

SINGIDUNUM UNIVERSITY
Department of Postgraduate Studies

Master academic studies
Marketing and trade

MASTER THESIS

**CHANGES IN THE MARKETPLACE AND IMPLICATIONS
ON THE MARKETING RESEARCH INDUSTRY**
(Example: GfK marketing research agency)

Mentor:

Professor Slobodan Unkovic, PhD

Candidate:

Tanja Jankovic
415754/12

Belgrade, 2013

TABLE OF CONTENT

PART ONE	INTRODUCTION	04
1.1. Subject of the research		04
1.2. Value of the research		05
1.3. Research objectives		05
1.4. Research hypotheses		05
1.5. Methodology		05
PART TWO	MARKETING PROCESS AND CHANGES IN THE MARKETPLACE	07
2.1. Marketing process		07
2.2. The changing marketing landscape		08
2.2.1. The uncertain economic environment		08
2.2.2. The digital age		08
2.2.3. Rapid globalization		09
2.2.4. Sustainable marketing		09
2.2.5. The growth of Not- for-profit marketing		09
2.3. Marketing process and new trends		09
2.4. Changes in consumer behavior and decision-making		10
2.4.1. Consumer decision making process		11
2.4.2. Need Recognition, Internal Search, and the Consideration Set		13
2.4.3. Evaluations of Alternatives		20
2.4.4. Consumers' choice		21
PART THREE	MARKETING RESEARCH IN MODERN THEORY	22
3.1. Marketing research process		22
3.1.1. Defining the Problem and Research Objectives		23
3.1.2. Developing the Research Plan		24
3.1.2.1. Research approaches		24
3.1.2.2. Contact methods		25
3.1.2.3. Sampling plan		27
3.1.2.4. Research instruments		27
3.1.3. Implementing the research plan		28
3.1.4. Interpreting and Reporting the Findings		28
PART FOUR	MARKETING RESEARCH IN MODERN BUSINESS PRACTICE	30
4.1. Global market research		30
4.2. About GfK		31
4.2.1. History of GfK		31
4.2.2. Organisational structure		32
4.2.3. Solutions		33
4.2.4. GfK's position on the market		34
4.3. Financial statements analysis		36
4.3.1. Introduction to accounting process in GfK Belgrade		36
4.3.2. Balance sheet – Assets		36

4.3.3.	Balance sheet – Equity and Liabilities	37
4.3.4.	Ratio analysis	38
4.3.4.1.	Conclusions based on main ratios	38
4.3.4.2.	Risk evaluation based on ratio analysis	41
4.3.5.	Conclusions based on financial analysis	42
4.4.	Implications of Kotler's trends on GfK and market research industry in general	42
4.4.1.	The uncertain economic environment	42
4.4.2.	The digital age	43
4.4.2.1.	Digital age and defining the problem and research objectives in MR	43
4.4.2.2.	Digital age and developing the research plan in MR	45
4.4.2.3.	Digital age and implementing the research plan in MR	60
4.4.2.4.	Digital age and reporting the findings in MR	61
4.4.3.	Rapid globalization	56
4.4.4.	Sustainable marketing	56
4.4.5.	The growth of Not- for-profit marketing	56
PART FIVE	<i>MARKETING RESEARCH IN THE FUTURE AND OPPORTUNITIES FOR GfK</i>	64
5.1.	Marketing research in the future	64
5.1.1.	Mobile market research will be industry standard	64
5.2.	GfK's opportunities in the future	66
PART SIX	<i>CONCLUSION</i>	67
PART SEVEN	<i>LITERATURE</i>	68

I INTRODUCTION

What is marketing? Many people connect marketing as only selling and advertising process. Philip Kotler said: “Today, marketing must be understood not in the old sense of making a sale, but in the new sense of satisfying customer needs. If the marketer understands consumer needs, develops products that provide superior customer value and prices, distributes, and promotes them effectively, these products will sell easily.”

But, how companies create value for customers and build meaningful relationships with them? Marketers must first gain deep insights into what customers need and want. Such insights come from good marketing information. Digital age introduced exponential increase in data volumes. The big challenge is to transform today’s vast volume of consumer information into actionable customer and market insights.

How is marketing seen from the perspective of Philip Kotler and Peter Drucker, people playing the most significant role in the theory of marketing and management?

- Kotler: “Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers.”
- Kotler: “Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.”
- Drucker: “The aim of marketing is to make selling unnecessary.”

Marketing is an ever-changing process, and these changes have implications both on customers and businesses.

1.1. Subject of the research

Every day, dramatic changes are occurring in the marketplace. Richard Love of HP observed, “The pace of change is so rapid that the ability to change has now become a competitive advantage.” Yogi Berra, the legendary New York Yankees catcher and manager, summed it up more simply when he said, “The future ain’t what it used to be.” As the marketplace changes, so must those who serve it.

Behavior among consumers is continuing to change at an astonishing pace. Companies are exploring new channels and seek for fresh competitive advantage. What is the role of market research industry in this new era? What are the implications of these changes on market research industry in general? How digital era transformed all phases in market research process? What is the future of marketing research? Answering these questions is the purpose of this research.

Subject of the research are changes in the marketplace and it’s implications on the market research industry.

Kotler examined major trends and forces that are changing the marketing landscape and challenging marketing strategy. This will be used as a basis of this research. Using the example of GfK market research agency, we examined and confirmed the presence of these trends and forces in the market research industry.

1.2. Value of the research

Understanding of the past, present and future of the market research industry is the main value of this research. Understanding of dynamic marketing environment as well as market research industry is a big challenge as well as potential.

Trends and forces that Philip Kotler recognized will be the basis for identifying recent changes in the market research industry. These trends are relevant for the changes in market research industry in the past 5-10 years, and we will focus on this time interval in our research. Having in mind the global reach and innovativeness of GfK market research agency, we found it as appropriate example for this research.

1.3. Research objectives

Research objectives include confirmation of presence of the Kotler's trends and forces that are changing the marketing landscape and challenging marketing strategy as well as their implications on the market research industry.

The research will follow the evolution of the market research industry, and examine the recent changes focusing on the previously defined trends and changing forces, especially on digital era.

Research is based on the example of GfK market research agency and recent changes in this company, empowered by the growing power of digital. We examined the influence of digital era on all phases of market research process as well as presence of other trends that Kotler emphasized in GfK.

1.4. Research hypotheses

Our research include few hypotheses:

- Changes in the marketplace have implications on consumers and businesses.
- Changes in the marketplace have implications on market research industry.
- The uncertain economic environment, the digital age, rapid globalization, sustainable marketing and the growth of not-for-profit marketing are the trends that have implications on marketing research industry.
- Digitalization introduced changes in all phases of the marketing research process.

1.5. Methodology

Trying to reach the main methodology objectives – objectivity, reliability, generalizability and systematics, we used different methods for the research.

We used scientific and theoretical fact, relevant literature, modern business practice, and estimations made by industry experts. All this material is examined using methods: induction, deduction, analysis, synthesis, abstraction, generalization, complex observation, content analysis and prediction.

II MARKETING PROCESS AND CHANGES IN THE MARKETPLACE

2.1. Marketing process

Philip Kotler defined marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

Kotler see marketing process as a simple, five-step model (figure1). In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value. By creating value for consumers, they in turn capture value from consumers in the form of sales, profits, and long-term customer equity.

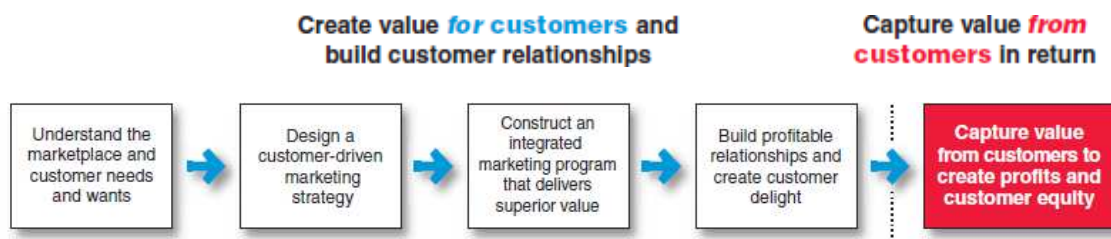


Figure 1, A Simple Model of Marketing Process

First step is to **understand the marketplace and consumer needs and wants**. Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants, and demands. This understanding helps them to design want-satisfying market offerings and build value-laden customer relationships by which they can capture customer lifetime value and greater share of customer. The result is increased long-term customer equity for the firm.

Second step is to **design a customer-driven marketing strategy**. To design a winning marketing strategy, the company must first decide whom it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will cultivate (target marketing). Next, the company must decide how it will serve targeted customers (how it will differentiate and position itself in the marketplace).

Next levels in marketing process emphasize **customer relationship management** and **strategies for creating value for customers** and **capturing value from customers in return**. Broadly defined, *customer relationship management* is the process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. The aim of customer relationship management is to produce high customer equity, the total combined customer lifetime values of all of the company's customers. The key to building lasting

relationships is the creation of superior customer value and satisfaction. Companies want not only to acquire profitable customers but also build relationships that will keep them and grow “share of customer.” Different types of customers require different customer relationship management strategies. The marketer’s aim is to build the right relationships with the right customers. In return for creating value for targeted customers, the company captures value from customers in the form of profits and customer equity.

2.2. The changing marketing landscape

Every day, dramatic changes are occurring in the marketplace. Richard Love of HP observed, “The pace of change is so rapid that the ability to change has now become a competitive advantage.” Yogi Berra, the legendary New York Yankees catcher and manager, summed it up more simply when he said, “The future isn’t what it used to be.” As the marketplace changes, so must those who serve it.

Philip Kotler examined the major trends and forces that are changing the marketing landscape and challenging marketing strategy. We look at five major developments: the uncertain economic environment, the digital age, rapid globalization, the call for more ethics and social responsibility, and the growth of not-for-profit marketing.

2.2.1. The uncertain economic environment

Beginning in 2008, the United States and world economies experienced a stunning economic meltdown, unlike anything since the Great Depression of the 1930s. The so-called Great Recession caused many consumers to rethink their spending priorities and cut back on their buying. After a decade of overspending, “frugality has made a comeback,” says one analyst. In response, companies in all industries have aligned their marketing strategies with the new economic realities. More than ever, marketers are emphasizing the value in their value propositions. They are focusing on value-for-the-money, practicality, and durability in their product offering and marketing pitches. Even wealthier consumers have joined the trend toward frugality. Conspicuous free spending is no longer so fashionable. As a result, even luxury brands are stressing value.

2.2.2. The digital age

The recent technology boom has created a digital age. The explosive growth in computer, communications, information, and other digital technologies has had a major impact on the ways companies bring value to their customers. Now, more than ever before, we are all connected to each other and to information anywhere in the world. The digital age has provided marketers with exciting new ways to learn about and track customers and create products and services tailored to individual customer needs. It’s helping marketers communicate with customers in large groups or one-to-one. The most dramatic digital technology is the Internet. The number of Internet users worldwide now stands at more than 1.8 billion and will reach an estimated 3.4 billion by 2015. And by 2020, many experts believe, the Internet will be accessed primarily via a mobile device operated by voice, touch, and even thought or “mind controlled human-computer interaction.” Online marketing is now the fastest-growing form of marketing. These days, it’s

hard to find a company that doesn't use the Web in a significant way. Thus, the technology boom is providing exciting new opportunities for marketers.

2.2.3. Rapid globalization

As they are redefining their customer relationships, marketers are also taking a fresh look at the ways in which they relate with the broader world around them. In an increasingly smaller world, companies are now connected globally with their customers and marketing partners.

Today, almost every company, large or small, is touched in some way by global competition. Thus, managers in countries around the world are increasingly taking a global, not just local, view of the company's industry, competitors, and opportunities.

2.2.4. Sustainable marketing

Marketers are reexamining their relationships with social values and responsibilities and with the very Earth that sustains us. As the worldwide consumerism and environmentalism movements mature, today's marketers are being called to develop sustainable marketing practices. Corporate ethics and social responsibility have become hot topics for almost every business.

2.2.5. The growth of Not-for-profit marketing

In recent years, marketing also has become a major part of the strategies of many not-for profit organizations, such as colleges, hospitals, museums, zoos, symphony orchestras, and even churches. The nation's not-for-profits face stiff competition for support and membership.

2.3. Marketing process and new trends

Kotler said that in the face of today's changing marketing landscape, companies must take into account three additional factors. In building customer and partner relationships, they must harness marketing technology, take advantage of global opportunities, and ensure that they act in an ethical and socially responsible way.

Expanded model of marketing process (Figure 2) include these three additional factors as well.

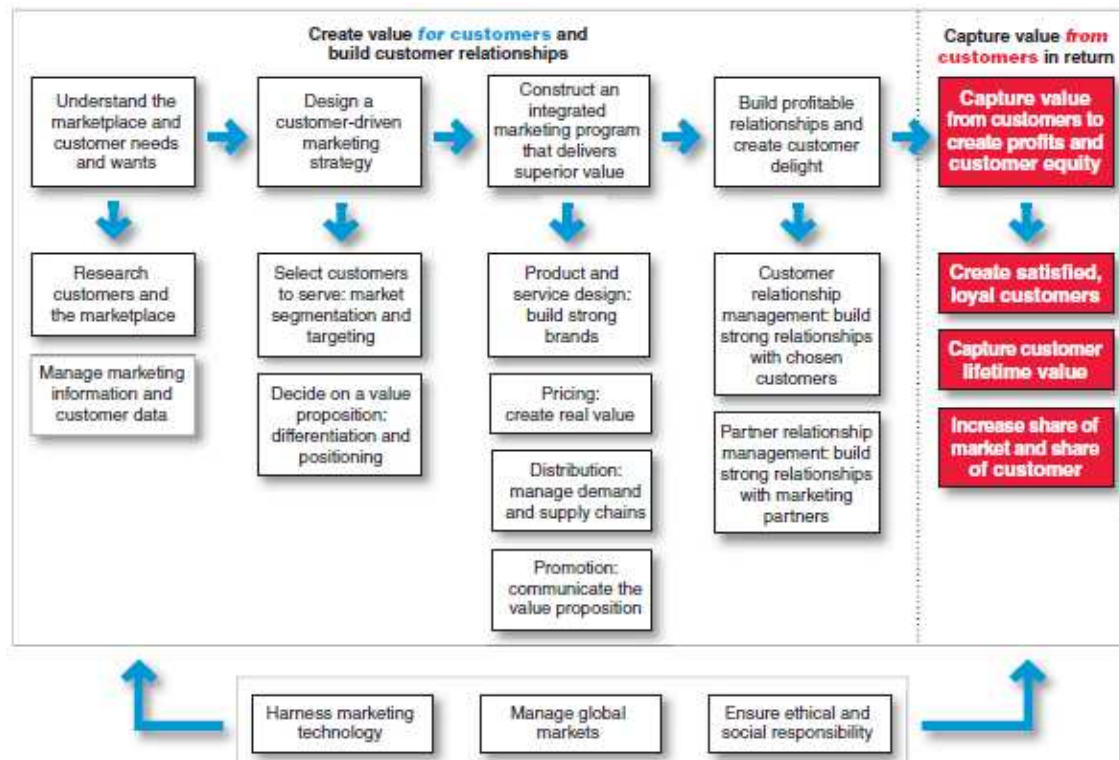


Figure 2, Expanded Model of Marketing Process

Our focus in this research is new trends that Kotler defined and their influence on market research industry.

2.4. Changes in consumer behavior and decision-making

What is consumer behavior as a field of study and why it is so important? Barry J. Babin and Eric G. Harris define consumer behavior represents the study of consumers as they go about the consumption process. In this sense, consumer behavior is the science of studying how consumers seek value in an effort to address real needs.

Philip Kotler defines customer as the most important element of the marketplace. Accordingly, the aim of marketing is to affect how customers think and act. To affect the whats, whens, and hows of buyer behavior, marketers must first understand the whys. Understanding consumer behavior has never been easy. But today, in the digital era, the consumer buying influences and processes have become even more complex and harder to understand.

Behavior among consumers is continuing to change at an astonishing pace. Companies are exploring new channels and seek for fresh competitive advantage. What is the role of market

research industry in this new era? What are the approaches to studying consumer behavior in today's multi-channel marketing?

Consumer researchers have many tools and approaches with which to study consumer behavior, and researchers don't always agree on which approach is best. Barry J. Babin and Eric G. Harris think that no single best way of studying consumer behavior exists. Instead, different types of research settings may call for different approaches and the use of different tools. For the purpose of this research, methodological approach and tools of Google and GfK global market research agency will be examined.

Digital evolution has changed consumer journey tremendously, setting new way of communicating, gathering information on products and services, shopping as well as engaging with brands and interacting with companies. Complex consumer journeys have constituted new marketing challenges. Consequently, digital evolution has changed how organizations conduct their businesses. In this research we will focus on consumer journey, primarily the decision-making process in the digital world, and its implication on consumer research approach and tools. Google's and GfK's approach for understanding consumer journey in the digital era will be used as an example.

2.4.1. Consumer decision making process from the perspective of Barry J. Babin and Eric G. Harris

Consumers encounter problem situations each and every day. Most of the time there are so many situations that it's hard to recall them all. Some situations require big decisions. For example, when a student recognizes a need for a new laptop computer, a big decision usually follows. In other situations, the decisions are relatively small. For example, when someone run out of milk, the decision of which brand, or even where to shop, usually doesn't take much time or effort.

Consumers encounter problem situations each and every day. Most of the time there are so many situations that it's hard to recall them all. Some situations require big decisions. For example, when a student recognizes a need for a new laptop computer, a big decision usually follows. In other situations, the decisions are relatively small. For example, when someone run out of milk, the decision of which brand, or even where to shop, usually doesn't take much time or effort.

To better visualize this process, consider figure on the right.

