

Revolution in Market Research practices in Egypt – Viewpoint

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Abstract

Purpose – It is difficult for organizations to identify and adapt to change when it is so radical and sudden; however those organizations that sustain a competitive advantage during radical shifts are bound to prosper in the future. To sustain such a competitive advantage, organizations need a road map through turmoil economics. The researcher believes that market research is the road map to businesses survival and growth, especially in the toughest economic times.

Design/methodology/approach – The paper uses desk research and qualitative analysis of depth interviews conducted with industry experts.

Findings –When recession becomes visible, then it is inevitable to use every research dollar effectively. In our case, it is a revolution, meaning a drastic internal evolution and not externally forced, so we anticipate a more drastic economic impact on both the macro and micro-economic levels, market research has to adapt fast to these changes.

Originality/value -In this article, the researcher is trying to identify the impact of the revolution on the practice of market research in such times in Egypt in terms of changes expected in the deployed methodologies, market research applications, and market research structure.

Key word - Market Research, Market Research Methodologies, Market Research Applications, Market Research Structure, Egypt, Revolution in Egypt.

Article Type: Viewpoint

Introduction

It is difficult for organizations to recognize and adapt to change when it is radical, sudden and forced (Carrol, 1984; Hannan & Freeman, 1984; Trispsas & Cavetti, 2000; Lee et.al, 2009). However certain organizations do sustain a competitive advantage even during radical shifts (Aberantly & Clark, 1985; March, 1981; Tushman & Andreson, 1986; Lee et.al, 2009). Given that there are wide variances in organizations' abilities to adapt to radical shifts (Walker, Madsen & Carini, 2002; Lee et.al, 2009), an important issue is why some organizations adapt properly and others suffer after a radical shift. When you are traveling and you are low on fuel, it is extremely important to find the shortest route to your destination, you then need a map. Market research is the map during turmoil economics. When economic conditions start to pinch organizations look to cut back on their spending like advertising and training, market research is one of those areas that are first affected. Yet the researcher would safely argue that market research can and will be a key to businesses survival and growth, especially in the toughest economic times. When recession becomes visible, then it is inevitable to use every research dollar effectively. In our case, it is a revolution, a drastic change that evolved and not externally forced, so we anticipate a more drastic economic impact on both the macro and micro-economic levels. Knowing that, market research is always a fine balancing act between cost, speed, accuracy and relevance. **So how do you get more results from less market research spending in Egypt nowadays?**

Egyptian Economic Turmoil

Due to the financial crisis, the current unrest in the MENA region and the revolution in Egypt, the researcher believes that the traditional market research is no longer practical, yet it is very much needed. Market research helps organizations identify attractive opportunity areas, compare innovation initiatives, and fine-tune their strategic approach.

It's not that market researchers are bad people. The tools of market research—when used properly— are useful tools. But something comes off the rails when organizations organize, execute, and use market research in such tough times without creativity.

Profiling the current market condition in Egypt

- A global credit crunch affected economies around the world in different ways at different times. The financial crises hit Egypt during 2009, and one year later in January 2011, the new Egyptian revolution occurred that was modeled by other countries in the MENA region. This means that the relative attractions and risks for customers and countries are changing rapidly nowadays.
- Historically attractive demographic groups that have experienced major reversals of fortune and currently reluctant to spend money; causing a high possibility of significant shifts in spending. Actually less fortunate groups of customers might be targeted now, but definitely with different products.
- Inflation has risen and is expected to continue to rise. Policymakers in Egypt have responded to this with an assortment of measures; not all of which have been successful. This might affect consumer spending.
- Commodity prices have remained at much higher levels in real terms. Prices of intermediary commodities increased by 20-30% since last January, 2011 which heavily affected the manufacturing sector and brought it to a pause.
- Some sectors suffered heavily from the financial crisis and the revolution such as the construction and building materials sectors, these sectors are a driving force of the Egyptian Economy. The constraints on the real estate sector in Egypt and the level of installments default rates varied in relation to differences in consumer spending, and consequently real estate developers have to adapt by offering different products. Building materials will be affected with governmental measures imposed to control the budget deficit and direct resources to more needed areas.
- Financial market risks remained acute. Pushing small investor away from the financial market even with very many promising opportunities.

In such unclear conditions, market research has a fundamental role assisting management to take decision based on facts rather than assumptions, offering knowledge of the markets and customers, helping in developing cost effective programs and more focused plans (Birn, 2004).

