

Interview with Professor Dr. Klaus L. Wübbenhorst, CEO of the GfK Group

# Leading the way through the digital maze

It is all around us. We live in it; we use it. But the digital world has become so complex that it is now almost impossible to comprehend its full scope, influence and impact. Digitality is no longer a mere companion to everyday life; it defines our very existence. The digital world in all its facets is GfK's central theme for 2011.

## KLAUS, GfK HAS CHOSEN TO MAKE 2011 ITS DIGITAL YEAR. WHY?

The time has come for market research to clearly position itself in this sphere. All over the world, knowledge concerning the power of data from the internet is being accumulated. And knowledge is also being accumulated regarding the opportunities and risks for the economy, society and every individual that arise from the incredible amount of information available in the digital sphere. The job of market research is to assume the role of a guide – illuminating, organizing, and interpreting the digital maze, and separating the wheat from the chaff.

Our 2011 “digital year” offers us an opportunity to take stock of this task across all GfK sectors and countries. This is the ideal platform to put our internet-based innovations in the spotlight and to communicate to our clients our digital strengths as the pioneering leaders of the market research industry.

## SO WHAT ARE GfK'S DIGITAL STRENGTHS?

Well first of all, they are the general strengths of market research conducted in line with international professional standards. This includes, for example, always observing the principle of anonymity when processing, transferring and using data, adhering to data protection guidelines and prohibiting the linking of non-research activities with our work. This code of conduct is more important than ever today, because we market researchers are increasingly active on the internet, a sphere in which many forms of tracking software are pushing the boundaries and

making George Orwell's novel “1984” a possible reality at global level. This is known as “web scraping”. Of course, market research also relies on obtaining the maximum amount of information and the best possible analysis of this information. However, real market research is not focused on personalized data, but on grouped data. It is not interested in the behavior of individuals, but in comparable behavioral patterns within a defined group of people.

GfK's particular strengths lie in its core philosophy, which was formulated by GfK founder Professor Wilhelm Vershofen 77 years ago when he put forward his business concept. It is about allowing “the voice of the consumer to be heard”, wherever that consumer may be: in the supermarket, on the couch, in the car or – as is increasingly the case – in the digital sphere. We have an abundance of knowledge, the best minds and the most advanced tools, which allow us to generate an image of consumers that encompasses every aspect of their lives. The core of our mission is to bring together the many layers of data that we obtain from a wide variety of sources. We know the retail sales figures, the details of consumers' purchases and the reasons behind consumption and non-consumption, and we have information on media usage. By supplementing this knowledge with digital components, such as opinions and comments submitted in blogs, forums and social networks or searching and purchasing habits on the internet, we can provide entirely new dimensions of knowledge.