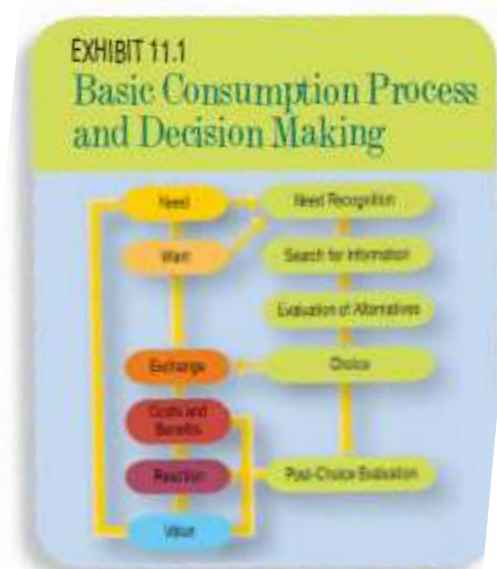


Figure 3: Basic Consumption process and Decision Making

The basic consumer behavior consumption process revolves around value-seeking activities that consumers perform as they go about satisfying needs. The consumer first realizes she has a particular need. She then moves through a series of steps that will help her find a desirable way to fill the need. Exchange then takes place, and she ultimately derives value from the process. As with other consumer behavior concepts, we see that value is at the heart of the process. The decision-making process has been added to the exhibit. As you can see, decision-making processes generally include five activities: (1) need recognition, (2) search for information, (3) evaluation of alternatives, (4) choice, and (5) post choice evaluation.

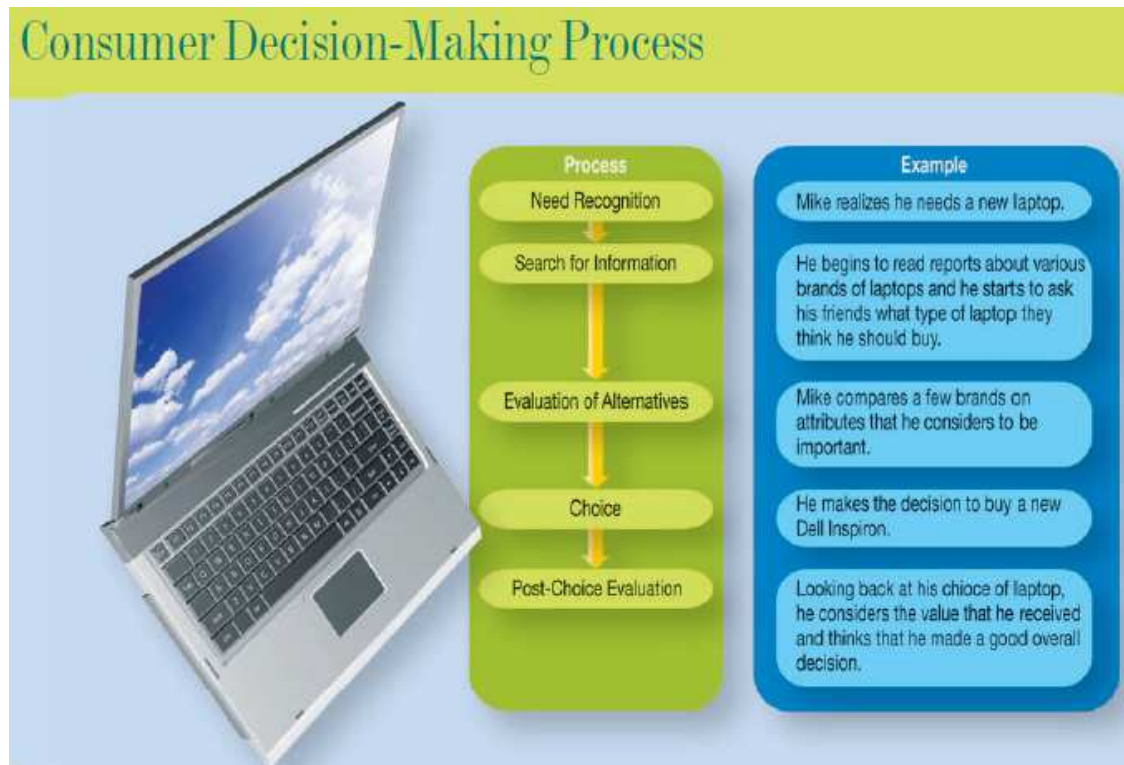


Figure 4: Consumer Decision-Making process

To better visualize this process, consider Figure 4. Here, Mike is faced with a need for a new laptop necessarily means identifying what brand of product to buy. In fact, one of the very first choices that consumers need to make when facing a decision is whether any purchase will be made at all. Consumers commonly either delay the purchase of a product or forgo purchases altogether. Decision-making processes also frequently do not involve finding a tangible product. Rather, consumers make choices about behaviors not relating directly to a purchase. For example, a consumer may be trying to decide if she should volunteer at a community theater. Here, the decision involves whether time should be exchanged in return for greater involvement with the theatre. Thus, consumer decision making does not always focus on the purchase of a tangible product, but it does always involve choices linked to value.

2.4.2. Need Recognition, Internal Search, and the Consideration Set

As we have discussed, the recognition of a need leads the consumer to begin searching for information. Several important issues are relevant here.

2.4.2.1. Need Recognition

The decision-making process begins with the recognition of a need. Simply put, a need is recognized when a consumer perceives a difference between an actual state and a desired state. A consumer's actual state is his or her perceived current state, while the desired state is the perceived state for which the consumer strives. A consumer recognizes a need when there is a gap between these two. Note that either the actual state or the desired state can change, leading to a perceptual imbalance between the two. When the actual state begins to drop, for example when a consumer runs out of deodorant, a need is recognized. Obviously, needs like this are recognized many times each day. Importantly, however, marketers also focus on what they term opportunity recognition. Here, a consumer's actual state doesn't change, but his or her desired state changes in some significant way.

To illustrate how a desired state can be changed, consider how happy consumers once were with their cell phones—that is, before the iPhone was released. After the iPhone was introduced, the desired state for many consumers changed dramatically. Phones became much more than just phones! Desired states can be affected by many factors, including reference group information, consumer novelty seeking, and cognitive thought processes. Reference groups are important sources of information for consumers and the information that is gathered from others directly affects what consumers think they should do and what types of products they think they should buy. Desired states are also influenced by novelty. Many times consumers desire to try a new product simply because of boredom or because of a motivation to engage in variety-seeking. Finally, consumers have the ability to cognitively plan their actions by anticipating future needs. For example, college graduates realize after graduation that they face the need for all types of insurance they may not have considered before, including life, health, and homeowner's insurance. Not all needs are satisfied quickly nor does the recognition of a need always trigger the other activities found in the decision-making process. Value is again important here. If the end goal is not highly valued, consumers may simply put off a decision. For example, a consumer may realize that the leather on the seat of her bicycle has ripped, but this does not necessarily mean that she will begin to search for information on where to buy a new seat. She may simply realize that there is a problem that eventually needs to be fixed. In fact, she may have to be reminded of this need several times before she does anything about it. Or, she may decide to do nothing at all about it. For instance, she may simply sell her bike and buy a new one. From this example, we are again reminded of why we don't refer to the activities found in decision making as steps. That is, the sequential ordering of the activities is not concrete. We should once again clarify the distinction between a want and a need. Both of these terms have been discussed in a previous chapter. As you may remember, a want is the way in which a consumer goes about addressing a need. It's quite common for marketers to be criticized for attempting to turn wants into needs. For example, a consumer may want to fulfill a need for transporting personal items by buying an expensive purse like Prada, even though a much less expensive purse would suffice.

2.4.2.2. Search Behavior

When consumers perceive a difference between an actual state (an empty gas tank) and a desired state (a full tank), the decision-making process is triggered. Consumer search behavior refers to the behaviors that consumers engage in as they seek information that can be used to satisfy needs. Consumers seek all types of information about potential solutions to needs, including:

- (1) the number of alternatives available,
- (2) the price of various alternatives,
- (3) the relevant attributes that should be considered and their importance
- (4) the performance of each alternative on the attributes.

Consumer search behaviors can be categorized in a number of ways, including ongoing search, prepurchase search, internal search, and external search.

A consumer performs an **ongoing search** when she seeks information simply because she is interested in a particular topic (such as a product or an organization). Here, the search effort is not necessarily focused on an upcoming purchase or decision, rather the effort is focused on simply staying up to date on a topic of interest. Consumers who perform ongoing searches are usually highly involved with the product category and seek information simply for enjoyment. They also tend to spend more in the relevant product category than do consumers who do not regularly search for information.

Prepurchase search activities are focused on locating information that will enable the consumer to reach a decision for a specific problem. These searches are purchase-specific. Prepurchase search can also be exhibited in browsing behavior. When consumers browse, they are simply gathering information that can be used in decisions that involve a longer time frame. Note that browsing and ongoing searches are similar. The difference between ongoing searches and browsing behavior is that an ongoing search is performed when consumers have an enduring interest or involvement with the product, not simply when information is being gathered for a specific purchase.

The concept of information search has changed dramatically in recent years due to the mass adoption of the Internet as well as the proliferation of mobile information technologies like cell phones and personal data assistants. In today's environment, finding information generally isn't a problem. The problem is that there is simply too much information out there! Information overload is therefore a more important topic than ever before. Information overload refers to the situation in which consumers are presented with so much information that they cannot assimilate it all.

2.4.2.3. The consideration set

Internal search includes the retrieval of knowledge about products, services, and experiences that is stored in memory. This type of knowledge is related directly to consumers' experiences with products and services.

When confronted with a need, consumers begin to scan their memories for available solutions to the problem that can aid in decision making. As such, consumers most often perform internal searches before any other type of search begins. Marketers find it valuable to understand the consideration set of their customers in order to learn the total number of brands, or alternatives, that are considered in consumer decision making.

The total collection of all possible solutions to a recognized need (for example, the total number of brands of deodorant available on the market) is referred to as the universal set of alternatives. Although the universal set may be quite large, consumers generally do not realize how many solutions are potentially available when a need arises. In fact, decision making is limited by what is referred to as the awareness set. The awareness set includes, quite simply, the set of brands or alternatives of which a consumer is aware. Alternatives that have been previously selected are included in this set, and the size of the awareness set increases as external search proceeds.

Within the awareness set, three categories of alternatives are found. The first is the consideration set (or the "evoked set"). The consideration set includes the brands, or alternatives, that are considered acceptable for further consideration in decision making. There are also alternatives in the awareness set that are deemed to be unacceptable for further consideration. These alternatives comprise the inept set. The inert set includes those alternatives to which consumers are indifferent, or for which strong feelings are not held. Figure 5 demonstrates how the size of both the awareness set and consideration set is smaller than the universal set. This is because, for most decisions, these sets are much smaller than the universal set. Research confirms that consumers generally consider only a small fraction of the actual number of problem solutions that are available. Note that although the consideration set is held internally in a consumer's memory, alternatives that are found in external search can be added to the set as the decision-making process continues. Of course, good marketers ensure that their brands are placed in consumers' consideration sets.

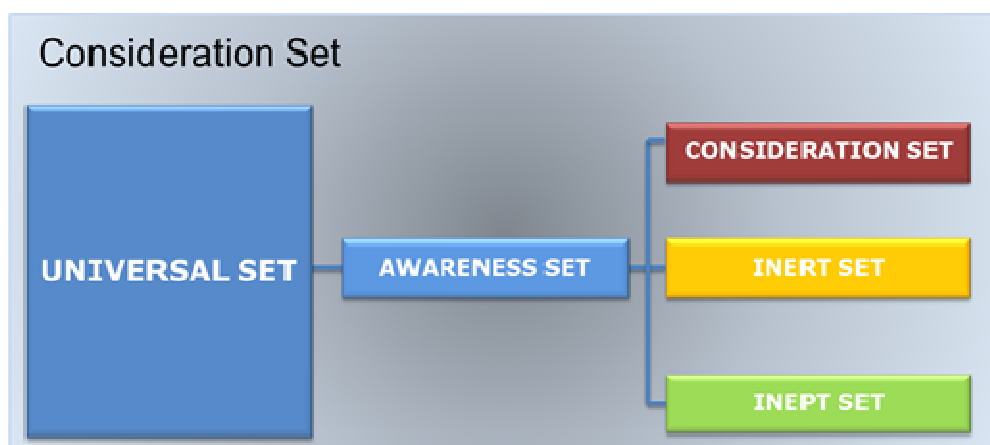


Figure 5: Consideration Set

2.4.2.4. External Search

Frequently, consumers do not have stored in their memories enough information that will lead to adequate problem solving. For this reason, external search efforts are often necessary. External search includes the gathering of information from sources external to the consumer, including friends, family, salespeople, advertising, independent research reports (such as Consumer Reports), or the Internet. In selecting the best information source, consumers consider factors such as:

- The ease of obtaining information from the source
- The objectivity of the source
- The trustworthiness of the source
- The speed with which the information can be obtained

In general, consumers find that information from family and friends is dependable but that information from commercial sources (like advertising or salespeople) is less credible for input into decision making.

➤ The role of Price and Quality in the search process

The term evaluative criteria is used to refer to the attributes of a product that consumers consider when reviewing possible solutions to a problem. Many things can become evaluative criteria. However, two evaluative criteria are used across almost all consumer decisions: price and quality.

Consumers tend to seek out information about these concepts early in the search process, and they play important roles in external search. Price represents an important type of information that consumers generally seek. But what is a price? A price is really a piece of information. More specifically, price is information signaling how much potential value may be derived from consuming something. In this sense, price is like the physical concept of potential energy. Generally, we think of a high price as being a bad thing. In other words, a higher price means greater sacrifice to obtain some product. This view of price is referred to as the negative role of price. From this view, needless to say, a lower price is more desirable. Some consumers are very sensitive to the negative role of price. They tend to be very bargain conscious and do things like collect and redeem coupons. However, a positive role of price also exists. In this sense, price signals how desirable a product is and how much prestige may be associated with owning the product. Some consumers are more sensitive to the positive role of price and tend to desire things with high prices as a way of signaling prestige and desirability to others. Consider a consumer shopping for a new outfit to wear “out on the town.” She may find a cute outfit at Target, but this outfit may not offer enough value given that it will be worn in a socially sensitive situation. Therefore, she may opt for a higher-priced outfit that may be somewhat similar. The higher price will signal more prestige. Thus, she may feel more comfortable shopping at Banana Republic or some other more prestigious fashion retailer.

Consumers also commonly search for information about a product’s quality. Consumers nearly always consider quality as an important evaluative criterion. Although quality can mean many things to many people, from a consumer perspective, quality represents the perceived overall goodness or badness of some product. In other words, consumers generally use the word quality

as a synonym for relative goodness. A high-quality hotel room is a good hotel room and a low-quality hotel room is a bad hotel room. Quality perceptions take place both before and after purchase. However, consumers do not always seek high quality because many times, consumers do not need the “best” product available. Although Fairfield Inns may not offer as high quality of an experience as does a Hyatt Regency hotel, it does adequately address the need for a place to sleep on a cross-country drive. Consumers almost always use price and quality when making decisions. Indeed, price and quality perceptions are related as consumers generally assume that higher prices mean higher quality. This issue is discussed in more detail in our next chapter.

➤ External search and the Internet

As it is mentioned earlier, the Internet has become a powerful search tool for consumers, and it has simplified the search process for many product categories. Due to the popularity of various search engines like Google, consumers can find solutions to all sorts of problems online. Of course, this has simplified search processes to a large extent. In today’s fast-paced information-rich environment, tremendous amounts of information are at our fingertips, and the Internet has quickly become an extremely popular consumer search tool.

The Internet improves consumer search activities in several ways. First, the Internet can lower the costs associated with search and can also make the process more productive. Second, the search process itself can be enjoyable and deliver hedonic value to the consumer. Third, consumers have the ability to control information flow much more efficiently than if they are viewing product information on a television commercial or hearing about a product from radio ads. In general, the ability to control information flow increases the value of information and increases the consumers’ ability to remember information that is gathered.

Studies have indicated that Internet search behavior depends heavily on website construction. For example, one recent study found that consumers spend more time searching in three-dimensional, interactive web environments than in two-dimensional web spaces. However, the study also revealed that the number of brands examined was actually higher for two-dimensional web pages than for three-dimensional sites. Of course, website design is very important! We can expect consumers to use the Internet even more as technology continues to improve and computer availability becomes more widespread.

➤ Amount of search

The amount of search that a consumer performs related to decision making can be measured in a number of ways including the number of stores visited, the number of Internet sites visited, the number of personal sources (friends, family, salespeople) used, the number of alternatives considered, and the number of advertisements studied.

Many factors influence information search effort, including previous experience with a product, involvement, perceived risk, value of search effort, time availability, attitudes toward shopping, personal factors, and situational influencers.

- Product Experience

Prior product experience with a product has been shown to influence how much a consumer searches. A number of researchers have examined this issue, sometimes with conflicting results. As a general statement, evidence shows that moderately experienced consumers search for purchase-related information more than do either experienced or inexperienced consumers. This finding is shown in Figure 6.

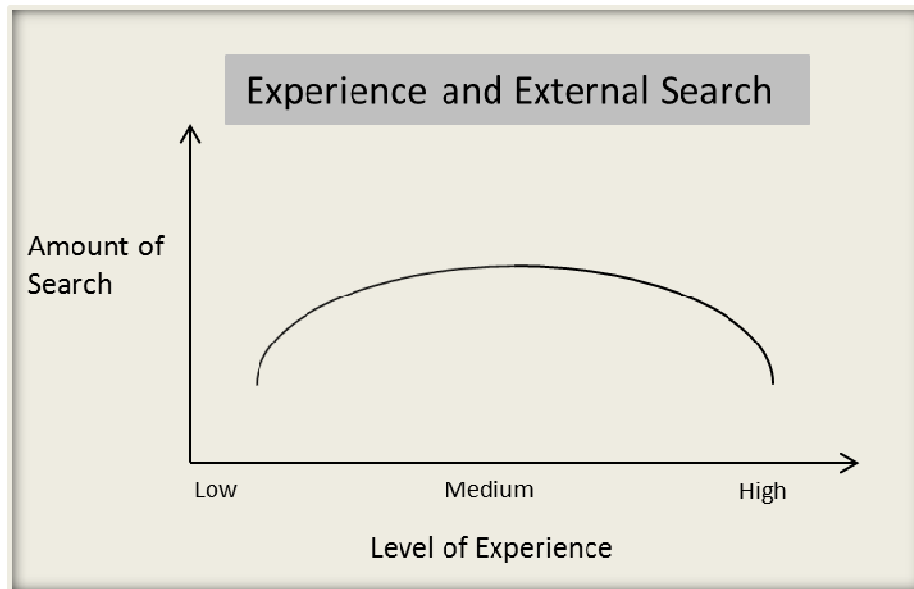


Figure 6: Experience and External Search

One explanation for the finding that moderately experienced consumers search more than other consumers is that individuals with little experience are unable to make fine distinctions between product differences and will likely see product alternatives as being similar. As such, they find little value in extensive information search. Highly experienced consumers can make fine distinctions between products and may know so much about products that they do not need to search at all. Moderately experienced consumers, on the other hand, perceive some differences among brands and are more likely to value information about these distinctions.

