



How Much Does Market Research Cost?

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Attempting to put a price tag on market research is like trying to answer the question, “What does a vacation cost?” It depends on which direction you want to go, who will be involved and what you want to accomplish. There are too many variables that affect the cost of market research to provide a one-price-fits-all figure. It is possible, however, to examine how those factors impact the cost of market research, so you can get a clearer idea of your potential investment. Then, you can decide if you should backpack it or go first-class.

Value of Market Research

First, it is important to establish the value of conducting market research. Why invest in this kind of research at all? History has shown that organizations that assume they know their markets or customers without validating these assumptions are often blindsided by mistakes or missed opportunities.

What happened with 3-D television is a sobering example. The assumption was made that the technology which was successful on theater screens would be popular in consumers' homes. Products were rushed to market without much research. That assumption didn't pan out as consumers balked at the expensive 3-D sets, extra required equipment, technical problems such as eye strain and a limited viewing area, and a lack of 3-D programming. Demand for the product was weak and the launch failed.

When it comes to major business initiatives like new product development, branding, advertising campaigns and market expansions, you're smart to base your critical decisions on valid, current data. Market research provides a solid base of objective data to work with, and, if you pick the right market research firm, sound analysis for building or retooling your business strategy.

With most industries moving to a "customer to business" model, understanding customers and prospects is more valuable and necessary than ever. At the same time, the automation of many business functions is producing greater volumes of data. In fact, a report by IBM shows that CMOs continue to feel overwhelmed by the massive amounts of raw data they have access to every day.



OVERWHELMED:
More CMOs now feel underprepared for the data explosion.

2011 **71%** Felt underprepared

2013 **82%** Felt underprepared

Market research can help you harness the information that big data has unleashed. The ability to extract meaningful information from big data, give it context and identify the drivers behind the behaviors and relationships uncovered in analytics is essential to justify the expenditure of major capital and new business ventures. Market research allows you to reveal powerful influences that may green-light your new initiatives or proactively pull the plug on risky ventures.

Determining Your Market Research Costs

Providing price ranges for market research is challenging because of the wide range of research services and methodologies available today. Distilling down to the most basic level, there are four main factors that influence your market research costs:

- **Type of research appropriate for your research goals and costs associated with it (labor, travel, etc.)**
- **Sample size (number of participants you need/want in the research)**
- **Incidence rate (the percentage of people in the general population or business population who meet your criteria for being in the research)**
- **Data collection method and incentives needed to gain participation in the research**

Each project is unique. However, with planning and a little creativity, a custom market research package is available for nearly every budget.

Let's take a deeper look at the factors involved in calculating your potential market research costs.





COST FACTOR 1:

Research Methodology

The cost of your research is closely related to the type of research you need. To determine what methodology is needed, ask yourself these questions:

- What business goal(s) are you trying to achieve?
- What business decision(s) do you need to make?
- What audience are you trying to reach (who influences purchase decisions)?
- What level of insight do you need – broad or very specific?
- How quickly do you need the information?
- What is your budget for the project?
- What data or information do you already have that is relevant to the research?

The answers to these questions will help you determine if you need secondary, qualitative or quantitative market research or some combination. The answers will also indicate what type of analysis is appropriate, what sample size is needed and what data collection challenges you may encounter.

If you don't know much about the potential buyer, market demand or the topic of the research, you will likely require secondary or qualitative research followed by quantitative research. If you have some knowledge of the market or buyer, but need additional data or want to validate that your knowledge is true industry- or market-wide, you may be able to move forward with quantitative research only.

The type of findings you are interested in also determines research methodology. If you want to explore ideas and concepts or observe behaviors, qualitative research is most likely needed. On the other hand, if you need precise data on specific questions, quantitative research is best.

The depth and scope of the study will have a significant effect on the budget you'll need to achieve your goal.

Research Methodology – Secondary Research

Secondary research is simply accessing and analyzing information already gathered. Sources include published market research reports, company/organizational websites, academic studies, publication articles, U.S. Census data, various association reports and other external sources. It also includes existing data within your company, such as prior sales reports, accounting records and customer data (big data).

You can conduct this research on your own or hire a firm to assist. Secondary research is often a key step if you are looking at the market demand and competitive landscape with regard to starting a new company, entering a new market or niche, opening up a new location or developing a new product or service. Secondary research can also reveal certain findings you can test or probe further in the primary research. For example, you may find in your customer data that sales decline after a customer has been buying for a year – your research can identify the reasons why. Reviewing secondary research first will identify questions you can confirm with your own sample, as well as questions you can eliminate from the research (opening up the opportunity to ask other questions).