As the future needs, market research becomes more important to know what the markets and their customers want and value the most, helping to decide what products or solutions to bring to these specific market.

However less money can be spent on the market research due to scarce resources of both money and staff. Hence market research becomes more important than ever before as trial and error are not feasible anymore. Once decided on the products pricing and quantities, timing has to be planned according to the information and knowledge gathered from the market research. Market research should draw the map for the future.

But what if the market research was not complete? Or it was done without considering the current market conditions? The results will be misleading for the management. So what is the impact on methodologies, applications, structure,?

Inevitable changes to the Market Research Industry in Egypt

In Chinese, the term “crisis (weiji)” is expressed with two characters, the first meaning “danger” and the second “opportunity” (Kim, 1998; Lee et al., 2009). This means that while there is a downside of crisis, some organizations can also find that crisis is an opportunity to change.

In this article, the researcher is trying to identify the impact of the revolution on the practice of market research in such times in Egypt in terms of changes expected in the deployed market research methodologies, market research applications, and market research structure.

In terms of market research structure:

Flaw 1: No market research strategy, a plan or even a research consultant

Fact: There is a tendency in Egyptian organizations for different teams and functions to commission their own new market research, when the answers already sit in work done by different teams and departments.

Solution: Existing market research, if read with an open mind; can be beneficially used to answer new questions. Another useful solution is by formally pooling the market research and stop overlapping research which will reduce participation weariness amongst those key contacts being asked their opinion for several times.

Fact: The biggest mistake is that we do not have market research consultant on the organogram of organizations that use research extensively.

Solution: Hiring a market research consultant and his role should be to guide all research efforts to assist in developing the strategic direction of the company. We typically find a market research manager who is a practitioner rather than a strategist.

Flaw 2: Don't cut across the board. Just as important as knowing where to cut market research, it is important knowing where not to cut.

Fact: There is a tendency in Egyptian organizations to cut the market research budget during tough times and depend on previous knowledge that does not help at shifts.

Solution: In such hard times, it's essential to get a clear read on existing core customers, loyal and profitable customers to be specific rather than waste market research resources on potential consumers. Nice-to-know data will have to wait for now.

Fact: Most Egyptian organizations do not use benchmarking cases or trust the knowledge of its own team.

Solution: Egyptian organizations should tap the knowledge and intuitions of managers and researchers who've lived through previous recessions or turmoil economics and also search for useful benchmark cases from close enough markets or practices.

Fact: When marketers are creating fewer new ads and bringing in to the market fewer new products, it is doubly important to use pretesting to select the strongest alternatives (Quelch, 2009). This is not a common practice in Egypt.

Solution: In products where consumers' perception about a value of a certain product changes constantly, modest expenditures on market research can prevent wasting money on ineffective messaging, simply adding few questions to a standard tracking study could shed light on changes in customer attitudes and purchase behavior.

Flaw 3: Having the wrong people interpret the data and consequently making wrong decisions.

Fact: Usually senior managers will make decisions based on summary of the market research reports done by line managers or market research firms who might miss (or intentionally screen out) important signals.

Solutions: Decision-makers need to be involved with the market research from the start and attend the session when the market research firm presents the results.

In terms of deployed methodologies:

Flaws 4: Depending mainly on our consumers for feedback

Fact: Consumers are not skilled in providing feedback for products and services they have never experienced. Consumers can, with great insight, tell you all about the products and services they use every day. But to ask them about an innovation, extrapolate their experiences onto something they've never seen before, and market research is bound to result in negativity.

Solution: Many organizations spend a disproportionate amount of their time trying to understand the wants and needs of existing, demanding customers. Innovation opportunities almost always come from understanding a company's worst customers or customers it doesn't serve, the customer lured by competitors.

Not only that expert in this industry might be more useful or even other members of the supply chain. Those experts have access to many customers and often form a clear vision about the market.

Flaw 5: Asking the wrong questions.

Fact: Many organizations will ask customers, "What do you want?" Market research professional knows that you cannot get reliable answers for such a question.

Solution: A better technique is to focus on the problem that is common in this industry and no one did solve it yet.

Flaw 6: Go online with a dash of skepticism

Fact: Online market research is cheap, fast, and it is trendy nowadays, but

Solution: It is useful to explore the online techniques but be careful you risk getting no more than what you pay for, which is very little. The opinions of convenience sample of enthusiastic online loyal customers may not represent all of your customers.

Fact: Many Egyptian organizations have outsourced market research for years.