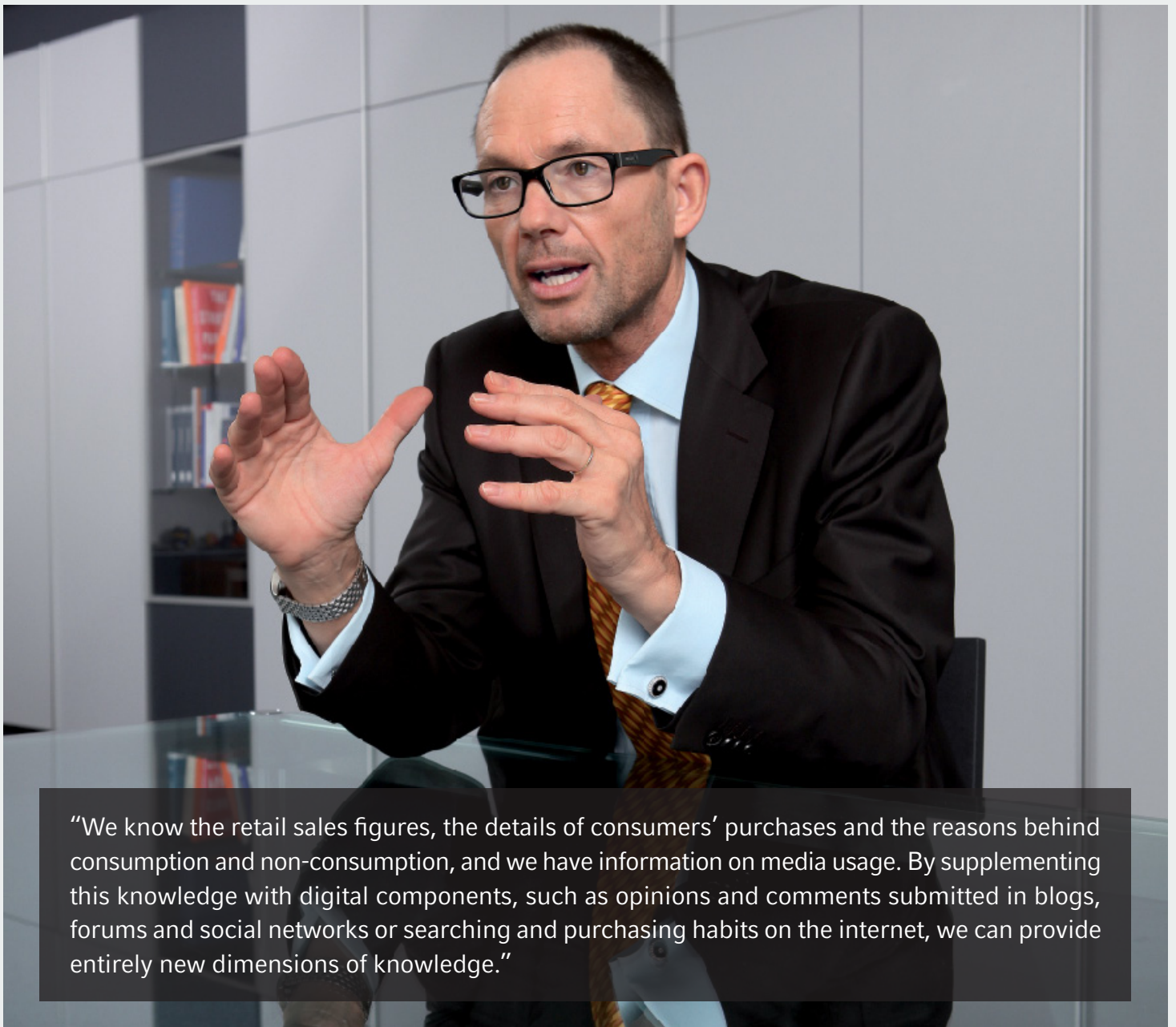
**BUT IN RESEARCHING INTERNET CONTENT OF THIS KIND, THE MARKET RESEARCH INDUSTRY FINDS ITSELF IN A COMPLETELY NEW COMPETITIVE ENVIRONMENT.**

That's true. In almost every country in the world, small and large technologically advanced companies are monitoring and collecting digital traces on the net and putting these together to produce a supposedly realistic impression of individual consumers. However, many of these business models will soon be prohibited and they are also missing the reference value of the "analog world", in which consumers continue to be active. Established market research companies like GfK do offer this benchmark, and the data they

provide constitutes the normal "currency" in many markets. At GfK, for example, this applies at international level to sales figures for technical consumer goods and at local level to our media research.

Our new "competition" may sometimes appear to be more innovative and lower-priced, but at GfK we easily compensate for this with our experience, quality and long-term perspective in handling data, as well as our carefully selected partnerships. As a result, we are the independent authority in the online sphere and are even gaining these new digital competitors as clients.

[Click here to read more of this article.](#)



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CEO Professor Dr. Klaus L. Wübbenhorst is confident that GfK is well equipped for the future



# Perspectives in the Global Marketplace

# Measuring consumer experience becomes a reality

By Danica Allen, GfK Custom Research, USA

More and more, we are seeing brands focusing on delivery of the customer experience to differentiate their products or services, rather than relying on brand claims. Examples are coming through everywhere - Starbucks, Nike, Jeep, Lego – and are driven by the fact that experiences are more difficult to copy than brand attributes. They're often highly unique and subjective and can become synonymous with the brand, creating a 'selling point' that cuts through today's advertising overload, to draw in customers.

