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The Business of Evidence

*A report prepared for the
Market Research Society*

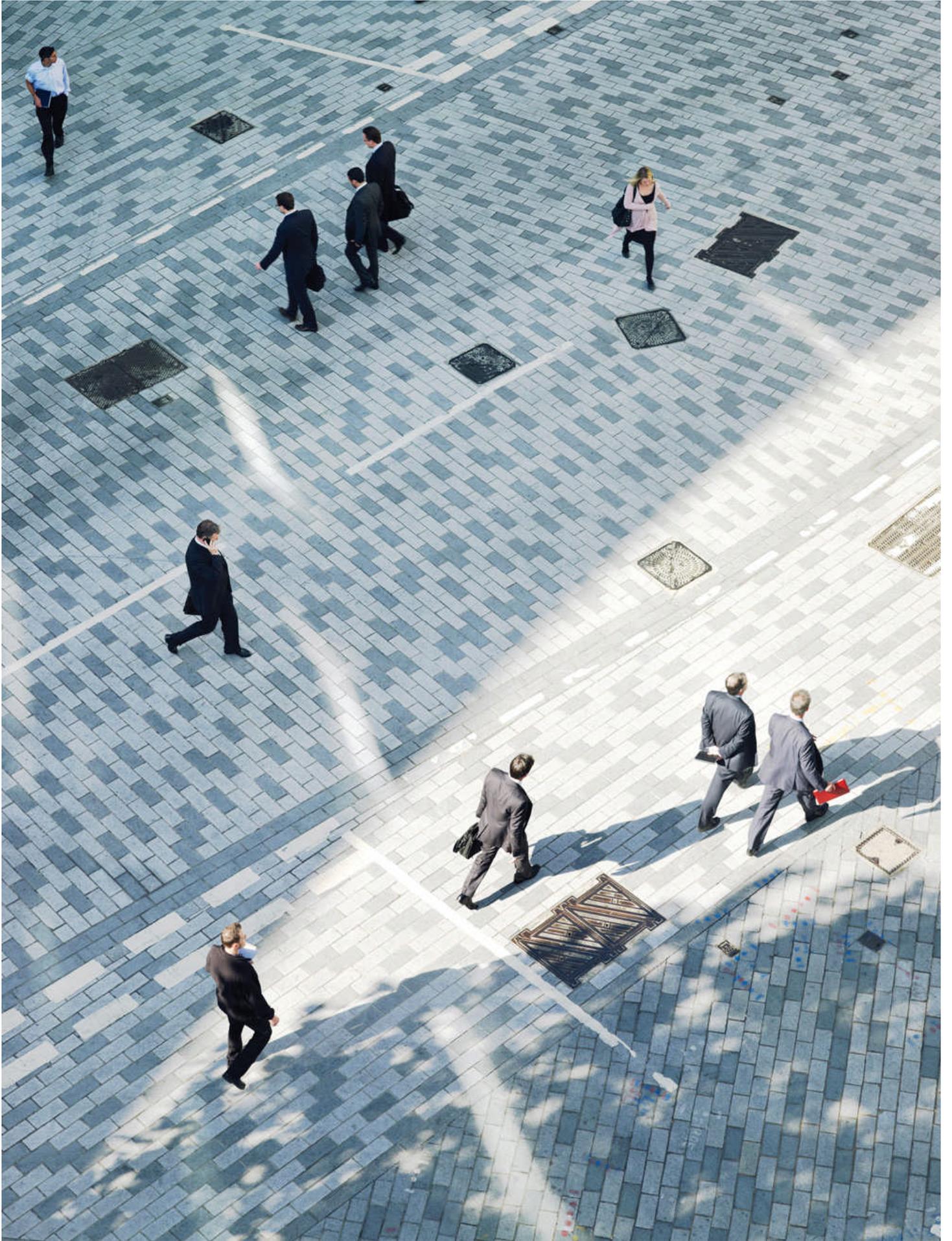
*An assessment of
the size and
impact of the UK
research and
evidence market*

Final report

October 2012



pwc



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Executive summary

Over recent decades, an unprecedented amount and quality of information has become available in real-time. This has encouraged and enabled an expansion of the traditional 'market research' sector to the 'business of evidence' sector. Opinion gatherers, researchers, data analysts and educationalists, collectively operate in the 'business of evidence', defined for this report as:

"The collection and interpretation of customer, citizen or business information for the purpose of informing commercial and public policy decisions, improving management of customer or civic relationships, or improving commercial or public management efficiency."
Source: MRS/PwC (Developed by steering group for this project)

The MRS commissioned this study to:

- Identify the size and scale of the UK 'business of evidence' market.
- Identify the market value and impact of the 'business of evidence' market.

In addition to traditional market research providers, where data has already been captured by MRS, seven other types of 'non-traditional providers' from other sectors that are involved in market, social and/or opinion research were identified, including:

- Other private sector organisations.
- Higher education.
- Data analytics.
- Central Government.
- Local Government.
- Think tanks.
- Charities.

The main findings from the report are:

- The UK 'business of evidence' market is substantially larger than previously estimated, employing up to 59,000 people and generating £3 billion in annual gross value added (GVA).¹

- Traditional providers account for around 40,000 FTEs and £1.8 billion in GVA.
- Non-traditional providers account for between 14,000 and 19,500 full time equivalents (FTEs) and GVA of between £800 million and £1.2 billion (with the range depending on the definitions and parameters of identifying this activities).
- The 'business of evidence' market accounts for 0.2% of UK output making it comparable in size to the UK newspaper publishing industry and the UK core film industry, larger than the UK music industry and more than twice the size of the from UK radio industry.
- One-third of activity – £1 billion – is for foreign clients and end users making the sector a substantial exporter, especially for London-based organisations.
- London and the South East account for 60% of sectoral employment - 35,000 FTEs - and generating up to £1.8 billion annually to the regional economy. The sector generates GVA per worker substantially above the London and UK average. The sector in the rest of the UK produces up to an annual £1.2bn of GVA, ranging from around £196m in the North East to £27m in Northern Ireland.

¹Gross Value Added (GVA) is the value of goods and services the market generates minus the cost of the materials, and other inputs used to produce them. In this study, GVA mainly comprises employee earnings and profits generated.

Summary of estimated FTEs and GVA from our research

Area	Estimated FTEs	Estimated GVA
Traditional providers	39,600	£1,806 million
Other private sector organisations	8,800	£486 million
Higher Education	1,100-2,100	£66 - £155 million
Data analytics	1,000-1,400	£75 - £107 million
Central Government	1,000-3,000	£64 - £249 million
Local Government	870-1,300	£48 - £72 million
Think tanks	150-680	£7 - £37 million
Charities	1,000-2,000	£55 - £110 million
Total	53,520 – 58,880	£2,607 - £3,022 million

Source: ONS Annual Business Survey, PwC analysis

This report has, for the first time, provided an holistic estimate of the shape and size of the research and evidence market. In order to understand fully and capitalise on the future potential of the market to contribute to the UK economy, we believe that MRS should:

- Work with government and industry stakeholders to further refine and quantify the ‘business of evidence’ market;
- Undertake regular monitoring and benchmarking of the market to facilitate further growth and development; and
- Use robust membership criteria to encourage best practice, member training, regulation and transparency.



“We help businesses understand behaviours and attitudes. This helps them make better decisions.”

Stakeholder consultation – traditional provider

Introduction

Background

The Market Research Society (MRS) is the world's largest research association, representing organisations and professionals that provide or use market, social and/or opinion research. It also represents individuals and organisations that are involved in providing business intelligence, market analysis and customer insight.

MRS supports and encourages best practice by setting and ensuring compliance to professional standards. It enhances skills and knowledge by offering various qualifications and membership grades. It also provides training and professional development resources, through the provision of a wide range of publications, information services and conferences. Further information on MRS is available at www.mrs.org.uk.

Terms of reference

Over the past decade, an unprecedented level and quality of global information has become available in real-time and in high volumes. Facilitated by a combination of customer loyalty schemes, online trading and exponential levels of internet and electronic activity, vast amounts of personal and corporate data are now available to be analysed and exploited by a wide variety of sectors for commercial, academic, personal and government use.

Reflecting upon this change, MRS recognised the need to measure and connect with the entire market, not just the traditional provider industry.

No longer can the industry simply be defined as 'market research', as today's opinion gatherers, researchers, data analysts and educationalists, comprise a tapestry of organisations, collectively operating in the 'business of evidence.'