- Involvement

As noted earlier, purchase involvement is positively associated with search activities, especially for ongoing searches. Because involvement represents a level of arousal and interest in a product, search tends to increase when a consumer possesses a high level of purchase involvement.

- Perceived Risk

As perceived risk increases, search effort increases. As discussed earlier in the chapter, a number of risks can be associated with the consumption act including financial, social, performance,

physical, and time risks. Consumers are usually motivated to reduce these risks as much as possible and will therefore expend considerable time and effort in searching for information.

- Value of Search Effort

Value can be obtained from the search process itself. When the benefit received from searching exceed the associated costs, consumers derive value. When searching costs are greater than the benefits of the search process, consumers no longer value the activity and search stops. Costs associated with search can be either monetary (for example, the cost of driving around town looking for a new bedroom dresser) or nonmonetary (for example, psychological or physical exhaustion or stress).

- Time Availability

All other things being equal, more time to spend on search usually results in increased search activity. Because time is valued so highly by most consumers, search will decrease dramatically when time constraints are present.

- Attitude toward Shopping

Consumers who value shopping and who possess positive attitudes toward shopping generally spend more time searching for product information.

- Personal Factors

Search tends to increase as a consumer's level of education and income increases. Search also tends to decrease as consumers become older.

- Situational Influencers

Situational factors also influence the amount of search that takes place. Perceived urgency, financial pressure, and mood can all impact search behavior. The purchase occasion can also affect the search. Consumers sometimes have such an urgent need for a product that they will select the first option they come across. As an example of a purchase occasion, when a product is being purchased as a gift, the amount of search will depend on the nature of the relationship between the giver and the receiver and on the amount of time before the occasion.

➤ Search regret

As we have discussed, emotions and decision making are closely related topics. The search process can lead directly to emotional responses for consumers as well. The term search regret refers to the negative emotions that come from failed search processes. Many times, consumers are simply not able to find an acceptable solution to their problems. As a result, the decision making process stops. In these situations, consumers may feel as if the entire search process was a waste of time, and they will start to feel search regret. Feelings of search regret are directly related to the overall amount of search effort, the emotions felt during the search process, and the

use of unfamiliar search techniques. Many issues relate to the topics of need recognition and search. Our next chapter discusses evaluation of alternatives and choice.

2.4.3. Evaluations of Alternatives

A very important part of decision making is evaluating alternative solutions to problems. As we have discussed throughout this text, consumers are bombarded daily by a blistering array of product varieties, brands, and experiences from which to choose. For example, consumers can select from hundreds of varieties of breakfast cereals, snack foods, and athletic shoes. Musical choices are no different. A quick look at a popular music website like iTunes reveals thousands of songs to download! Trying to make sense out of all the alternatives can be very difficult.

Fortunately, consumer researchers have learned much about how consumers evaluate alternatives. The first issue to address is how consumers select criteria that can be used in differentiating one alternative from another. A number of factors influence the type of criteria that consumers use when evaluating alternatives. Situational influences, product knowledge, social influences, expert opinions, online sources, and marketing communications all influence the type of criteria that are used.

- Situational Influences

As discussed earlier, the type of criteria that are considered depends heavily on situational influences. If a product is being purchased as a gift, the buyer may pay close attention to hedonic attributes such as the image of the product and its reputation. For example, when buying perfume for a loved one, brand name and imagery can be very important. These criteria would therefore be weighted heavily in the evaluation process. Perhaps a consumer buying perfume for personal consumption may rely more heavily on other criteria such as price and convenience.

- Product Knowledge

As a consumer's level of knowledge increases, he or she is able to focus on criteria that are most important in making a selection and to discount irrelevant information. As such, an expert would be expected to be able to quickly discern what information is important and what is not.

- Expert Opinions

Because brand experts have well-developed knowledge banks for products, they can be used to help others determine what types of information to pay attention to when evaluating products. For example, a computer science professor would be able to guide students in selecting the most important criteria to consider when buying a new computer. Market mavens are also trusted sources who can guide consumers in focusing on various product attributes.

- Social Influences

Friends, family members, and reference groups also have an impact on the type of criteria that are used for decision making. This is especially true for socially visible products like automobiles or

clothing. Friends and families are considered to be trustworthy sources of information, and guidance that they give into what type of attributes to consider is usually closely followed.

- Online Sources

Numerous websites can assist consumers with information on product attributes and brand differences. Consumerreports.com explains what types of criteria to consider when buying products. Popular retail sites like bestbuy.com also explain what attributes consumers should consider.

- Marketing Communications

Marketing communications also assist consumers in deciding what features to consider when buying a particular product. Marketers generally promote the attributes that their products excel on and attempt to convince consumers that these are the most important. For example, Papa John's Pizza is well known for advertising "Better Ingredients, Better Pizza." While the company claims that their pizza contains better ingredients than that of their competitors, they also attempt to convince consumers that ingredients are important criteria to consider when buying pizza.

2.4.4. Consumer choice

Once consumers have evaluated alternative solutions to a problem, they begin to make a choice. "Choice" does not mean that a particular alternative will be chosen. Rather, consumers may simply choose to delay a choice until a future date or to forgo a selection indefinitely. There are two major types of rules that consumers use when selecting products: compensatory rules and noncompensatory rules.

Compensatory rules allow consumers to select products that may perform poorly on one attribute by compensating for the poor performance by good performance on another attribute. A consumer using a compensatory rule might say something like "It's OK that this car isn't very stylish; it gets good gas mileage. I'll buy it."

Noncompensatory models do not allow for this process to take place. Rather, when noncompensatory rules are used, strict guidelines are set prior to selection, and any option that does not meet the specifications is eliminated from consideration. For example, a consumer might say "I'll only choose a car that gets good gas mileage. I am not budging on that."

III MARKETING RESEARCH IN MODERN THEORY

Marketing research is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.

Companies use marketing research in a wide variety of situations. For example, marketing research gives marketers insights into customer motivations, purchase behavior, and satisfaction. It can help them to assess market potential and market share or measure the effectiveness of pricing, product, distribution, and promotion activities. Some large companies have their own research departments that work with marketing managers on marketing research projects. This is how P&G, GE, and many other corporate giants handle marketing research. In addition, these companies—like their smaller counterparts—frequently hire outside research specialists to consult with management on specific marketing problems and conduct marketing research studies. Sometimes firms simply purchase data collected by outside firms to aid in their decision making.

3.1. MARKETING RESEARCH PROCESS

Philip Kotler defined marketing research process as a process with four steps (Figure 7): defining the problem and research objectives, developing the research plan, implementing the research plan, and interpreting and reporting the findings.



Figure 7, The Marketing Research Process

3.1.1. Defining the Problem and Research Objectives

Marketing managers and researchers must work closely together to define the problem and agree on research objectives. The manager best understands the decision for which information is needed; the researcher best understands marketing research and how to obtain the information. Defining the problem and research objectives is often the hardest step in the research process. The manager may know that something is wrong, without knowing the specific causes. After the problem has been defined carefully, the manager and the researcher must set the research objectives. A marketing research project might have one of three types of objectives.

The objective of exploratory research is to gather preliminary information that will help define the problem and suggest hypotheses. The objective of descriptive research is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who

buy the product. The objective of causal research is to test hypotheses about cause-and-effect relationships.

The statement of the problem and research objectives guides the entire research process. The manager and the researcher should put the statement in writing to be certain that they agree on the purpose and expected results of the research.

3.1.2. Developing the Research Plan

Once the research problem and objectives have been defined, researchers must determine the exact information needed, develop a plan for gathering it efficiently, and present the plan to management. The research plan outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather new data.

The research plan should be presented in a *written proposal*. A written proposal is especially important when the research project is large and complex or when an outside firm carries it out. The proposal should cover the management problems addressed, the research objectives, the information to be obtained, and how the results will help management decision making. The proposal also should include estimated research costs.

To meet the manager's information needs, the research plan can call for gathering secondary data, primary data, or both. **Secondary data** consist of information that already exists somewhere, having been collected for another purpose. **Primary data** consist of information collected for the specific purpose at hand.

- **Gathering secondary data**

Researchers usually start by gathering secondary data. The company's internal database provides a good starting point. However, the company can also tap into a wide assortment of external information sources, including commercial data services and government sources.

Companies can buy secondary data reports from outside suppliers. For example, Nielsen sells shopper insight data from a consumer panel of more than 260,000 households in 27 countries worldwide, with measures of trial and repeat purchasing, brand loyalty, and buyer demographics.

Using *commercial online databases*, marketing researchers can conduct their own searches of secondary data sources. General database services such as Dialog, Pro-Quest, and LexisNexis put an incredible wealth of information at the keyboards of marketing decision makers.

Internet search engines can be a big help in locating relevant secondary information sources. However, they can also be very frustrating and inefficient.

Still, well-structured, well-designed Web searches can be a good starting point to any marketing research project. Secondary data can usually be obtained more quickly and at a lower cost than primary data. Also, secondary sources can sometimes provide data an individual company cannot collect on its own—information that either is not directly available or would be too expensive to collect. Secondary data can also present problems. The needed information may not exist; researchers can rarely obtain all the data they need from secondary sources.

The researcher must evaluate secondary information carefully to make certain it is *relevant* (fits research project needs), *accurate* (reliably collected and reported), *current* (up-to-date enough for current decisions), and *impartial* (objectively collected and reported).

- **Primary data collection**

Secondary data provide a good starting point for research and often help to define research problems and objectives. In most cases, however, the company must also collect primary data. Just as researchers must carefully evaluate the quality of secondary information, they also must take great care when collecting primary data. They need to make sure that it will be relevant, accurate, current, and unbiased.

Having in mind the complexity of a primary data collection process, Philip Kotler presented a table showing that designing a plan for primary data collection calls for a number of decisions on *research approaches*, *contact methods*, the *sampling plan*, and *research instruments*.

Research Approaches	Contact Methods	Sampling Plan	Research Instruments
Observation	Mail	Sampling unit	Questionnaire
Survey	Telephone	Sample size	Mechanical instruments
Experiment	Personal	Sampling procedure	
	Online		

Table 1, Planning primary data collection

3.1.2.1. Research approaches

Research approaches for gathering primary data include observation, surveys, and experiments.

Observational research involves gathering primary data by observing relevant people, actions, and situations. For example, Family Dollar might evaluate possible new store locations by checking traffic patterns, neighborhood conditions, and the location of competing discount retail stores.

Similarly, in its research labs, using high-tech cameras and other equipment, Gillette observes men and women shaving and uses the insights to design new razors and shaving products. Marketers not only observe what consumers do but also observe what consumers are saying, marketers now routinely listen in on consumer conversations on blogs, social networks, and Web sites. Observing such naturally occurring feedback can provide inputs that simply can't be gained through more structure and formal research approaches. Observational research can obtain information that people are unwilling or unable to provide. In contrast, some things simply cannot be observed, such as feelings, attitudes, motives, or private behavior. Long-term or infrequent behavior is also difficult to observe. Finally, observations can be very difficult to interpret. Because of these limitations, researchers often use observation along with other data collection methods.

A wide range of companies now use **ethnographic research**. Ethnographic research involves sending observers to watch and interact with consumers in their "natural environments." The observers might be trained anthropologists and psychologists or company researchers and managers. Beyond conducting ethnographic research in physical consumer environments, many

companies now routinely conduct “Webnography” research—observing consumers in a natural context on the Internet. Observing people as they interact online can provide useful insights into both online and off-line buying motives and behavior. Observational and ethnographic research often yields the kinds of details that just don’t emerge from traditional research questionnaires or focus groups. Whereas traditional quantitative research approaches seek to test known hypotheses and obtain answers to well defined product or strategy questions, observational research can generate fresh customer and market insights. “The beauty of ethnography,” says a research expert, is that it “allows companies to zero in on their customers’ unarticulated desires.”

Survey research, the most widely used method for primary data collection, is the approach best suited for gathering descriptive information. A company that wants to know about people’s knowledge, attitudes, preferences, or buying behavior can often find out by asking them directly. The major advantage of survey research is its flexibility; it can be used to obtain many different kinds of information in many different situations. Surveys addressing almost any marketing question or decision can be conducted by phone or mail, in person, or on the Web. However, survey research also presents some problems. Sometimes people are unable to answer survey questions because they cannot remember or have never thought about what they do and why. People may be unwilling to respond to unknown interviewers or about things they consider private. Respondents may answer survey questions even when they do not know the answer just to appear smarter or more informed. Or they may try to help the interviewer by giving pleasing answers. Finally, busy people may not take the time, or they might resent the intrusion into their privacy.

Experimental Research. Whereas observation is best suited for exploratory research and surveys for descriptive research, **experimental research** is best suited for gathering causal information. Experiments involve selecting matched groups of subjects, giving them different treatments, controlling unrelated factors, and checking for differences in group responses. Thus, experimental research tries to explain cause-and-effect relationships.

3.1.2.2. Contact methods

Mail, Telephone, and Personal Interviewing. *Mail questionnaires* can be used to collect large amounts of information at a low cost per respondent. Respondents may give more honest answers to more personal questions on a mail questionnaire than to an unknown interviewer in person or over the phone. However, mail questionnaires are not very flexible; all respondents answer the same questions in a fixed order. Mail surveys usually take longer to complete and the response rate—the number of people returning completed questionnaires—is often very low. Finally, the researcher often has little control over the mail questionnaire sample.

Telephone interviewing is one of the best methods for gathering information quickly, and it provides greater flexibility than mail questionnaires. Interviewers can explain difficult questions and, depending on the answers they receive, skip some questions or probe on others. However, with telephone interviewing, the cost per respondent is higher than with mail or online questionnaires. Also, people may not want to discuss personal questions with an interviewer. The method introduces interviewer bias—the way interviewers talk, how they ask questions, and other differences that may affect respondents’ answers.

Personal interviewing takes two forms: individual interviewing and group interviewing. *Individual interviewing* involves talking with people in their homes or offices, on the street, or in shopping malls. Such interviewing is flexible. Trained interviewers can guide interviews, explain difficult questions, and explore issues as the situation requires. *Group interviewing* consists of inviting six to ten people to meet with a trained moderator to talk about a product, service, or organization. Participants normally are paid a small sum for attending. The moderator encourages free and easy discussion, hoping that group interactions will bring out actual feelings and thoughts. At the same time, the moderator “focuses” the discussion—hence the name focus group interviewing. Researchers and marketers watch the focus group discussions from behind one-way glass and record comments in writing or on video for later study. Today, focus group researchers can even use videoconferencing and Internet technology to connect marketers in distant locations with live focus group action. Using cameras and two-way sound systems, marketing executives in a far-off boardroom can look in and listen, using remote controls to zoom in on faces and pan the focus group at will. Along with observational research, focus group interviewing has become one of the major qualitative marketing research tools for gaining fresh insights into consumer thoughts and feelings. However, focus group studies present some challenges. They usually employ small samples to keep time and costs down, and it may be hard to generalize from the results. Moreover, consumers in focus groups are not always open and honest about their real feelings, behavior, and intentions in front of other people.

Online Marketing Research. The growth of the Internet has had a dramatic impact on the conduct of marketing research. Increasingly, researchers are collecting primary data through online marketing research: Internet surveys, online panels, experiments, and online focus groups. Online research can take many forms. A company can use the Web as a survey medium: It can include a questionnaire on its Web site and offer incentives for completing it. It can use e-mail, Web links, or Web pop-ups to invite people to answer questions. It can create online panels that provide regular feedback or conduct live discussions or online focus groups. The Internet is especially well suited to *quantitative research*—conducting marketing surveys and collecting data. Web-based survey research offers some real advantages over traditional phone, mail, and personal interviewing approaches. The most obvious advantages are speed and low costs. By going online, researchers can quickly and easily distribute Internet surveys to thousands of respondents simultaneously via e-mail or by posting them on selected Web sites. Responses can be almost instantaneous, and because respondents themselves enter the information, researchers can tabulate, review, and share research data as they arrive. Beyond their speed and cost advantages, Web based surveys also tend to be more interactive and engaging, easier to complete, and less intrusive than traditional phone or mail surveys. As a result, they usually garner higher response rates. The Internet is an excellent medium for reaching the hard-to-reach—for example, the often-elusive teen, single, affluent, and well-educated audiences. It’s also good for reaching working mothers and other people who lead busy lives. Such people are well represented online, and they can respond in their own space and at their own convenience.

Just as marketing researchers have rushed to use the Internet for quantitative surveys and data collection, they are now also adopting *qualitative* Web-based research approaches, such as online depth interviews, focus groups, blogs, and social networks. The Internet can provide a fast, low-cost way to gain qualitative customer insights.

Primary qualitative Web-based research approach is *online focus groups*. Such focus groups offer many advantages over traditional focus groups. Participants can log in from anywhere; all they need is a laptop and a Web connection. Thus, the Internet works well for bringing together people

from different parts of the country or world, especially those in higher-income groups who can't spare the time to travel to a central site. Also, researchers can conduct and monitor online focus groups from just about anywhere, eliminating travel, lodging, and facility costs. Finally, although online focus groups require some advance scheduling, results are almost immediate. Online focus groups can take any of several formats. Most occur in real time, in the form of online chat room discussions in which participants and a moderator sit around a virtual table exchanging comments. Alternatively, researchers might set up an online message board on which respondents interact over the course of several days or a few weeks. Participants log in daily and comment on focus group topics. Although the use of online marketing research is growing rapidly, both quantitative and qualitative Web-based research does have some drawbacks. One major problem is controlling who's in the online sample. Without seeing respondents, it's difficult to know who they really are. To overcome such sample and context problems, many online research firms use opt in communities and respondent panels.

