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WHEN ETHNOGRAPHY REALLY WORKS

# Can the Future of South African Research be Built with BRICS?



Cape Town, South Africa

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**D**uring the last week of March 2013, the fifth BRICS summit took place in Durban, South Africa. This was the first summit to be held on the African continent, and it completed the first cycle of BRICS summits, since each of the member countries has now taken a turn to act as host.

BRIC is the original acronym for a grouping of the world's leading emerging market economies, namely Brazil, Russia, India and China. In December 2010, South Africa was invited to join the bloc, which then became known as BRICS. The objectives of the group are wider than pure economic cooperation and aim to promote peace, security and

general development, as well as to uplift humanity in order to establish a more equitable and fair world.

As a result of the global economic crisis, many countries in the world are looking towards emerging markets (and the BRICS members in particular) to stimulate global economic cooperation and growth to provide renewed impetus. A study by the International Monetary Fund has indeed found that BRICS' trade and investment with low-income countries, of which most are in Africa, assisted these countries to weather the impact of the crisis.

Some critics have questioned South Africa's right to be part of this group,



## Some Stats about BRICS

- BRICS countries have increased their share of global GDP (gross domestic product) threefold in the past 15 years, amounting to between 20% to 25% of global GDP.
- BRICS countries occupy 30% of global territory.
- They are home to 45% of the world's population.
- Their contribution to global economic growth over the last decade has reached 50% (therefore, the leading power in global economic development).
- BRICS' combined foreign reserves are estimated at U.S. \$4 trillion.

since its economy is much smaller than that of the other members of the coalition. It has been said that other emerging economies (such as Indonesia, Mexico, Turkey and South Korea) are much bigger than South Africa. It has also been alleged that the BRICS group has been “hijacked” by politicians keen to form a new power bloc in the world and that South Africa was included to provide broader intercontinental reach and inclusiveness. It is, however, widely believed that the main reason why South Africa was invited to join BRICS is to provide a gateway to the rest of Africa’s markets. South Africa’s position going into the summit was to align BRICS member countries’ interests in supporting the integration agenda in Africa.

Jim O’Neill, recently retired chairman of Goldman Sachs Asset Management and the person who originally created the BRIC acronym 10 years ago, feels that South Africa can more than justify its presence if it helps Africa to fulfill its remarkable potential. “If South Africa could also help to lead the rest of the continent to reach its own standards where these are high, the continent would be on an accelerated path to greater economic might,” he has reportedly stated (published quote from “SA’s BRICS Score Not All Gloom and Doom,” *Mail & Guardian Online*, March 30, 2012). “By exploring cross-border expansion in trade and infrastructure, as well as considerable improvements in domestic productivity, South Africa will have more than justified its role as a BRICS member... I remain as excited about South Africa as I was 15 years or more ago.”

China, with the world’s second-biggest economy, dominates trade and is the top import partner for the rest of the BRICS partners. At the end of 2012, its economy was almost 25% larger than the other four BRICS nations combined. Standard Bank research analysts Jeremy Stevens and Simon Freemantle (among others) have sounded warning bells about the challenge posed by Chinese dominance. In particular, some are very skeptical about China’s interest in Africa. A cartoon published in *Business Day* during the BRICS summit, for instance, depicted the bigger four BRIC leaders next to each other, with

the South African president peeping out of the jacket top pocket of the smiling Chinese president.

South Africa does bring the following strengths to the coalition:

- Substantial non-energy mineral wealth. South Africa is ranked as the world’s richest country in terms of its mineral reserves, worth an estimated U.S. \$2.5 trillion. South Africa is the world’s largest producer of platinum, chrome, vanadium and manganese, and it is the third-largest miner of gold. It offers highly sophisticated and professional services with regard to mining expertise.
- Considerable construction and engineering expertise. South Africa is investing about \$35 billion into expanding and improving its infrastructure.
- A proven reputation for financial market development and sophistication. The World Economic Forum’s 2011/12 Global Competitive Index displayed a high level of confidence in the country’s financial market development, ranking it fourth globally. Regulation of the Johannesburg Stock Exchange, as well as South Africa’s auditing and reporting standards, ranked number one in the world. South Africa was ranked second for both the soundness of banks and the efficacy of corporate boards.
- Excellence in science, technology and innovation — e.g., hosting the Square Kilometre Array (SKA, the world’s largest and most sensitive radio telescope, which will have a total collecting area of approximately one square kilometer), for which other BRICS countries supported South Africa’s obtaining the majority stake.
- According to the World Economic Forum’s 2012/2013 Global Competitiveness Report, South Africa remains the highest-ranked country in sub-Saharan Africa and third placed among the BRICS economies, after China and Brazil.

### South Africa’s Early Benefits from Joining BRICS

According to Economic Development Minister Ebrahim Patel, South Africa’s level of trade with BRICS countries now accounts for a larger share of S.A.’s

imports and exports. Exports from S.A. to its BRICS peers rose from \$12.1 billion in 2010 to \$15 billion in 2012. South African exports to China grew by 46%, to India by 20%, to Brazil by 14% and to Russia by 7% in the last few years.

