

Recession retooling led to bigger profits for MarketTools

Patrick Hoge - Sunday, March 14, 2010

For San Francisco-based market research firm MarketTools, the economic crash at the end of 2008 led to significant staffing cutbacks and a renewed focus on the company's technology roots in pursuit of efficiency.

The result was that while revenue dipped between 5 percent and 10 percent to around \$90 million — after six years of rapid growth — 2009 was MarketTools' most profitable year ever, said CEO Scott Arnold.

“We declined less than the overall market. More importantly, we got really profitable,” Arnold said. “I don't know too many companies that paid full bonuses in 2009. We did.”

MarketTools has 20 open positions listed on its web site, including ten in San Francisco and two in Mountain View, in engineering, sales and other categories.

Founded in 1997 by ex-Sun Microsystems software engineers, MarketTools is a full-service market research firm with products ranging from self-service online surveys to “high-touch” custom research projects.

MarketTools in 1999 launched Zoomerang, the first self-service online survey product, and in 2001 it received strategic investments from Procter & Gamble and General Mills. Today, the company has 500 employees worldwide, including 175 in San Francisco and 200 in Hyderabad, India.

In late 2008, the same year the company became profitable, MarketTools began layoffs that eventually totalled about 100 employees, mostly outside of San Francisco.

That was the year that Arnold became CEO, replacing Amal Johnson, who became chairman of the board. Arnold said the company put the brakes on growth and instead started focusing on efficiency through technology.

“Our DNA was in the software business,” he said.

The timing was propitious as the economy's troubles prompted companies everywhere to look for ways to cut costs, said Brad Bortner, a Forrester Research analyst.

“MarketTools represents one of the types of market research solution vendors that have actually thrived during the recession,” Bortner said.

MarketTools in 2008 released a patent-pending proprietary technology for detecting fraud or errors in research panels and expanded its software-as-a-service offerings, notably by acquiring CustomerSat, a high-end customer feedback platform designed for 400 mid- and large-sized businesses, including Hanover Insurance, JP Morgan, Pitney Bowes, Siemens and Wells Fargo.

In January of this year, the company continued its technology push by launching a web-based subscription service that enables companies to create and monitor online customer communities.

Subscriptions to shared communities such as ZoomPanel Moms are \$40,000, and some products cost more than \$200,000.

MarketTools competes with SurveyMonkey and other do-it-yourself survey companies at the lower end, Confront, Satmetrix and Vovici in the mid-range, and with large market research firms such as Kantar, TNS and GfK at the high end. In custom panels, it competes with Vision Critical, in panel quality control with Peanut Labs and RelevantView and in the online community space with Passenger and Communispace.

“There’s no one like MarketTools that goes across that many lines of products,” said Louise Garnett, an analyst with Outsell Inc. “They’re one of my more favorite companies. They’re really at that bleeding edge of technology in the market research business.”