Thus, in recent years, the Internet has become an important new tool for conducting research and developing customer insights. But today's marketing researchers are going even further on the Web—well beyond structured online surveys, focus groups, and Web communities. Increasingly, they are *listening to and watching* consumers by actively mining the rich veins of unsolicited, unstructured, “bottom up” customer information already coursing around the Web. This might be as simple as scanning customer reviews and comments on the company's brand site or shopping sites such as Amazon.com or BestBuy.com. Or it might mean using sophisticated Web-analysis tools to deeply analyze mountains of consumer comments and messages found in blogs or on social networking sites, such as Facebook or Twitter. Listening to and watching consumers online can provide valuable insights into what consumers are saying or feeling about brands. As one information expert puts it, “The Web knows what you want.”

Perhaps the most explosive issue facing online researchers concerns consumer privacy. Some critics fear that unethical researchers will use the e-mail addresses and confidential responses gathered through surveys to sell products after the research is completed. They are concerned about the use of technologies that collect personal information online without the respondents' consent. Failure to address such privacy issues could result in angry, less-cooperative consumers and increased government intervention. Despite these concerns, most industry insiders predict continued healthy growth for online marketing research.

3.1.2.3. Sampling plan

Marketing researchers usually draw conclusions about large groups of consumers by studying a small sample of the total consumer population. A sample is a segment of the population selected for marketing research to represent the population as a whole. Ideally, the sample should be representative so that the researcher can make accurate estimates of the thoughts and behaviors of the larger population.

Designing the sample requires three decisions. First, who is to be studied (what sampling unit)? The answer to this question is not always obvious. For example, to learn about the decision-making process for a family automobile purchase, should the subject be the husband, the wife, other family members, dealership salespeople, or all of these? Second, how many people should be included (what sample size)? Large samples give more reliable results than small samples. However, larger samples usually cost more, and it is not necessary to sample the entire target

market or even a large portion to get reliable results. Finally, how should the people in the sample be chosen (what sampling procedure)?

3.1.2.4. Research instruments

In collecting primary data, marketing researchers have a choice of two main research instruments: the questionnaire and mechanical devices.

Questionnaires. The questionnaire is by far the most common instrument, whether administered in person, by phone, by e-mail, or online. Questionnaires are very flexible—there are many ways to ask questions. Closed-end questions include all the possible answers, and subjects make choices among them. Examples include multiple-choice questions and scale questions. Open-end questions allow respondents to answer in their own words. Researchers should also use care in the wording and ordering of questions. They should use simple, direct, and unbiased wording. Questions should be arranged in a logical order. The first question should create interest if possible, and difficult or personal questions should be asked last so that respondents do not become defensive.

Mechanical Instruments. Although questionnaires are the most common research instrument, researchers also use mechanical instruments to monitor consumer behavior. Nielsen Media Research attaches people meters to television sets, cable boxes, and satellite systems in selected homes to record who watches which programs. Retailers use checkout scanners to record shoppers' purchases. Other mechanical devices measure subjects' physical responses. Companies ranging from Hyundai and PepsiCo to Google and Microsoft now hire neuromarketing research companies such as NeuroFocus and EmSense to help figure out what people are really thinking. Although neuromarketing techniques can measure consumer involvement and emotional responses second by second, such brain responses can be difficult to interpret. Thus, neuromarketing is usually used in combination with other research approaches to gain a more complete picture of what goes on inside consumers' heads.

3.1.3. Implementing the research plan

The researcher next puts the marketing research plan into action. This involves collecting, processing, and analyzing the information. Data collection can be carried out by the company's marketing research staff or outside firms. Researchers should watch closely to make sure that the plan is implemented correctly. They must guard against problems with interacting with respondents, with the quality of participants' response, and with interviewers who make mistakes or take shortcuts.

Researchers must also process and analyze the collected data to isolate important information and insight. They need to check data for accuracy and completeness and code it for analysis. The researchers then tabulate the results and compute statistical measures.

3.1.4. Interpreting and Reporting the Findings

The market researcher must now interpret the findings, draw conclusions, and report them to management. The researcher should not try to overwhelm managers with numbers and fancy statistical techniques. Rather, the researcher should present important findings and insights that are useful in the major decisions faced by management.

However, interpretation should not be left only to researchers. They are often experts in research design and statistics, but the marketing manager knows more about the problem and the decisions that must be made. The best research means little if the manager blindly accepts faulty interpretations from the researcher. Similarly, managers may be biased; they might tend to accept research results that show what they expected and reject those that they did not expect or hope for. In many cases, findings can be interpreted in different ways, and discussions between researchers and managers will help point to the best interpretations. Thus, managers and researchers must work together closely when interpreting research results, and both must share responsibility for the research process and resulting decisions.

IV MARKETING RESEARCH IN MODERN BUSINESS PRACTICE

4.1. Global market research

ESOMAR is the world organization for enabling better research into markets, consumers and societies. With over 4900 members in over 130 countries, ESOMAR's aim is to promote the value of market, social and opinion research in illuminating real issues and bringing about effective decision-making.

In the ESOMAR industry report for 2012 it is presented that the global market research turnover continues to rise reaching US \$33.5 billion, representing a year-to-year increase of 3.8%, and 0.4% after adjustment for inflation. While this creates an overall picture of apparent stability in the global market research business, it should be noted that there were massive gains in some markets while others suffered severely due to economic and political turmoil. Top-line findings are the following:

- Market research turnover increases in 51 countries or sub-regions in 2011, and declines in 32.
- North America continues the journey to recovery begun last year, with turnover totaling US \$11.2 billion.
- Latin America, although buoyed by massive gains in Brazil the previous year, relinquishes its position as the fastest growing region, but still reports growth. The North American region and Asia Pacific take over and jointly hold the title this year.
- Europe, still the largest region for global research, reports a net decline of 1.3% after inflation, with the Nordic markets, Latvia and outsourcing hub Bulgaria unable to balance out losses in the economically troubled British and southern European markets.
- Falls also occur in the Middle East and Africa.

In the figures bellow, ESOMAR presented estimated global market research turnover for 2011 (Figure 8) and Net growth rates for 2011 (Figure 9).

GLOBAL MARKET RESEARCH TURNOVER 2011 US \$33,540 million

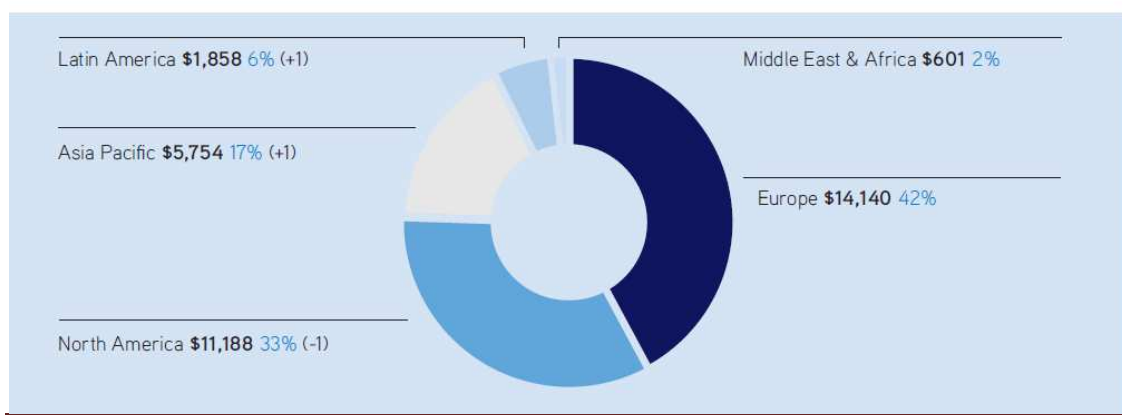


Figure 8, ESOMAR estimates. Rounded figures presented.
Percentage point changes in market share compared to 2010 are provided between brackets.

NET GROWTH RATES 2011 (adjusted for inflation)

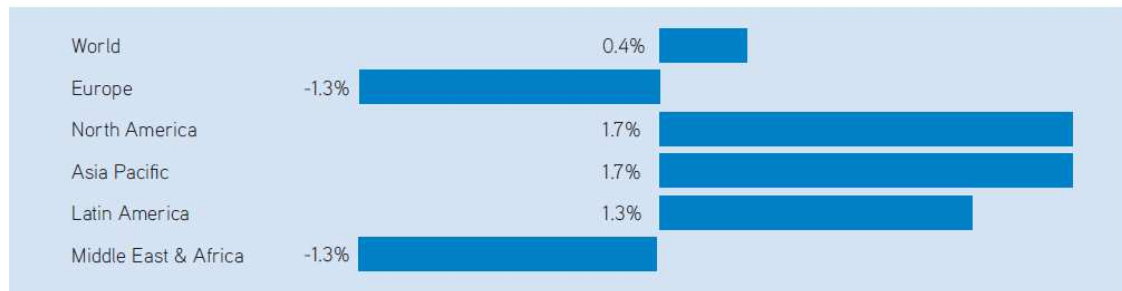


Figure 9, Exchange rate fluctuations eliminated. IMF inflation rates used to determine growth, ESOMAR

4.2. About GfK

GfK is one of the world's leading research companies, with more than 11,500 experts working in over 100 markets. Founded in 1934. in Germany, today GfK become one of top five largest and most successful market research organizations in the world. GfK is constantly innovating to use the latest technologies and the smartest GfK methodologies to give its clients the clearest understanding of the most important people in the world: their customers. That knowledge empowers GfK's clients to make the right decisions, and position their businesses for the future. In Serbia, GfK is operating more than 10 years and today is the second largest market research agency, with more than 45 local experts and a broad spectrum of specialist services. We provide knowledge for clients from industry, retail, the service sector and the media, which they use for their marketing to existing and potential clients as well as to distinguish themselves from the competition. We are a company with tradition, which places a high value on continuity, long-term client relationships and consistent achievement at the highest level. At the same time, it is innovation, implementation of state-of-the-art methodologies and our people who are the driving forces of our activities. We understand that your future is based on big thinking. And that's what we offer our clients. Globalization and digital technology have changed and challenged the way business is done. Companies need big thinking for big challenges. Our business is to provide the knowledge that can transform clients business.

4.2.1. History of GfK

In 1925 **Prof. Dr. Wilhelm Vershofen** founded the Institute for Economic Surveillance of German Products.

In 1934 the Association for Consumer Research, the Gesellschaft fuer Konsumforschung e.V (GfK), was formally founded.

The GfK e.V's first product is the **GfK-purchasing-power-map** of the Federal Republic of Germany.

1954 - Start Of Consumer Panel Research.

From 1967 onwards scientific inquiry was taken abroad. This led to company establishments in Austria, the Netherlands and Sweden.

From 1980 onwards, GfK companies were established in key European countries, beginning in the U.K. and France and later in Italy and Spain.

In 1990 - The separation of commercial and non-commercial activities.

Commercial activities were taken over by the GfK GmbH which became a public limited company (AG). The GfK e.V. limited its future activities henceforth to the promotion of market- and sales research. GfK in Serbia started operations in 2002.

Through history of GfK, development in sales had direct implication on number of employees.



Figure 10, Development of sales and employees

Source; Up to 2001 figures according to HGB, from 2001 to 2004 figures according to US GAAP, since 2005 figures according to IFRS

Mission statement: Companies need to make decisions. Knowledge is the basis for decision-making. Our business information services provide the essential knowledge that industry, retail, healthcare and service sectors and the media need in order to make their decisions. As a knowledge provider, we aim to be at the top of all the global markets in which we operate – in the interest of our clients, our employees, our company, our shareholders and the general public.

4.2.2. Organisational structure

Our business is divided into two sectors: Consumer Choices and Consumer Experiences. These work closely together across the globe as “One GfK”.

Consumer Choices investigates what’s selling, when and where. We continuously track online and offline media as well as major sales and information channels. Our former 'Retail and Technology' sector and the TV, radio and print measurement businesses from our Media sector are now part of Consumer Choices.

Consumer Experiences concentrates on consumers' attitudes, perceptions and behavior. Using creative and robust methodologies, we answer "who", "what", "why" and "how" of consumer buying. Our former Custom Research business and our Media sector's ad hoc research business are now part of Consumer Experiences.

In a world that's constantly changing, our specialist teams draw on deep industry knowledge to understand the market pressures and challenges. Our industry experts are present in every major market, combining global reach with local intimacy. We bring together insights from across geographies and disciplines to share knowledge and build expertise in new areas. We have expertise within the following industries:

1. Automotive
2. Consumer goods
3. Technology
4. Financial service
5. Fashion & lifestyle
6. Health
7. Retail
8. Media & entertainment
9. Public services
10. Travel & tourism

4.2.3. Solutions

We are trying to give full 360 degree view of specific market and customers to our clients. Which new products will bring success? How effective is specific advertising? How do customers experience a brand? We deliver in depth analysis on what is driving customer behavior and how client can innovate for success.

What products are customers buying? When and where are they buying them? And for how much? We track everything that clients need to understand how your products are really performing. Our approach uses the world's largest retail network and our rich insights assess your overall performance in global markets, helping clients to develop the right strategies for growth.

We have inovative solutions for:

1. Market insights and growth opportunities
 2. Product design and optimization
 3. Brand value optimization
 4. Advertising and communications optimization
 5. Channel & category optimization
-

6. Price Optimization

7. Customer experience and loyalty

4.2.4. GfK's position on the market

GfK focus is on industrial, operational and financial leadership.

Industrial leadership	Operational leadership	Financial leadership
GfK is currently no 4; GfK ranks top 3 in 12 of the top 20 market research countries	Strong relationships and partnerships with clients	Strong focus on free cash flow generation
Deep and broad industry expertise in each sector	High share of panel, continuous and syndicated business	High renewal rates and above 50% recurring sales
Strong brands and global presence, strong in Emerging Markets	Wide spectrum of clients in all industries	Flexibility , through solid financials
Expert partner for navigating the Digital World	High barriers to entry	Pay out ratio approx. 20%

SWOT analysis

Strenghts • <i>broad, high quality and innovative portfolio of services and products</i> • <i>fact-based consultancy</i> • <i>high level of customer loyalty</i> • <i>international network/ worldwide coverage of more than 100 countries</i> • <i>high level of staff know-how</i> • <i>on Group level no dependency on major clients</i> • <i>high visibility of sales - around 63% of sales</i> • <i>usually generated from continuous business</i> • <i>technological leadership in individual sectors</i>	Weaknesses • <i>dependency on major customers</i> • <i>weaker presence in Asia and the Pacific and in Latin America</i>
Opportunities • <i>increasing need for information and advice on customers' side</i> • <i>increasing demand for high quality products</i> • <i>utilization of synergies across the sectors</i> • <i>new markets, new products, new consumers</i> • <i>shift towards faster developing countries</i>	Risks • <i>difficult overall macro-economic development</i> • <i>sustained concentration on customers' side</i> • <i>fiercer competition</i> • <i>changes in legislation and policy</i>

4.3. Financial statements analysis

4.3.1. Introduction to accounting process in GfK Belgrade

GfK Belgrade, as 100% owned GfK SE subsidiary, is obliged to prepare financial statements according to IFRS. Still, as GfK Belgrade is registered in Serbia, it is also obliged to prepare statements based on local standards. As of 2005, Serbia has chosen to use IFRS.

Before 2005, GfK Belgrade was obliged to prepare 3 different financial reports – first one, according to local standards (which were quite different then IFRS) and, because of GfK Group needs – both according to US GAAP and IFRS. These facts made huge pressure on accounting department asking for extraordinary efforts & creating huge complexity for the company with about 20 people at that time and no adequate software at place. Also, at that time, there was almost no local consultants or auditors in Serbia to be able to provide auditing according to US GAAP (in 2002, GfK Belgrade was one of the three companies in Serbia, besides Hayat and Telekom, to apply US GAAP standards).

Although business have grown significantly (more than 15 times) from 2002, complexity of financial accounting and creation of financial statements has been reduced primarily because of two reasons – using only one financial standard – IFRS and having sophisticated financial software at place - Microsoft Navision. Still, there are some differences between statutory (by local law) and financial statements sent to the Group (for example, by local law some positions should be deducted and by IFRS and GfK Group standards these positions are added).

As GfK Group is listed company, GfK Belgrade needs to prepare quarterly financial statements which are not published locally as they are not demanded by local law.

All yearly statements have been audited as from the company foundation in 2002, although, due to the company size (declared as small), GfK Belgrade is not obliged to engage auditors. Due its size, GfK Belgrade is not obliged to prepare Cash Flow Statement neither.

When analyzing financial statements, huge currency fluctuations must be taken into account as they significantly influence some balance positions and can influence company result.

4.3.2. Balance sheet – Assets

Broadly defined, “assets are the things that organization owns or leases” (Jones, 2006).

As tangible non-current fixed assets GfK Belgrade owes only hardware and some furniture (above the value prescribed by local law) and software as intangible asset. Investments, both in software and hardware (as main part of GfK assets) changed throughout the years. 2009 was very difficult year for GfK Belgrade with significant decline in business activities which caused very low investments. This is reflected in reduction in value of fixed assets – older are depreciated (depreciation period is three years), purchases on new ones has been postponed for 2011 and 2012. However, marketing research being service industry, besides hardware and software, does not truly demand any other fixed asset. That explains rather low share of fixed assets in comparison to current assets

Table 2: Vertical analysis of balance sheet (fixed/current assets)

Balance sheet Vertical analysis	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
ASSETS						
Fixed assets	4,258,000	6,466,000	5,199,000	4,574,000	8,252,000	9,605,000
Current assets	41,818,000	54,635,000	68,283,000	84,265,000	114,119,000	108,595,000
	46,076,000	61,101,000	73,482,000	88,839,000	122,371,000	118,200,000
	9%	11%	7%	5%	7%	8%
	91%	89%	93%	95%	93%	92%

When analyzing current assets one interesting trend can be noticed – there is significant growth in trade receivables (proven later by ratio analysis) – which may indicate harder and longer payment period by clients. This is in line with general liquidity crises driven by worldwide financial crises.