Research Methodology – Qualitative Research

Qualitative research methods are exploratory, ideal for applications such as concept testing, discussing user needs or testing marketing concepts. Qualitative research is useful when you don't know what to expect, to help you define a problem or opportunity or to develop an approach to a problem. You also can use it to dive deeper into issues and explain nuances related to a concept or problem. Common data collection methods are focus groups, triads, dyads and in-depth interviews, which can be conducted in-person, via phone or online. Shop-alongs, in-home interviews and consumer observations (ethnography) are also in the qualitative toolbox. Businesses often use qualitative research for subjective topics. Common uses for qualitative market research are:

- Generating new product ideas or direction for research and development efforts
- Investigating positioning and marketing strategy
- Identifying product or brand strengths and weaknesses
- Investigating purchase decision dynamics
- Exploring the impact of branding and ad campaigns
- Examining perceptions in market segments, such as demographic and customer groups
- Studying emotions and attitudes about social and political issues
- Validating assumptions regarding questions and potential responses prior to developing a quantitative survey

Research Methodology – Quantitative Research

Quantitative research methods are used to obtain objective data produced through a systematic process not subject to interpretation. Quantitative research includes data collected through surveys (online, phone, paper), audits, points of purchase (purchase transactions) and click-streams. Quantitative market research generally includes a large sample size so that the data can be aggregated and quantified, allowing researchers to draw conclusions that are projectable to a larger audience. Sometimes done in conjunction with qualitative research, quantitative market research covers areas such as:

- Brand measurement and positioning
- Advertisement or message testing
- Product/service/business concept testing
- Determining adoption of new products/services and the ideal bundle of features
- Customer satisfaction and loyalty
- Market segmentation and customer profiles
- Pricing research
- Market feasibility, competitive analysis, share preference and demand forecasting
- Employee engagement and satisfaction



RESEARCH METHODS	BEST USED FOR...	PROBABLY NOT SUITED FOR...
QUALITATIVE	<ul style="list-style-type: none"> • When key objectives/parameters are not entirely clear • Identifying full range of responses/opinions • Brainstorming new concepts for further testing • Simulating a tactile experience • Observing behaviors • Probing opinions 	<ul style="list-style-type: none"> • Statistically projectable results • Segmentation of results by demographic or psychographic data • Determining concrete product/service variables, such as price
QUANTITATIVE	<ul style="list-style-type: none"> • Predicting behaviors or affinities across populations • Modeling based on demographic characteristics • Creating market simulations that model/predict purchase behaviors 	<ul style="list-style-type: none"> • Exploring a little understood subject or revolutionary product/service • Testing a product that requires hands-on interaction

Research Methodology – Masked or Not Masked?

An important part of the research methodology for any study is whether it should be conducted masked or not. A masked study means that the participants do not know which company or organization is sponsoring the study and getting the results – it is presented to them as a consumer, industry or community study. In a non-masked study, participants know who is conducting the study or paying the research firm to conduct it. In many cases, non-masked studies experience easier and quicker data collection, higher response rates and require less or no incentive. Of course, conducting a study non-masked introduces potential bias into the results, so research factors, not cost factors, should dictate this decision. For example, a customer satisfaction study can often be conducted non-masked and with no incentive, while a brand study typically is conducted masked.





COST FACTOR 2:

Sample Size

How many people you need in your study is mostly determined by two factors: how you intend to use the research results and what sample margin of error you can accept (these two are interrelated). Will you make a critical business decision based on the research findings or are you trying to better understand your customers so you can tweak your marketing message? The more critical the decision, the more important it is that your research is scientifically valid, which requires a larger quantitative sample. In general, the more participants you have in your research, the more confident you can be that your results are not due to chance and can be projected over the entire population of similar people.

Examples of critical decisions include:

- Opening a new location or entering a new market or industry
- Developing a new product or service that would require hiring or training employees, investing in new materials/marketing or equipment or retooling
- Setting a new price for products or services, which will have a direct impact on revenue and market share
- Developing a new brand or upgrading an old one, which will have to compete in the market and require new materials and marketing
- Utilizing research results to make improvements or changes in operations, business policies or processes or staff training

On the other hand, if you want to obtain feedback on potential product promotions or gain insights to fuel the early stages of product development, you can probably accept a higher margin of error for your results. For these purposes, you can use a smaller sample, like you typically have for focus groups, shopper intercepts or individual interviews. In some cases, you can forego market research and test out in the market – for example, online or social media promotional offers.