In response to the changes, MRS commissioned PricewaterhouseCoopers LLP (PwC) in December 2011 to examine the scale and impact of the UK's research and evidence market. The purpose of the study is to:

- **Identify the size and scale of the UK 'business of evidence' market** - by identifying, in addition to 'traditional' research providers, a range of other providers of market research, social research, data analysis and insight.
- **Identify the market value and impact of the 'business of evidence' market** - this will involve examining the direct contribution made by the research and evidence market in terms of revenues and jobs, as well as a range of indirect benefits, including the impact of research on national and regional economic activity, including export-led economic growth.

For the purposes of this project we are defining market, social and/or opinion research – the 'business of evidence' - as:

"The collection and interpretation of customer, citizen or business information for the purpose of informing commercial and public policy decisions, improving management of customer or civic relationships, or improving commercial or public management efficiency."

Source: MRS/PwC (Developed by steering group for this project)

Approach

There were four key stages in our approach to this study:

- **Desk-based research and initial consultations.** This stage involved gathering intelligence on the size of the market research industry in the UK, building on the information that MRS already gathered and provided to PwC, and complementing this with a series of initial consultations with the PwC network and key market contacts to define and assess the wider market.
- **Interviews.** We conducted 16 in-depth interviews with representatives of leading organisations to fill information gaps and to 'road test' our initial thinking and the emerging findings from the desk-based research.

-
- **Review workshop.** We held a workshop with MRS, the purpose of which was to share our findings, invite comments and agree a timeline for production of the final report.
 - **Sector consultations.** We shared findings with individuals and organisations within the relevant sectors, and invited comment and feedback.

Given the absence of prior research and market information, some outcomes of this report are high level and qualitative. The key findings should be considered as indicative and, as befits new and primary research, they will be elaborated upon and expanded on over time through more detailed stakeholder research and evaluation.

In order to map out the total size of the market, a wide variety of organisations were invited to participate in the research. In addition to traditional market research providers, seven other types of ‘non-traditional providers’ from other sectors that are involved in market, social and/or opinion research were identified. The sectors considered were as follows:

- Other private sector organisations.
- Higher education.
- Data analytics.
- Central Government.
- Local Government.
- Think tanks.
- Charities.

In order to determine the overall contribution the research and evidence market makes to the UK, this report examined two main measures:

- Total employment.
- Gross Value Added (GVA).

The detailed methodology used to estimate the scale and impact of the ‘business of evidence’ market, including the estimates and sources for the above sectors and the calculations comprising GVA and turnover, are outlined in Appendix 2.

Report structure

This report is structured into two main sections. Firstly, we estimate the size on the eight individual sub-sectors, and we then pull this information together to consider the overall size and impact of the market and then we consider the wider contribution of the market. Secondly, the conclusion summarises the key findings in the report, and sets out some preliminary recommendations.

In addition, the following appendices are included:

- Interview topic guide.
- Technical information.
- Bibliography.



“We need to understand what our customers want and, perhaps more importantly, why.”

Stakeholder consultation – other private sector organisations

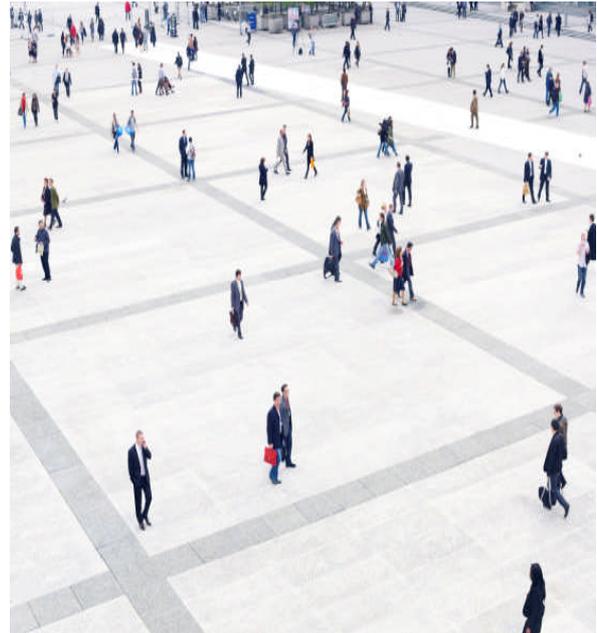
Towards an holistic estimate of the size and impact of the market

Introduction

The focus of this section is on defining the research and evidence market, and developing estimates of employment (FTEs) and GVA across the eight sectors outlined below. In this section, across the eight sectors, we set out the operating context, we estimate employment and GVA, and finally we provide a case study in that sector.

- Traditional providers.
- Other private sector organisations.
- Higher education.
- Data analytics.
- Central Government.
- Local Government.
- Think tanks.
- Charities.

At the end of this section, we aggregate the eight sectors to give an overall estimate of the UK market. We also provide a preliminary assessment of the wider contribution of the market.



Traditional providers

Context

Our definition of ‘traditional providers’ or suppliers includes full-service research firms engaged in the commercial collection, processing, analysis and interpretation of information relating to market and social issues. It should be noted that companies engaged solely in data collection, panels and fieldwork activities have been excluded to avoid double counting. From our consultations, the traditional providers have significant capacity and capability across their organisations and they tend to use a full range of research methodologies. Some traditional providers outsource because of the need for specialist skills, for capacity reasons or for cost reasons. However, the majority (approximately 90%) of research is conducted in-house.

Estimated employment

Using the Office for National Statistics’ (ONS) Annual Business Survey statistics it is estimated there were 64,000 people employed (full and part time) in the industry in 2010 which equates to 46,750 FTEs in the entire industry.² Later in this report, we discuss in more detail the ONS statistics; however in order to calibrate these figures against the industry turnover figures that the MRS has collected (see footnote below), we have assumed that turnover was proportionate to employment. We therefore estimate that there are approximately 39,600 FTEs employed by traditional providers.³ The employment figures may not include some casual workers who primarily would be engaged in fieldwork and contact centres.

Estimated GVA

The industry turnover level in 2010 was estimated to be £2,880 million. Originally, the MRS Annual Survey 2010 estimated the total turnover for the market research industry to be £2,066 million in 2010.⁴ However this figure for 2010 was revised upwards to be £2,880 million based on a recalibration of the figures by MRS industry statistics suppliers.⁵ The Annual Survey figure is based on an annual survey of the 200 full-service research organisations that are MRS Company Partners, as well as data from the MRS quarterly trends survey. It also takes into account external intelligence (i.e. Companies House returns and published Annual Reports). Based on this, an extrapolation for the industry has been developed to provide the estimates.

This does not include estimates from some large external suppliers to the market research industry. For example, some research panels and technology companies solely working for the industry have not been included, as they did not fall directly within the industry boundary for traditional providers.

Using the ONS Annual Business Survey, we identified the level of research industry GVA and the research industry turnover – the GVA to turnover ratio is 0.63. From this we can estimate the GVA for the traditional research industry of research providers to be £1,806 million.⁶

²Office for National Statistics (ONS) (2011), *Annual Business Survey*. ONS: Newport. The ONS Annual Business Survey does not provide employment figures for 2010. However, using the figures for total employment and employment costs from 2008 and 2009, we can estimate that total employment in 2010 was approximately 64,000. In 2008, the split between full and part time workers was 49% and 48% respectively (3% were working proprietors). If we apply this to the 2010 data, there were approximately 31,500 full time employees and 30,500 part time employees. Assuming part time workers are 0.5 FTE, the total number of FTEs based on the ONS data is approximately 46,750 FTEs.

³ONS industry turnover was £3,401 million and employment figures equated to 46,750 FTEs. Based on MRS Annual Survey 2010 traditional provider turnover was £2.880bn. If we assume employment is proportionate to turnover, the number of FTEs would be 39,615.

⁴Market Research Society (MRS) (2011), *2010 Annual Survey of the UK Market Research Industry*. MRS: London.p.1.

⁵Market Research Society (MRS) (2012), *Re-calibrating industry size and growth rate*. MRS: London. This publication provides detail and logic for upward the revision of industry turnover figures.

⁶Traditional provider turnover (£2,880 million) multiplied by industry GVA to industry turnover ratio (0.63). Note that rounding issues have been accounted for and fuller information is provided in Appendix 2.

Summary

Traditional providers remain the bedrock of the industry. The MRS figures illustrate the extent and significance of the contribution to the industry, with almost 40,000 FTEs.

Key metrics – traditional providers

Estimated employment (FTEs)	39,600
Estimated GVA	£1,806 million

Source: PwC analysis

Case study – traditional provider

Background

- Large global market research agency with UK turnover of £50m plus.

Size and positioning of research function

- Full-service market research agency with approximately 1,000 employees in the UK.
- Primary research is the focus but there are increasing consulting and data analytics elements. Serves a wide range of sectors, mainly focused on durable and fast moving consumer goods.

