

Our approach

The Business of Evidence 2016 study consisted of 3 main stages:

1. **Desk based research.** This involved building on the results of The Business of Evidence 2012 study¹ and gathering market intelligence from various sources including, but not limited to, the Market Research Society, the ONS Annual Business Survey, and the Economic Social Research Council. Where possible methods used were consistent with the 2012 study to allow the results to be directly comparable across the sectors.
2. **Online survey.** An online survey was constructed and launched to both research agencies and companies with in-house research departments. This survey achieved 110 valid responses and was administered by our Research Panel partner, ResearchNow. Respondents were spread across each of the sectors reflected in our report.
3. **Depth interviews.** Key stakeholders in the Market Research industry were asked to undertake depth interviews to provide their views on the industry and how it has grown and changed since the 2012 study. These interviews along with the online survey results were used to supplement and enhance the intelligence gleaned from the desk research.

It should be noted that the approach outlined in this document is high level in nature and provides an overview of the market research industry as a whole. The key findings should be considered as indicative in nature and subject to confirmation and elaboration through more detailed research and evaluation.

In order to estimate the total size of the industry, methods consistent with the 2012 study were used as far as possible, splitting the industry into several sectors as outlined below:

- Core Suppliers (traditional providers and data research providers);
- Data analytics;
- Other private sector organisations;
- Higher education institutions;
- Central Government;
- Local Government;
- Think tanks; and
- Charities.

In order to estimate the Gross Value Added (GVA) of each sector and therefore for the industry as a whole, two approaches were undertaken. For Core Suppliers and Data Analytics turnover data gained from the Market Research Society and Forbes respectively were used. To these turnover figures, a GVA to Turnover ratio was applied to turnover based on that used by the Office of National Statistics and replicating the method used in the 2012 methodology.

For all other sectors we have used both primary and secondary data to establish employment costs based on numbers of Full-time equivalents (FTEs) and salary information. Employment costs were then applied to the GVA estimate again based on those used by the ONS and replicating the 2012 methodology.

To summarise, estimates are based on either employment costs or turnover figures to establish GVA, secondary data has been used to establish the base of this data which was sense checked with the primary data gathered.

¹ https://www.mrs.org.uk/pdf/The_Business_of_Evidence_Final_08102012.pdf

Core suppliers

Following discussions with the MRS, it was decided that Core Suppliers would be split into two sections;

- Traditional providers, and
- Data research service providers.

This better captures the growth in those traditional research suppliers who provide services based on data which was not classified as pure data analytics. The figure for the “traditional” providers section is based on intelligence from the MRS who predicted a 1.8% decline in annual turnovers for these organisations; applying this decline to the 2012 turnover figure of £2.88bn provides a turnover of £2.83bn. When the GVA to Turnover ratio are applied a figure of £1.748bn is produced for the traditional providers.

The new section of Core “data research” providers was designed in conjunction with the MRS who identified suppliers from the MRS Annual turnover league table engaged in data and research services (as opposed to pure data analytics). The combined 2014 turnover of these companies came to £621mn; producing a GVA for the new sector of £384mn.

Taking these as a combined total the new “Core Suppliers” section arrives at a GVA of **£2.132bn**.

Please note that due to changes in the definitions in this section it cannot be directly compared with the “Traditional Providers” figures from the 2012 report.

Data analytics

A report issued by Forbes² estimates the size of the global analytics/big data/business intelligence market at \$30 billion. Forbes separates the market into 5 separate sectors;

- Customer analytics **(48%)**;
- Operational analytics **(21%)**;
- New product and service innovation **(10%)**;
- Fraud and compliance **(12%)**; and
- Enterprise data warehouse optimization **(10%)**.

Of these sectors, in agreement with MRS, two have been selected – “Customer analytics” and “New product and service innovation” – as being inclusive of firms fitting into the market research sphere. These two sectors make up 58% of the global total or \$17.4bn.

In 2012 the UK market was calculated to be worth between 5% and 7% of the global data analytics market. After confirming with PwC economists that they were still comfortable with this supposition, the dollar amount was converted into sterling and the percentage bands applied, producing turnover figures of between £574 and £804mn. Applying the ratio of GVA to turnover (0.6:1)³ generates lower and upper band results of **£355 and £497mn** respectively.

² <http://www.forbes.com/sites/louiscolumbus/2015/05/25/roundup-of-analytics-big-data-business-intelligence-forecasts-and-market-estimates-2015/#447787574869>.

³ Please note that numbers in this report are rounded and may not exactly correspond if calculations are carried out based on these figures.

In 2012 the turnover per FTE for data analytics companies was estimated to be £120,000. Using this figure again and applying the turnover limits detailed above; it is possible to estimate employment in UK data analytics to stand at between 4,800 and 6,700 FTEs.

Other private sector

As in 2012, estimating the size of in-house research functions in private sector organisations has been particularly challenging. This has been helped somewhat by responses to the online survey which included respondents working in these units. This primary data can then be combined with a series of assumptions on this sector.

Industry responses to the MRS Annual Survey 2014 show that the following components of the private sector make up 33% of market research industry turnover;

- Food/Beverage;
- IT/Telecoms/Consumer tech;
- Media; and
- Financial Services.

The rest of the private sector makes up 53%, with the remaining 14% being driven by government/public sector work.