A commonly-accepted sample margin of error for quantitative consumer studies is $\pm 5.00\%$. If the population base that you are drawing your research participants from is 20,000 or greater, you'll need about 377 participants. If the analysis you will conduct requires significantly segmenting the data, you'll want a larger sample so that the sub-groups still have an acceptable margin of sample error. Most consumer studies conducted on a local level have sample sizes in the 350-500 range, studies that are statewide or regional often have 600-900 samples and national or global studies usually include sample sizes of 1,000 or more. In the business-to-business world, acceptable sample sizes often run smaller than those for consumer studies, especially for companies operating in narrow or very specialized markets. The universe of people qualified for the research is much smaller than the general population, making it harder to gain, say, 500 or 1000 participants in a quantitative survey. Add in the cost of incentives for professionals and many national b2b research studies will include between 200 and 400 participants.

No matter if it's b2c or b2b, the more people you need in your study, the higher the costs.



COST FACTORS 3 & 4:

Incidence Rates and Data Collection Method/Participant Incentives

Often, one of the most expensive and critical components of market research is the recruitment of participants. If your research requires general consumers or professionals in the workforce, your incidence rate will be high. If your research needs a very specific and small group of people, for example, homeowners who live on two or more acres of land and are considering purchasing an outdoor shed in the next year OR small business owners who are anticipating selling their business in the next five years, your incidence rate will be low. In other words, a small percentage of the general consumer or business population will meet your criteria.

How does this affect research costs? If you are conducting the research yourself, it will require more labor to reach and engage the right people. You might have to purchase larger or additional lists to reach your sample goals. You might have to offer larger incentives. If you are working with a research firm or a consumer research panel, a lower incidence raises the data collection costs because the firm or panel has to expend more effort and/or pay panel rewards to those who start a survey or recruitment screener but then don't qualify based on the narrow research requirements.

Participant incentives can dramatically affect research costs, especially when researching business or professional populations. Consumers participating in qualitative research, such as focus groups, interviews and shop-alongs, are always compensated for their time – typically anywhere from \$50 to \$150 and sometimes more if the research requires a full day. Qualitative research with businesspeople or other professionals also almost always involves an incentive (unless the participant is prohibited from accepting it by company or organizational policy). Sometimes, there is an option for the incentive to be donated to a non-profit organization. Incentives for professionals usually range from \$75 all the way up to \$500 for physicians or CEOs.

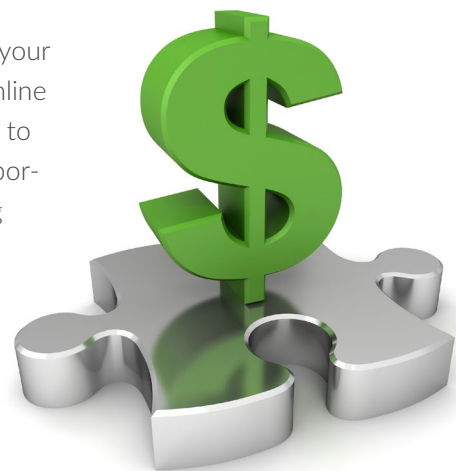
Incentives for quantitative surveys are typically less than qualitative (you're taking less of their time and they can participate at their convenience). With business research, sometimes you can gain participation by offering the high-level results of the research to

the participants in place of a monetary incentive. Otherwise, incentives can vary widely depending on the type and level of professional person you are recruiting into the research and the region of the world. Generally speaking, the higher the level of responsibility, the greater the incentive. Certain professions, such as physicians, are used to very high honorariums for their participation. Our online surveys in the business realm typically offer a \$50 to \$100 incentive in North America and South America and often double that in Europe and Asia.

Consumer surveys, on the other hand, can be fielded relatively inexpensively. If you are surveying your own customers, you usually don't have to offer an incentive, although sometimes companies may offer a small gift, loyalty program points, gift card or credit. If you are surveying the general public, you can attempt it first with no incentive and see what kind of response you achieve. You can also consider offering a prize drawing (instead of individual incentives), including a prepaid cash incentive (for mailed surveys) or offering a discount or free trial to survey participants instead of a direct monetary reward. Research has shown that direct (cash, gift cards) incentives are more effective than prize drawings. Our national consumer surveys typically offer incentives in the \$10 to \$20 range or we reward points if we field it through our Iowa Opinion Panel (later redeemed for gift cards).

How much incentive you offer also depends on how quickly you need the research conducted – if you need it fast, you may want to increase your incentive. But use caution in offering too high of an incentive. It may serve to attract participants who are only interested in the money and may not give careful consideration of your questions and answer thoughtfully. If you are doing it yourself, make sure you carefully evaluate your completed surveys and apply techniques to identify questionable or duplicate entries – before you fulfill the incentives.