Key focus/outcomes

- Commercially focused but methodologies based on academic principles. The company prides itself on innovative methodologies and technologies.
- Main research areas are customer choice and experience. Choice - maps customer trends and used heavily in the retail and media sectors. Experience - more brand/attitude orientated and is used across sectors.
- Operate at strategic and tactical levels helping clients understand behaviours and attitudes. Their clients are increasingly focusing on Return on Investment analysis when making decisions and in commissioning research.

“We help businesses understand behaviours and attitudes. This helps them make better decisions.”

Stakeholder consultation – traditional provider



Other private sector organisations

Context

Estimating the size of the in-house market research functions in private sector companies was challenging, particularly as there has been limited research conducted previously in this area. As a result we have relied on our consultations with industry stakeholders to establish estimates for this sector. The MRS Annual Survey estimated that private sector clients accounted for over 80% of industry spend in 2010.⁷ We undertook consultations based on the four areas which MRS believe represent the greatest proportion of private sector client spend in 2010:

- Food/beverages.
- IT/Telecommunications and consumer technology.
- Media.
- Financial services.

Using the information gained from our consultations, we obtained estimates of the number of market researchers within companies in the four sectors listed above. Using a pro rata method, we then estimated the number of market researchers across the four sectors and extrapolated this across the wider private sector. A threshold level for market research services has been set insofar as we assumed only private sector companies with more than 250 employees will have an FTE or proportion of an FTE engaged in market research (for further information, see Appendix 2).

Estimated employment

From our consultations we gathered information on both total FTE employees and the number of FTEs employed in market, social and/or opinion research activities. We estimated that around 0.6% of total employees in the four sectors were employed in market research. The total number of UK private sector employees in companies with more than 250 employees across the four sectors was approximately 710,000.⁸ Therefore the total market researcher FTEs in these four sectors is approximately 4,250 (710,000 times 0.6%).

In order to calculate the total FTEs in the remaining other private sector companies, we have extrapolated the results as follows: the 4,250 FTEs for the four areas account for 40% of industry spend. Other private sector companies account for 43% of spend (17% is government spend). If we assume that industry turnover is proportionate to employees, we can estimate the rest of the employees (by multiplying 43% by 4,250 and then dividing by 40%). This gives approximately 4,550 FTEs. Therefore, total employment by other private sector companies is estimated to be approximately 8,800 FTEs.

⁷Market Research Society (MRS)(2011) *2010 Annual Survey of the UK Market Research Industry*. MRS: London. p.8.

⁸Office for National Statistics (ONS) (2011), *Annual Business Survey*. ONS: Newport. The total UK private sector employee data is from the ONS Annual Business Survey 2010. The employment figures are based on private sector employees for GB (the UK data was actually lower due to suppression of Northern Ireland data). The data is for FTEs, we have assumed part time was 0.5 FTE. The Standard Industry Classification (SIC) codes were used for the four sectors; food/beverage (10&11), IT/Telecommunications and consumer technology (61-63), media (59, 60) and financial services (64).

In order to determine the number of companies and employees above our estimate of 250 employees, it is based on Department of Business Innovation and Skills (BIS) (2011), *Business Population Estimates for the UK and regions 2011*. BIS: London. The estimated number of employees in the UK private sector was 19.064 million. The number employed in companies with more than 250 employees was 9.619 million. Hence, approximately 50% of UK private sector employees work for employers with more than 250 employees.

The employment across the four sectors was 1.4m employees from ONS and approximately 50% of employment is from companies above the 250 employee threshold from BIS. Hence, 710,000 is the overall figure.

Estimated GVA

Our industry and stakeholder consultations found a significant variation in average salary levels reflecting the range of skill levels. Based on our discussions and reward information provided, we estimated that the average salary was approximately £30,000, giving an average wage and salary bill of approximately £264 million. Using ONS Annual Business Survey, we obtained the level of employment costs and the sector's GVA - where the employment costs to GVA ratio is 1.84. From this we estimate the GVA for the other private sector organisations to be £486 million.

Summary

In-house market research operations in private sector organisations are the second largest area in employment terms, after traditional providers. We estimate that there are 8,800 FTEs in this area.

Key metrics – other private sector organisations

Estimated employment (FTEs)	8,800
Estimated GVA	£486 million

Source: PwC analysis

Case study – other private sector organisation

Background

- A large professional services company with more than 10,000 employees.

Size and positioning of research function

- A team of 20-30 researchers manage and commission (and conduct some) research.
- The research is across two main teams; a public policy team, which commissions public policy research and a market insights team which manages employee, customer, thought leadership and market research.
- The organisation has an agreed research programme and budget in each Financial Year.

Key focus/outcomes

- The research team mainly manage and commission research, particularly quantitative research. They also conduct some qualitative research.
- Research is commissioned across a range of sectors. The company has a strong track record on public policy research and collaboration with other organisations such as think tanks and charities.
- Market/policy research helps to inform and strengthen policies and strategies. Robust research is vital to this professional services company where reputation is extremely important.
- Employment engagement research helps to track and improve employee satisfaction and retention.

“We need to understand what our customers really think of the service we’re providing.”

Stakeholder consultation – other private sector organisation



Higher education

Context

Market and opinion research is becoming a more common and increasingly formalised function in Higher Education Institutions (HEIs). Within HEIs we examined two areas:

- Market research for and by HEIs.
- Social research by HEIs.

In 2005, the HEI Market Researchers' Forum was established as an informal network of newly appointed market researchers across four to five institutions. The Forum has grown since 2005 and currently it represents around 100 members from 60 institutions across the UK. Members must be employed by an HEI and predominantly engaged in market research activity (i.e. they must spend at least 50% of their time on market research).

The key themes of market and opinion research undertaken in the Higher Education sector relate to:

- Portfolio review and new programme development.
- Evaluation of new and current markets and target audiences (including demographic projections).
- Evaluation of marketing and recruitment activities (e.g. open days).
- Competitor analysis and mystery shopping.
- Branding.
- Setting of fees/fee levels.
- Student experience/satisfaction.

This list indicates that, in addition to the formalised market research functions, HEIs undertake pockets of research relating to academic quality and student satisfaction. Sector representatives considered 'improved decision making' to be the main benefit of market, social and/or opinion research undertaken by HEIs.

Estimated employment

Our interviews with representatives from the Higher Education sector found that the number of employees engaged in market research activities by and for HEIs in the UK is in the region of 100 FTEs. This number is likely to grow significantly over the next five years.

The Economic and Social Research Council (ESRC) supports a further 4,000 researchers and postgraduate students in academic institutions and independent research institutes.⁹ There is no further breakdown of these 4,000 researchers either between economic and social research or full time and part time. However, based on the ESRC's seven broad categories of spend, we have assumed that 50% are in economic or other research (which we will exclude) and that 50% potentially engaged in social research (as defined above).¹⁰ To account for full time versus part time we have introduced a range, hence the number of FTE researchers and postgraduate students in academic institutions and independent research institutes is estimated to be 1,000 to 2,000. The total number of FTEs is therefore estimated to be 1,100 to 2,100.

Our interviews suggest that average salaries of these individuals ranged from £33,000 to £40,000. This is between the 60th and 75th percentile of salaries of individuals employed in HEIs in the UK.¹¹

⁹Economic and Social Research Council (ESRC) (2011), *What we do*. ESRC: Swindon.

¹⁰Economic and Social Research Council (ESRC) (2012), *Vital Statistics 2011-2012*. ESRC: Swindon. The ESRC do not break down researchers or spend by economic or social research. But they have categorised major research investments into seven themes. Around £320 million is currently invested across these themes by the ESRC. We consider that four of these seven categories are broadly social research and it accounts for 50% investment. From this we have assumed that research investment is proportionate to employees – hence the assumption that 50% of the 4,000 researchers are engaged in social research.

¹¹Office for National Statistics (ONS) (2011) *Annual Survey of Hours and Earnings (ASHE)*. ONS: Newport. SIC 854: Higher education.

Estimated GVA

According to the representatives we interviewed, most Higher Education market research functions operate on relatively small budgets (i.e. much less than 1% of the total expenditure for the institution). Most of this activity (approximately 90%) is conducted in-house, unless the project requires large scale fieldwork. In such cases, where the institution does not have the internal capacity to undertake this work, it is usually outsourced. From our consultations, it is clear that the scale and importance of market research activities varies significantly between institutions.