This phenomenon is catching on strongly in today's markets, but it is hardly new, as evidenced by this AdWeek excerpt from nearly three years ago:

*“Whatever the methodology, it's increasingly clear that customers desperately want goods and services, communications and marketing campaigns that dazzle their senses, touch their hearts, and stimulate their minds - delivering a positive experience they will remember. Businesses will live or die, not by the attributes they promise, but by the brand experiences and value they offer customers at every touch point.”*

—AdWeek September 29, 2008

The trouble is: how do you measure an experience? It's not entirely encompassed by Customer Satisfaction research, and it's not just Brand research either. Historically, customer satisfaction research has focused on measuring service or product quality and relating these to attitudinal outcomes, such as overall satisfaction and loyalty – and also, more recently, relating it to economic outcomes, such as market share and profitability. Similarly, brand research is generally oriented towards capturing consumer perceptions of brand imagery or performance and relating these to the psychometric or econometric measures of brand equity. Neither of these two widely accepted, current approaches can adequately measure Customer Experience – it falls somewhere between the two.



It is a problem that GfK has had a team of global researchers working on for the last two years – with ground-breaking results. Their three-phase, experimental project has managed to define a common denominator for linking brand and loyalty research, to measure and track Customer Experience.

It combines the common language of touchpoints with a revolutionary new 'currency', involving five critical experiential dimensions;

Talk, Think, Feel, Sense and Act

The pilot project covered multiple service and product sectors and delivered nearly 10,000 unique, touchpoint-based experience measurements – offering a data set with rich depth and breadth.

The tangible result of this R&D project is GfK's new Consumer Experience (ConEx) system - the first commercially viable system for comprehensive measurement and tracking of Customer Experience. It represents the only platform of its type capable of addressing how consumers experience brands and is being launched across all markets in the coming month.

For more information, please contact [connect@gfk.com](mailto:connect@gfk.com)

# Mobile payments: what is delaying the market?

By Ryan Garner, GfK Custom Research, UK

Near Field Communications (NFC), the technology that supports close proximity mobile payment services, has been around for many years. However, the NFC-enabled mobile devices and service support have been delayed year on year.

Recent research by GfK revealed that, globally, 62 percent of consumers find mobile payments appealing - and this becomes higher among certain key groups, including: younger consumers aged 16-24 (75 percent); innovators / early adopters (74 percent); and current smartphone owners (72 percent).

However, of the nine markets covered in the study, South Korea was the only nation that offered established mobile payment services to the consumer market. While consumer appeal for mobile payment services varies across countries, it falls into two broad categories: countries with established financial payment infrastructures, and countries whose financial infrastructure is young and still developing. Developing markets in China (82 percent) and Brazil (73 percent) find mobile payment services the most appealing, whereas the more established payment systems in developed markets, like the US and Europe, mean appeal in these nations is more limited (around 50 percent), since the existing chip-and-PIN systems offer a convenient and already trusted route.

Why, then, when the service seems to be attractive to consumers and businesses alike, is the service suffering delays in most countries?

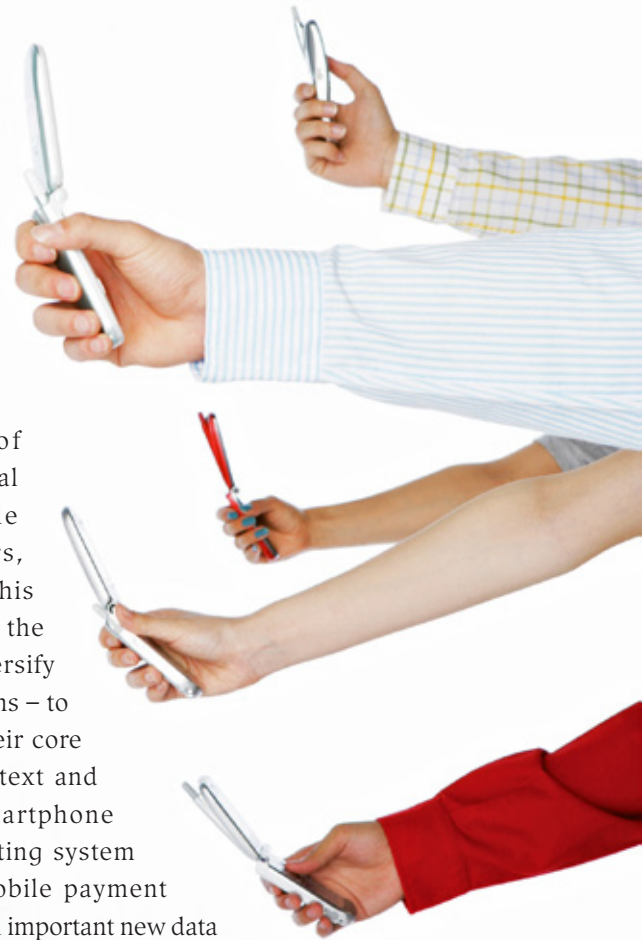
One of the reasons is that there are so many brands from different industry sectors interested, posing the critical question: 'Who should own the relationship with the customer?' The incentive for financial institutions is that Mobile Payment embodies a critical evolutionary step. It will modernize their service offering and refresh their brand image – things that are much needed after