Examples include:

- 10 South African value-added product categories with unique selling points have been identified as export opportunities to China.
- South African wine, with an established reputation as a quality product, is now in demand by Chinese consumers. A joint venture (JV) with a Chinese company has resulted in the export of 5.2 million liters of premium wine to China. Although this may represent a minor share of S.A.’s total bottled wine market, the opportunity for future growth is promising.
- A Russian-South African JV will see the development of table grape production in the Krasnodar region, using South African expertise on growing and processing grape by-products.
- A recent JV between Airports Company S.A. and Brazilian Invepar resulted in an \$8 billion concession to overhaul and operate Brazil’s busiest and most valuable airport, Sao Paulo Guarulhos International Airport.
- Significant growth has also been reported in local tourism from other BRICS countries.

### Some Summit Highlights, Particularly for South Africa

- The proposed creation of a BRICS development bank and a \$100 billion contingent reserve arrangement to pool currency reserves to protect against volatility in global financial markets and to head off short-term liquidity pressures. Locally, it is hoped that the bank will be hosted by South Africa, given the high regard for S.A.’s financial services sector and stock market.
- The establishment of a BRICS business council, consisting of five top business leaders from each BRICS member country. The first chairperson is South African mining magnate Patrice Motsepe. The objectives of the council will be to strengthen trade relations and promote business relations, technology transfer and

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cooperation in banking, green economy, industrialization and manufacturing. The council aims to boost intraBRICS trade to \$500 billion by 2015. The first project will be the laying of the BRICS cable, a 28,400 km undersea telecommunications cable linking BRICS countries.

### BRICS' Effect on the Market Research Industry in South Africa

So, in practical terms, what does all this mean for the market research industry in South Africa? I reached out to various industry leaders and asked them whether they had experienced any changes or have done different work as a result of our newfound BRICS membership.

None of my colleagues have noticed a significant impact on the local research industry that can be directly ascribed to becoming part of BRICS. The general feeling was that it may be too soon to expect a meaningful influence, considering that South Africa joined only a few years ago. The biggest reported increase in RFPs have come from India, but this seems to be a general trend that I have heard about from many international contacts and social media, not just from those in the BRICS countries.

Matthew Angus and Andrea Chemaly from KLA (Kaufman Levin Associates, in Johannesburg, S.A.) also found that the biggest increase in RFPs and projects have come from India. They have also been in touch with and conducted projects for a few Chinese clients. They have heard very little from Brazil and absolutely nothing from Russia. They point out, however, that the BRICS' economies lag well behind countries like South Korea, the U.K., France, Singapore

and Japan in terms of RFPs received and projects conducted for international clients by their company.

Mari Harris remarked that the Ipsos group in South Africa has seen most growth coming from the developing world and believes that this also probably holds true for the other big research companies. Leonie Vorster, CEO at Southern African Marketing Research Association (SAMRA), confirmed the trend that it is becoming quite fashionable to do business with emerging markets and has encountered increased interest in the SAMRA conference from European, Asia Pacific and American countries.

The key strength of the South African market research industry was perceived to be that our industry is highly developed and established and can be compared with the standards of other Western markets. We have expertise in areas such as psychology and statistics that result in work of high-quality standards. It was also mentioned that we are globally connected and have good links to many global clients. Matthew and Andrea from KLA remarked, "We routinely switch between the developed and developing sides of our market in our daily work. We can speak the language of the 'haves,' while understanding the world of the 'have nots.'"

Some of the strengths of our industry are also weaknesses on the flipside. Although we have what Andrea Rademeyer from Ask Afrika refers to as "great pockets of innovation," clients and researchers are often too conservative and risk-averse to embrace change and experiment with new technology and methodologies. Shirley Wakefield from Pondering Panda feels that the industry makes use of "archaic data-

collection methodologies" but that the lack of innovation moves beyond research design and into technology. "With mobile phones being ubiquitous in emerging markets, it's a wonder that no researchers have cracked data collection on cell phones, ranging from the low-end feature phones up to the latest smartphones," she commented.

Matthew and Andrea from KLA agree with this sentiment and feel that even on the African continent, we are being out-innovated by tech startups in Kenya, Nigeria and Ghana. "The mobile phone represents over a billion ways in which anyone in the world can ask an African consumer a question without any need of our involvement as South African market researchers," they pointed out, "and we urgently need to respond to that challenge."

Some of my colleagues were of the opinion that our skilled workforce is aging and that it is difficult to attract good-quality young people to the industry. Sifiso Falala, CEO of Plus 94 Research, remarked that research is not viewed as a glamorous profession for many youngsters: "Compared to, say, management consulting, advertising, auditing, etc., research is a very poor financial cousin."