The estimated wage and salary bill has been calculated using the number of market and social researchers, i.e. 1,100 and 2,100 multiplied by the estimated average salary of £33,000 to £40,000. Therefore, the total estimated wage and bill is approximately £36 million to £84 million. Using the employment costs to GVA ratio of 1.84, the estimated GVA impact is £66 million to £155 million.

Summary

The level of research by and for HEIs is relatively small, yet it is becoming increasingly important due to the growing emphasis on commercialisation. As a result, the sector is putting additional resources into market research services.

Key metrics – higher education

Estimated employment (FTEs)	1,100-2,100
Estimated GVA	£66-£155 million

Source: PwC analysis

Case study – higher education

Background

- A mid-sized university with approximately 16,000 students.

Size and positioning of research function

- A small team of researchers work on market research for and by the university, which is financed primarily by the university.
- In addition, within the university are social scientists that use core research methodologies and are financed primarily by the ESRC.

Key focus/outcomes

- Market research by and for the university centres on the student engagement and experience. It also considers the student choice element (effectively customer choice research).
- Social scientists operate across a wide range of services including some of ESRC’s seven funding areas (e.g. Health and Wellbeing research and Understanding Individual Behaviour research).
- The market analysis feeds into the strategy development for the university courses marketing and development.
- Social research helps to fill in any information and understanding gaps not covered elsewhere.



“I think market research in HEIs will grow over the next five years by about 1-2 FTEs [per institute], which is quite significant when you consider its current size.”
Stakeholder consultation – Higher Education

Data analytics

Context

Data analytics is the process of examining raw data for the purpose of drawing conclusions based upon that information. It helps companies and organisations to make better business decisions, particularly by examining raw data within an information system or using informatics (computing or operational research) to analyse and exploit large and complex data.

Defining and valuing the data analytics sector can be difficult, particularly when trying to link it to market research. However, what is clear is that data analytics is already a significant segment of the research market and is playing an increasingly important part in its future growth.

Estimated employment

The estimated employment can be derived from the estimated UK turnover of data analytics (£120 million to £170 million). In order to determine the employment, an average turnover per FTE has been used. Using publicly available information we broadly estimate turnover per FTE for data analytics companies to be £120,000.¹² Employment is therefore estimated to be approximately 1,000 to 1,400 FTEs. This figure will not include in-house data analytics functions linked to market research – so must therefore be seen as a conservative estimate. It is arguable that a broader approach could be taken to include digital and social media companies with significant levels of data analytics and research linked to customer information e.g. Google and LinkedIn. Nevertheless, we have opted to remain with the narrower definition.

Estimated GVA

Estimating the value of the data analytics market is challenging partly because of the range and nature of services. In Appendix 2, we set out our methodology for valuing the UK data analytics market. Broadly, the method involved:

- using a global valuation of information management.
- estimating the global data analytics value.
- estimating the UK data analytics value.
- determining what categories of data analytics are linked to the research and evidence market

In summary, we estimate the total value of the data analytics market in the UK to be somewhere between £360 and £460 million. In Appendix 2, we identified that only categories 1 (solving a business problem) and 3 (providing ongoing analytics services) should be included within the definition of market and social research. We therefore estimate the total contribution of data analytics to the UK market research industry to be approximately £120 million to £170 million. Using the GVA to turnover ratio of 0.64, the estimated GVA impact is £75 million to £107 million.

¹²We have assumed that turnover per FTE was around £120,000. This is based on an analysis of selected traditional providers and data analytics companies' turnover per FTE.

Summary

It is estimated that there are 1,000 to 1,400 FTEs working predominantly in data analytics. This reflects the importance of presenting and analysing the data for customers and is a key part of the wider research offering.

Key metrics – data analytics

Estimated employment (FTEs)	1,000–1,400
Estimated GVA	£75–£107 million

Source: PwC analysis

Case study – data analytics

Background

- A small but innovative data analytics practice.

Size and positioning of research function

- Approximately 50 employees, with turnover of c£5m.

Key focus/outcomes

- The company focuses on customer/user experience data analytics and marketing analytics.
- The company provides data analytics and segmentation services, and provides advice for the optimisation of online and marketing strategies.

“Data is really important to our business; Better data and analysis, should mean better results.”

Stakeholder consultation – data analytics



Central Government

Context

The UK Central Government is a significant commissioner of market, social and opinion research in the UK. However it is also a direct employer of researchers. In this section we focus on the latter.

Based on our consultations, a broad mix of methodologies are used in public sector research, with the majority of research being outsourced because of capacity and capability issues. Organisations also stressed the importance of credibility. Research conducted by an independent organisation relating to government policies is perceived as strengthening outcomes. Our consultations suggested that departments tend to focus on directing, managing and commissioning research, as opposed to conducting it.

Over the past three years, those central government departments we spoke to stated that budgets have been reduced but not eliminated, with research continuing to be of key importance, and demand for in-house research remaining particularly high.

Estimated employment

Based on a report produced by the Analytical Coordination Working Group¹³ approximately 1,000 to 3,000 researchers are employed by Central Government, Non-Departmental Public Bodies or Devolved Administrations.¹⁴ These include:

- 360 operational research staff in 17 departments and agencies.

- 1,000 social scientists based in 20 government departments and the devolved administrations.
- 1,400 professional statisticians spread across 30-plus government departments, administrations and agencies.

A conservative estimate would only include the 1,000 social scientists which is a lower band estimate. If all the operational researchers, social researchers and statisticians are included the upper band estimate would be 3,000.

Estimated GVA

To calculate the overall value of research in Central Government, the number of researchers (approximately 1,000 to 3,000) was multiplied by the average salary. The 2010 median salary of UK public sector workers was £28,545. Based on our consultations, respondents suggested that the average researcher salary lay between £35,000 and £45,000. Therefore, we estimate the total wage and salary bill of research in Central Government to be approximately £35 to £135 million. Using the employment costs to GVA ratio of 1.84, the estimated GVA impact is £64 million to £249 million.¹⁵

¹³Analytical Coordination Working Group is across the five analytical disciplines in government (economics, operational research, social research, statistics, and science and engineering). The five organisations are Government Economic Service (GES), Government Operational Research Service (GORS), Government Social Research Service (GSR), Government Statistical Service (GSS), and Government Science and Engineering (GSE). We considered employment levels in GORS, GSR and GSS for this report.

¹⁴Analytical Coordination Working Group (ACWG) (2011), *Analysis and Use of Evidence Research and analysis in government*. ACWG: London. p.7-9.

¹⁵Office for National Statistics ONS (2011), *Annual Survey of Hours and Earnings (ASHE)*. ONS: Newport. SIC 84: Public administration and defence; compulsory social security.

Summary

Demand for market, social and/or opinion research remains high in Central Government; however, budgets are coming under pressure. Our consultations uncovered some strong examples where research has helped to achieve significant savings. There is a need for strong information driven decision making, and good research should play an important role in this.

Key metrics – Central Government

Estimated employment (FTEs)	1,000-3,000
Estimated GVA	£64–£249 million

Source: Analytical Coordination Working Group, PwC Analysis.

Case study – Central Government

Background

- A research and insight team within a Central Government department.

Size and positioning of research function

- A team of approximately 20 researchers within a Central Government department.
- The team use a range of quantitative and qualitative techniques, which are primarily commissioned from research providers as opposed to being undertaken in-house.
- The team's work contains elements of social, market, operational, behavioural and management research.

Key focus/outcomes

- The research and insight team tests new policies and evaluates existing policies.
- They have a particular focus on researching new policies and measuring the impact policies have on stakeholders at various socio-economic levels.
- They consider how to communicate policies, and assess which approaches will reach the maximum number of individuals.
- The research and insight team has helped to change the focus of the government department's activities, concentrating on measuring return on investment, changes in societal behaviour and assessing the impact of policy outcomes.

“We can point to significant savings as a result of our market research. Our segmentation improved and we tailored our approach. This meant we were able to achieve a better return on our investment.”

Stakeholder consultation – Central Government



Local Government

Context

As with Central Government, Local Government is a significant commissioner of market, social and opinion research in the UK, and also has a considerable number of researchers employed in-house. In this section, we focus on the latter. According to national statistics between 2.8 million and 2.9 million people were employed by Local Government in the UK in 2010/11,¹⁶ equating to between 2.1 million and 2.2 million FTEs.¹⁷ The organisation and functions performed by Local Government vary throughout the UK.

Our interview findings suggest that where Local Authorities (LAs) undertake market, social and/or opinion research this is used to gauge satisfaction with existing service provision, and to help shape future service provision. From the consultations, there is also evidence of significant levels of internal research on staff engagement conducted by Local Government researchers.