4.3.3. Balance sheet – Equity and Liabilities

GfK Belgrade started business with the rather low basic capital and did not increase it throughout years. GfK distributed 2007 profit, 2008 and 2009 profits remained in the company to help protecting liquidity. In recent years, profit was distributed again.

Still, due to decline in local currency value, it was much wiser to take long term loan (for example, costs of four year credit can be about 10% of its net value and loss caused by currency value decline has been 29%). GfK Belgrade did use opportunity to take long-term internal loan in 2009 (returned it in 2010), to compensate significant decline in activities (especially in first half of the year) and significant growth of trade receivables (clients were very late in payments). Vertical analysis shows that GfK is having smaller share of liabilities than equity share which indicate certain stability.

Table 3: Vertical analysis of balance sheet (equity/liabilities)

Balance sheet Vertical analysis	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
EQUITY & LIABILITIES						
Equity	34,425,000	35,100,000	37,734,000	59,957,000	61,855,000	72,692,000
Long term provisions and liabilities	629,000	548,000	19,511,000	5,275,000	15,696,000	17,058,000
Current liabilities	11,116,000	25,525,000	16,404,000	23,912,000	45,045,000	28,744,000
	46,170,000	61,173,000	73,649,000	89,144,000	122,596,000	118,494,000
	75%	57%	51%	67%	50%	61%
	1%	1%	26%	6%	13%	14%
	24%	42%	22%	27%	37%	24%

4.3.4. Ratio analysis

4.3.4.1. Conclusions based on main ratios

As stated by Burnes, Sale and Stefan (2008), ratios provide a concise and systematic way to organize the enormous quantity of data contained in financial statements into a framework that creates meaningful information.

Ratio analysis should always be taken and performed with special care, must be observed thorough time as well as to take main competitors and industry standards into consideration.

As said by Patrone and DuBois (1981), “studies have shown that ratios have some value in discriminating between failed and successful firms; however, that does not mean that these same ratios can successfully discriminate among varying degrees of profitability within the group of successful firms” (p.2). This practically points to the conclusion that ratio figures can be used to understand business and draw decisions; still they do not provide answers to all questions as they have their limitations which must be understood.

Jones (2006) distinguishes six types of ratios which cover six main areas of business: profitability, efficiency, liquidity, gearing, cash flow, investment.

Let us start with **Profitability** ratios.

Table 4: ROCE

PROFITABILITY RATIOS	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
ROCE						
Profit before tax and loan interest	12,558,000	21,177,000	3,568,000	22,712,000	34,714,000	37,748,000
Long term capital employed (capital + long term loans)	34,425,000	35,100,000	57,245,000	65,232,000	77,551,000	89,750,000
	36%	60%	6%	35%	45%	42%

As stated by Jones (2006), ROCE (Return on Capital Employed) represents how effectively company uses its capital employed, i.e. what is return which business earns on its capital. Fluctuations throughout the years are caused by overall economic crises are typical for GfK as well as it's competitors on the Serbian market.

Net profit ratio leads to the same conclusion.

Table 4a: Net profit ratio

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
NET PROFIT RATIO						
Net profit before taxation	12,558,000	21,177,000	4,430,000	24,263,000	33,436,000	39,288,000
Sales	152,406,000	187,353,000	143,835,000	193,891,000	256,448,000	288,526,000
	8%	11%	3%	13%	13%	14%

Usual profit margin for this industry is from 8% to 12%. Crises caused reduced profit margins in 2009.

As stated earlier, operating income is the most important business parameter in global marketing research industry. By observing this indicator, it can be seen that GfK managed to keep the business rather healthy.

Table 4b: Operating result ratio

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
Operating income/loss	12,558,000	21,177,000	8,454,000	19,691,000	35,153,000	37,385,000
Sales	152,406,000	187,353,000	143,835,000	193,891,000	256,448,000	288,526,000
	8%	11%	6%	10%	14%	13%

Efficiency ratios may point to effectiveness of the business which represents an indicator of long term company health. Still, by being uninformed observer and looking to only one ratio, for example Asset turnover ratio – which scales from 1.95 to 3.30 in GfK, one may conclude that GfK is extremely efficient company. But, again, in order to draw realistic conclusion, one must understand specifics of research industry: fixed assets (which are in some industries of very high value) are rather of low value (hardware and software are getting cheaper) and not of primary importance in sales of human knowledge like in marketing research industry. Here is detailed overview of Asset turnover ratio.

Table 5: Asset turnover ratio

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
ASSET TURNOVER RATIO						
Sales	152,406,000	187,353,000	143,835,000	193,891,000	256,448,000	288,526,000
Assets (TOTAL)*	46,171,000	61,173,000	73,649,000	89,144,000	122,596,000	118,494,000
	3.30	3.06	1.95	2.18	2.09	2.43

Still, a general trend of decline in efficiency (again, influenced by crises) can be seen.

In marketing research industry Sales per number of employees (in Eur) is usually used as efficiency ratio. Sales per employees vary from 45,000 (in crises periods) up to 63,500 Eur (in period of high expansion).

Table 6: Ratio sales/number of employees.

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
Sales/	152.406.000	187.353.000	143.835.000	193.891.000	256.448.000	288.526.000
Number of employees	32	36	34	38	42	43
Sales per employee in RSD	4.762.688	5.204.250	4.230.441	5.102.395	6.105.905	6.709.907
Sales per employee in EUR	59.470	63.537	44.947	49.303	59.786	58.911
Exchange rate (average)	80,09	81,91	94,12	103,49	102,13	113,90

Liquidity analysis:

As mentioned earlier, GfK faced a light problem with liquidity due to the crisis, and used the opportunity to take long-term internal loan in 2009 (returned it in 2010).

Trade payables are very important for marketing research business since main suppliers are dominantly people: interviewers' network composed of freelancers. Payments on time are directly connected to quality of their work and there is very low flexibility with this type of liability. Therefore, very important information is if company is able to cover all trade receivables in short time (one month), i.e. from cash at account.

Table 9: Ratio Trade payables/ Cash and cash equivalents.

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
Trade payables	3,161,000	7,017,000	2,710,000	1,024,000	14,333,000	4,931,000
Cash and cash equivalents	16,024,000	11,510,000	22,393,000	30,497,000	15,129,000	39,201,000
	20%	61%	12%	3%	95%	13%

In order to have a full picture over liquidity status, all short term (current) liabilities must be taken into account. GfK could immediately cover all current liabilities by available cash in all presented years, except in 2011, due to the liquidity problems of two big GfK's clients and therefore-differed payment.

Table 10: Ratio Current liabilities/ Cash and cash equivalents.

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
CURRENT LIABILITIES	11,116,000	25,525,000	16,404,000	23,912,000	45,045,000	28,744,000
Cash and cash equivalents	16,024,000	11,510,000	22,393,000	30,497,000	15,129,000	39,201,000
	69%	222%	73%	78%	298%	73%

Gearing should be also taken into account to understand how risky composition of sources for financing a business is. It shows relationship between long term borrowings and long term capital of the company. As previously mentioned, GfK Belgrade decided to take a loan in 2009, to protect the company from liquidity crises, but putting it in risky position as gearing ratio was 52%.

GEARING	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
Long term borrowings	-	-	19,511,000	5,275,000	15,696,000	17,058,000
Total long-term capital	34,425,000	35,100,000	37,734,000	59,957,000	61,855,000	72,692,000
	0%	0%	52%	9%	25%	23%

Cash flow analysis will not be shown since there is no information to support it (no cash flow statements at disposal). **Investment** analysis is considered to be less relevant due to already explained reasons (low value of fixed assets in marketing research industry). Unfortunately, ratio analysis and financial statements do not show most important investment for marketing research industry – that is investment in training of people. Current accounting practices lack the ability to treat real assets as assets (for example, in knowledge industry, people are real asset, not machines). By treating people as expenses and machines as assets, accounting of industrial age is not following transfer to knowledge age and therefore being not very helpful to managers of knowledge companies (Covey, 2006).

4.3.4.2. Risk evaluation based on ratio analysis

As seen from the previous chapters, marketing research industry has its own specifics, for example: no need for fixed assets of a high value, almost no inventory as it is service industry.

Falk and Heintz (1975) try to evaluate financial risks for investors taking into consideration industry specifics as they significantly influence financial positions. In order to describe the industry, they used several ratios. Some of them are:

1. Fixed assets to total assets:

Table 12: Fixed assets/ total assets

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
Fixed assets	4,258,000	6,466,000	5,199,000	4,574,000	8,252,000	9,605,000
Total assets	46,171,000	61,173,000	73,649,000	89,144,000	122,596,000	118,494,000
	9%	11%	7%	5%	7%	8%

The authors (Falk and Heintz, 1975) concluded that high ratio would suggest a product with a relatively high unit cost and long production cycle. “Further, given the specialized nature of fixed assets in any given industry, it is more difficult to adapt and to convert to alternative products or production methods from a heavier fixed asset base” (p.764). Therefore, these authors claim that lower ratio means higher flexibility, i.e. lower risk. Industry standard is about 10%.

1. Average total assets to sales:

Table 13: Total assets/ sales

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
Total assets	46,171,000	61,173,000	73,649,000	89,144,000	122,596,000	118,494,000
Sales	152,406,000	187,353,000	143,835,000	193,891,000	256,448,000	288,526,000
	30%	33%	51%	46%	48%	41%

Falk and Heintz (1975) concluded that this ratio shows production characteristics in the sense of the asset base necessary to generate a given sales volume: “A higher ratio would be indicative of a need for a heavier asset base per output and, therefore, a higher risk situation”. Industry average is about 38%.

1. Total debt (long & short term liabilities) to equity:

Table 14: Long & Short term liabilities/ Equity

	GfK					
	Y 2007	Y 2008	Y 2009	Y 2010	Y 2011	Y 2012
Long & Short term liabilities	11,745,000	26,073,000	35,915,000	29,187,000	60,741,000	45,802,000
Equity	34,425,000	35,100,000	37,734,000	59,957,000	61,855,000	72,692,000
	34%	74%	95%	49%	98%	63%

The higher the ratio, the higher is the risk for the company, as concluded by the authors.

4.3.5. Conclusions based on financial analysis

GfK Belgrade is subsidiary of one of globally leading marketing research companies. It is obliged to respect not only local regulations but also regulations valid for company in general, as its financial statements are consolidated into group statements.

When analyzing GfK's local financial statements, some interesting observations can be made:

- Most of business parameters were influenced by crises: declining trend in investments, decline in sales and profitability, growth in liquidity risk and growth of other expenses (as reflection of receivables at risk), decline in efficiency;
- Main fixed assets for research industry (due its nature) are software and hardware; no other fixed assets are needed to have excellence in industry;
- It was much smarter decision to take long term loan instead of deciding to leave the profit into the company, as it proved to be cheaper way of financing (due to significant decline in local currency value);
- GfK seemed to deduct payments at risk already in 2009. Liquidity risk is growing in marketing research industry due to growth of trade receivables. GfK proved to be able to serve its liabilities.

4.4. Implications of Kotler's trends on GfK and market research industry in general

As we previously explained, Philip Kotler examined the major trends and forces that are changing the marketing landscape and challenging marketing strategy. We look at five major developments: the uncertain economic environment, the digital age, rapid globalization, the call for more ethics and social responsibility, and the growth of not-for-profit marketing.

But, how all this trends effect on market research industry?

4.4.1. The uncertain economic environment

As we previously stated, after a decade of overspending, frugality has made a comeback. In response, companies in all industries have aligned their marketing strategies with the new economic realities. More than ever, marketers are emphasizing the *value* in their value propositions.

During the years of crises, marketing research industry was the only branch of marketing with increasing budget/sales. This is due to the fact that we are facing with more demanding consumers willing to spend less money. Implication of this trend is huge for companies. They are trying to get know the new customer and find so called affluent customer (willing to spend more), which means investment in marketing research.

4.4.2. The digital age

The digital age made a huge difference in all phases of marketing research process, starting from defining the problem and research objectives, developing the research plan, implementing the research plan, and finally interpreting and reporting the findings.

4.4.2.1. Digital age and defining the problem and research objectives in MR

Having in mind increase of digital marketing and its power on customer, we are facing with new challenges in defining the problem and research objectives. The growth of digital channels and connected devices is empowering consumers now more than ever, to be in the steering seat of their brand choices. The straight-line path to making a purchase is now a thing of the past - whether a simple household cleaning product or a high end purchase such as car. A typical purchase process can now easily involve multiple sources, using any combination of information from ads across devices and channels, social networking sites, internet searches as well as in store advice and word of mouth. Already, 52% of smartphone owners use their mobile while in store to obtain further information for an imminent purchase. These changes have profound implications for brands which can no longer rely on traditional channels alone to get a message across and interact with the consumer along a journey. Marketers face some fundamental decisions such as which digital channels to invest in and then how those investments should impact use of traditional channels. Then it is about evaluating the effectiveness of those decisions.

On the other hand marketing research industry has to have:

- An experts who would be able to define the problem and research objectives properly
- Solutions that will provide information what customers do and why in the digital world

Marketing research experts need to understand the consumer already existing in the digital space, they have to understand what works and what do not, and to have the necessary skills to fully exploit this space.

It is very important for companies to understand how consumers find and experience digital marketing touch points, and how they impact the. expectations, motivations and attitudes of consumers.

At GfK we understand how digital has changed the decision making landscape and how important it is for brands to embrace the way consumers engage with them today. We are able to define the objectives and provide an answers on a very new problems that companies are facing in the digital age.

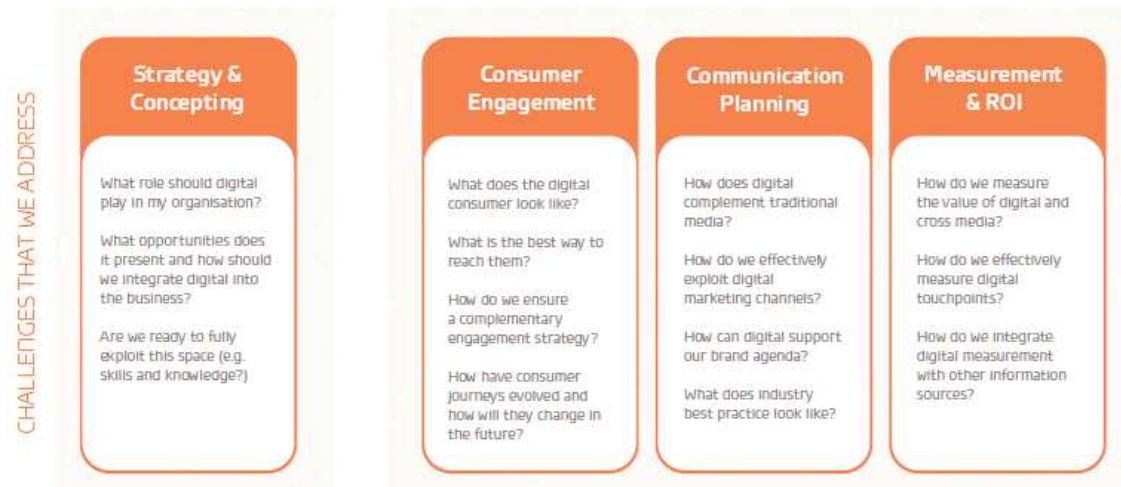


Figure 11, Challenges that GfK address

Our unique research solutions utilize big data techniques in an intelligent way. We ask, observe and listen to digital consumers to build a complete understanding of what they do and why. But understanding the digital consumer in isolation is not enough. We also need to consider the wider environment, and the role of digital within it, to truly deliver on the challenges that marketers face today.

GfK is trying to differentiate with:

- Specialist global teams drawing together digital marketing and sector expertise
- We see ourselves as best in class technology, empowered by Nurago (acquisition)
- Offering unique research solutions combining behavioural, observed and attitudinal data
- Providing innovative analytical techniques led by our team of digital scientists
- 360° understanding of consumers in traditional and digital environments

The table below shows the GfK's solutions, as an answer to the digital age.



Figure 12, GfK's Digital Solutions portfolio

4.4.2.2. Digital age and developing the research plan in MR

Digital age brought many changes in the phase of developing the research plan. We already mentioned usage of commercial online databases and internet search engines in gathering secondary data.

But, what about new opportunities in primary data collection? We mentioned observational and survey research approaches. Development of digital made some improvements in both of primary data collection approaches.

Observational research involves gathering primary data by observing relevant people, actions, and situations. Observational research can obtain information that people are unwilling or unable to provide. But on the other hand, observational research takes a lot of time of researcher to analyze data, especially in case of quantitative research. New age brought us a lot of new software's, which give fast and accurate information and save a lot of time of a researchers. For example, shopper studies became very popular due to more and more complex customer's behavior, decreasing loyalty and the fact that more than 70% purchase decisions are made in store (in case of FMCG products). Along with shopper research, shop efficiency is very important as well. But, we already mentioned time consumed data analysis. How the digital changed the situation?



Figure 13, Video observation in the supermarket

For example, *software made by Quividi* uses a simple video sensor to count a passages, so as to know the footfall in key places. At the same time, software alloud estimation of age and gender distribution. Exaple of outputs are given on the pictures bellow. By doing such data collection and processing, researchers are a lot more efficient and can focus on data analysis, conclusions and recommendations.

