Marketing Research Industry in Ukraine

Summary

The article presents the results of market research marketing research in Ukraine that has been carried out continuously for 10 years. It shows the key market trends and peculiarities of conducting research in crisis conditions.

This topic is actuality because it is needed to develop the research industry in the new independent states. Annual data about research market development enable to analyse general market trends, find out main problems and ways of their solving for development of the whole market as well as for individual companies. This article deals with results of research conducted during 10 years. This gives reasoning to discuss market trends of the Ukrainian marketing research market.

An aim of this publication is to show the main stages of the marketing research market development in Ukraine and factors that companies need to consider when they develop their businesses.

The object of the research is marketing research companies, working in Ukraine. The research analyses the system of marketing research market, the existing connections and mutual dependence, main trends of the research market.

Key words: marketing research, marketing research market turnover, research companies in Ukraine.

JEL codes: M38

I want to start this article unusually, as it is the tenth annual marketing research market survey. Everything began from asking colleagues questions and a simple interview with experts in 2003. Since 2005, market operators have actively discussed the market trends, dumping issues, research proposal valuation, and ethical problems. Thus, marketers have decided that research markets survey should be annually conducted. Research agencies began providing declarations about their turnover for the Ukrainian Marketing Association (UMA). These declarations were defined as the basis for market turnover calculation.

At the same time, the chosen research method based on agencies’ declaration has set some problems with estimation of results as well as with mechanism of evaluation. First of all, not all companies agree to provide information. Almost five years of conducting this research were needed for companies to overcome “child disease” and start providing truthful information about their turnover. Nevertheless, we always try to consider expert opinions while providing final figures and defining trends. Secondly, some companies refuse to provide data on their turnover, explaining it as a commercial secret. They have this right, of course. However, let us note, while calculating market turnover we make corrections taking
into consideration expert opinions about those companies’ possible turnover. We ask respondents to provide reliable data as research findings are used by all companies for making managerial decisions in the industry. Findings of this survey are also used by those companies that don’t provide data.

It should also be noted that most of the major market operators provide their data regularly. It enables to believe the analysis reflects the underlying market trends.

In 2013, 68 companies declared themselves as “a company specialising in market research” and were UMA members. But 9 of them really did only 1-2 projects per year; 2 companies remaining members of the UMA were under sale or merger; 12 companies were the regional companies, and 2 of these carry out their projects, 10 others act as fields for large companies. Thus, we can tell that 47 companies constitute the marketing research market. We received data from 24 companies including top 10 major operators according to turnover. We didn’t receive data from IPSOS this year. However, data are regularly presented by major companies, which total to nearly 90% of the whole market.

Table 1
The UAM expert evaluation of marketing research market turnover (2003-2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market turnover</th>
<th>Growth/decline USD, in % (according to companies data)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ million</td>
<td>Million hryvnia (adjusted to the course of the respective year)</td>
</tr>
<tr>
<td>2003</td>
<td>14.60</td>
<td>77.30</td>
</tr>
<tr>
<td>2004</td>
<td>19.50</td>
<td>100.00</td>
</tr>
<tr>
<td>2005</td>
<td>24.80</td>
<td>127.00</td>
</tr>
<tr>
<td>2006</td>
<td>33.50</td>
<td>169.00</td>
</tr>
<tr>
<td>2007</td>
<td>41.50</td>
<td>212.00</td>
</tr>
<tr>
<td>2008</td>
<td>55.00</td>
<td>275.00</td>
</tr>
<tr>
<td>2009</td>
<td>45.00</td>
<td>304.00</td>
</tr>
<tr>
<td>2010</td>
<td>40.50</td>
<td>324.00</td>
</tr>
<tr>
<td>2011</td>
<td>44.40</td>
<td>354.60</td>
</tr>
<tr>
<td>2012</td>
<td>56.95</td>
<td>449.24</td>
</tr>
<tr>
<td>2013</td>
<td>60.8</td>
<td>487.10</td>
</tr>
<tr>
<td>2014</td>
<td>42.44</td>
<td>509.29</td>
</tr>
</tbody>
</table>


While preparing data, agencies try to separate marketing research from sociological studies. It is important for analysing how business orders market develops and grows. It is clear
that sociological research is especially popular during election processes in Ukraine. This study takes this fact into consideration. In our view, a research companies rating analysis, even taking into account bursts of orders for sociological electoral research, gives more or less an objective picture of rating research agencies according to their turnover.

