Interview with Alexander Demidov, Managing Director, GfK Rus

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Tags: GfK Rus

Mr. Demidov, you are one of the pioneers of market research studies in Russia. There is a quote you like to use: ‘Market research is a business in the United States, an industry in Great Britain, a science in Germany, and an art in Russia.’ What are the specificities of this field of activity on the Russian market?

Market research is not a pure field of statistics in Russia. It is a truly creative enterprise—a kind of art.

This activity, historically, was never a business in this country. In the Soviet Union, for example, it was a purely scientific field. In those times, market research took the form of a sociological survey. These scientific investigations were not commercially based.

However, as the capitalist era dawned, the approach to market research took new shape. For instance, I was myself a member of the Institute of Sociology during the USSR, and my work was in public opinion, and political and social research. After the collapse, GfK approached me to establish the business in Russia, and conduct commercial research.

This was quite strange for me! I had never encountered, for example, budgets. I had never dealt with money in my work. When GfK approached me, I received foundation capital for a business. For me, this was a shock, because suddenly I could buy computers, printers, could pay interviewers, etc…

All of a sudden, I went from a scientific researcher to a manager. In Russia, everything remains in one glass: market research is partly art, partly science, and partly business.

GfK Russia was founded in 1991, with a team of three people that you personally lead. You celebrated your 20th anniversary this year at the Pushkin museum with more than 260 staff. What were the main hallmarks of this company's evolution, and its main growth drivers?

Indeed, our history now spans twenty years. When we established the company in 1991, the organization consisted of me, a secretary, and a third person that was a bookkeeper, a driver, and everything else!

We started with market research in Moscow, and for two years, our work was limited to this city—we did not have an interviewer net in the regions. We started with small surveys: for example, one of our first investigations was for Sony Germany, who asked us to examine the video recorder market in Moscow. I reported to them that in this city, in 1991, there was only one shop that sold their recorders! They did not believe me, because Moscow had a population of 10 million. However, this was indeed the case, in those times.

These were our first steps. Then, we started to organize pan-Russian surveys. We established an interviewer network across the regions, and since 1993, we have done research that spans the country. By 1993, we had 14 permanent staff.

The next landmark was the establishment of a retail audit in electronic goods in 1994. We needed to recruit shops to our panel, and I went to my friend who owned, at the time, an electronics store. I asked him, "Will you give me your sales data?" He replied: "I will, but only because you are my friend. No one else will give you this data!" Because the market was grey, it was black, and it was chaotic.

Nonetheless, by 1995, we had 60 shops in our panel in Moscow, and 40 shops in St. Petersburg. Today, this panel has grown to 15,000 outlets Russia-wide, and it is a great instrument; all of our large interested clients—such as Philips, Sony, and Panasonic—buy this data. These companies very much orient their market approach, and their KPI (key performance indicators) based on our electronics retail audit.

In 1996, we established our household panel—this research involves households reporting all of their purchases to the company, in the FMCG sector. Again, we started this audit in Moscow and St. Petersburg—but eventually captured, within our net, first 14 cities, then 25 cities, and, now, a representative sample across all of Russia, including the rural areas and villages. We have 10,000

households that report not with diaries, but with bar code scanning. Automatically, this data goes to our servers.

At this point, we had three departments: ad-hoc, the retail audit, and the household panel. The next step was the establishment of the media sector. We started a diary panel for media audience measurement. Unfortunately, the crisis came in 1998, and this panel no longer exists. However, it was a very good experience, and we continue to be active in the media sector.

In 1999, we founded our pharmaceuticals department. In that year, we hired a single person for pharmaceutical and healthcare research—Marina Bezouglova.

How is it possible to do research with one person?

Our structure is such that we have a field force and data processing force for the whole company. So truly, this one person was backed up by the rest of the organization. Nonetheless, as a researcher, she was alone.

At the beginning, our turnover in the healthcare department was approximately 200,000 USD. To compare, turnover in this department has now reached 6Mn USD.

Slowly (but on the other hand quite quickly!) our activities in the field evolved. Olga Chernichenko joined our team in 2001, and Marina became general manager in 2004. Subsequently, Olga became the head of our healthcare department.

In pharmaceuticals, we started with ad hoc research. Then, we began to survey doctor panels: a study of the prescription habits of doctors. Later, we development the promo panel—this is also a panel of doctors, but we use it to measure the promotional activities of pharmaceutical companies. Now, we have established a patient monitoring panel. In the patient panel, we question people who suffer from particular illnesses (for example, in the cardio and women’s health therapeutic areas).

We are currently the number one company in Russia in pharmaceutical research. We surely have competition, but we feel we are stronger!

