

After 70 years of GfK market research, the business concept established by our founding father, Wilhelm Vershofen, is more relevant than ever. By Andreas Rother and Ulrike Schöneberg, Germany

# The future has only just begun

Since the very beginning, three principles have guided the work and employees of GfK: responsibility, initiative and innovation. This is particularly true of the founder of GfK, Professor Wilhelm Vershofen, who wrote the first chapter of the GfK story. At the age of 56, he formulated the GfK business idea which, even today, represents the conceptual core of the company's success. The following is a brief history of the key stages in GfK's development.

Of course, consumer research has been carried out in Germany for far longer than is generally presumed. In fact, it is believed that market or consumer research has been carried out since trade first began. However, it was only in the aftermath of World War I, i.e. between 1925 and 1935, that signs of systematic planned consumer research first become evident, at the end of a period of isolation after the first World War, when communication between the USA and Europe started to flow. Soon, everybody was talking about the success of American sales and advertising methods and the term 'market analysis' also entered the European vocabulary.

However, at this point, it was still too soon to talk of any 'institutionalization' of market and consumer research.

It was not until Vershofen and his employees came along, that people recognized that market research could not exist in a vacuum, but must be interpreted in the context of the overall economic conditions prevailing in the market. Although the market was, indeed, a macro-economic institution, it was also the point of intersection where all the private commercial interests met.

Using scientific methods, Vershofen put people at the centre of the market. Intent on finding out whether there were any set rules or regulations governing consumer behaviour, he surmised:

"At present, there is increasing awareness that the significant economic factor is the consumer, and this means the end user. Ultimately, the fate of all products which are marketed or sold depends on consumer behaviour, attitudes and market decisions. It goes without saying that the purpose of trade is, after all, consumption, but this self-evident fact has almost been forgotten in the general concentration on the amazing development of production.

However, in circles dealing with consumer sales, there has always been an obvious rule that all sales advertising should be directly related to impact on the consumer and that consumer attitudes to the broad diversity of what is on offer are the key market factor."

## Before the war

After World War I, Professor Wilhelm Vershofen headed a department which monitored the market for the German associations for household china. Originally, the department only monitored foreign markets, but in time, it expanded to include domestic markets as well. This attracted further associations in the consumer goods industry who were interested in market research. Finally, the process led to the founding of an independent scientific institute at the Nuremberg School of Economics and in 1925, the "Stiftung zum Betrieb der Hochschule für Wirtschafts- und Sozialwissenschaften und des Instituts für Wirtschaftsbeobachtung der deutschen Fertigung" (Foundation for the College for Economic and Social Sciences and the Institute of Economic Monitoring of German Consumer Goods) was established.





The institute carried out contract research, working with secondary statistical material, i.e. data from other sources. However, it quickly became clear that this method had its limitations and Vershofen realised that anyone wishing to analyze the market cannot ignore the consumer. According to Vershofen, it is people who are the central focus of the market. If this is the case – and here is Vershofen’s credo - anyone wishing to find out more about the consumer has to carry out consumer research. And so the idea of acquiring even more information about consumer behaviour through extensive consumer surveys was born. With this, Vershofen had identified a market gap, since up until that point, nobody in Germany had collected such data.

At the beginning of the nineteen thirties, Vershofen met Wilhelm R. Mann, at that time a member of the Management Board of IG-Farbenindustrie AG. It did not take long for the charismatic Vershofen to convince the far-sighted business boss. Vershofen’s paper of 8th August 1934, “Consumer surveys on a broad basis” is regarded as the birth certificate of GfK, which was registered as an association in Berlin in 1935. Vershofen was appointed Chairman of the Association Management Board, along with his two colleagues from his time with the Institute of Consumer Goods: Professor Erich Schäfer and Dr. Ludwig Erhard, who later became the Chancellor of Germany. Wilhelm R. Mann became the first Chairman of the Administrative Board, whose members also included Arthur Schütte, Mühlhens G. and Karl Ries, Bakelite GmbH. The aim of the association, which was named “Gesellschaft für Konsumforschung” (Company for Consumer Research) shortly after its establishment, was enshrined in its articles of association: “The company shall have the purpose of researching the habits and attitudes of users of consumer goods in the territory of the German Reich by the appropriate measures on a continuous basis and by special surveys and to process the results of such research in accordance with scientific principles for use in economic theory and practice.” This was the birth of institutional market research in Germany.

