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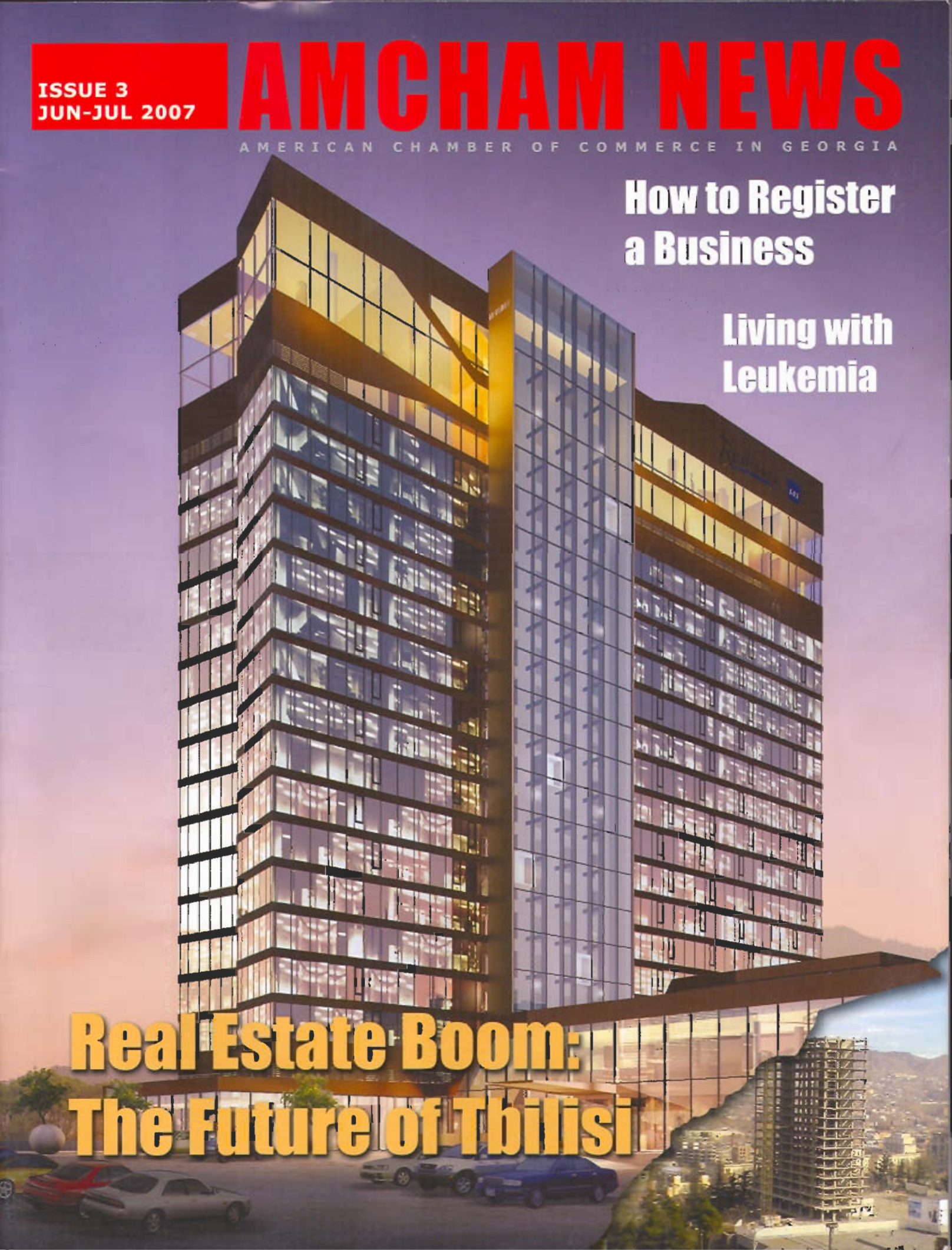
AMCHAM NEWS

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Market Reconnaissance: Why You Need Surveys and Who Provides Them

Competition is rising in the Georgian market place but are Georgian companies using all available weapons to win the battle for consumers?

Ad agencies nestled off Chavchavadze may not seethe aggression like their American brethren on Madison Avenue but that does not mean that competition between brands – and branding – in Georgia doesn't exist.

Companies, especially in the crowded telecommunications industry and real estate development sector, are launching increasingly polished – and omnipresent – ad campaigns in an escalating war for customers.

However market research experts maintain that so far Georgian companies are fighting the costly battle blindfolded: CEOs are making important decisions based on too little research and too much gut instinct.

Despite the plethora of market researching firms located in Tbilisi – approximately eight by rough estimate – researchers complain that their profession is misunderstood, misused and commonly ignored by the very people who should benefit the most from their services: business owners.

KNOWLEDGE IS POWER

The business of surveys is nothing new for Georgia: Georgian Opinion Research Business International, the Georgian member of Gallup International, has been in business for over a decade. However Director Merab Pachulia maintains it has been an uphill battle to convince Georgian companies to invest in market research.

