

# HOW ADVANCED STATISTICAL ANALYSIS CAN BENEFIT MARKET RESEARCH FIRMS

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This Knowledge Brief highlights the benefits market research organizations achieve by incorporating advanced analytics into their activities.

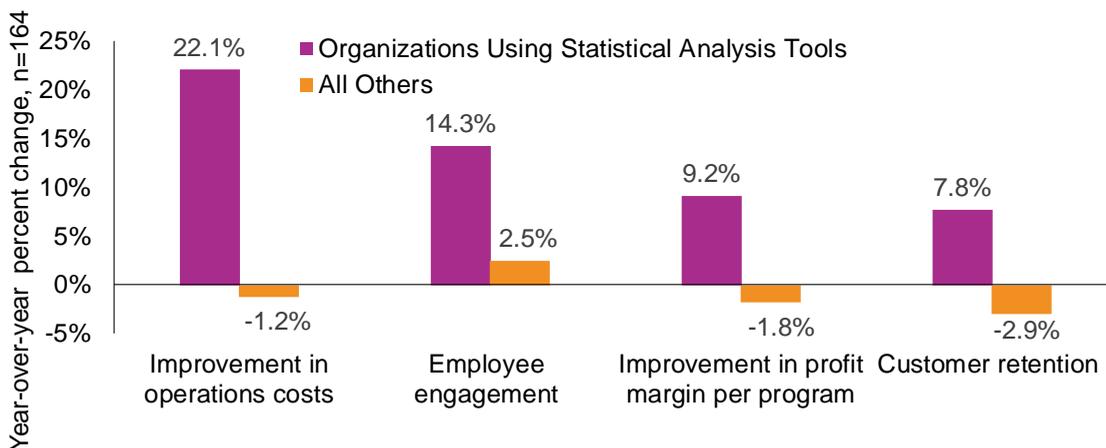
## Turning Data into Insight Helps Market Research Organizations Maximize Results

Market research firms often have an abundance of data — both structured and unstructured. Employees in those firms use this data for various purposes, including understanding changes in market trends, determining correlations such as how change in income influences demand for a specific product, and gauging market share of different products and services. However, Aberdeen’s research shows that while many firms are rich in data, they are poor in *insights*. Specifically, findings reveal that 83% of companies are not fully satisfied with their ability to use existing data to achieve desired results.

There are many reasons why market research organizations could find it challenging to glean insight from their data. The first and foremost reason is a lack of proper technologies that are necessary for analyzing data and turning it into valuable insight. The good news is that Aberdeen’s related research shows that when companies use advanced analytics (see sidebar), they are 8.7 times more likely to indicate that they are extremely satisfied with their ability to use data to do their jobs more efficiently.

As illustrated in Figure 1, advanced analytics helps firms achieve significant performance gains through better use / analysis of existing data.

**Figure 1: Market Research Organizations Using Advanced Analytics Achieve Superior Performance Results**



Source: Aberdeen Group, July 2018

### Definition: Advanced Statistical Analysis

Aberdeen defines “advanced statistical analysis” – also referred as ‘advanced analytics’ in this document - as a set of technologies (e.g., business intelligence, predictive analytics, and root-cause analysis) enabling organizations to analyze data to uncover hidden trends, make forecasts, and derive actionable insights.

For market research organizations, it allows firms to derive meaningful market insights needed to shed light on key market trends and other areas of focus.

There are four categories in which companies using advanced analytics achieve superior results, compared to firms not using it. Let's take a closer look into each one and discuss how advanced analytics influences market research organizations' performance in each category.

Figure 1 shows that users of advanced analytics — referring to companies using the technology — achieve 22.1% annual improvement (*decrease*) in operations costs, compared to non-users observing 1.2% worsening (*increase*). Such cost savings are observed because using advanced statistical analysis tools enables organizations to more easily prepare data for analysis as well as add new data points such as geolocation data within existing data to ensure quality decision making.