The last part of quantitative data collection that impacts your cost is the channel you will use to recruit participants. Online surveys are the most cost-effective because of less labor to execute. Phone data collection or interviews are more labor-intensive, and mailed surveys have both labor and mailing costs to consider. In-person data collection is typically the most costly and can also involve travel expenses.



Ways You Can Reduce Research Costs

As you can see, there are many factors and interrelationships between the factors that affect market research costs. Everyone's budget is limited, so save your research funds for the insights that are critical to your key business or organizational decisions. Also, think about other ways to gain the insights you want. For example, if you want to determine what promotion will have the greatest appeal to prospective customers, test some messaging in online posts and ads and see which ones generate more web or social media traffic. Don't use a focus group or survey for the kinds of findings you can test relatively inexpensively out in the market (as long as it won't potentially cause harm to your brand).

If you want to understand how your staff is treating customers, write a quick three-question survey with Survey Monkey or another free tool and send it to your customers right after they visit your business or meet with your sales rep. On the other hand, if you want to determine what motivates customers to select you or identify how you could increase your share of their purchasing, a more formal, comprehensive research study would be appropriate.



Make the most of your research dollars with these tips:

- Be very clear and specific with your research goals and how you intend to use the results – this will help focus the research and reduce unnecessary costs
- Know who within your organization will use the research results so you can determine the key information that will be most useful
- Allow enough time in the process for research decisions to be made before research begins, time for the research to be properly conducted and analyzed and time to process the results before sharing with the decision-maker(s)
- Take your results and develop different presentations with the information of most interest to key functional teams (e.g., sales, marketing, customer service) or levels within your organization (e.g., department leaders, c-suite)
- Make sure everyone who will be using the results is able to assist with making the research decisions, even wording of questions, so that the research includes information they will find usable and making it less likely they will disregard the results
- Obtain customer and prospect emails and update them regularly – it will make data collection easier and reduce costs if you are using outside research firms
- Make sure customers who sign up for loyalty programs, text or email alerts give you permission to contact them for research purposes in their confidentiality agreement sign-off
- As appropriate, use your social media pages, website, newsletters and all other communication vehicles and customer interactions to gather opinions and test ideas
- Consider non-monetary items you can offer to research participants, e.g., one-time discount, free consultation, loyalty program points, copy of research results, product sample
- Don't over-survey your customers, as it will reduce future participation rates
- If you conduct customer or employee research, make sure you communicate back to that population what you learned (high-level) and how you are using those findings to make improvements – this is the most important thing you can do to boost participation (and reduce costs) in future research
- Build a key customer group or panel that is interested in evaluating or co-creating products, services, ideas, etc. for the opportunity to influence (you might want to reward them with recognition or an annual gift)
- Train marketing staff or customer service staff on interviewing techniques and have them periodically reach out to customers (new, loyal, lapsed) to gain insights
- Make sure you are consolidating and analyzing the data you already collect– sales data, website analytics, loyalty program activity – to gain insights and guide additional research
- Consistently collect and update your customer information, especially email and phone number.

Okay, Let's Talk Dollars

While it is virtually impossible to give you a cost for a “typical” research study because they can vary so much by the methodology, scope, region of the world, participants and whether or not you need outside resources, we can share what our usual cost ranges are for the more common client studies we design and conduct.

FOCUS GROUPS: Depending on the number, location and makeup of the groups, \$4,000 to \$6,000 per group plus participant incentives. If travel is required, that is extra.

INDIVIDUAL IN-DEPTH INTERVIEWS: Depending on the total number of interviews, whether they are conducted masked or not, and the incidence rate, consumer interviews usually run \$200 to \$300 per interview plus incentives, while business interviews typically cost between \$300 and \$500 per interview plus incentives.

ONLINE SURVEYS: Depending on the sample goals, the incidence rate, whether they are conducted masked or not, incentives needed, and the level of analysis and reporting required, quantitative online studies fielded in the U.S. usually cost between \$15,000 and \$35,000 for consumer research and between \$20,000 and \$50,000 for business-to-business research. These costs include incentives. Going international will increase the range.

For some companies or organizations, this type of investment may seem substantial. Following the tips we have provided in this ebook should help you conduct some of your research with your internal staff, reduce your costs, save your major research dollars for critical decisions and achieve cost-efficiencies when working with market research firms. Like all business or organizational investments, there are costs and benefits. What is often helpful in making a case for investing in research is to weigh the cost of research against the cost of missed opportunities or missteps in the marketplace.



Need help with your market research?

Let's talk. Linda Kuster, lkuster@vernonresearch.com
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