Estimated employment

Our initial assessment suggested that LAs devote relatively limited in-house resources to market, social and/or opinion research. However subsequent research inferred that some 0.9% of the Local Government workforce (which would equate to between 18,900 and 19,800 FTEs), undertake, amongst other activities, research and consultation functions, including market, social and/or opinion research. Nevertheless, interviews with representatives of LAs subsequently found that the number of FTEs engaged solely or mainly in market, social and/or opinion research alone is actually much lower, at circa 2-3 FTEs per LA – including analysts and statisticians. Grossing this figure up by the 433 LAs¹⁸ in the UK, results in estimated FTEs of approximately 870 to 1,300.

Of course, the shape and size of LAs across the UK differs considerably. We attempted to stratify councils by employment levels to reflect the fact that large LAs are likely to have larger research functions than smaller LAs. However, UK wide statistics were not available, so the estimate of 2-3 FTEs per LA was used (based on our stakeholder consultations), which may prove to be a conservative estimate.

Estimated GVA

We have used the estimated employment figures to estimate the cost of this staff time to be between £26 million and £39 million (i.e. based on 870 to 1,300 FTEs with an average salary of approximately £30,000). Using the employment costs to GVA ratio of 1.84, the estimated GVA impact is £48 million to £72 million.

However, it should be noted that stakeholders found that the scale of this activity may be decreasing due to a reduction in statutory research and evaluation requirements, and falling LA budgets.¹⁹

¹⁶Office for National Statistics (ONS) (2011), *Public Sector Employment*. ONS: Newport. Q2 2011, Table 1.

¹⁷Office for National Statistics (ONS) (2011), *Public Sector Employment*. ONS: Newport. Q2 2011, Table 3.

¹⁸Direct Gov (2012), *A-Z of local councils*. HM Government: London. [online] available at <http://www.direct.gov.uk/en/DH1/Directories/Localcouncils/AToZOfLocalCouncils/DG_A-Z_LG> [last accessed 26th September 2012]. In England, there are 354 elected local authorities, Wales 22, Scotland 32 and Northern Ireland 26.

¹⁹For example, the national requirement for LAs to complete a two-yearly residents' survey has been removed.

Case study – Local Government

Background

- A research and insight team within a City Council.

Size and positioning of research function

- A team of 12 researchers manage the research programme with access to an 80 person contact centre, which is run by the Council.
- The 12 researchers are across the consultation, research and information teams, which focus on how Council activities impact on local residents (the three teams use core research methodologies).
- The team conducts all its own research and uses a range of quantitative and qualitative techniques including focus groups, telephone survey and e-surveys.

Key focus/outcomes

- The Council has conducted a bi-annual residents' survey, a parents' survey on school meals, and surveys on a range of other education, health and social issues.
- This Council feel they are probably atypical in that most LAs have similar research requirements (both statutory and non-statutory) but choose to buy-in the research.
- The Council feel they have more control over the research and insight process, and can be more cost-efficient and effective responding to the needs of the City Council by conducting all their research in-house. They feel that as the Council provides over 700+ services, having strong research and insight is vital to ensuring value for money and successfully delivering the services required.

Summary

We estimate that there are between 870 and 1,300 employees engaged full-time in market research activities. However, the recent fiscal tightening has put pressure on the budgets for market research within Local Government.

Key metrics – Local Government

Estimated employment (FTEs)	870 - 1,300
Estimated GVA	£48 - 72 million

Source: PwC analysis

“We aren’t conducting any market research at the minute because of budget cuts...it won’t come back for the next 2-3 years.”

Stakeholder consultation – Local Government



Think tanks

Context

Think tanks are organisations that conduct research and engage in advocacy in areas such as social policy, political strategy, economics and technology. Most think tanks in the UK are non-profit organisations, often generating revenue streams by charging subscription fees for events and publications related to their research projects.

Our desk-based research found that there are approximately 100 such think tanks in the UK engaged in research, consultancy and policy development. Initial consultations confirmed that many of these organisations typically undertake some form of market, social and/or opinion research. Our interviews with representatives from three think tanks found that the types of market, social and/or opinion research that they conduct include:

- Focus groups.
- Citizens' juries.
- Polling/survey work.
- Consultations/round table discussions with subject matter experts.

These methodologies are generally used to complement the organisation's desk research and analysis of secondary data. Interviewees identified the key benefit derived from undertaking market, social and/or opinion research to be transforming their work into credible research by:

- Canvassing 'real-life' opinion.
- Validating and testing ideas.
- Making recommendations more robust.

Estimated employment

Our initial desk research and stakeholder consultations found that approximately 1,500 individuals are employed by think tanks in the UK (i.e. 100 think tanks each employing an average of 15 people). Based on our interviews with representatives from three UK think tanks the proportion of FTEs devoted to market, social and/or opinion research ranges from 10% to 45% depending on the nature of the organisation and the type of work that it undertakes. Applying these proportions to the overall employment in the UK, think tanks provide an estimated employment in market, social and/or opinion research of between 150 and 680 FTEs.

Estimated GVA

Our in-depth interviews suggest that the average salary for an individual engaged in market, social and/or opinion research in a UK think tank is in the region of £27,000 to £29,000. Assuming there are between 150 and 680 employees with a median salary of £27,000-£29,000, this gives an estimated wage and salary bill of approximately £4 million to £20 million. Using the employment costs to GVA ratio of 1.84, the estimated GVA impact is £7 million to £37 million.

Summary

Think tanks are estimated to employ approximately 150 to 680 employees who are engaged full time in market, social and/or opinion research. Quantitative and qualitative research helps to inform their policy positions.

Key metrics – think tanks

Estimated employment (FTEs)	150-680
Estimated GVA	£7-£37 million

Source: PwC analysis

Case study – think tanks

Background

- Think tank with a public policy focus.

Size and positioning of research function

- A team of seven full-time researchers representing approximately half of the think tank’s staff.

Key focus/outcomes

- The main techniques used are: focus groups, deliberative research (citizens’ juries) and polling survey work. The polling survey work is outsourced for capacity reasons, but the other primary research is conducted in-house. The think tank also conducts secondary research and desk based reviews.
- They focus on public policy issues and themes such as public services, welfare, family and society.

“Market research turns a think piece into a credible piece of research and makes our recommendations more robust.”

Stakeholder consultation – think tank



Charities

Context

The economic climate of recent years has proved challenging to charities, with funding squeezed while demand rises. The consultations undertaken highlighted the need for strong research skills, as return on investment and outcomes become increasingly important.

Estimated employment

In the UK, there are over 160,000 registered charities. The National Council for Voluntary Organisations estimates that based on the Labour Force Survey, 765,000 people were employed in the voluntary sector in 2010. This consisted of 477,000 full time workers and 288,000 part time workers. If we assume the part time worker is 0.5 FTE, the overall level of FTEs in the sector equates to 621,000 persons.

In our interviews, charities pointed to significant collaboration between smaller charities in relation to research activities, and we set a threshold based on this information. We assumed that charities with income of more than £5 million will have a research FTE or proportion of an FTE. If we assume income is proportionate to employees, then the number of FTEs in large charities is 410,000.²⁰

Based on evidence from our consultations, we estimate that research accounts for between 0.25% to 0.50% of total employment for the largest charities. Total employment in the sector is therefore estimated to be between 1,000 and 2,000 FTEs.

Estimated GVA

Based on evidence from our consultations, we estimate the average salary to be £30,000. The total estimated wage and salary bill on research activities is therefore estimated to be approximately £30 million to £60 million. Using the employment costs to GVA ratio of 1.84, the estimated GVA impact is £55 million to £110 million.

²⁰Charity Commission(2012), *Charities by income band*. Charity Commission: London. [online] available at <<http://www.charity-commission.gov.uk/ShowCharity/RegisterOfCharities/SectorData/CharitiesByIncomeBand.aspx>> [last accessed 23rd May 2012]. Charity Commission estimate total income for UK charities was £56.3 billion in 2011, 66% of income was from large charities (over £5 million). If we assume employment and income are proportionate, the large charities will employ 66% of the 621,000 FTEs, c410,000 FTEs.

Summary

It is estimated that there are 1,000 to 2,000 FTEs employed in market, social and/or opinion research across UK charities. There appears to be significant collaboration in sharing and conducting research across the sector.

Key metrics – charities

Estimated employment (FTEs)	1,000 – 2,000
Estimated GVA	£55-£110 million

Source: PwC analysis

Case study – charities

Background

- A large charity with income of over £100m and more than 1,000 employees.

Size and positioning of research function

- The charity has a considerable number of researchers across its activities, although there is not a total aggregated number available. However, for example, in an education section there are four full time researchers who commission and manage primary research for the charity.