**Figure 1**

Marketing research market turnover (2003-2014)

By 2008, the research market had been quite steadily increasing, showing the average growth rate of 20-30 per cent. In 2009, during and after the crisis, the fall in the market was strong enough – 22 per cent. Only in 2011 the market started to show positive growth rates, and in 2012 the market showed remarkable growth rates by +26.7 per cent and in absolute terms reached the pre-crisis value. Such a market growth was lively discussed by the professional community, but common opinion on such growth rates wasn’t found.

The year 2013 was the year of the smallest market growth. After 26% growth in 2012 companies showed the market increase only by 8.4 per cent. What is the reason of such drastic market fall? Perhaps returning to the pre-crisis market position we, basically, have exhausted the possibilities of marketing research market growth, since all major customers had already came back to the market. May be the period of waiting crisis, the period ‘on the eve of the storm’ had an effect and client-companies began to feel the presence of revolution ‘petrel’. Nevertheless, 2013 showed a slight market growth at least. In 2014, all market leaders showed a decrease in their turnover.
Which surveys do provide marketing research market “prosperity” in Ukraine? This requires being aware of the market share of companies. Fig. 2 shows the relative market share of companies. This year IPSOS Ukraine did not provide their data, but we used the data of the last year to build this chart. The purpose of this chart is to show the volume ratio of companies, including those ones which have already been or “theoretically” (as in the example of IPSOS, making the assumption that turns remained essentially unchanged) may be in the top ten, twenty, etc.

Figure 2
Market shares of research companies in Ukraine, expert opinion, 2013

As you can see, the largest shares have such companies as GfK Ukraine and ACNielsen Ukraine, as their portfolios include largely unique panel studies such as retail audit panel or media panel. The results of research, for example, of retail audit are bought by the majority of large and medium-sized manufacturing companies and distributors of products companies, especially in the case of multinational corporations, which research contracts are not made in Ukraine. Media ratings are the basis to form advertising budgets, that’s why demand for them is consistently high.

GfK Ukraine and ACNielsen Ukraine are the undisputed leaders in the research market in Ukraine. Leadership is always achieved by gruelling hard work, but it also imposes greater demands and expectations on the leader. It requires special work of top management personnel to keep the leader position, as far as the activity of each company is considered “under
a magnifying glass” by competitors. It is always a struggle among the leaders. But we expect that as a result of the operation actually of two telepanels in 2014 (GfK and Nielsen)\(^1\) the structure of research market will be another.

The two leaders consistently showed growth from year to year. However, the average growth rate of output can’t be quite correct, because if GfK showed fairly stable moderate growth rate, Nielsen showed a quick pace and even a rapid growth. In our opinion, this can be explained not only by an increase in turnover of the traditional product of research – retail audit, but in a larger extent by obtaining orders for telepanel. This increase does not describe any qualitative changes in the management of the company in Ukraine, but simply the emergence of new problems. Deeper conclusions can be drawn in 2014, when the panel will work at full capacity and management channels and advertising agencies can compare the style and method of the two leaders.

How does the market develop in the segment of next five leaders? As we can see from Figure 2, it includes TNS Ukraine, holding “Ukrainian Marketing Group”, “Medical Data Management “, IPSOS\(^2\), Millward Brown ARMI – Marketing Ukraine. In this case, we cannot say that they are similar in strategy or specialisation of the companies. They show their own approaches and strategies of their market with unique techniques, which often are licensed, some of them are network agencies and others are private enterprises. They are united in one group because of their turnover.