Solution: A company should conduct its own market research rather than outsourcing a market research company as it will help them cut additional expenses during the recession period, but the research design remains a challenge to inexperienced teams.

Flaw 7: Using advanced techniques in market research

Fact: The role of market research in supporting decision making process, complexity of marketing problems and the huge data available has added many advanced techniques to the tool kit of professional market researchers, not all tools are efficient in our case.

Solution: The use of traditional methods have been substituted, customized or even replaced by cost saving and efficient tools. Some of the efficient advanced techniques that the researcher used include:

- Through developing research proposal, probability theories was used to quantifying the personal judgments of the researcher when there is not enough past data
- Through data collection, projective techniques and observational research were used to collect data on consumer motivation and behavior.
- Through analysis, use of scaling techniques such as causal model and time series analysis' regression analysis for forecasting sales and market size; using multi-dimensional scaling for product positioning and brand mapping; and using conjoint analysis to ask respondent to make choices in the same fashion as consumers normally do, by trading off features one against the other which can usefully improve the profitability of pricing decisions at a time when cash is king.

Flaw 8: Ignoring the wealth of internal secondary information. Be creative with such treasure.

Fact: Many Egyptian organizations waste their internal secondary information generated though various contact points with their customers.

Solution: Organizations have multiple contact points with their customers and do not look for the associated evidence trails. Working smartly with the continuous flow of data that is generated through these several contact points can make it accurate and actionable.

A key analysis is to be able to segment the customers as per their value to the company. Because there is no average customer, it's critical to manage customer s for profitability by understanding which customers cost the company the most money and which high-value customers must be retained and cloned.

Analyzing customer historical information could lead to customer micro-segmentation and profiling. This procedure is rarely used in Egypt even among banks that have such privilege, except for telecommunication organizations that do some analysis of its customers' historical information.

In terms of market research application:

Flaw 9: Need for other research products

Fact: During economic turmoil businesses can't miss any opportunity. At the same time businesses will have limited resources for developing and marketing products and services.

Solution: Thus a lesser variety of products or solutions will be offered and risks should be quantifies properly. Consequently the market research objective will change to include products such as:

- Brand research: Are the attributes you base your communications on still relevant? Is a different approach to similar services needed?
- Concept Testing: What can be developed to grab as much new share as possible without alienating core consumers?
- Communications Testing: Whether conducting ad or communications testing, developing new stated claims or other stats that can be pitched to the media, or coming up with the precise positioning and words that appeal to a wider audience, research is a fundamental building block that ensures your media spend will be effective.
- Qualitative Deep Dives: How do consumers talk about and think about your brand? How has this changed? What needs are going unmet and how can your brand capitalize on this?

Flaw 10: Not using market intelligence

Fact: The significance of market research is not just data collection, but how intelligence collected about a market can be utilized in business for better and effective decision making. Many Egyptian organizations do not deploy it in this manner!

Solution: These advantages mean that market research should be indispensable to any Egyptian organization in the good times, but it's even more important during tough and challenging market conditions such as now.

Flaw 11: Relating market research to the product/service life cycle to mitigate the related risks

Fact: In many Egyptian organizations, we see new products every day in market that was not tested or researched properly and most of them fail within the market introduction phase.

Solution: It is important to relate the market research to product/service life cycle to provide decision makers with the needed information that would help in risk quantification which differs per phase and leading to better risk mitigation.

Flaw 12: Doing research as a routine – being tied to your own beliefs, opinions and past experience.

Fact: Some market research managers depend mainly on their beliefs, their opinions, their experience, and their skills.

Solution: In such turbulence time, the future is diffidently different than the past. A researcher should start from the very beginning.

We need to start today by:

- Integrating the existing market research and different data sets and use this information as the basis of a unified approach to boosting ROI of the company.
- Building transparency by identifying all of the critical buckets of consumer communications interface, even if they are not within the sales and marketing function.
- Aligning spending across brands and countries by adopting simple and clear metrics that distinguish between maintenance and growth investments and between investments in proven and experimental vehicles.
- Isolating the most important drivers across brands and track the drivers' impact across segments and media channels.
- Using modeling approaches and "what-if" simulators by combining econometric tools with an analysis of brand drivers revealed by consumer research.
- Changing the mind-sets and behavior derived from the golden age. The obligatory transformation represents a major challenge for most organizations working in Egypt.

Marketers aiming for strong returns should start seeing themselves as investment managers for their marketing budgets rather than spenders, and use market research managers as their strategists. That may be more difficult and time consuming, but it is the only answer in today's highly competitive environment.

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