Another reason for the cost savings enjoyed by market research organizations using advanced statistical analysis is the ability to generate insights more efficiently. This refers to utilizing techniques such as forecasting, predictive analytics, sampling techniques, etc., in a more user-centric manner, reducing the complexity in data analysis. Less complexity means market research firms can derive meaningful market insights more effectively and in less time.

When employees are empowered with tools that make doing their job more efficient, they are more likely to be productive and engaged in their role. In fact, Figure 1 reveals that firms using advanced analytics enjoy 5.2 times greater annual improvement in employee engagement rates (see sidebar), compared to firms without this technology (14.3% vs. 2.5%). For market research organizations, this means that employees working on various research projects can focus more on project outcomes and serving client needs, rather than spending too much time navigating the complexities in data analysis.

A side benefit of boosting employee engagement rates is that engaged market researchers are also more likely to stay with that organization. This means that these organizations can reduce the cost of employee churn, including the cost of delays in research projects, overtime costs for current employees, and the cost of hiring and training new employees. That's one of the other reasons why firms using advanced analytics observe significant reduction in their operations costs.

For market research firms to survive and thrive, they must pay attention to profit margins. Otherwise, they can drive rapid growth in revenue, but the related programs to drive that growth may be unprofitable — leading to the eventual failure of the business. Data in Figure 1 shows that companies using advanced statistical analysis tools enjoy 9.2% annual improvement in their profit margin per program, compared to 1.8% *worsening* by non-users. This gap is significant.

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**Companies that are extremely satisfied with their ability to use data are 2.1 times more likely to use statistical analysis tools, compared to those that struggle with using data.**

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#### **Definition: Employee Engagement**

Aberdeen defines “employee engagement” as a state of positive work-related attitude, characterized by high levels of energy, emotional commitment, and satisfaction derived from the work itself. When employees are engaged, they feel a vested interest in the company's success and are both willing and motivated to perform to levels that exceed the stated requirements of their job.

Consider a market research firm generating \$5 million in profit annually. This gap of 11% in profit margins between users and non-users of advanced analytics translates to \$550,000 greater profit for companies in the former category. Over the course of five years, that same firm would observe \$2.75 million in cost savings by improving the profit margins of its research programs.

Market research firms must solve their client challenges in managing customer satisfaction, demystifying customer buying behavior and new market testing, pricing, etc. to earn repeat client spend. To this point, Figure 1 shows that firms using statistical analysis tools achieve 7.8% annual improvement in customer retention rates, compared to 2.9% *worsening* by non-users. Companies achieve this result because of their ability to generate actionable insights in an efficient way in each research program. As such, customers are more likely to retain their business with market research firms that provide them with actionable insights.

Consider this example to understand how customer retention rates supported by the use of statistical analysis influence financial results. A market research firm has 1,000 clients with an average annual spend of \$25,000 per client. The 10.7% gap (7.8% vs. 2.9%) in customer retention rates observed by firms with advanced analytics vs. those without it would mean that this company would enjoy \$2.68 million more in revenue (1,000 times 10.7% times \$25,000 equals approximately \$2.68 million), compared to an identical market research firm that's not using this technology.

### **Key Takeaways**

Data is vital for market research organizations to do their job. However, companies can turn it into actionable insights only when they have the right tools. To this point, Aberdeen's research shows that only 17% of organizations are satisfied with their ability to use data to achieve their goals. These savvy users of data are 2.1 times more likely to (75% vs. 24%) to use advanced statistical analysis tools.

Findings in this Knowledge Brief reveal that companies using advanced statistical analysis tools achieve significant annual performance gains — those that edge out non-users of this technology. These include reducing operations costs, growing profit margins, boosting employee engagement, and creating a loyal clientele. As a market research organization, if your performance is behind that of the advanced analytics users illustrated in Figure 1, then we highly recommend you consider how this technology can support your employees in doing their jobs. This will help uncover potential opportunities to empower employees. It will also help assess ways you can make the process of turning data into insight more efficient — and help transform your business by aligning your activities with those of the top performers.

## About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen Group is headquartered in Waltham, Massachusetts, USA.

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