First in this segment is TNS Ukraine, which has a very substantial part of its portfolio in media studies – the market of radio and print media. Thus, by correlating with a major specialisation of two leaders, we would conclude that the most profitable market research is the research of media markets. The conclusion would be true except for the position of the company Gemius Ukraine\(^3\), which explores the Internet market, which is known to be developed very quickly and can be considered as new media. However, Gemius Ukraine is not even in the top ten of the industry leaders.

The following companies vary considerably. Thus, Holding “Ukrainian Marketing Group” has a wide specialisation – both quantitative and qualitative researches, from data collection to eye tracks and ad hoc ones.

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\(^1\) The Television Industry Committee decided to extend the contract for TV audience research with GfK Ukraine for two years, namely until 31 December 2014. The current contract with TIC GfK Ukraine was signed on 1 January 2008 and lasts until 31 December 2012; http://itk.ua/ru/press/item/id/641.

\(^2\) IPSOS Ltd. has not given the information about its turnover in 2013. The analysis is carried out only in terms of trends based on data from previous years. It was up to five included on the assumption that turns essentially did not change in 2013 compared with the year 2012. In the analysis of the market, which we introduced in 2012 in the Journal of Marketing in Ukraine, we reported that the IPSOS data of 2012 year weren’t received. Data were obtained later than preparing the article for publication. At the same time, in 2013, we received official notification from the management of IPSOS failure data for 2013 for reasons of preserve trade secrets.

\(^3\) In 2013, the top management of the company changed. New leaders began the policy of trade secrets. The analysis is carried out only in terms of trends based on data from previous years, on the assumption that turns essentially were not changed in 2013 compared with the year 2012.
The company “Medical Data Management” is specialised in the pharmaceutical market research, studying market behaviour of physicians, pharmacists, consumers, and others. An important part of the research takes a ranking of publications in the pharmaceutical market. Thus, this is a company that has a clear sectoral specialisation and has been constantly in the top ten market researchers for almost 10 years. The companies IPSOS and Millward Brown ARMI – Marketing Ukraine have a similar specialisation in research which is related to brands, their strengths, development, etc. We can see how all these companies differ from one another.

In 2013, the overall growth of the top five was 1.24%. At the same time, for the two years in succession, the company “Medical Data Management” shows the record growth +19.86%. But it is true that the rate of growth of this company is decreased slightly, but remains consistently high (2013 – 19.8%, 2012 – 31%, 2011 – 29%). In 2012, the companies TNS Ukraine, holding “Ukrainian Marketing Group”, “Medical Data Management”, IPSOS, Millward Brown ARMI – Marketing Ukraine showed the total growth of their market by 6.06%.

Figure 3

Segmentation of research companies in Ukraine in expert opinion (2013)

The growth rates of the market “traditional” five, namely: GfK, ACNielsen Ukraine, TNS Ukraine, UMG, “Medical Data Management” in 2013 were 17.5%, which is significantly higher than in 2012 – 7%. However, this comparison, we still believe, is less valid and less reflecting the market trends, as far as the top five is quite different in scope and specialisa-
tion of their companies. The only thing that can be noted is that the company “Medical Data Management” has been held steadily in the top five for the second year.

The composition of the top ten has not changed. In 2013, the top ten included the following companies: GFK-Ukraine, ACNielsen Ukraine, TNS Ukraine, UMG, “Medical Data Management”, Millward Brown ARMI – Marketing Ukraine, InMind, group of companies of the Advanter Group, KIIS, R&B. The threshold for entering the top ten for several years varies along the value of 1.5 million dollars.

### Research during revolutions and threats of occupation

The companies, UMA members, had to make research during two revolutions and in time when Crimea are under occupation.