At the end of its first year, the association had 17 members, including both individuals and companies and by 1944, membership had risen to 150. In 1936, Erich Schäfer accepted a position at the Commercial College in Leipzig and Georg Bergler took over his place on the Management Board. After the war, Bergler became the driving force behind the reconstruction of GfK.

The organization enjoyed rapid growth. The original plan of having 500 “correspondents”, or interviewers, as we call them today, was already exceeded in 1936, when the number totalled more than 600. There was plenty of work: one of the first surveys on “Awareness of trademarks and symbols” was commissioned by Wilhelm R. Mann himself. It dealt principally with the “Bayer” cross, which he himself had developed. By the end of the war, GfK had delivered 71 surveys on the most varied of subjects, ranging from women’s artificial silk stockings, medications, engine oils and what workers in heavy industry thought about vitamin supplements. The depth and breadth of the spectrum is impressive.

The lively interest of clients in those days as reflected in the number of surveys commissioned generated a response from the original GfK researchers in the form of membership publications like the “Bulletin” and the “Confidential news for members”. GfK worked with the Institute of Economic Monitoring of German Consumer Goods until the end of the war. It had already been publishing “The consumer goods market - a bimonthly newsletter for market and business monitoring” since 1929. Renamed twice, the magazine was dropped at the end of 1943 by ministerial demand.

Since 1936, the second year of its existence, GfK had already been joint organizers of the “Sales industry courses of the Institute for Economic Monitoring”, precursors of today’s GfK seminars. However, from 1939 to 1943, because of the Second World War, the courses could only take the form of pure members’ meetings.

#### A new beginning after the war

The destruction caused by the war was immense. Georg Bergler, who refused to be deterred, set the wheels in motion to revive the work of GfK as early as the second half of 1945. The first “GfK Office” reopened at the end of 1945: it was a room in his severely bomb-damaged flat. Together with three female employees from the pre-war time and a handful of young students, he sifted through all the remaining material. He found a real treasure with which he

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could make a new start: an IBM collator. But there were two obstacles in his path: the law and finance. The occupying authorities only issued GfK with a licence to conduct market research in 1947. In addition, in 1948, there were only 59 members who paid their membership subscriptions in the new Deutschmark, which had replaced the old currency.

After the currency reform, business clearly improved for GfK: from 1949 to 1955 the number of surveys rose from 8 to 71, with membership up to 390 in 1956. The growing operation also increased the number of employees accordingly: whereas in 1949, the staff complement was 15, who worked with Bergler and then also in three rooms at the Hochschule für Wirtschafts- und Sozialwissenschaften college, by 1959, the figure had already risen to 82,

all based in the same office building in the Burgschmietstraße since 1954.

In addition to contract work, work for the company's own account soon followed. One of the first surveys dating

back to 1956 dealt with the subject of "Consumer brand loyalty in 1956". Also, efforts had been made from the outset to establish a close cooperation with industry, in order to advance the principles of basic research. The advertising research working group included Esso, Henkel and Reemtsma, as well as the ad agency, McCann.

#### **GfK market research on the way to the top in Germany**

GfK has been involved in ad hoc research in the sense of today's strategic business division since the very beginning. The purchasing power map, which the association had already developed as a genuine innovation to measure purchasing power before the war, is one of the "classic" products which disappeared into a drawer at the beginning of the war as a "state secret". In 1950, the year of the first post-war association meeting, the CEO, Vershofen, relaunched the idea of the purchasing power card. After extensive surveys of the purchasing power of the Deutschmark, in 1955, it appeared for the first time in the form of a purchasing power card for the Federal Republic of Germany.

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Around this time, market research also had a new challenge to confront: consumer panel research, today incorporated in the Consumer Tracking division. In 1954, when British company Attwood Statistics introduced its first panel research into Germany, GfK was commissioned by the Bavarian State Ministry for the Economy and Trade to measure purchasing behaviour in Bavaria's consumer society. The one-month long survey comprised 1,000 households and additional surveys, above all in 1956, in cooperation with Henkel, and it ultimately led to the first GfK household panel, which was introduced exclusively for Henkel in 1957 and encompassed 1,000 households to survey 7 product groups. By 1959, the number had already increased to 1,500 households and 16 product groups and by 1968, this figure had risen to 5,000 households, augmented by a panel of individuals totalling 3,000 at the time.