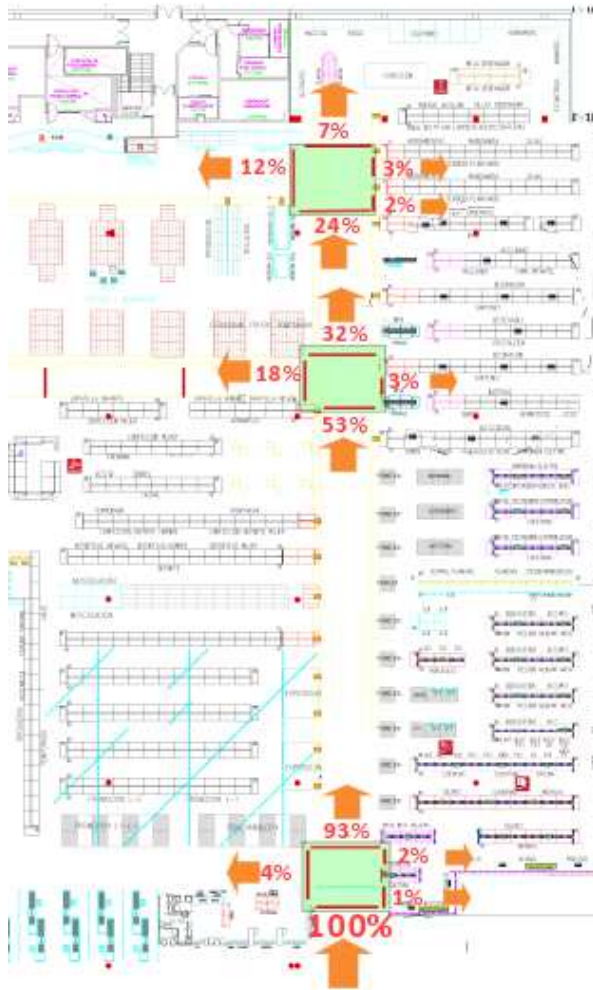


Figure 14. Traffic distribution in hypermarket

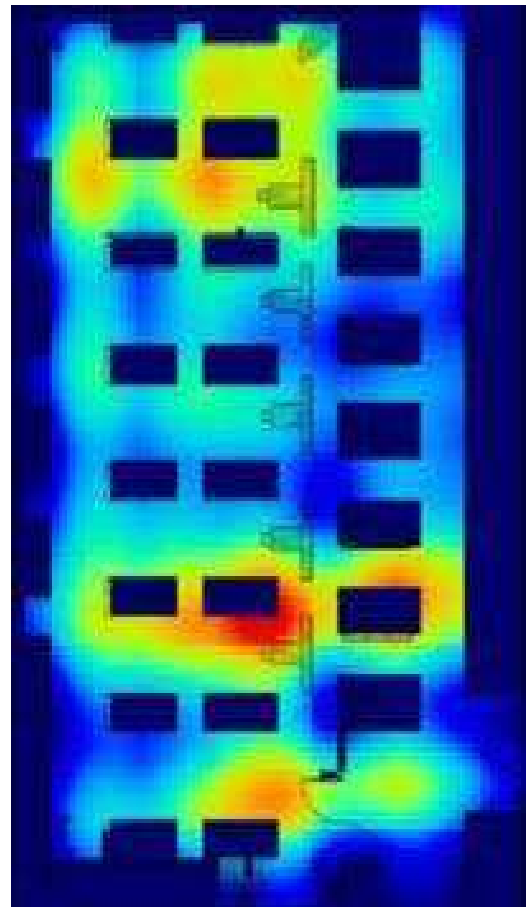


Figure 15. Heat map

The same technology is used for audience measurement in order to measure out-of-home communication: from digital signage networks, to traditional POP materials and posters. Quidi uses proprietary image processing technology to count actual viewers and overall opportunities to see (OTS) while accurately measuring attention times and dwell times and estimating gender and age distributions of the audience. This set of metrics is made available in real time allowing the precise analysis of a communication. Examples of results from this solution are below.



Figure 16, Example of Quividi result - Automated estimation of age and gender of the audience

Picture 5, Example of Quividi result - Automated count of number of communication viewers, ratio between total number of people and people who paid attention on the communication, as well as average attention

Because of its limitations, researchers often use observation along with other data collection methods. These methods are today more often related to the digital, ensuring accurate data collection and validation of the results gain by observation. Ethnographic research is very often combined with *eye tracking survey*. During the survey, respondent is wearing glasses, which records respondent's look and Allows to learn precisely HOW and WHERE the respondent is looking. Glasses, that respondent is wearing, provide unobtrusive research technology that prevents negative or misleading reactions in a real world environment, thus ensuring the validity of the research.

Eye Tracking is useful to:

- Identify specific elements that catch the attention of respondents
- To know for how long it catches the respondent's view
- Evaluate key Visuals of communication elements: packs, advertising, etc.
- Know the itinerary, the route in certain spaces.
- Determine whether the interviewee is only glancing or looking more intently.



Figure 17, Tobii Eye tracking glasses

In combination with interviewing and observing, eye tracker can provide very useful insight. Another benefit of using eye tracking survey is in automatic data aggregation, leads to immediate analysis and visualization. As a result, we have drastically cutting down on data coding and interpretation, saving hundreds of hours of researcher's work.

Many surveys are based on customer behavior in completely *virtual environment*. For example, Web based virtual stores created based on „brick” stores layouts/floor plans. This is a cost effective and fast way of carrying out shopper research. Example is on Picture 7 bellow.

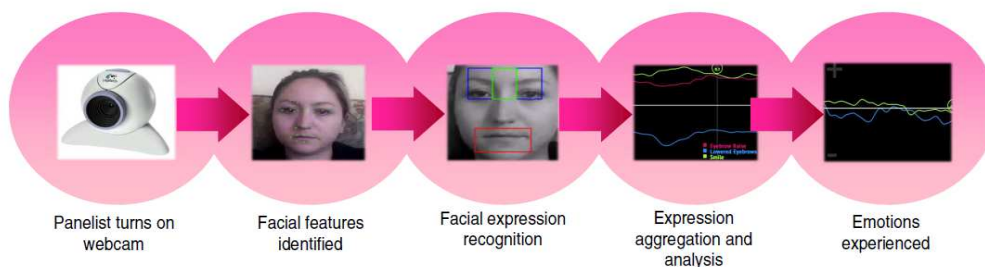


“Neuromarketing” is a broad field for marketers in future. GfK introduced recently EmoSensor and EmoCapture methodology, while Millward Brown agency has Affectiva methodology for automated facial coding, but it is not fully-explored and developed field yet.

The Millward Brown Affectiva enables:

- Recording respondent’s facial expressions to marketing stimulus
- Automatically code them for emotional and cognitive states
- Diagnose emotional reaction, moment by moment, without relying on verbal report.

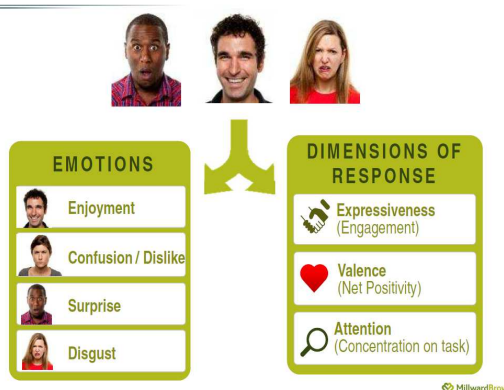
HOW THE SYSTEM WORKS



THE SYSTEM WORKS SIMPLY AND QUICKLY AS PART OF A STANDARD COMPUTER INTERVIEW

 MillwardBrown

THE SYSTEM CODES FOR AN ARRAY OF EXPRESSIONS



THE REAL POWER COMES FROM THE INTEGRATION WITH SURVEY RESPONSES



Results from facial coding are interpreted alongside Link™ findings into an **interactive dashboard**

 MillwardBrown

Figure 18, Millward Brown’s Affectiva Solution

Survey research Philip Kotler mentioned Competitive marketing intelligence as a systematic collection and analysis of publicly-available information about consumers, competitors, and developments in the marketplace. In our digital age, companies can routinely monitor consumers' online chatter with the help of monitoring services. Today, social media make it easier than ever for people to share to have conversations and express their opinions, needs, ideas, and complaints. And they're doing it with millions of blogs, tweets, videos, and comments daily. Marketers face the difficult task of sifting through all the noise to find the gems about their brands. Special softwares and platforms provides for real-time monitoring of consumer mentions of the company, its brands, relevant issues, and competitors on millions of blog posts, viral videos, reviews in forums, sharing of photos, and twitter updates.

But, there is also a need for surveying online behavior of targeted audience. The question is what is behind the customer's online behavior. At GfK, we have global panels that bring together offline behaviours with observed online activity and attitudes to capture all dimensions customer behaviour. This panel supports many of our digital solutions. Beside the consumer panels, we have also ConnectedLife panel - a specialist panel, focused on cross-device measurement with the specific purpose of measuring the relationship between mobile and fixed internet browsing. This panel provides a complete web browsing picture of how consumers behave on the internet across both fixed and mobile.

Our aim is to help clients understand the digital consumer in a digital and integrated way.

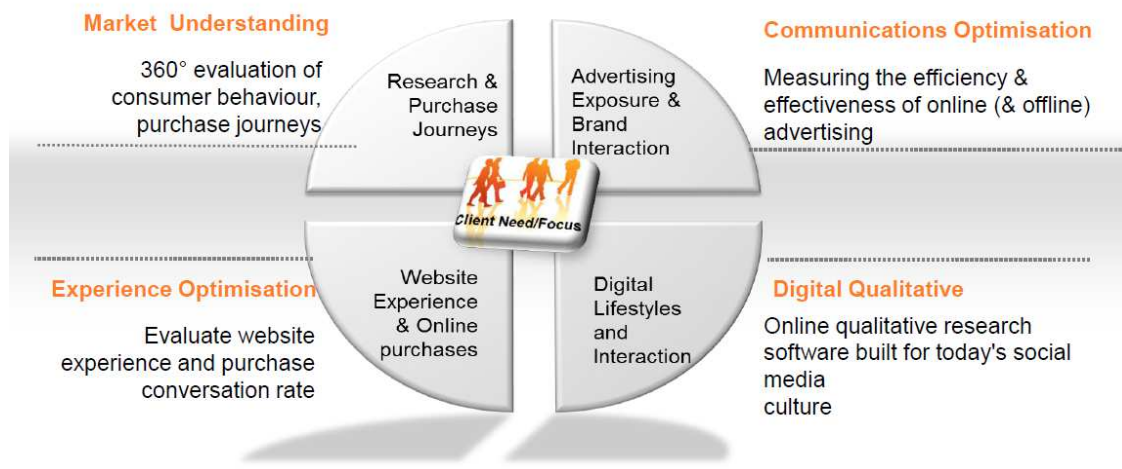


Figure 19, GfK's Digital Market Intelligence approach

Single source platforms support our solutions and ability to provide powerful analytics combining behavioural and attitudinal data.

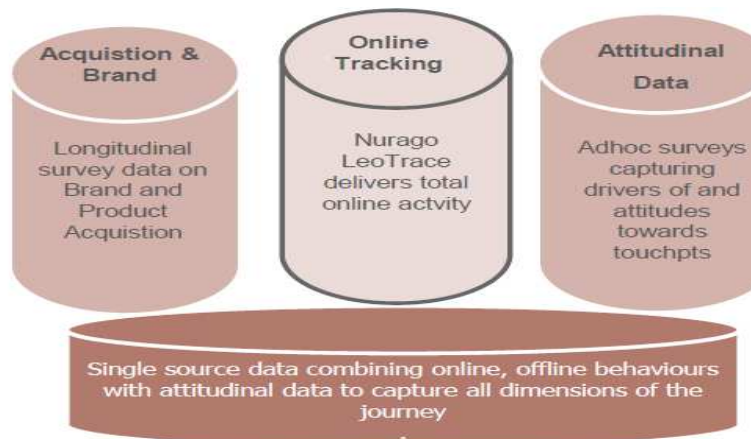


Figure 20, GfK's approach – combination of behavioral and attitudinal data

Presence of consumer panel and such a platform provide us huge possibilities. Some of examples are:

- Understanding which competitor brands your customers regularly interact with
- Media Planning – identifying which online channels you need target to reach specific customer sets
- Measuring the impact of cross media campaigns on purchase consideration

Having in mind increasing usage of internet along with higher digital marketing exposure, online touch points have influence on customer decision making process more than ever. Google emphasized the role of online in the consumer journey from research to purchase, by launching the Consumer Barometer tool (available on www.consumerbarometer.com). To better understand this journey, the Consumer Barometer provides insight into past purchase behaviors and, as well as a perspective on how consumers interact with the internet as a source of information for informing purchase decisions. The survey conducted in 2012 included 39 countries all over the world, revealing the similarity and differences of the consumers' decision-making process worldwide. In 2013, Consumer Barometer research included the biggest markets in Adriatic region– Serbia, Croatia and Slovenia.

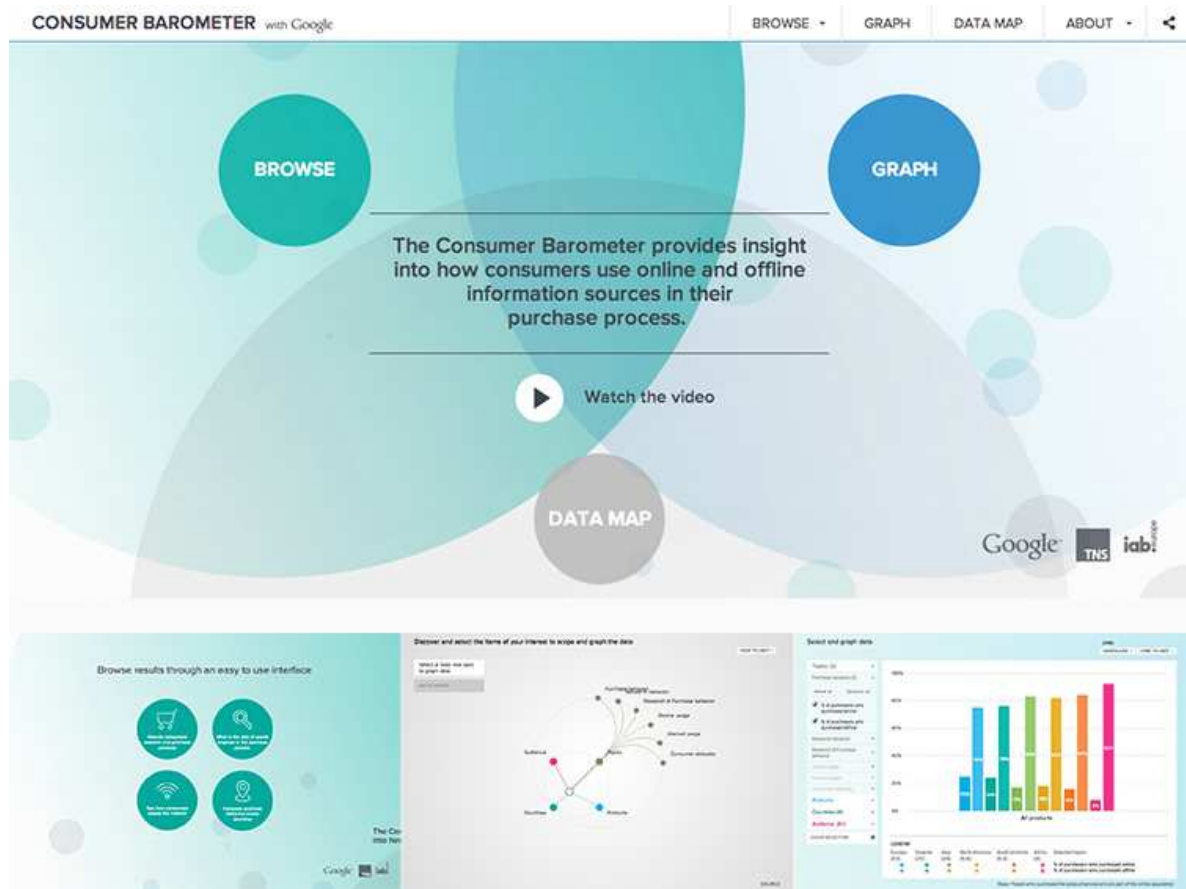


Figure 21: Consumer Barometer tool

Except the differences in consumer decision-making across different countries, Consumer Barometer revealed the second layer as well – differences in specific industries/products. Research showed different approach of consumers in the decision-making process in the surveyed industries:

- Retail
- Technology
- Groceries & Healthcare
- Automotive
- Media & Entertainment
- Travel
- Finance & Real Estate

Specific topics that Consumer Barometer covers are the following:

- Purchase behavior (online vs. offline)
- Research behavior (preferred way of research, devices for online research, usage of the search engines)
- Research & purchase behavior
- Consumer Attitudes towards digital channels in the consumers' decision-making process

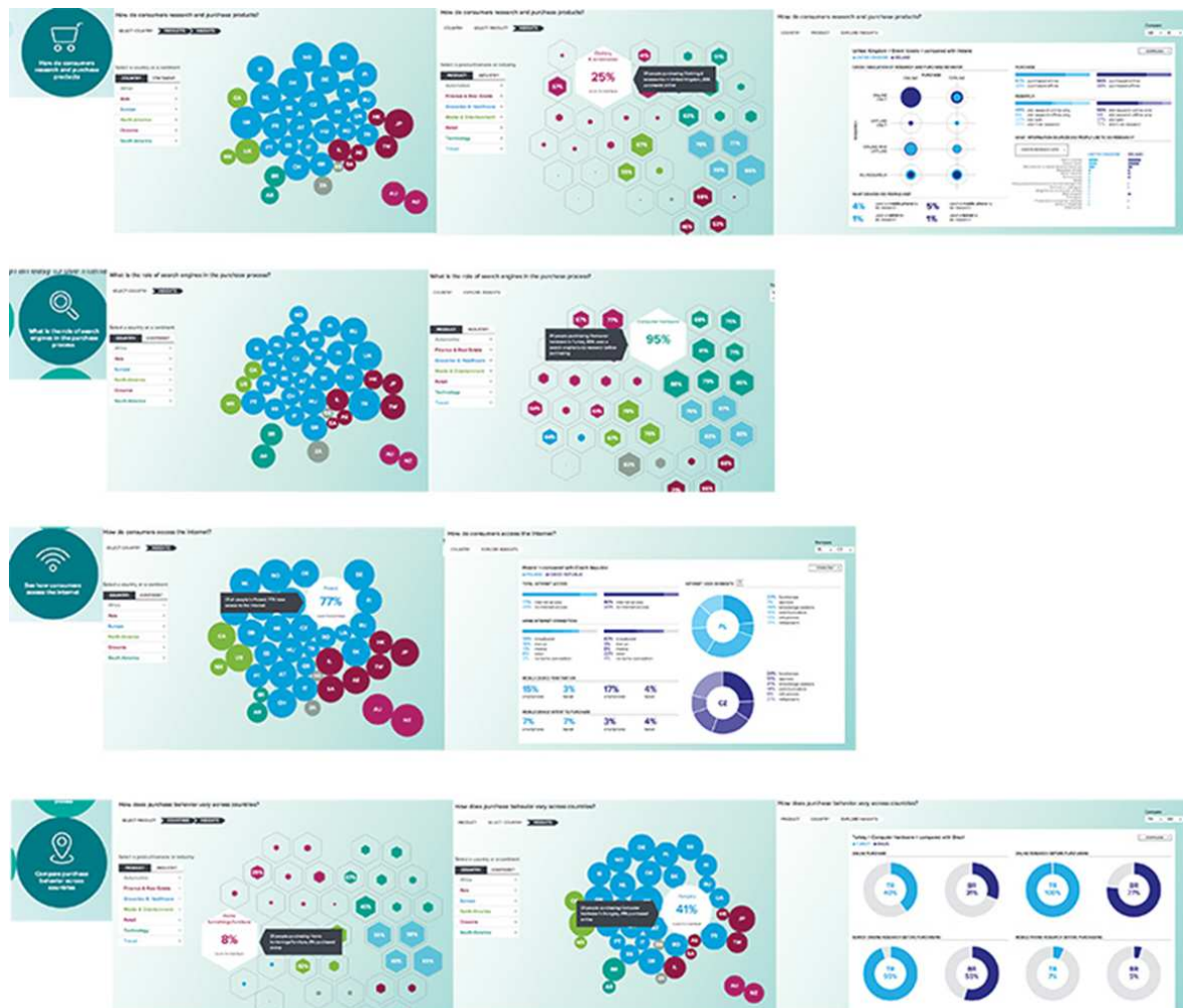


Figure 22: Consumer Barometer tool – specific topics

In general, Google's Consumer Barometer gives a clear picture of the growing power of digital communication channels and opens new questions for marketers. Marketers face some fundamental decisions such as which digital channels to invest in and then how those investments should impact use of traditional channels. Then it is about evaluating the effectiveness of those decisions.