the negativity of the recent financial crisis. For mobile network operators, the attraction of this fledgling sector is the opportunity to diversify their revenue streams – to branch out from their core business of voice, text and data. And, for smartphone handset and operating system (OS) providers, mobile payment services represent an important new data source, that brings together online and offline purchasing behavior - something that will enhance the value of their ecosystem to advertisers.

Working out how all these different companies work together, and - importantly - who owns the customer relationship, has been the key barrier to rolling mobile payment services out for most countries. Ryan Garner, Director in GfK Business & Technology, comments, "Creating a mobile payment service that consumers are comfortable adopting means leveraging the trust placed in financial brands, but it is also vital to have a presence in the mobile sector. By tapping into all of these strengths, a mobile payments solution would quickly gain momentum with consumers and put an end to the delays experienced by NFC-based services in recent years."

[Click here](#) for additional information on Trends in Technology in GfK's TechTalk newsletter, featuring an international report and video on the Mobile Payments market.

For more information, please contact [connect@gfk.com](mailto:connect@gfk.com)



# Sustainable mobility: do 'green' cars have a global future?



By Don DeVeaux, GfK Custom Research, USA

The recent steep rises in fuel prices have lent extra vigor to consumers' willingness to consider greener cars, despite the higher like-for-like purchase cost. But is this phenomenon consistent across countries, and what are the barriers to purchase still remaining? Two separate surveys by GfK deliver some insight into these questions.

## Europe

GfK Custom Research in the UK recently published results of a survey that suggested that 300,000 electric cars could hit Great Britain's roads by 2014, offering the UK Automotive industry a much needed injection of £7.2 billion (€8.2 billion) in new sales. It would mean that, at current sales levels, electric cars would account for one-in-twenty of the total cars sold in the UK over the coming years.

Motorists in Germany and the Netherlands also showed significant numbers intending to buy an electric car in the future, although not as soon as the UK.



The market, therefore, seems promising. However, there remain significant barriers to the purchase of electric cars in consumers' minds. Across UK, Germany and the Netherlands, the top three concerns are high purchase costs, limited range on a single charge, and low availability of public charging stations.



## The US View

That's the top-level view in Europe, but what about the USA – home of cheap fuel (now increasing rapidly) and large, gas guzzling SUVs? A survey in the US found that one third of motorists plan to buy an alternative 'powertrain' (i.e. one of the many 'green' engine types on offer – hybrid, EV, fuel cell, clean diesel etc.) – a very similar situation as that seen in the UK. However, four in ten US motorists still intend to buy a mid-to-large vehicle with a conventional engine.

Of those looking to move to an alternative powertrain vehicle, their primary driver is 'fuel economy' – not surprising, given the greater distances involved in the USA, and greater reliance on private transport.



This raises an interesting insight. For US motorists, uptake of 'green' cars is driven more by personal economy considerations than by environmental considerations. Two-thirds say the main justification for paying more for alternative powertrain vehicles is the saving in fuel that they will make, while only one in five quote 'better for the environment' as a justification. Additionally, when plotting the intention to buy alternative powertrain vehicles against fuel price, a clear correlation emerges.