Key focus/outcomes

- The research team for education focuses on market analysis (e.g. forecasting of market size and trends) and on charity donor choices/motives.
- The charity mainly outsource research and insight generation due resource constraints.
- The research teams help to support decision making and drive priorities.

“Research helps us focus on where we are needed and how we can make a difference.”

Stakeholder consultation – charities



Overall estimate of the size of the UK market

Based on the key findings presented earlier, we have aggregated the employment and GVA estimates across the eight sectors to estimate the overall size of the market (see table below).

The estimated number of people employed in market, social and/or opinion research in the UK is approximately 53,520 to 58,880 FTEs. Traditional providers are estimated to account for 39,600 FTEs, and non-traditional providers account for 13,920 to 19,280 FTEs.

The estimated GVA of the industry is approximately £2,607 to £3,022 million. Traditional providers' GVA is estimated, to be £1,806 million, and non-traditional providers' GVA is estimated to be £801 to £1,216 million.

In Appendix 2, we have considered how our research compares to the ONS statistics. The ONS statistics effectively only capture the contribution of traditional providers and therefore value the GVA contribution to be around £1,865 million. Our research provides a more holistic view of the size and shape of the market.

To put our research in context, the 'business of evidence' market accounts for 0.2% of UK output²¹ making it comparable in size to the UK newspaper publishing industry²² and the UK core film industry²³, larger than the UK music industry²⁴ and more than twice the size of the UK radio industry.²⁵

Summary of estimated employment and GVA from our research

Area	Estimated FTEs	Estimated GVA
Traditional providers	39,600	£1,806 million
Other private sector organisations	8,800	£486 million
Higher Education	1,100-2,100	£66 - £155 million
Data analytics	1,000-1,400	£75 - £107 million
Central Government	1,000-3,000	£64 - £249 million
Local Government	870-1,300	£48 - £72 million
Think tanks	150-680	£7 - £37 million
Charities	1,000-2,000	£55 - £110 million
Total	53,520 – 58,880	£2,607 - £3,022 million

Source: ONS Annual Business Survey, PwC analysis

²¹PwC estimate - GVA in the research and evidence market in 2010 was estimated to be 2,607 to £3,022 million (from this report). Total GVA in all industries in the UK was estimated to be £1,308,962 million in 2010 (Office for National Statistics (ONS) (2012), *United Kingdom National Accounts, The Blue Book, 2012 edition*. ONS: Newport).

²²PwC (2012), *The Global Entertainment and Media Outlook 2012-2016*. PwC: London.

²³Oxford Economics (2010), *The Economic Impact of the UK Film Industry*. Oxford Economics: London.

²⁴PwC (2012), *The Global Entertainment and Media Outlook 2012-2016*. PwC: London.

²⁵Ofcom (2011), *The Communications Market 2011*. (Eighth Annual Communications Market Report). Ofcom: London.

Wider contribution of the UK market

The research presented in this report has attempted to quantify the employment and GVA contribution the market makes to the UK economy. It is equally important to consider the wider contribution to the UK economy. Some of the key wider contributions include:

- **The research and evidence market contributes notable revenues for the UK Government through taxation.** The income tax contribution will be noteworthy, given that almost 60,000 are estimated to be employed in the market directly. Furthermore, these employees appear to be on above average salaries, therefore increasing the tax take. In terms of corporation tax, the revenue will be notable given, for example, that turnover for traditional providers and data analytics is over £3 billion.²⁶
- **The contribution to 'brand UK'.** The UK industry has been central to improving and innovating the research offering. UK Trade and Investment (UKTI) recognise the importance of research to 'brand UK'; in the 2009/10 UKTI Inward Investment Report they highlighted that the UK was independently ranked as the strongest research base in Europe, and only second to the USA globally.²⁷
- **The export of research and evidence services.** The UK is a hub for research companies and significant revenues are generated from the export of this tradeable service. Based on information provided by UK based research agencies, around 33% of turnover was generated internationally.²⁸
- **The UK market is innovative and is a stimulus for other sectors.** The GDP generated by the market as a percentage of the UK economy is under 1%, but the market acts as a stimulus to the wider advertising, communication and marketing environment.
- **"Training the world".** The UK market is at the forefront of training in best practice methodologies, data ethics and innovative research methods.
- **The efficient allocation of resources.** Better information generally means better decisions. The value of research is about getting the information that matters, and providing insights.
- **The contribution to the UK regions and particularly the South East where GVA is estimated to be £1.8 billion.** The research and evidence sector makes a considerable contribution across the UK regions in terms of employment and GVA (see Appendix 2). While the South East is the largest region for MRS membership, the regions outside the South East play an important part in the UK research offering. The regional cost base is generally lower but skill levels remain strong. Some providers have added significant value to their process by locating certain operations outside of the South East.

²⁶It should be noted that a considerable level of the £2,882 million UK industry turnover in 2010 is generated by foreign owned companies (particularly US, French and German companies) resulting in some dilution of tax revenues.

²⁷United Kingdom Trade & Investment (UKTI) (2010), *UK Inward Investment Report 2009-2010*. UKTI: London. p.12.

²⁸Market Research Society (MRS) (2012), *2011 Annual Survey of the UK Market Research Industry*. MRS: London.



“We can point to significant savings as a result of our market research. Our segmentation improved and we tailored our approach. This meant we were able to achieve a better return on our investment.”

Stakeholder consultation – Central Government

Conclusion

This report further defines and estimates the size of the UK research and evidence market. We have identified and defined eight sectors that we feel fit within the remit of a new, wider and evolving research and evidence market. Across these eight sectors we have developed estimates of employment and GVA based on a combination of consultations and secondary research.

Overall, the UK 'business of evidence' market is substantially greater than previously conceived, employing up to 59,000 people and generating annual GVA of up to £3bn. This is considerably greater than the GVA estimate of around £1.8 bn from the ONS, which captures data from only those traditional providers citing market research as their primary activity.

Nevertheless, at a sectoral level, traditional providers remain the largest employers with almost 40,000 workers, while non-traditional providers across the UK account for up to 19,000 researchers across the public sector, education, industry and the third sector.

This report confirms the strong foundation of the research and evidence market in London and the South East, with approximately £1.8 bn generated annually by the sector there. It also highlights the UK regional wealth creation, generating up to an annual £1.2bn of GVA outside London and the South East; ranging from a potential £190m in the North East to £27m per annum in Northern Ireland.

The UK research and evidence market has a global reach and is hub for innovation, training and best practice. This can be illustrated by around 33% of activity that is undertaken for clients and end users outside the UK, making the sector a substantial exporter and contributor to brand UK.

The UK research and evidence market has faced challenges in the past and will face more in the future. In order to understand and capitalise fully on the future potential of the market to contribute to the UK economy, we believe that MRS should:

- Work with government and industry stakeholders to further refine and quantify the 'business of evidence' market.
- Undertake regular monitoring and benchmarking of the market to facilitate further growth and development.
- Use robust membership criteria to encourage best practice, member training, regulation and transparency.



“Research helps us focus on where we are needed and how we can make a difference.”

Stakeholder consultation – charities

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Appendix 1: Interview topic guide

Size of the market research industry in the UK

Introduction

Hello, my name is _____ I am calling from PwC. PwC has been commissioned by the Market Research Society (MRS) to undertake research to estimate the scale of market, social and opinion research in the UK. As well as considering market research providers this work will take a more holistic view and include a range of other providers of market research, social research, opinion polling, data analysis and insight.

To help inform this research we are undertaking interviews with a range of organisations that conduct these types of research. This interview will take around 15 minutes of your time. We are very grateful for your participation in this important research, which will provide evidence of the industry's contribution to the UK economy.

PwC is a MRS company partner and will be conducting this study in line with the MRS Code of Conduct therefore all information that you provide will be treated in the strictest confidence. Your responses to this interview will be anonymised and used to inform our estimates of the size of the industry and its contribution to the UK economy. These findings will be presented to MRS in the form of a written report.

PwC agreed a list of target organisations with MRS in advance of commencing this interview programme. Therefore, whilst all responses will be anonymised and aggregated within our draft and final reports, it may be possible for members of the MRS project management team to identify particular organisations using the aggregated data provided along with their knowledge of the target organisations. Do you give us permission to share your responses with the MRS in this way?

Yes No

Company characteristics

This section is to be completed before interview based on the information gathered during our desk research and initial consultations.