The survey we made in 2004 during “orange revolution” about features of making research during such a period, and an expert analysis of the problems that were raised by research companies’ leaders in 2014, have a somewhat common nature. Researchers emphasise that, firstly, what you have to remember is compliance to Codes, Guidelines, Standards and Directives of professional associations. All these documents are developed and accepted with one goal – creation of conditions for receiving reliable information and in such way increasing trust to research results and our industry as a whole.

During revolutions, emotional stress in the society sharply increases. It complicates the interviewer’s work, it influences respondents’ answers, and it can lead to biased data interpretation. Let’s recall only results of kitchens colours’ survey that was made by one research company during the orange revolution. Respondents’ answers – blue colours in East and orange colours – in West as the most attractive kitchens’ colours – are classic for illustration of political influence on decisions about goods and services.

Researcher’s task, in such situation, is data collection, careful and objective description of the environment during receiving such data, in order to provide the most favourable opportunity for right data’s interpretation.

During such a period, the question of professional ethic and responsibility sharply appears. It’s hard to say to the client that asking respondents questions in Crimea, for example, is pretty difficult and just dangerous thing. It’s hard to say about field work problems, appearing in such a period. However, exactly in such a period researchers’ professionalism and honesty is shown.

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4 The given sum does not include sales turnover of the company “InMind Opinion Media”, which provides media measurement of Ukrainian Internet, and in 2013 became an independent company.
Resolution of the Club of Directors of the Research Companies Meeting
Kyiv, 4 March 2014

Understanding the responsibility of research companies about authenticity of the provided information in order to adopt management decisions and taking into account difficulty of the current conditions in Ukraine for conducting research that are characterised by instable political situation, unannounced military occupation, members of Club call researchers to:

Be especially responsibly disposed to requirements, spirit and norms of the ESOMAR Code and Guidelines that insist on descriptions of conditions of receiving data for rise of confidence in data and right data interpretation, including consideration of Article 3 – Professional responsibility, ICC/ESOMAR Code, ESOMAR/WAPOR Guideline on Opinion Polls and Published Surveys, and others including Standards of Quality of Marketing Researches UAM – SOU 91/12/0 21708654 001 2002 (Article 42).

Pay attention to special conditions of data receiving with their interpretation and to prevent ignoring of facts of respondents’ emotional tension and difficulty of interviewers’ work in field. Club of directors of research companies’ members also pay attention of their business partners – clients – on the necessity of rising of payment discipline and performance of contractual obligations that is especially important in the unstable economic situation and tight political situation.

Resolution was signed by:

Irina Lylyk, General Director, VGO “Ukrainian Association of Marketing”, National representative of ESOMAR in Ukraine.
Svetlana Pototskaya, General Director of Company Millward Brown ARMI – Marketing, Ukraine
Elena Popova, Director of Company InMind
Stanislav Chyglyntsev, General Director, MASMI UKRAINE
Dmytro Rodenko, Director of Company “International Marketing Group Ukraine”
Aleksandr Golizdra, head of Administration of Media Projects DP “Derzhzovnishinform”
Aleksandr Fedoroshun, General Director of Company GfK-UKRAINE
Vladimir Paniotto, General Director, KMIS
Mykola Churilov, General Director, TSN Ukraine
Yuri Vurovoi, KWENDI Ukraine
Arthur Gerasimov, General Director of the holding “Ukraine Marketing Group”
Dmytro Agrachov, General Director, UMP
Eugeniya Kononova, General Manager of Target Group
Lidiya Zvarych, Managing Partner of Novelty Result Group
Timofey Zamuriy, Director of iVOX Ukraine
Ivan Lyubarskyy, General Director of IRS Group
Andriy Dlygach, General Director of Advanter Group
Nadezhda Vorushylo, Director of Medical Data Management
Oleg Synayuk, President of New Image Group
Denis Podyachev, Ukrainian Sociological Standard
Irina Balyeva, General Director, IPSOS Ukraine.