In parallel with the growing importance and scope of panel research, the process of internationalization began at GfK. Since the vision of having its own subsidiaries abroad did not seem to be feasible at first, GfK sought cooperations with other institutes. In 1966, this produced the Europanel, a merger of five existing institutes. However, GfK did not give up on the idea of opening its own subsidiaries outside Germany and in 1968, it opened its first institute in Austria and this merged in 1972 with the Austrian institute, Dr. Fessel & Co. to become F + G. At the same time, Attwood's German panel branch was up for sale and this led to the establishment of a joint GfK/Infratest subsidiary, G&I Forschungsgemeinschaft für Marketing, which in turn became a wholly-owned GfK subsidiary in 1983.

The first retail panel was the ice cream panel, which initially took in 250 points of sale, but quickly expanded.



It was during this period that the foundations of today's strategic divisions were laid. As early as 1954, A.C. Nielsen had introduced the first retail panel in Germany. GfK had always carried out retail surveys, both before and after the war. The first retail panel was the ice cream panel, which initially took in 250 points of sale, but quickly expanded. In order to reflect the detailed requirements of the industry accurately, in 1970, the distribution index, store test and sales mediation panel departments were de-merged into an independent GfK division, retail research, which is today part of the Non-Food Tracking division. The same year, the photo panel was launched alongside the leader panel and the basis panel, with additional panels being quickly added in the following years. Internationalization, a process which started in tandem with the household panels, followed soon after and in 1977, the photo panel was set up in the Netherlands, in 1978 in Austria and by the end of 1983, GfK was present with retail panels in eight countries throughout Europe.

By its 50th anniversary, GfK had grown substantially. Whereas it still had only 29 employees in 1954, in 1984 GfK could now boast some 625 colleagues in Germany, working in the field and at the company, producing total sales of DM 107 million, well up on the DM 0.4 million of some 30 years ago. By 1986, GfK had six subsidiaries in Europe (Belgium, France, the UK, the Netherlands, Austria and Sweden) and eight participations, of which three overseas: NGA in New York, ADR and TRM in Tokyo.

Indeed, expansion was not yet over by a long way. As the result of a tender put out by ARD/ARW/ZDF, in 1985 GfK won the contract

to carry out TV research, which had previously been carried out by Infas Teleskopie. This was the birth of today's Media division. At the same time, it also represented a farewell to the association from GfK's market research business. Rivals competing in the tender for the TV research contract complained that the GfK-Nürnberg e.V. bid represented a case of unfair competition, as a public association, which GfK had been up to that point, was treated differently from a trading company in terms of taxation. However, GfK was not to be confounded and so a limited company was established quite separately from the association, and this took over all market research activities. This company was the forerunner of today's GfK Aktiengesellschaft. Now, the introduction of new technologies al-



lowed reports previously only available in print and the very latest data to be accessed online, resulting in the creation of one of the most important cornerstones of today's strategic Media division.

Finally, 1991 saw the arrival of the precursor of the newest of today's strategic business divisions, HealthCare. In conjunction with Infratest, GfK established I+G Gesundheits- und Pharmamarkt-Forschung GmbH & Co., into which the previous operations of both companies in this sector were merged. This was to achieve internationalization synergies, as well as a more stable position in the face of increasing competition. GfK has since taken over the entire I+G business, which trades under the name of GfK HealthCare Deutschland.



