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## **Hardy Koth: “I believe the world has not fundamentally changed during this crisis”**

***IRIS (International Research Institutes), the network of independent marketing research companies, has chosen its sole Romanian partner: the independent marketing research company ISRA Center. The reason why, what the partnership entails and how the marketing and research market in Romania looks like through Hardy Koth’s eyes, member of the IRIS Council – are revealed in the following interview, granted exclusively to IAA.ro.***

The IRIS network of independent marketing research companies is world-renowned for the high standards selection criteria it imposes on partners. Each country can only have one representative in the network, a member which will thus benefit from information from all corners of the world. At the present moment, the network comprises 31 companies from 31 countries of almost all continents, covering 84% of the world’s economic power and 63% of the world’s population.

### **What is IRIS and what are the advantages of being part of such a network?**

**Hardy Koth:** IRIS is the largest corporation of independent research Institutes, originating from 31 member countries, predominantly from Europe, Asia and North America. In order to better understand the advantages of being a member of IRIS, I will offer an example: the client works with an independent research agency, but this agency has a limited coverage. If, however, the agency is part of IRIS, thanks to the partnerships within the network, the client will be offered the possibility to complete research projects in other countries as well. Thus, the client will not be forced to keep looking for new partners all the time, since the network provides everything it needs at a high quality standard.

To be chosen as a member the independent research agency must have a leadership position on the market. The concept of leader is understood to mean either the largest independent research agency, or the most innovative, and also the one with the best-quality services on the market or a combination of all three characteristics. The process is a very long one and usually begins based on the recommendation of existing IRIS members or of clients who, over time, have worked with these agencies. A series of phone interviews and company location visits ensues. The potential partner needs to present itself in front of the IRIS board during one of the annual meetings. The company is presented to the rest of the members and needs to answer a series of questions, after which moment all the members secretly vote to accept or deny the candidate.

Twice a year we hold a top management meeting with all our members and we talk about the changes we face in the industry, the strategies we need to implement, as well as the studies we should be making. Our spring meeting was a good opportunity for us to discuss research on social networks, about the significance they bring to the field of research and about the topics our clients should pay more attention to. It was interesting to see how partners of our organizations have already made the first steps towards this area. For example, our partner institute in Canada has purchased a company specialized in social networks’ research and have incorporated it into their own projects. We therefore try to find new opportunities for developing a measurement instrument for social media.



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Another important interest of the IRIS network is related to developing a set of best practices which will help member institutes adopt knowledge imparted within the network, knowledge which can then be used in each market depending on the needs of that particular market. Currently, all 31 member countries are involved in preparing a set of common research practices, using the same measurement tools, for a variety of different types of research. Such research topics include price segmentation on different markets or employee satisfaction in the world, in different industries. These sets of common research practices can then be universally applied, no matter the country or industry, and don't have a special regional bias.

The IRIS network also provides the opportunity to organize people exchanges, which involves a team member leaving their country for a period of 3-4 months to work at an IRIS partner in another country. For example, in the past, employees from our German partner institute have worked in Russia and China to see what the cultural and strategic differences are, and to understand how marketing research is done there. This exchange ultimately helps the client, since he will benefit from services provided by highly-trained people with international experience.

#### **How will you collaborate with your Romanian partner, ISRA Center? What are your plans?**

We have begun to exchange information: we will introduce them to what IRIS has done until the present moment in different industries and which methodologies were the most successful. We will organize regional conferences, where East and South European partners can participate in round table discussions in order to introduce themselves to potential clients and to do research together.

#### **How do you see marketing and research market in Romania in 2010?**

From what I have heard (since this is my first time here), the market was affected by the crisis, but this did not change IRIS' plans to have a member from this region. For example, we've also expanded in Hungary and Slovenia. It is true that we are very interested in Eastern and South-Eastern Europe, where the clients of research agencies we work with have developed very much. These companies need to be strongly represented in the countries where they work. We believe that the crisis is nearing its end. For instance, the economy has already begun to grow again in Germany and the need for international research has also grown.

