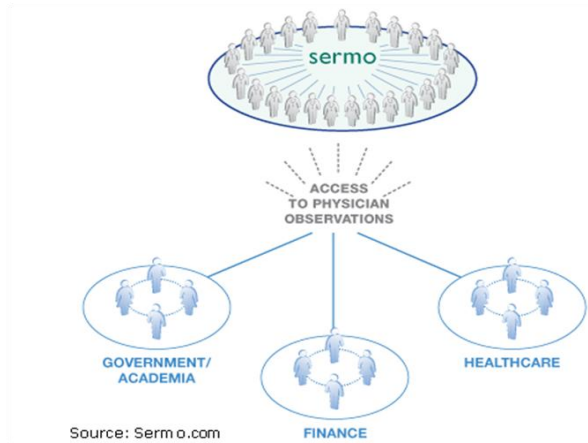


The future of online market research

If Communispace is an indicator of the future of online qualitative research, then quantitative applications of similar methodologies hold similar promise. For focus groups, there is no way to avoid interaction by a moderator and obvious data collection for market research purposes. For quantitative research, on the other hand, there is more room for innovation in "listening".

One example of this application is Sermo, a social networking site for physicians that collects opinions and trends for sale to healthcare and financial services organizations (see Figure 3)²⁵.

Figure 3: Sermo represents the next innovation: An authentic social network designed to deliver insights to paying clients



By doing so, they combine the qualitative discussion among physicians with quantitative analysis of their opinions and discussion topics. This site achieves a dual role, fostering authentic dialogue and at the same time creating a natural qualitative and quantitative outlet for market research data. It also represents the first true effort to extract meaningful financially-aimed insights by purely listening, without posing or asking questions or directing conversation. This evolution to a Web 2.0 model is representative of a broader potential shift to research methods that prioritize authenticity over control (see Figure 4).

Figure 4: Characteristics of online market research 1.0 and 2.0



Some companies have begun to experiment with this less-structured “listening.” Cadbury has used opinions posted on Facebook to make product decisions. In *The International Journal of Market Research*, Ray Poyner advises that companies “have to learn to cede control to customers”.²⁶ The organic nature of this information makes it especially compelling. As Trevor Greame states in *Market Leader*, the “power and authenticity lies

in their self-organisation”.²⁷ He emphasizes that “market research should shift from being a platform for testing to a forum for creativity”, allowing the researcher to listen rather than asking the questions but giving up the power and control over the conversation that comes from that evolution. The challenge is how to take that accepted evolution of market research dialogue and make it quantifiable and verifiable.

One potential route for this further evolution is “buzz” tracking. This is a service that monitors some part of the internet and informs a client how much (and in what context) a certain site, person or product is being discussed. A variety of companies offer different types of tracking, each designed to understand how certain topics are being discussed on the web. For example, News Patterns is a startup website that scans the web for issues mentioned in the media and analyzes how much each issue is being discussed in relation to others. Their technology enables them to draw high level insights from the existing data in new way.²⁸ Similar approaches currently use technologies like “data scrapping” or “crawling” to gain insights into broad public discourse for a variety of applications, even including art.²⁹ These methods hold promise for also being applied towards delivering meaningful insights about consumers.

Not only are these applications powerful with regard to their access, they are also extremely inexpensive. The data is already present and publicly available. The ability to mine that data would involve technology advancement with regard to computer programming, but does not require ongoing costs for respondent acquisition. While data validity remains a concern for any new market research application, the large number of data and information available about the providers of that data would enable unprecedented analysis to confirm representation and demographic trends on a mass scale. As such, the tools exist for the industry to overcome the quality hurdle and produce market research applications that are unparalleled in their authenticity and their quantity of unbiased information.

However, there are still significant barriers to these applications. Producing meaningful data requires both the underlying information and the ability to turn that information into concrete insights. For satisfying the former, the entire internet offers a wealth of data – but it is in an unstructured form which it is extremely difficult to extract statistically valid insights. As such, data mining is best limited to a finite universe where data that can be validated and connected to individual users, such as from a single social network. Using social networks like Facebook and MySpace for such a purpose (each with in excess of 60M users) is especially attractive because they tend to have high participation from otherwise elusive college students.

Sermo’s offering to physicians represents a promising opportunity for application to other demographic groups, like college students. A new type of social network with sustained user activity that is structured for easily-minable data would represent a clear step towards true market research 2.0, and would finally allow companies to listen to what their customers are saying in an authentic way without having to ask the questions themselves.

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