Also, the feeling was expressed that we are experiencing a shortage of skills and a talent crisis that both need to be addressed by a focus on training. Fellow QRCA member Lee Kotze, of Qualitative Intelligence, feels very strongly about the lack of training. "Sadly, there is no training available for the young, aspiring qualitative researcher," he says. "While Unilever came along with plans to improve standards, they made it exclusive, in that only companies and

"We routinely switch between the developed and developing sides of our market in our daily work. We can speak the language of the 'haves,' while understanding the world of the 'have nots.'"



Why choose Columbus as a Midwestern market over Chicago or other Midwest markets for marketing research studies? This is answered in three parts: the city, the facility.

First, the city: Columbus, Ohio, is the largest city in the Midwest's third fastest growing metropolitan area with increasing cultural diversity.

Columbus is headquarters for major corporations, including Wal-Mart, Cardinal Health, Nationwide Insurance, Victoria's Secret, American Idol, Lotus, White Castle System, and White Barn. Complete Research Connection helps provide depth in the types of respondents represented in the environment base.

When it comes to politics, Columbus is a more politically diverse market vs. Chicago (according to The Pew Area Center for Voting Research: The Most Conservative and Liberal Cities in the Midwest. Chicago has 18.72% Conservative percent of total vote and 81.28% liberal percent of total vote compared to Columbus 37.65% conservative percent of total and 62.35% Liberal percent of total vote.)

When viewing the Census Bureau's 2000 census information about education attainment in the Midwest region's percent of those with a high school diploma or higher is 85.4%. Illinois has only 81.4% versus Ohio's 89.4%.

A major contributing factor to the higher educational attainment percentages is The Ohio State University main campus (boasting one of the largest enrollments of all colleges in the country), making Columbus a perfect choice to find "typical" Midwest marketing research respondents!

Next, the team: market research is only as good as the company that does the data collection! Complete Research Connection's (CRC) senior research team utilizes their many years of expertise, skill, and education to serve you and your clients.

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Finally, the facility: Complete Research Connection offers a brand new, 8,000+ square foot facility which opened in 2011. Located just 10 miles from downtown and less than 15 minutes from the airport, the facility boasts four research suites (one multi-purpose, two standard, and one IDI suite) that all offer digital recording and streaming; two of the larger suites also offer around viewing for approximately 30 people. The facility is just

one of the many facilities in the Focus Coast to offer this service. This alliance of independently owned and operated, Impulse Survey "Top 100" facilities allows our clients to make just what they need. Offered estimates for projects across the country.

Research is available in Columbus, Ohio. The 2010 census shows that 18% of the population is 18-24.2%, 45 to 64 = 31%, and 65+ = 19.4%. There were 94.6 million households in the Columbus metropolitan area.

tan area has experienced several waves of immigration and into the Columbus area. China, India, Taiwan, Vietnam, and Japan, along with Mexico, Malaysia, India, and ongoing immigration from Mexico and other Latin American countries. Many other countries of origin are represented as well, with much of this represented in the international draw of The Ohio State University. 2008 estimates indicate that roughly 116,000 of the city's residents are foreign-born, accounting for 82% of the new residents between 2000-2006 at a rate of 1.6 per week. 40% of the immigrants have come from Asia, 23% from Africa, 22% from Latin

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researchers working for Unilever will be exposed to better training.” Both Lee and Andrea Rademeyer feel that there is no collaboration among companies and researchers, exchanging ideas and new methodologies.

Similar to the sentiments expressed by our peers in developed markets, DIY research and the blurring of boundaries between research and other disciplines also pose a threat to the South African market research industry.

With regard to the future, the panel of South African research leaders identified Africa as the most obvious opportunity for our local research industry. Sifiso Falala remarked that, for his company, interest in investment in Africa is already leading to more research requests than ever before from outside of South Africa. He states, “Africa is a bigger research opportunity than BRICS. Improved African trade and the removal of trade barriers within Africa will have a more immediate impact on Africans than BRICS.” Our colleagues from KLA share this sentiment: “The fifty-three markets to the north of us are the final frontier of human insight and many of our clients’ last chance at aggressive growth. In reality, it is the importance of Africa in general, not South Africa in particular, that has earned us a place at the BRICS table.”

There is cautious optimism that, apart from Africa, growing collaboration with other BRICS countries can have a positive effect on our future local industry. Andrea Rademeyer of Ask Afrika expressed the hope that “collaboration of our industry within this economic block will strengthen our voice on the global platform... This space creates the opportunity for collaboration with partners from the BRICS, who will have experienced some of our challenges in their economies and consumer-scapes. I thus believe that BRICS pose a unique moment in time, which we should embrace, in order to generate new value for our industry.”

Others cautioned against inertia and stressed that we need to take urgent and innovative action to address our challenges. Shirley Wakefield of Pondering Panda concluded, “Emerging markets offer significant growth potential within the research world. By South Africa being a member of the BRICS, the hope is that communications and opportunities will be enhanced, thereby increasing innovation, technology advancement and smart collaborations. The bottom line is that smart research in emerging markets requires agility and innovative thinking.”



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