#### **What kind of studies do companies regularly ask for?**

The demands are very different, depending on whether the companies have been present on the market for some time already or whether they are only now entering the market. In this latter case, these companies want a wider picture: market size, segmentation, who is the category leader, etc. When we are talking about companies present on the market for some time already, they will be more interested in finding out what their growth potential is, what the public perception is, whether clients are satisfied by the products offered. Sometimes, they request an analysis for a product which already exists on a market, but it is one which they are thinking on moving into other markets as well. Therefore, if a certain IRIS partner was responsible for compiling the study in one market, companies will ask that the study in another country be carried out by another network partner.



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### **Did companies order a smaller number of studies this year?**

Yes, we could say that they ordered fewer studies over the last year. Companies preferred to save the budgets that would have been directed towards research but, from what we can now see, in Germany at least, companies have started to make up for lost time on account of money. The questions are there, only that, until now, companies did not have the necessary funds to afford receiving the answers they are seeking.

### **How did consumers' behaviour change in a time of crisis?**

I don't think that consumers' behaviour changed all that much. I know, nevertheless, that the increase in taxes and the reduction of pensions will lead to long-term changes in consumer behaviour. What we have been seeing until now – from the studies on price we have conducted – are indications that people are willing to pay more for products they appreciate, even in these dire times. We could be talking here about lifestyle, personal care or mass-market products, such as coffee, beer or wine. Consumer behaviour has not changed much overall – it is only on certain segments that we can notice how some consumers have reoriented themselves towards cheaper products. I think the world has not fundamentally changed during the crisis. Sure, economic growth was frozen for a while, we've all experienced that. It is very interesting to see, when one is part of a network, how certain markets are still decreasing, while others are already bouncing back. I've noticed that when in Germany the crisis was affecting the economy, our Asian colleagues were growing. This is exactly what we need! At worldwide level, we help each other: those who are higher up pull us to follow them.

### **Have budgets modified?**

I did not notice budget cuts. In fact, we are talking about a very short period of time during which budgets did not rise to the same level of the previous years, but since questions have remained unanswered, one needs to conduct studies now. As a result, there are now larger budgets than before; more money is being invested for these studies, although I believe that, on the medium-term, we will reach the budget levels of 2008.

### **What do you think the relationship between advertising and a research agency should be like, so that each should bring its own constructive input for the client's best interest?**

I believe there is a fundamental difference between the way in which advertising and research companies approach a research question. On one hand, this is good. In order for an advertising company to be truly successful, it needs more creativity and openness to certain things to which a research company would be more reticent. A researcher's role is to interpret and to paint the shades of the future more than creating. It is therefore a question of several working styles which leads to several communication and understanding problems. I think it becomes problematic when the advertising agency wants to have its own research department, because such a department will never perform at the same high-quality level as a full-time research agency. In Germany, we've solved the problem thus: we worked closely with an advertising company, but we insisted on keeping things separate. At management level, the communication needed to clarify what each player's role was, which worked very well for us.



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### **What is your advice on the topic for those who work in this field?**

We must let one do one's own work. I believe that including a research department in an advertising agency no longer has the desired effect, just as I believe that one cannot include an advertising department in a research agency. I believe that people need to understand that they focus on different topics.

### **What is the worldwide trend in this sense?**

Large advertising agencies incorporate increasingly important research abilities. I offer the example of WPP, which constantly buys research conglomerates which it then includes in their network. At a closer look, we however notice that they have kept things separate which may seem strange because they spends billions on these businesses and then they do not use to their maximum capacity. If you wonder why, the basic answer is that research is a business which brings about stability and profit, but which is should not be operationally integrated.

### **What studies are being conducted in relation to social media?**

There are several types of studies that are conducted in this area. Multinational companies want to know whether there are rumours in this type of environment or information which might damage their reputation. In this case, companies need to be alert to anything which might be written about them in social networking platforms and be prepared to react, otherwise the damages would be too great and hard to fix. We are trying to figure out how people who are present on these networks think, what key words they use, as well as the direction followed by discussions on a certain topic. We are trying to figure out what the limitations are, as well as the opportunities, since social media will become increasingly mainstream and will influence the news, the written press, etc.

### **What trends are taking shape in the area of research?**

Consultants are becoming increasingly close to marketing research. Why? Because they've realized that marketing research reveals the real information they need to base their strategy on. On the other hand, researchers must also be close to consultancy, because if you cannot be a trusted consultant for your client, your days are numbered. It's not just about collecting data and figures, but about interpreting them, and then making courageous, efficient recommendations based on the things revealed by the studies. All of these talks happen at top management level.