Name of interviewee: _____

Position/job title: _____

Organisation: _____

Industry/sector: _____

Average annual turnover/ budget/ spend (if known): _____

Total workforce (in FTE if known): _____

Estimated turnover/budget/spend on market, social and/or opinion research (in £m if known): _____

Estimated workforce engaged in market, social and/or opinion research (in FTE if known): _____

Market, social and/or opinion research activity

For the purposes of this project we are defining market, social and/or opinion research as:

The collection and interpretation of customer, citizen or business information for the purpose of informing commercial and public policy decisions, improving management of customer or civic relationships, or improving commercial or public management efficiency.

- 1. Please describe the type(s) of market, social and/or opinion research which your organisation undertakes (e.g. what methodologies do you use)?**

.....

- 2. In your opinion, is this activity typical of organisations in your industry/ sector?**

Yes No

.....

- 3. What was your total budget for market, social and/or opinion research in FY2010/11?**

.....

Is this typical of your annual market, social and/or opinion research budget over the last 3 years?

- 4. Approximately what proportion of this budget was spent on research (market, social and/or opinion research) conducted by your workforce (i.e. employees on your organisation's payroll) compared to external contractors/ suppliers or agency staff?**

.....

Is this typical?

- 5. How does your organisation decide which research projects to conduct internally and which projects to commission externally?**

.....

- 6. Can you estimate how much of your workforce's time was spent undertaking market, social and/or opinion research in FY2010/11? (Guide the interviewee to help them express their answer in FTE, e.g. one person working 3 days per week equals 0.6 FTE)**

.....

- 7. Thinking about those individuals within your organisation who undertook market, social and/or opinion research in FY2010/11, can you estimate within which of the following ranges their median annual pay for 2011 would fall?**

.....

The following ranges will be tailored according to 2011 ASHE data for the appropriate industry/sector. This will be completed before the interview.

- Less than £_____ (i.e. $x < 25$ percentile)
- Between £_____ and £_____ (i.e. $25 \text{ percentile} \leq x < 40 \text{ percentile}$)
- Between £_____ and £_____ (i.e. $40 \text{ percentile} \leq x < 60 \text{ percentile}$)
- Between £_____ and £_____ (i.e. $60 \text{ percentile} \leq x < 75 \text{ percentile}$)
- More than £_____ (i.e. $x \geq 75$ percentile)
- Don't know
- Prefer not to say

Benefits of market, social and/or opinion research

8. Supplier interviews: What were the benefits to your clients of the market, social and/or opinion research undertaken by your organisation in FY 2010/11?

Non-supplier interviews: What were the benefits of the market, social and/or opinion research undertaken by your organisation in FY 2010/11?

Probe in relation to:

- Cost savings/ increased efficiency.
- Improved decision making.
- Better processes.
- Improved products/ services.
- Increased customer/ client satisfaction.
- Turnover/ revenue.

Where possible please quantify the value distinguishing between the value of research conducted internally and externally.

9. As discussed at the beginning of this interview, whilst all responses will be anonymised and aggregated within our draft and final reports, it may be possible for members of the MRS project management team to identify particular organisations using the data provided along with their knowledge of the target organisations. Can you confirm that you are still happy for us to share your responses with the MRS in this way?

Yes No

10. We may wish to contact you in the future in connection with further research for this project. Do we have your permission to contact you in the future?

Yes No

Thank you and close

Appendix 2: Technical information

How we estimated the scale and impact of the market

For the eight types of sectors, we sought to develop an estimate of the scale of their research activities. Across the eight areas we have developed estimates for:

- Employment (full time equivalents, FTEs).
- Gross Value Added (GVA).

It is important to note the following two points: firstly, information was mainly based on the most recent data available which was generally 2010. We were conscious that this measured the market at a point in time, but is hopefully reflective of the 'natural' size of the market. Secondly, where information was limited, a conservative estimate has been used.

The employment estimates have been developed by PwC, based on the interviews we conducted, secondary research (primarily ONS for traditional providers and ACWG for Central Government), and other assumptions.

The GVA estimates have been developed using ONS statistics. Ideally, GVA estimates would be developed from turnover figures. However, some of the sectors will not have this information available. For example, Public Sector organisations, do not produce turnover figures, and in large national and multi-national organisations, market research is reported as an expenditure component, and so relevant turnover data is not available.

Instead we have used employment costs as a bridge to obtain GVA figures. The result is that we have used the estimated wage and salary bill²⁹ (employment costs) for six of the eight sectors: other private sector organisations, higher education, Central Government and Local Government, think tanks and charities. We used turnover figures for traditional providers and data analytics.

The ONS statistics provide the relationship between employment costs, GVA and turnover. This enables us to calculate an estimated GVA value across each of the eight areas. The table below illustrates our methodology and contains the ratios to GVA.

Ratios of employment, GVA and turnover to GVA

Area	Ratio of employment costs to GVA	Ratio of GVA to GVA	Ratio of turnover to GVA
Traditional providers		1.0	1.6
Other private sector organisations	0.54	1.0	
Higher Education	0.54	1.0	
Data analytics		1.0	1.6
Central Government	0.54	1.0	
Local Government	0.54	1.0	
Think tanks	0.54	1.0	
Charities	0.54	1.0	

Source: ONS Annual Business Survey 2010

²⁹Wage and salary bill was used instead of research expenditure to avoid double counting

An example of how to calculate GVA from these ratios is provided below.

Estimated wage and salary bill

Estimated wage and salary = £1.00 million
 Wage and salary bill to GVA = 1.84 (1.00/0.54)
 Estimated GVA = £1.00 million x 1.84 = £1.84 million

Estimated turnover

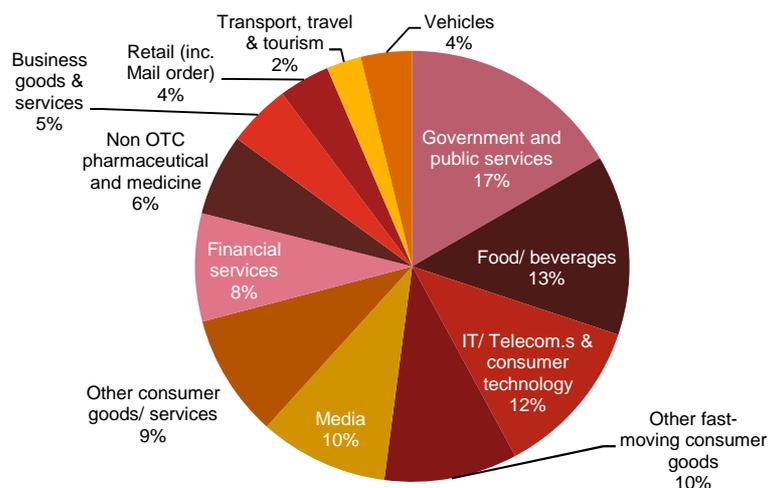
Estimated turnover = £1.00 million
 GVA to turnover = 0.63 (1.00/1.60)
 Estimated GVA = £1.00 million x 0.63 = £0.63 million

How we estimated other private sector employment

The chart below is based on a survey of 56 companies which covers 40% of the industry in terms of sales. Collectively, the four relevant sectors accounted for 40% of client spend in 2010. In order to obtain the overall number of in-house researchers in the sector –the following method was used:

- Obtain company estimates of research FTEs (γ).
- Obtain total employment in the company (β).
- Calculate percentage of researchers in the company (α).
- Obtain an arithmetic average of the researchers as a percentage of total employees for the companies sampled ($\bar{\alpha}$).
- Obtain total employees across the four sectors who work in companies with more than 250 employees from ONS/BIS data (δ).
- Estimate number of in-house researchers across the four sectors (μ).
- The final stage is estimating the proportion of researchers in the rest of the private sector (Pro-rata sector spend against employees).