As one more problem of ethical and professional character there appears the question of conducting research on order of state agencies of countries-aggressors. Ukrainian companies received orders from Moscow research agencies to conduct research on the Ukraine’s territory on order of the Russian Ministry of International Affairs. For honour of Ukrainian companies-members of the Ukrainian Marketing Association and ESOMAR, they refused to grant their fields for conducting that survey, which result was clear looking at the methodology of making questionnaire. In our opinion, this case needs study and decisions about bringing some changes and additions in ESOMAR Code and Guidelines and, may be, adopting some rules at the level of national associations.

Conclusions

For ten years of conducting this research the industry has showed the rapid pace of growth and fall. We can say that the volume of orders in industry stabilised. The market has clearly outlined, not only the basic operators are determined, but also their specialisation. More and more new methods of research are used and there are more and more orders on syndicate surveys.

The question of the research trustworthiness and the trust to the industry is in the centre of researchers’ attention. In the conditions of unstable economic and political situation, companies are facing new challenges. The solution to such problems is in developing common positions and in the development of professional self-regulatory organisation, which is the Ukrainian Marketing Association.

Branża badań marketingowych na Ukrainie

Streszczenie

W artykule przedstawiono wyniki badania rynku badań marketingowych na Ukrainie, prowadzone w sposób ciągły przez 10 lat. Ukazują one podstawowe trendy oraz właściwości prowadzenia badań w warunkach kryzysu.

Temat jest aktualny, ponieważ istnieje potrzeba rozwijania branży badawczej w nowych niepodległych państwach. Coroczne dane na temat rozwoju rynku badań umożliwiają dokonanie analizy
ogólnych tendencji na rynku, identyfikację głównych problemów i sposobów ich rozwiązywania dla rozwoju całego rynku, jak również poszczególnych firm. Stwarza to podstawy do omówienia tenden-cji rynkowych ukraińskiego rynku badań marketingowych.

Celem publikacji jest pokazanie głównych stadiów rozwoju rynku badań marketingowych na Ukra-


ingi i czynników, które firmy powinny brać pod uwagę przy rozwoju swych działań gospodarczych.

Przedmiotem badań są firmy badań marketingowych działające na Ukrainie. Badanie analizuje


system rynku badań marketingowych oraz istniejące powiązania i wzajemną zależność, główne tren-


dy na rynku badań.

Słowa kluczowe: badania marketingowe, obroty na rynku badań marketingowych, firmy badawcze


na Ukrainie.

Kody JEL: M38

Индустрия маркетинговых исследований в Украине

Резюме

Статья представляет результаты изучения рынка маркетинговых исследований в Украине,

проводимого постоянно в течение 10 лет. Она указывает основные тенденции на рынке и осо-

бенности проведения исследований в кризисных условиях.

Эта тема актуальна, так как нужно развивать индустрию исследований в новых незави-

симых государствах. Ежегодные данные о развитии рынка исследований дают возможность

провести анализ общих рыночных тенденций, выявить основные проблемы и пути их решения

для развития рынка в целом, а также отдельных компаний. Статья представляет результаты

исследований, проводимых в течение 10 лет, что дает основания для обсуждения рыночных

тенденций на украинском рынке маркетинговых исследований.

Цель настоящей публикации – указать основные этапы развития рынка маркетинговых ис-

следований в Украине и факторы, которые должны учитывать компании, когда они развивают

свою экономическую деятельность.

Предметом изучения являются компании по проведению маркетинговых исследований, ра-

ботающие в Украине. Изучение проводит анализ системы рынка маркетинговых исследований

и существующих связей, взаимозависимостей, основных трендов на рынке исследований.

Ключевые слова: маркетинговые исследования, рыночный объем маркетинговых исследова-

ний, исследовательские компании в Украине.

Коды JEL: M38

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