The ONS Annual Business Survey puts UK private sector employment at 21.5 million, while the Department of Business Innovation and Skills (BIS) puts the numbers employed at companies with more than 250 employees at just over 10 million, accounting for 48% of the ONS total. The employment across the “Big 4” sectors above, based on the ONS survey, was 2.254 million; applying the assumption that 48% are in businesses with more than 250 employees this stands at 1.082 million.

The 2012 Business of Evidence report calculated that around 0.6% of employees in these firms were engaged in market research, however primary data gathered this year indicates a growth to a number closer to 1%. Using these figures as lower and upper band parameters establishes a range of between 6,492 and 10,820 FTEs. If these firms account, as mentioned, for 33% of industry spend and the rest of the private sector for 53%, assuming that turnover is proportionate to employees the employment figures stand between 10,427 and 17,378 FTEs.

$$53\% \times 6492 / 33\% = \underline{10,427} \quad \text{OR} \quad 53\% \times 10,820 / 33\% = \underline{17,378}$$

The aforementioned online survey data also gave a salary range for these individuals of between £35,000 and £45,000 p.a. Multiplying these figures by the employment bands above produces employment costs of between £365 and £782mn, which in turn produce GVA figures of between **£665mn and £1.4bn.**

Higher education institutions (HEI)

The research in this sector has followed the same pattern set out by the Business of Evidence 2012 report. The Economic and Social Research Council (ESRC) report gives 7 sectors of research spend for the previous year;

- Responsive;
- Strategic & collaborative;
- Methods & infrastructure;
- International & others;
- Training & skills;
- Knowledge exchange; and
- Newton & other.

Of these 3 have been identified as market or social research;

- Responsive;
- Strategic & collaborative; and
- International & others.

These 3 sectors account for 57% of HEI research spend. The ESRC further references that 4,000 researchers are employed in Higher Education; assuming that spend is proportionate to employment it can be calculated that 2,280 are employed in the sectors we selected.

The ONS Annual Business Survey details a 65% to 35% split between full time and part time in the Higher Education sector, applying this rule to an employee figure of 2,280 gives us a total of 1482 full time and 798 part time. It was decided to include part time staff as 0.5 of an FTE, meaning they will therefore account for 399 FTEs. The total number of FTEs amounts to 1881.

In 2012 HEI research salaries were placed in the range of 60th – 75th percentile for this sector. Applying this logic again gives a salary range of between £33,500 and £42,000. Multiplying this range by 1881 FTEs produces upper and lower employment costs of £63mn and £79mn respectively. These figures then calculate to a GVA of between **£115mn and £144mn**.

Central government

Using information available from the Government Operational Research Service (GORS), Government Social Research Service (GSR) and Government Statistical Service (GSS) established a number of 2,900 employed in Central Government research. This is an upper estimation and has therefore been incorporated into the range from the 2012 of 1000 – 3000 researchers in Central Government.

Using the 2014 average salary for UK public sector workers, provided by ONS as £33,000, produces an employment cost of between £33mn and £99mn. Applying a GVA calculation of employment costs to GVA (1:1.8) the GVA for central government is between **£60mn and £180mn**.

Local government

The ONS Public Sector Employment figures for 2014 show 1,774,000 FTEs in Local Government. A report produced by the Local Government Authority (LGA) suggests there is an average of 5 researchers per Local Authority (LA) employed in research either wholly or in some capacity. As this estimate seems high given the 2012 findings of between 2 and 3 researchers per LA, 5 has been used as the upper end of a range with 2 as the lower end. Grossing these figures up by the 418 LA's in the UK produced employment figures of 2090 (upper) and 836 (lower).

The ONS figures suggest a split of 68% full time and 32% part time in the public sector which can be applied to the above estimates to obtain an FTE range of between 1,756 (upper) and 702 (lower) FTEs, bearing in mind that part time employees equate to only 0.5 of an FTE.

For salary amounts publicly available data from among the smallest and largest LA's (selected as Burnley and Kent County Councils) gives a range of between £25,000 and £45,000 p.a.; this leads to employment costs of between £18 and £79 million. The estimate GVA for Local Government is therefore between **£32mn and £144mn**.

Think tanks

Business of Evidence 2012 estimated between 10% and 45% employment in research per think tank. As there are now 129 think tanks in the UK, using the 2012 report's figure of 15 employees per think tank produces a figure of 1,935 overall in the sector. Using the aforementioned percentage range established figures of between 195 and 871 FTEs employed in research in think tanks, with a salary range of between £27,000 and £29,000. This equates to a salary bill of between £5mn and £25mn which when calculated produces a GVA of between **£9.5mn and £46mn**.

Charities

The Charities Commission lists 164,275 registered charities in the UK as of September 2015, with an income of £69.1bn. The National Council for Voluntary Organisations estimates based on the Labour Force Survey that around 800,000 people are employed in the voluntary sector, equating to 648,000 FTEs. Large charities (those with more than £5 million annual income) account for 71% of sector income and assuming this to be proportionate to employment, would therefore contain around 460,000 FTEs (71% of 648,000).

Data collected from an online survey of researchers in the various sectors of the market finds that research accounts for between 0.2% and 0.6% of employment in large charities, producing a figure of between 920 and 2760 FTEs in the sector. Data received from this survey also gives an average salary of £45,000. Since this is significantly higher than the 2012 estimate (£30,000) it was decided in agreement with the MRS to use the mid-point of £37,500 to calculate GVA.

This calculation produces GVA figures of between **£79mn and £157mn**.

Conclusion

The combined total of GVA for each sector (upper bands) provides an estimated GVA of up to **£4.8 billion** being produced by the market research industry.