Client sector share of spend on market research in 2010



Source: MRS (2011) 2010 Annual Survey of the UK Market Research Industry. MRS: London. p8.

$$\frac{\gamma}{\beta} = \alpha$$

$$\frac{\alpha_1 + \alpha_1 + \alpha_1 + \alpha_1}{4} = \bar{\alpha}$$

$$\bar{\alpha} \times (\delta_1 + \delta_2 + \delta_3 + \delta_4) = \mu$$

γ = researchers in company
 β = total employees in company
 α = researchers as percentage of total employees
 $\bar{\alpha}$ = average researchers as percentage of total employees
 δ = total employees in sector
 μ = estimate of in-house researchers across the four sectors

How we estimated UK data analytics turnover

The following method was used:

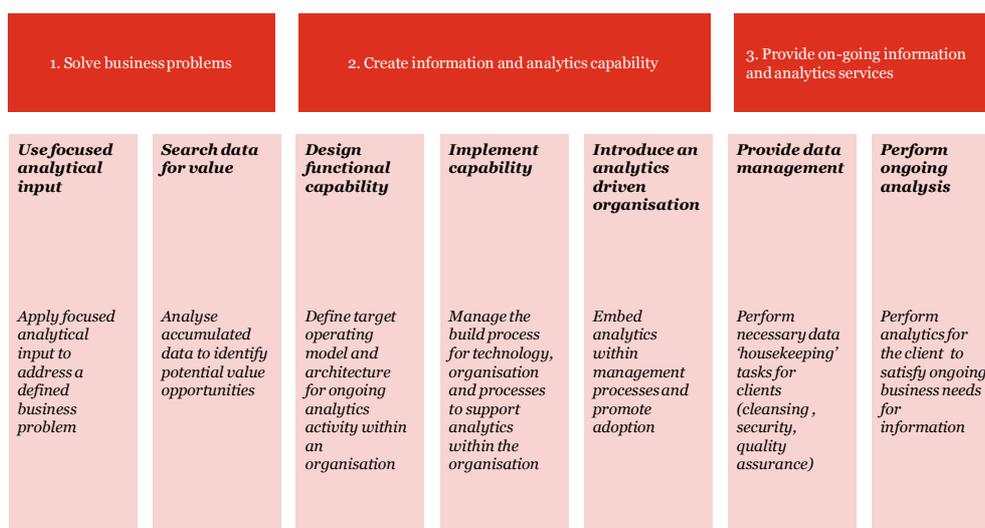
- Obtain global information management turnover.
- Determine proportion of global information management turnover that is data analytics.
- Map out the categories of data analytics and group into three main categories: solving business problems, creating an information and analytics capability and providing an on-going information and analytics service .
- Estimate the value of these three categories of data analytics based on turnover information.
- Identify the relevant data analytics categories that are linked directly to market research. Categories 1 and 3 fall within our working definition of market, social and/or opinion research. Category 2 does not.
- Estimate the UK value of these categories based on the global value. A lower and upper bound estimate has been used.

Global information management (IM) turnover by sectors that include data analytics

Sector	Global market size of sector (\$ million)	Proportion of activities that are data analytics	Estimated global value of analytics (\$ million)
a. Information Management & Analytics Strategy	2,520	100%	2,520
b. Information Management - Design & Architecture	1,750	100%	1,750
c. Information Management - Data Management	1,560	100%	1,560
d. Information Management - Governance	1,330	100%	1,330
e. Strategic Planning	7,400	5%	370
f. Marketing and Branding	3,750	30%	1,130
g. IT Strategy	6,450	5%	320
h. Financial Strategy	3,300	20%	660
i. Organisational Strategy	4,940	10%	490
j. Knowledge Process Outsourcing - Research and Analytics	700	100%	700

Sources: Kennedy Consulting Research & Advisory, *Information Management and Analytics Consulting Marketplace 2010 - 2013*. Kennedy Information: New Hampshire. p11. Kennedy Consulting Research & Advisory, *Strategy Consulting Marketplace 2009-2012*. Kennedy Information: New Hampshire. p15. *Evalueserve (2010) KPO Industry Growth Impacted by the Great Recession*. Evalueserve: Dübendorf. p15.

Categories of data analytics



Source: PwC analysis

Estimate of the total value of data analytics

Category of data analytics	Estimated global value of analytics (\$ million)
1. Solving a business problem ³⁰	2,970
2. Creating an analytics capability ³¹	4,190
3. Provide ongoing analytics services ³²	700
Total	7,860

Source: PwC analysis

³⁰Total of sectors e-j.

³¹Total of sectors a-d less total of sectors e-j.

³²Sector j.

Estimate of the total value of data analytics in the UK

Category	Global value (\$ million)	Estimated UK value Lower (\$ million)	Estimated UK value Upper bound (\$ million)	Estimated UK value Lower bound (£ million)	Estimated UK value Upper bound (£ million)
1. Solving a business problem	2,970	100	150	60	100
2. Creating an analytics capability	4,190	370	460	240	290
3. Provide ongoing analytics services	700	100	120	60	70
Total	7,860	570	730	360	460
Total for categories 1&3 only	3,670	200	270	120	170

Source: PwC analysis

Note: Totals may not sum due to rounding. The exchange rate used to calculate the above was \$1=£0.64.

How we estimated regional GVA

We have sought to determine the regional split of employment and economic contribution. As we are able to determine reasonably accurate MRS membership figures by region, we used these as a proxy to estimate regional GVA, but would caution that this is preliminary and subject to further evaluation. It is nonetheless indicative of the importance of London and the South East as the key driver of employment and economic activity, as follows:

Regional MRS membership and GVA estimates

Region	MRS membership %	Estimated employment	GVA Low £m	GVA High £m
North West	5.5	3,240	143	166
Northern Ireland	0.9	530	23	27
South East & London	61.1	35,970	1,593	1,846
West Midlands	4.6	2,710	120	139
South West	6.4	3,770	167	193
Scotland	3.0	1,770	78	91
North East	6.5	3,830	169	196
East Midlands	5.6	3,300	146	169
Membership outside UK	6.4	3,760	167	193
Total	100	58,880	2,607	3,022

Source: MRS, PwC analysis

How our research findings compare to the ONS

An important element that helps to aggregate the research findings is the information available from the ONS Annual Business Survey (ABS). The ONS statistics are based on companies whose primary activity (based on turnover) is market research or public opinion polling. Therefore estimates may overstate the size of the research industry: for example, a company classed as “market research”, but with 40% of its operations in non-market research activities will have the 40% element included in ONS statistics under “*market research and public opinion polling*”. Equally, it will also operate in the opposite direction and underestimate the size of the research industry by excluding any and all research employment in organisations where market research operations are not the primary activity.

With anecdotal and stakeholder evidence pointing to a growing trend towards retaining a research capability amongst commercial, third sector and public sector organisations, it is likely that ONS data may tend to underestimate the real size of the research industry. We believe that this underestimation could be between 6,700 – 12,000 FTEs across the UK, as shown on the following page.

ONS Annual Business Survey estimates the total turnover of the 3,143 enterprises involved in market research and opinion polling to be £3,401 million in 2010. The estimated GVA at basic prices was £1,865 million in 2010.³³

While we believe that these figures may tend to understate elements of the industry they do provide some indication of the overall size of the research industry beyond the 2010 figure of £2,880 million re-calibrated research turnover, estimated for traditional providers by MRS.³⁴ Our findings below should help to provide an holistic (albeit conservative) estimate of the total value of activity in the UK, with the ONS figures providing a useful sense check.

The ONS Annual Business Survey does not provide employment figures for 2010. However, using the figures for total employment and employment costs from 2008 and 2009 we can estimate that total employment in 2010 was approximately 64,000.³⁵ In 2008, the split between full and part time workers was 49% and 48% respectively (3% were working proprietors). If we apply this to the 2010 data, there were approximately 31,500 full time employees and 30,500 part time employees. Assuming part time workers are 0.5 FTE, the total number of FTEs based on the ONS data is approximately 46,750.

³³Office for National Statistics (ONS) (2011), *Annual Business Survey*. ONS: Newport. Standard Industrial Classification (SIC) 73.2: Market research and opinion polling.

³⁴Market Research Society (MRS) (2012), *Re-calibrating industry size and growth rate*. MRS: London.

³⁵Office for National Statistics (ONS) (2011), *Annual Business Survey*. ONS: Newport. Total employment in 2008 was 65,000 at a cost of £1,113 million and total employment in 2009 was 55,000 at a cost of £1,094 million (i.e. the average cost per 1,000 employees over the two year period equals £18.5 million). As the total employment costs in 2010 were £1,187 million we can estimate the total employment to be c.64,000.

Our research findings compared to the ONS

Area	Total employees	Estimated employment (FTEs)	Estimated GVA	Turnover
ONS Annual Business Survey	64,000	46,750	£1,865 million	£3,401 million
PwC	n/a	53,520 – 58,880	£2,607 - £3,022 million	n/a
Reason for difference between ONS and PwC	ONS ABS records employment and GVA levels for organisations based on where their primary revenue activity is market research. This will exclude some researchers and simultaneously include some non-researchers in their estimates. Our estimates have widened the definition of researchers and have attempted to include researchers not traditionally included and to exclude non-researchers.			

Source: ONS Annual Business Survey, PwC analysis

Note on rounding

Throughout this report, we have aimed to be transparent in the calculation of our estimates. But we also wanted to present meaningful numbers, hence we have rounded some estimates to the nearest 10, 100 or 1 million depending on the nature of the estimate. The result is that some calculations may lead to slightly different figures – but these differences are not material and do not alter the overall message.

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121003-105406-CF-UK_Market research society