GfK also recognizes the importance for companies to understand how consumers find and experience digital marketing touch points, and how they impact the expectations, motivations and attitudes of consumers. Marketers and researchers all over the world are increasingly interested in changes in consumer decision-making, particularly in consumer journey. But, what is their definition of consumer journey? It is a model which describes the theoretical customer journey from the moment of first contact with a brand to the ultimate goal of a purchase. Why it is of such an importance nowadays? Because the digital revolution has changed the consumer behavior in general, making the consumer journey more and more complex. Complex consumer journeys have constituted new marketing challenges. Marketers are facing diverse questions:

- Where does the journey begin and how?
- Information needed? When? Where (offline vs. online)? What?
- Role of: Search? Advertising? Review sites? Social media? Producer? Retailer? Mobile?
- How are products and services selected?
- How are products and services purchased?
- Is this process spontaneous or planned?
- What disrupts journeys and changes the end result?

How to tackle all these challenges? Marketers and researchers are trying to follow the consumer journey to understand what happens from trigger to purchase. The picture below shows the way that consumer journey is seen by researchers from market research agency GfK.



Figure 23: Consumer journey- process

By using this approach, GfK provides 360° view of your target market's purchase decision behaviour :

- Identifying **expectations, motivations and brand preferences** of purchase intenders during their **research and purchase process** and explaining the behaviour displayed when visiting **touchpoints on- and offline**.
- Comprehensive understanding of **how purchase journeys are structured** and **how they impact** the purchase
- Identify which touchpoints are the key in your market and category and how your performance benchmark against the competition.
- Evaluate these touchpoints and how consumers gather information and buy products (both online and offline).
- Learn what happens in which **phase** in the decision making process: **when and why** do consumers turn **“why?”** to **“which”** ?
- Helps underpin communications and marketing plans with real understanding of how, where and when touchpoints are experienced.

As an answer to the complex consumer journey, market researchers have to adjust their methodology approach in order to provide holistic view of the target market's online & offline behavior. It can be done only by bringing together attitudinal, emotive and behavioral data:

- where they go for information, advice & reviews
- what advertising they have been exposed to
- and the influence these have on PURCHASE DECISIONS, within the context of a competitive environment

GfK's methodological approach is to integrate data from the survey with the behavioral data.

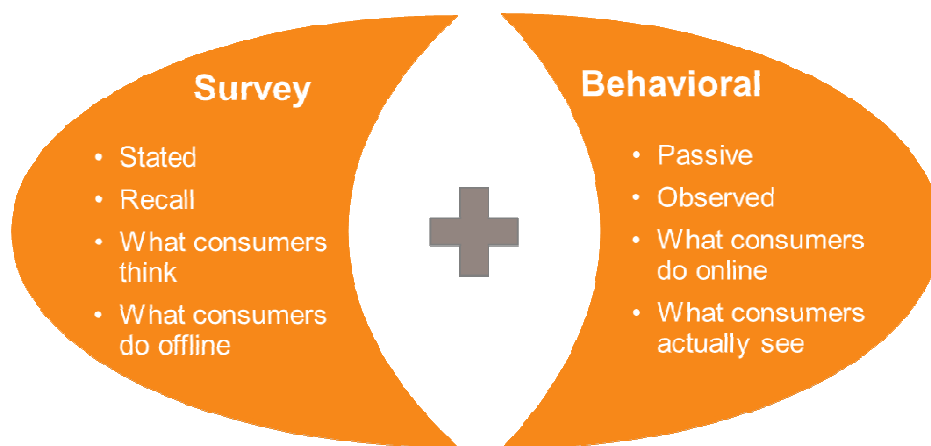


Figure 24: GfK's methodological approach for Consumer journey survey

But, how does it work? In such cases, survey cannot be based on offline or online touch points only, but on both – bringing together attitudinal, emotive and behavioural data. GfK's *PurchaseJourney dx*. provides 360° view of target market's purchase decision behaviour. With combining observed online activity from our LEOtrace[®] software with offline diary and other survey data we capture attitudes as well as online and offline behaviour amongst consumers about to undertake a 'purchase journey'.

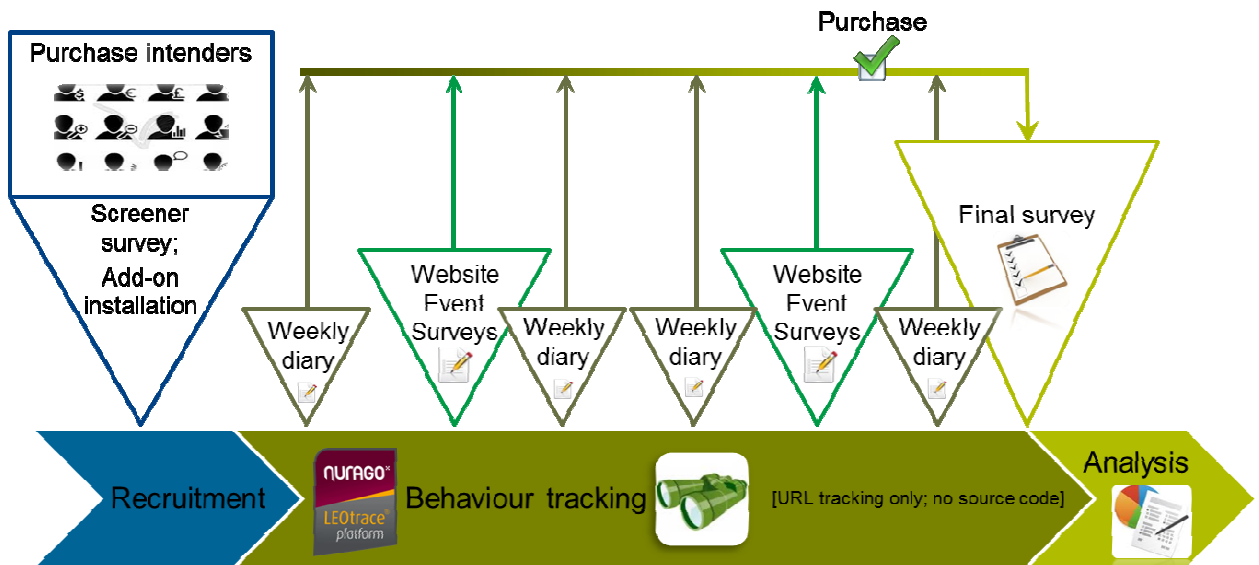


Figure 25: Consumer journey - GfK's approach

Business outcomes are again related to comprehension results:

- Optimize customer conversion and retention to improve ROI.
- Identify key influential complementary and competing off- and online touchpoints in the purchase decision process
- Comprehensive understanding of how and why consumers gather information, and buy products (both online and offline).
- Input into marketing communication decisions, including messaging, media placements and cooperation
- Competitor intelligence: learn from competitor strategies and shape proactive tactics

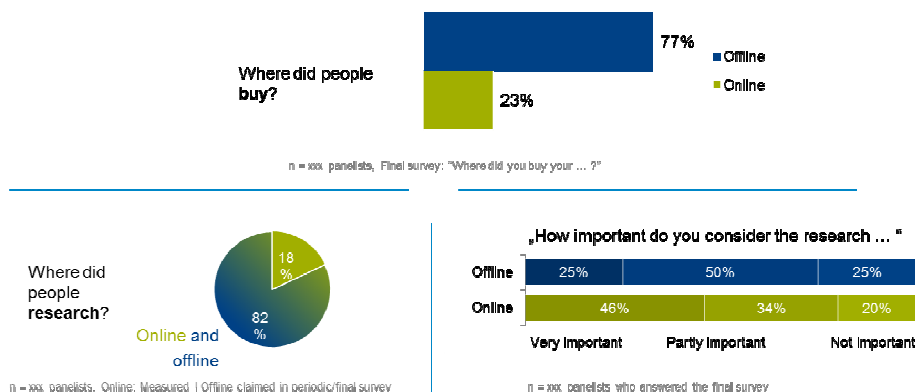


Figure 26: Example of results - Usage and crossover between online and offline

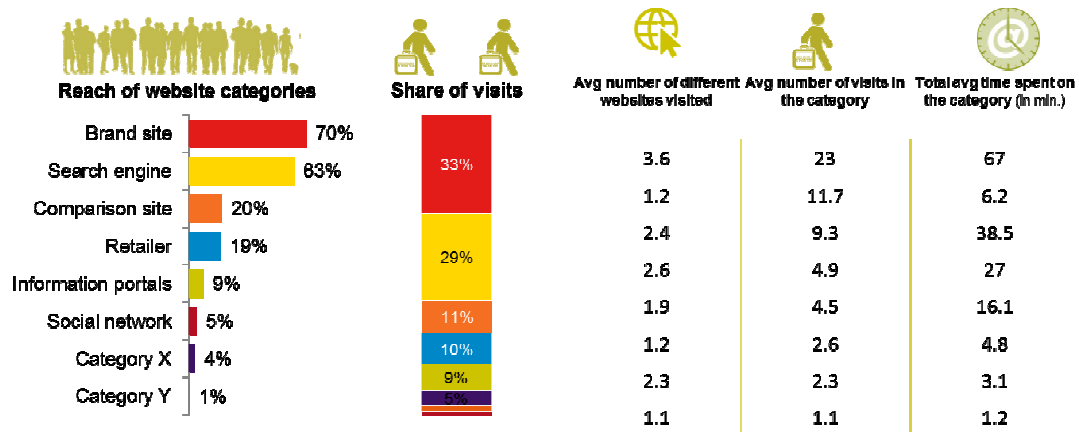


Figure 27: Example of results - Usage of online touchpoints

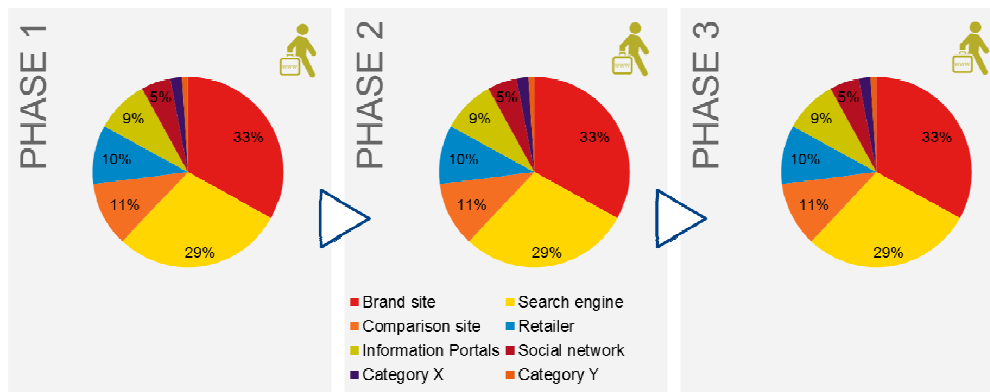


Figure 28: Example of results - Website usage in different phases of the research process



Figure 29: Example of results - Initial trigger: What influenced people to want to buy a...?

For successful media planning it is necessary to understand which formats/channels provide the greatest effectiveness to the campaign. Understand how to use digital more effectively for future campaigns in combination with offline media is even more challenging task. GfK's *ExposureEffects.dx* is an easy way to measure the efficiency and effectiveness of digital only or cross media communications. It covers all digital touch points – digital advertising campaigns, digital infrastructure (e.g. product website, YouTube channel) and digital search investments (e.g. AdWords) and combines actual exposure with surveys to provide both behavioral and attitudinal leanings. This ensure full effectiveness measurement of each channel and overall campaign. With this solution, by combining survey research and described software, we can get deeper insight into consumer attitude towards communication.

But, it is often a case that we need broader insight considering different target groups and effectiveness of advertising. Analyzing the demographic and other structural data of panelists with campaign contact, we can show where the campaign reached the required target group and how efficiently the target group was covered on the different websites. GfK's *Audienceprofiles.dx* can give us an answer on different questions:

1. How well did individual ad formats reach the required target group?
2. How well did specific campaigns or creative reach the required target group?
3. How well was the required target group reached across various countries?

Today, it is very important for brands to react on time and make an appropriate improvement of digital campaigns. Our unique platform *Dimestore.dx* measures in real time the effectiveness of your digital ad campaign in the same footprint as online ads appear. We offer key diagnostics for in-flight improvements and recommendations for online advertising campaign – display, video, mobile, and social. By collecting brand-centric metrics – including awareness, favorability, message recall and purchase intent – this technology provides advertisers, agencies, and publishers with on demand, directional results. These enable gauging performance against key metrics continuously and to make changes to your campaign in-flight.

Having a bad advertising is very “expensive” for companies. Pre-test of advertising campaigns is a common thing in previous decades, but the novelty is a pre-test of digital advertising. GfK's *LiveSimulation.dx* Measures the effects of ads or ad platforms within natural media usage in the live environment due to simulation of ad exposures, according to predefined experimental designs. It can:

- Simulate all formats of campaign before you commit your budget to media owners
- Gain strategically relevant insights into media portfolio and optimize its effectiveness
- Receive disaggregated insights by placement, layout, creative execution and optimize your digital ad diversification
- Include TV measurement or OTS surveys in order to evaluate cross media evaluation
- Combine actual exposure with surveys to provide both behavioral and attitudinal learning

Experience optimization of the websites is the next level of examination of consumer experience with digital touch points. GfK's *SiteObsurvey.dx* provides easy evaluation of website performance by:

- Tracks natural usage of website; in depth and non-intrusive
- Combines usage data with user intentions and satisfaction

- Defines the actual profile of site's Audience
- Isolates attributable effects of a website on the brand

Business outcomes of this survey are related to :

1. Consumer Understanding: Understand the goals people have when visiting your site and how this influences behavior
2. Site Effectiveness: Understand whether the site is achieving the goals, and if not, where the key pain points exist
3. Site Optimization: Optimize the journey through your website, reduce pain points and minimize barriers to the meeting of expectations
4. Purchase Uplift: Improve sales conversion rates

Digital age brought some changes in qualitative research, as well. Philip Kotler wrote about online focus groups. GfK's *SocioLog.dx* product is a research tool which combines the totality of our qualitative online research in a consistent, global approach. It represents the next digital generation of classic qualitative research techniques such as group discussions, diary recording, in-depth interviewing and accompanying monitoring. SocioLog.dx is an online platform on which project-related moderated online communities are generated. Research participants are also free to blog, chat, give ratings, record comments on other contributions, look at videos and designs or upload content of their own in a closed environment. These applications may be used individually or in combination, depending on the design of the survey.

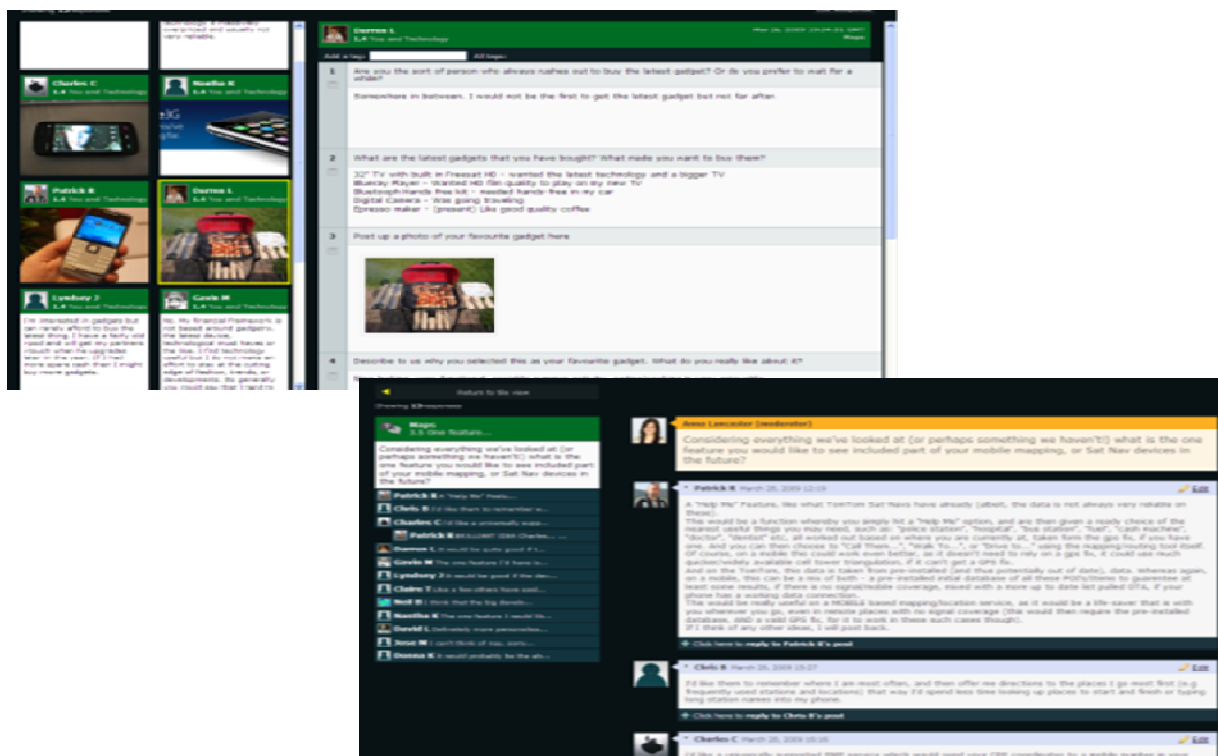


Figure 30, GfK's SocioLog.dx.