In the beginning of 2000, we made a pronounced effort to implement GfK instruments on the Russian market. I am speaking now of tools like advertising tracking, pricing surveys, and etc. These are global GfK tools that we brought to the Russian market. If in the ‘90s, it was enough to make simple interviews, in the 2000s, this was no longer enough. We needed additional instruments to succeed. We implemented many of them, and GfK headquarters established a competence center for GfK’s Central and Eastern European region, in an instrument called ‘Price

Challenger.’ We are the main affiliate executing this tool, and have helped other affiliates in our regions to develop it.

How would you describe your overall level of integration with the global GfK network? What synergies have you achieved?

Our region was established by GfK Austria. Austria was charged with establishing market research businesses in CEE. For this reason, we have a rather close relationship with our mother company in Austria, and this headquarters coordinates all work in CEE for the company. We have not only management meetings, but also panel meetings—for household, retail, pharmaceuticals, and etc.—on a regional level.

GfK also established, in 2000, what I would call informal divisions. For example: ‘the pharmaceutical sector in GfK.’ Hence, we have particular pan-GfK committees, and GfK Russia plays a very active role in the pharmaceutical committee. We are one of the most significant affiliates in terms of pharma research: we are in the fourth position globally, behind the United States, and Germany. We are on par with Italy.

Although we have a structure of largely independent organizations across GfK, we have these committees for the various directions of our common business.

Why is the pharmaceutical sector so important for the company here in Russia?

Because we have a large turnover! It is quite simple.

Healthcare, for us, is one of the biggest departments in the company. We have five major business units, and healthcare, with its 6Mn USD in turnover, is roughly equal to our turnover in the retail audit and household panel. 20% of our business is in the healthcare sector.

There is also a personal reason: as I mentioned, we hired first Marina Bezuglova, and then Olga Chernichenko. Both are doctors, and we have three additional doctors on the team. We have a strong team in this field, historically. We have sought to capitalize on this strength.

Allow us to briefly analyze, for our readers, the difference between you activities and those of a pharmaceutical research firm like the IMS. Would it be correct to say that the IMS analyzes what is sold, and you analyze why?

That is correct. The IMS operates much like the Nielson Company operates in FMCG. They perform retail audits on registered data—they register what was sold.

We, on the other hand, study who choses the products and why; we study customer loyalties, customer intentions, and etc. The new GfK structure is to refer to this notion as the study of consumer choice and consumer experience.

GfK and IMS are therefore in quite different positions. The IMS is surely larger, but they operate in a distinct area.

Do you believe that for your clients, it is more important to know how many products were sold, or why customers chose their products?We can return to the beginning of our discussion, and ask: what is market research in general? Is it figures? Is it intentions?

I would say that this varies by culture. For example, in my experience, Japanese people do not like the idea of studying intentions, and why customers choose particular products. Instead, they like figures—how much was sold? Because of the quality of our electronic goods audit, GfK is the largest and most famous company in this sector in Japan.

In other cultures, the question of ‘why’ is sometimes more important. In the sales figures, we are talking about the past; the product was already sold. A client can see, from the figures that they sold more of one product or another, or outsold a competitor, and so on. However, they want to know why! What attitudes led to these trends? This is very important for pharmaceutical companies, because with such information, they can plan their future operations, and better understand who to target and how to target them.

Having led this company for 20 years, what is there left to do? What is one achievement that you personally strive for as manager, which this business has not yet realized?

I would like to establish a strong client service approach. This is now very important—some years ago, it was enough to conduct research, present it to the client, and leave it at that. Today, clients want for a research firm to also act as a consultancy. Client service, to me, means operating a fact-based consultancy. It means going beyond the data, and providing an explanation of the figures, of the market, of the trends, and etc. I view this as one of my main tasks, and work quite a bit in this direction: I established a new position of client service director, I organized client services into a business unit, and etc. I hope to fully realize this goal before my pension!

You mentioned your five business units: how difficult is to manage a business with such diverse segments?

My answer is perhaps paradoxical: the larger we became, the easier it felt for me!

In the beginning, when I was practically alone, I had to do everything myself. When I had 20 people, I had to do very much by myself, and, additionally, manage the team.

Now, I need only to manage! We have such strong people—especially in management—that they can be fully independent. With our healthcare head, Olga, for example, there are times when we need to take meetings to discuss our work; but her day-to-day activities are very much her own. It is surely important to coordinate the business, and to facilitate its further development. I mentioned my goal of developing client services; in addition, I am developing operations, human resource recruitment, and etc. The latter is a particular issue for us, because we are growing 30% per year—this means we always need new people. Retention and turnover rate, too, are quite important.

Even so, I feel my job is easier today than it was years ago! With a strong team, it is not difficult to be successful.

What is your final message to the international readers of Pharmaceutical Executive?

GfK has always been advanced in terms of technology and research tools. We brought a lot of innovation to the Russian market. For example, our household panel is a GfK innovation, and we have a monopoly in this sector. Retail audit was our innovation, as well. I could go on!

Going forward, GfK will retain its identity as an innovative and technology-driven company in Russia.

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