"[Market research] makes their lives easier. If you are a businessman your priority is to make money...but over all [market research] makes your life easy in terms of competition, in terms of knowing what your costumers are thinking, how you are promoting your product," he said. "Those things are basic, basic things."

Surveys and market research – the arsenals of advertising and marketing executives throughout the world – are becoming more popular with Georgian CEOs Pachulia noted, although he added that it is more a matter of a competition driven "copy cat" mentality than a true understanding what research can do for a company.

According to Hans Gutbrod, program director at Caucasus Research Resource Center [CRRC], part of the problem is simply the lack of experience with surveys and market research. He noted that just three years ago, many business owners were fully occupied with the simple logistics of getting their product to market in a corrupt society. The transition from relying on social connection to relying on analytical data will take time, he explained.

"That kind of culture is still in its infancy in the sense that, both on the demand and on the supply side, baby steps are being taken to understand the use of [market research]." Gutbrod said. "So right now the appreciation for what surveys can do to tell you about what is happening in the country and in the market and with consumers – I don't think it has really been developed."

CRRC, a non-for-profit, supports the development of social sciences research and public policy analysis at its centers in Tbilisi,

Yerevan and Baku.

Gutbrod added that part of the learning curve is simply understanding how market research and surveys are compiled so business people can ascertain the quality and long term implications of the data they purchase.

"[I]t is very difficult for consumers of survey data to understand the quality of their product," he said. "Essentially you get a final report and the real quality of raw data is incredibly hard to evaluate if you don't know how to ask the right questions. So that makes it a difficult product to purchase and it also inhibits part of the demand."

QUESTIONS, QUESTIONS, QUESTIONS

According to market researchers, the art of asking the right question is a crucial element in both evaluating the final product – and insuring that the end result is what the company is truly interested in. Tamuna Gigauri, the business development director at ACT Research, noted that "if the problem is not defined correctly, the methodology is not properly founded so the results do not lead to a solution for the problem."

Although asking questions should be easy – who knows better than a CEO what information his or her company needs? – in fact it is quite a bit more complicated.

Paul Clark, the president of the Tbilisi Business Service Center, noted that it is really a multi-step process. TBSC facilitates surveys as part of its wider services to both Georgian and foreign businesses. According to him, the most important thing is to clearly identify what the business needs and then define what questions should be asked.

Clark explained that while many CEOs start with simple questions, simple answers, on their own, are not sophisticated enough to give business owners the insightful information they really need to strategize.

In addition to asking more informed questions, the raw data produced has to be correctly analyzed.

According to Clark, in Georgia today there is a tendency to stop with a synopsis of the data compiled. While some marketing firms in Georgia present this summary as analysis, he noted that in reality a summary could be relatively useless. The real value is in the follow-up. Clark stressed: the analytical "imaginative thinking" that unearths connections and combinations which could provide invaluable insight into potential markets or customer behavior.

"There are no answers in the summary of data. The answers are not there," he said. "The answers are always based upon further analysis of data to produce information."

While Clark noted that business people are starting to realize the greater value of analyzed data, they are not always willing to pay the higher price. A simple market survey can cost as little as a few hundred lari, depending on its scope and if the information is commercial or available to several clients. However, once analysts start digging deeper, the price quickly skyrockets into tens of thousands of lari. ▶▶

▶ According to Aaron Erlich, the development and outreach coordinator at CRRC, a lot depends on how competitive – and how profitable – the market is.

“How much profit there is to be had is going to determine how much you are going to invest in [market research],” he said. “I think for most companies the profit levels are still too low to invest too much money into doing that sort of analysis.”

EXPLORING THE UNKNOWN

It is not just the cost that is making entrepreneurs cautious; since Georgia is still a developing market, many companies are introducing completely new products and there is a common belief that market research is useless if there is no history of a client base.

However Gigauri shrugged off this concern as a “misunderstanding” of what market research is all about. She noted that the “goal” of market research is more than just studying existing markets.

“Recently it [potential market research] has become quite popular,” she said. “They can research feasibility of their plans, possible reactions to a product...the possibility people have to buy products: their income level and expenditures, their attitudes and preferences, their intentions.”

Gutbrod added that market research is more than just consumer surveys. Companies that want to gage the potential reaction to a new product or service can also use focus groups, which brings together

a carefully selected set of respondents to explore possible reactions and responses.

“It is about soliciting information from people, whether you do it in surveys or focus groups,” he said. “To have a focus group [helps] to understand what sort of questions you would like to ask in a larger survey and, conversely, if you have survey questions you don’t understand you can put a focus group together in order to explore questions further.”

According to Kote Gabrichidze, the real estate project manager at the Institute for Polling and Marketing, Georgian companies will become more willing consumers of market research as the market develops. He noted that when IPM started collecting data on the real estate market [for more information on real estate market surveys, please see the feature article on page 28], few developers were interested. However now, four years later, both developers and banks are calling for more research and better information.

“Before, as a child, they didn’t want to think about this because they thought they knew everything. But as competition has grown, they understand that it is not easy to sell [real estate],” he said. “Now they are struggling with each other and they need more and more information about the market and their competitors.”

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