## Conclusion

So what does this mean to the Automotive industry globally? A universal trend GfK is seeing is consumers putting off purchasing an alternative powertrain vehicle due to the higher purchase cost. Manufacturers and suppliers need to focus on consumers' primary motivators, which are not just about environmental concerns. Consumers need to be able to see economic sense in moving to a greener car – so the Automotive industry must focus on ways of reducing the cost of ownership, through leasing, creative finance and incentives. In addition, the unfamiliar technology of alternative powertrain vehicles is quoted across all countries as a hindrance to purchase: consumers are not familiar with the technology involved, and so need to build up trust in its reliability and running costs. Again, manufacturers would do well to invest in campaigns to simply explain the technology, and build in warranties etc, to create confidence in its reliability.

For more information, please contact [connect@gfk.com](mailto:connect@gfk.com)

# “Call. Mail. Shoot. Listen. Play.” But what functionalities add real value in convergent products?

It is very common in some industries to add diverse new functionalities to existing base products (eg, cell phones can also be cameras or MP3 players or provide direct internet access). Particularly in high-tech sectors, the functionalities of different base products are becoming increasingly analogous (= convergent products). Consumers are confronted with an almost endless number of possible functions. It is often not known which functionalities actually deliver added value to the consumer, and to what extent. Too many features may even be counterproductive as they can overwhelm the consumer.

The research by Tripat Gill, Assistant Professor of Marketing, addresses this very issue. The author explores the role of different factors on the perceived added benefit of individual extra functions. He first investigates whether added functionality is assessed differently depending on the main usage profile of the base product and the nature of the new functionality (utility versus fun-oriented). While, for example, the core value of a PDA is instrumental and practical, an MP3 player is associated with fun and pleasure. A new functionality can entail adding more utility (eg, adding GPS to a PDA) or more fun (video capability on the device) to an existing base product. The different combinations of utilitarian and hedonic functions help manufacturers to focus on the most effective added functionality and generate substantial added value for consumers.

## Summary of key findings:

- **Avoid too many added functions**  
Not all will actually generate added value for the consumer!
- **Fun outplays utility**  
The incremental value is greater if the added functionality is hedonic. This is true both for hedonic base products, which focus on fun, and utilitarian

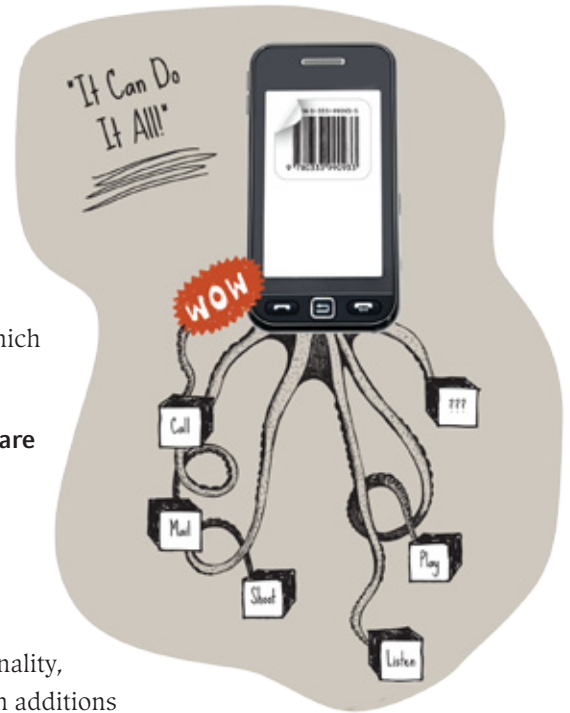
base products, which are practical.

- **Existing owners are more sensitive**

This applies to convergent products with a hedonic base and utilitarian functionality, in particular. Such additions can even result in a reduction of the perceived value.

- **The quality of the base product also influences the subjective perception of the added functionality**

Higher quality brands benefit more from incongruent additional functionality, while brands with lower quality levels should consider additions that boost the base function.



*This article is a summary of Gill, Tripat (2010): “Call. Mail. Shoot. Listen. Play. But What Functionalities Add Real Value in Convergent Products?”, GfK Marketing Intelligence Review, Vol. 2, No. 2 (November), pp. 16-25. It is published with the permission of the GfK Association.*

*Tripat Gill is Assistant Professor of Marketing, Faculty of Business and Information Technology, University of Ontario Institute of Technology, Oshawa, ON, Canada.*



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