As consumers' purchase decisions are increasingly influenced by exposure to brands in the social media environment, investment in social media continues to rise up the agenda for most marketers. Social media analysis is a part of offer of most significant marketing agencies. *Social Media Analysis (SMA)* means the identification, observation, and analysis of social media content for the purpose of market research.

Analysis" is the broader term. That's everything from interpreting a current snapshot, to analysing a mass of historical content, or tracking certain indicators on a rolling basis. "Monitoring" can be seen as a special case of "Analysis" where the main interest is in change – often carried out in the early days of SMA as real time tracking of headline 'buzz', and picking up early warning of a reputational crisis, or a big PR success.

Social Media content need not be restricted to that from 'users'. Sometimes it is important to pick up editorial content – appearing in social media formats such as blogs – and to track its spread by online word of mouth.

The most common image today is that of buzz and sentiment tracking against events. GfK use social media mining to collect and analyze conversations about the brands and products, enabling us to explore consumer needs, trends and reactions to events or marketing material. In addition, our online behavior tracking collects actual social media usage information alongside other patterns of browsing.

These outputs can then be integrated into insight from a selection of our other research sources, such as media research and consumer panel data. This breadth of knowledge enables us to produce insight on your brand's social media presence within the context of prevailing digital trends.

4.4.2.3. Digital age and implementing the research plan in MR

Kotler mentioned that researchers should watch closely to make sure that the plan is implemented correctly. They must guard against problems with interacting with respondents, with the quality of participants' response, and with interviewers who make mistakes or take shortcuts. Researchers must also process and analyze the collected data to isolate important information and insight. They need to check data for accuracy and completeness and code it for analysis. The researchers then tabulate the results and compute statistical measures.

Today, in a digital age, most of previously described solutions are based on respondent – device relationship, which excludes the interweavers' presence and improves the quality of participants' response. At the same time, automated data coding and processing improve effectiveness of MR. Different devices are used today for data collection. For example, in GfK Serbia:

- We have online panel with more than 8000 active participants, where respondents use PC's for completing the questionnaires. It allow us to use all previously described modern software solutions in combination with surveying that bring together offline behaviours with observed online activity and attitudes to capture all dimensions customer behaviour.

- We have household panel consist of 1000 households, representing Serbia's household consumption. We used diaries to track purchase and consumption in Serbia in the last 10 years, but this year we are introducing barcode scanners for collecting data, as more accurate an efficient method.
- We use notebook devices and tablet devices (starting from 2013) instead of pen and paper for surveying on the field, which also improve accuracy and effectiveness. Using the advantage of mobile internet, it also allows unobtrusive control during the fieldwork not after, which is especially important in case of large samples and long timeline for collecting data. By defining the potential problems during the fieldwork, it can inhibit wasting of time and money.
- We have more than 45 lines in our telephone studio and special software which allow real-time listening of the interview by a supervisor or a client.
- We have glasses for eye-tracking survey and cameras for NPVO research (non-participant video observation), which we often combine with other methods of collecting data for gaining the full picture of respondents behavior.

4.4.2.4. Digital age and reporting the findings in MR

Digital age changed the consumer, but also the clients of market research agencies. They are facing new challenges powered by digital marketing and are looking for developed solution from outsourced agency and consultants.

Clients often expect online reporting, which provides availability in any time and anywhere. GfK's Octopus web-based reporting provides secure web hosting, quick access to reports and easy interactive table generation.



Figure 31. Example of Octopus reporting

Having in mind necessity of on-time response to consumer needs, companies are oriented on speed. Some of previously described software solutions, such as Dimestore.dx, enable on-demand reporting and real-time results allowing continuously gauge performance against key metrics – and making changes to campaign in-flight.

By real time or near-real time reporting, companies can react accordingly.

4.4.3. Rapid globalization

The direct implication of rapid globalization on market research industry can be seen on international marketing research which has grown tremendously over the past decade. Kotler mentioned that some of the largest research services firms have large international organizations. GfK has offices in more than 100 countries.

Whereas domestic researchers deal with fairly homogeneous markets within a single country, international researchers deal with diverse markets in many different countries. These markets often vary greatly in their levels of economic development, cultures and customs, and buying patterns. This makes international research very complex and hard to navigate. But, as global marketing grows, global companies have little choice but to conduct such international marketing research. Although the costs and problems associated with international research may be high, the costs of not doing it—in terms of missed opportunities and mistakes—might be even higher.

4.4.4. Sustainable marketing

Most marketing research benefits both the sponsoring company and its consumers. Through marketing research, companies gain insights into consumers' needs, resulting in more satisfying products and services and stronger customer relationships. However, Kotler defined two major public policy and ethics issues

in marketing research: intrusions on consumer privacy and the misuse of research findings.

GfK is a member of ESOMAR, an organization for encouraging, advancing and elevating market research worldwide.

The ICC/ESOMAR Code on Market and Social Research, which was developed jointly with the International Chamber of Commerce, sets our global guidelines for self-regulation for researchers and has been undersigned by all ESOMAR members and adopted or endorsed by more than 60 national market research associations worldwide.

4.4.5. The growth of Not- for-profit marketing

Implication of this trend on market research industry can be seen by number of projects conducted for non-profit organizations.

In Serbia, marketing of non-profit organizations is still not developed. But, marketing research in Serbia is often done for international organizations, such as UN agencies (UNOPS, UNDP, UNHCR...), EU agencies (EUROFOUND...) and different civil society organizations.

V MARKETING RESEARCH IN THE FUTURE AND OPPORTUNITIES FOR GfK

5.1. MARKETING RESEARCH IN THE FUTURE

A range of influences will shape the technological landscape in near future. Economic conditions will continue to constrain growth, the emergence of new markets will present unique opportunities and challenges, and our growing interconnectedness will further accentuate the successes and failures of industry stakeholders. But, what will make the true change in marketing research industry?

5.1.1. Mobile market research will be industry standard

Kotler see mobile marketing as the future of marketing in general. Accordingly, mobile marketing research is a future of marketing research industry. For marketing research and GfK, the mobile digital world opens up many new fields of research and consequently also many new research approaches.

Mobile phones and smartphones have become an essential part of everyday life. Mobile technologies are completely changing the way we consume, the way we keep ourselves informed, the way we behave and the way we interact. In a recent GfK study in Western Europe, one respondent stated: “ My smartphone is my TV, my PC, my diary, my scheduler, my phone, my email, my social networking provider, my calculator, my eBay mechanism, my grocery shopper, my Amazon access, my music player, my everything.”

Mobile marketing research will be based on internet capable devices, mainly on smartphones and their successors. Smartphones are already rather widespread today and market penetration is set to increase further as the devices are becoming cheaper and cheaper. In Serbia, usage of smartphones increased from 11% to 24% of all mobile phone users just in a year, from April 2012-February 2013 (Source: Omnibus, GfK's syndicated study on nationally representative sample). Consequently, market research companies don't need to invest in specially developed hardware as individuals carry their smartphone with them at all times and already use it for all sorts of things.

Smartphones are integrated into their users lives, and it will therefore not be too difficult for innovative and reliable market research to recruit participants for smartphones-based surveys. Pure questionnaire applications and SMS-based surveys are no longer extraordinary.

According to Frederic Hallberg, Global Head of Mobile Usage in GfK, in future, market research will become quite used to working with the newest kind of digital data, which currently includes geo data, so location information of both consumers and retailers. This enables us to understand which target groups are surfing the world wide web on their mobile in order to buy an online recommended book at the stationery bookstore around the corner. Network centric data of mobile internet usage will provide the census and therefore be the basis for any further market research results. However, to achieve this, the market research industry needs to develop common, self-regulating standards for privacy and data protection. GfK has been at the forefront, advancing global standards through it's experts in different ESOMAR committees. Furthermore, mobile internet opens new markets where consumers couldn't previously be reached offline. For

example, the rural population of Kenya lives far removed from traditional infrastructures such as supermarkets, hospitals, banks, motorways and broadband connections. However, every second Kenyan has a mobile phone at present and, by 2014, this is expected to have risen to 68% (source: GfK's research and estimation). This means that there is major market potential for brands and consequently also for market research.

According to the industry experts, in 2020 mobile will be everywhere, data will be everywhere, some markets will be mobile only and consequently the shape of marketing industry will change. Based on their opinion, the industry reports will show a different landscape in 2020 (picture xxx).

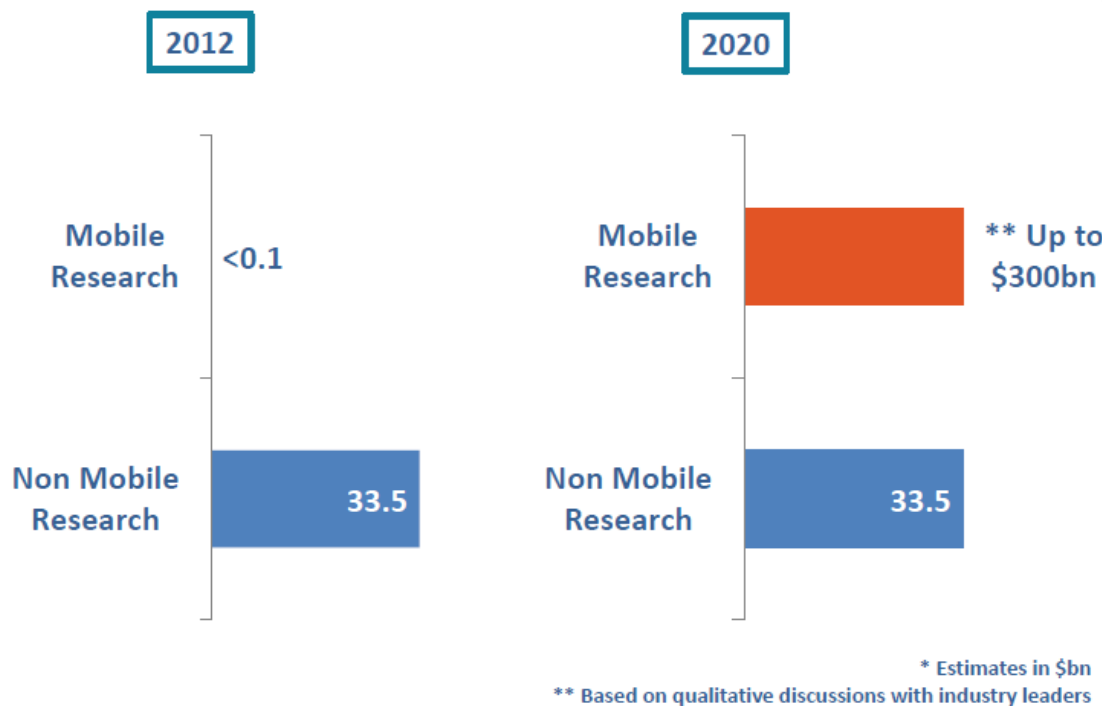


Figure 31.

Source: GfK research for Lumi mobile – 45 qualitative interviews (mixture of agencies, Client, consultancy, technology on every continent), over 3000 quantitative interviews and desk research

5.2. GfK's opportunities in the future

Our clients want quick results and big insights. They need new tools to deliver real competitive advantage in our fast moving digital world. And they want the experience of working with us to be enlightening and enjoyable. What does it mean for our business in the future?

GfK have to look for its competitive advantages in terms of quality, expertise and service. To achieve this, we have to continuously improve even minor details. Focus has to be on:

Innovation – Continuously working on groundbreaking new solutions and tools that will allow us and our clients around the world to go further and understand customers better than ever before.

- Continuous training of employees – Training in new methodologies and approaches as well as marketing in general, in order to move employees' expertise from data analyzing to more needed consultancy
- Keeping scientific approaches and data protection – GfK has remained true to its commitment to scientific approaches and data protection. Its reliability and sustainability give GfK, and also the clients, a considerable competitive edge.
- Global integration of strategies and competencies
- Social responsibility

Along with all previously defined opportunities, GfK Serbia has specific tasks as well:

- Promotion of marketing research industry in Serbia – Excluding global companies operating in Serbia, the large majority of companies and it's marketers are not fully aware of possibilities provided by marketing research. Systematic approach has to be used for raising awareness of advantages that can be gained through marketing research.
- Fully exploit matrix organizational structure of GfK for exchanging ideas, expertise and best practice.
- "Pushing the market" - Educate clients in terms of new trends in marketing, and consequently new trends in marketing research.

VI CONCLUSION

The Internet, globalization, and hypercompetition are dramatically reshaping markets and changing the way business is done. The problem, says internationally renowned marketer Philip Kotler is that marketing has not kept pace with the markets. In today's world, customers are scarce, and classic marketing needs to be deconstructed, redefined, and broadened to reflect this new reality. In this paper we described transformational imperative for marketing – switching to customer-ruled, digitaly-driven marketplace.

Digital is no longer new or 'emerging'. Consumers already exist in the digital space and are rejecting some traditional media. However, many companies still do not appreciate the potential of the digital marketing channels offered by the internet. Even for those that do, the challenge is how exactly to integrate digital within the business alongside traditional channels. To understand what works and what do not, and to have the necessary skills to fully exploit this space.

In this paper we examined what are the implications on today's major trends that Kotler described on marketing research industry, consumers and business in general.

Starting from Kotler's definition of marketing and trends, and using the example of a global marketing research agency GfK, we described marketing research process in the modern theory, modern practice and in the future. In this paper we confirmed the hypotheses, that we had on the beginning:

- Changes in the marketplace have implications on consumers and businesses.
- Changes in the marketplace have implications on market research industry.
- The uncertain economic environment, the digital age, rapid globalization, sustainable marketing and the growth of not-for-profit marketing are the trends that have implications on marketing research industry.
- Digitalization introduced changes in all phases of the marketing research process.

The focus on innovation and progress is a central component of GfK's corporate culture, ensuring that the advanced technology and consistent quality of the methods, tools and practice areas used. That was especially important for this paper, having in mind the specific objectives of this research.

VII LITERATURE

1. Alvin C Burns, Ronald F. Bush – *Marketing Research*, Prentice Hall, 1995.
 2. Anderson, Sweeney, Williams, Camm, Martin - *Quantitative methods for business*, 1th edition, South Western Cengage Learning
 3. Barry J.Babin, Eric G.Harris - CB2, 2011
 4. Bluman - *Elementary statistics, A step by step approach*, 5th edition McGraw Hill, 2008
 5. Borivoje Djokic, Zarko Pavic – *Business Research methods*, script, Singidunum University, 2012
 6. Branko Maricic – *Consumer Behavior*, CID., 2011
 7. Craig – *Action Research Essentials*, Jossey-Bass, 2009
 8. Creswell – *Qualitative Inquiry & Research Design*, 2nd edition, Sage Publications
 9. Covey S. - Leading In The Knowledge Worker Age, Leader to Leader; Vol. 2006 Issue 41, p.11-15, 2006
 10. David Burns; Timothy Sale; Stephan Jens - A Better Way to Gauge Profitability, Journal of Accountancy, Vol. 206 Issue 2, p38-42, 2008
 11. Donald R. Cooper, Pamela S. Schindler, McGraw-Hill Irwin – *Business Research methods*, 10th edition, 2009
 12. Donald S.Tull and Del I.Hawkins - *Measurement and method*, 7th edition, Macmillan Publishing company, 1993
 13. Goranka Knežević – *Analiya finansijskih izveštaja*, Univerzitet Singidunum, 2009
 14. Jessica Utts – *Seeing Through Statistics*, Cengage Learning, 3rd edition, 2005
 15. Maxfield, Babbie – *Research methods*, 6th edition, Cengage learning, 2008
 16. Merriam – *Qualitative Research*, Jossey-Bass, 2009
 17. Philip Kotler, Dipak C. Jain, Suvit Maesincee – *Marketing moves*, Harvard Business School Publishing Corporation, 2002
 18. Philip Kotler, Gary Armstrong - *Principles of Marketing*, 14th edition, Copyright 2012 by Pearson Education
 19. Philip Kotler, Kevin Lane Keller – *Marketing Management*, 12th edition, Pearson Prentice Hall
-

20. Radmila Živković – Ponašanje potrošača, Singidunum, 2011
21. Strauss, El-Ansary, Frost – *E Marketing*, 4th edition, 2006
22. Haim Falk, James Heintz - Assessing Industry Risk by Ratio Analysis, Accounting , Review, Vol. 50 Issue 4, p758-779, 1975
23. Zoran Petrović, Kosana Vićentijević, Nemanja Stanišić – Računovodstvo, Univerzitet Singidunum, 2013
24. GfK Insite magazine – February 2011
25. GfK Insite magazine – February 2012
26. GfK Insite magazine - November 2012
27. GfK Tech Talk magazine – April 2012
28. GfK Tech Talk magazine – November 2012
29. GfK for Lumi mobile – Whitepaper_Mobile market research in 2020, February 2013
30. GfK - Publication _Tech Trends in 2013
31. www.apr.gov.rs
32. www.consumerbarometer.com
33. www.esomar.org, authorized access
34. www.gfk.com, authorized access
35. www.iab.net,
36. www.millwardbrown.com, Solutions
37. www.quividi.com, Solutions
38. www.nielsen.com, Solutions
39. www.tobii.com, Solutions