Professor Dr. Wilhelm Vershofen



Professor Dr. Georg Bergler



Consul general Wilhelm R. Mann



Professor Dr. Ludwig Erhard

### Stock exchange launch and positioning in all the major markets of the world

Rapid growth demands organizational change. As early as 1984, the market research operations had been de-merged from the association. The aim of becoming an AG – or joint stock company – could not be realized at that time, as it was simpler to establish a GmbH, or limited company. However, on 23 January 1990, GfK became GfK Aktiengesellschaft. The first Management Board Chairman was Klaus Hehl. The reason for taking this step was that the continuing effort to achieve ever more demanding growth targets needed the greater flexibility and better access to capital which a joint stock company can give. Although a stock exchange launch

On 23 September 1999 at 9:09 a.m., the first GfK shares were traded on the Frankfurt Stock Exchange at a price of EUR 20.00, or EUR 1.50 more than the subscribed price.

had not been directly planned at the time, perhaps it was already on the horizon. This step was resolved in 1995 under the leadership of Peter Zühlsdorff of the Supervisory Board. Klaus Hehl and the Management Board were tasked with making the necessary preparations.

At first, however, if it was to present itself to potential investors as an attractive prospect one day, the company would first have to equip itself for the future. This would be done by extensive and intensive acceleration of the process of internationalization, through the use and further development of existing services and by developing and using state-of-the-art technologies.

There was no lack of new challenges: the demise of the Soviet empire brought a number of new markets open to the establishment of a presence. In 1990, GfK Polonia became the first Western institute to be set up in Poland, followed in 1991 by GfK-CSFR (GfK Prague and GfK Slovakia since 1993) and a representative office in Moscow. At the same time, the ad hoc range of existing panel subsidiaries throughout Europe was expanded or in some cases, new institutes were founded or taken over in whole or in part. As part of the process of internationalization of the ad hoc range, the European Ad Hoc Board was established in 1993, aimed at standardizing market research tools and improving marketing.

Continuous expansion and the application of trailblazing technology require major investment. A good example of this is the Electronic Diary, the introduction of which became necessary in 1994. The electronic hand scanner replaced the purchase diary which some 12,000 members in the household panel had been completing daily up to then. Another major investment related to the launch of the computer-aided interview using a laptop, for which the first pilot client project took place in 1995 and which is today standard interview procedure.

Tools with new content and ongoing development of instruments and methods has also affected the ever-growing online market, and this is well documented by the online monitor and Internet surveys. There are also products on offer which can be used to in-

tegrate the mass of data available from high quality specialized individual sectors and make it accessible to exploit synergetic effects, such as Integrated Intelligence, a tool which was developed in 2002.

When Dr. Klaus L. Wübbenhorst became the Management Board Spokesman in 1998 and then the sixth CEO, following in the footsteps of founder Professor Vershofen and his successors Bergler, Paul Beck and Klaus Hehl, preparations for the IPO were completed. On 23 September 1999 at 9:09 a.m., the first GfK shares were traded on the Frankfurt Stock Exchange at a price of EUR 20.00, or EUR 1.50 more than the subscribed price. In the words of the CEO, this was the dawn of a new era for GfK. The stock exchange launch, which took place just at the time of the millennium, was not an end in itself, but necessary to meet the demanding aims of the company.

Much has happened since. Still in 1999, GfK managed to acquire a first class foothold in the USA with the acquisition of ad hoc research institute, Custom Research. As the top service company, the company was given the prestigious Malcolm Baldrige Award

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by then President Bill Clinton. In the meanwhile, two other leading institutes have been added to the GfK service package for the USA, not only the world's biggest market research market, but also its biggest advertising and marketing market: pharmaceutical market research specialists, V2 GfK in 2003 and in 2004, GfK Arbor, well known for advertising research. And so GfK is among the top 15 in the sector in this key market research sector.



GfK puts its success down to three attributes, which have always been very important to its employees and in its work: responsibility, initiative and innovation.

The GfK presence has also developed well in Europe's most important market research country: the UK. The acquisition of GfK Martin Hamblin in 2001 and the founding of GfK Media UK puts every GfK business division in the British marketplace, with the exception of Consumer Tracking services. Meanwhile, GfK is ranked in the top 10 in the UK.

A total of 20 new countries have been added since going public and with its expansion in South America and Africa, GfK is now aiming to increase the number of countries in which it has branches to 60.

#### Innovations are the path to the future

Since its establishment, GfK remains undiminished in its role as initiator and promoter of innovative methods and measuring technologies. Where purchasing power statistics and panel instruments were focal in the earlier years, today, it is the data fusion processes, portable meters based on scanner technology for the household panel and complex database systems to which GfK clients have round the clock access via the Internet. Radiocontrol and its successor, MediaWatch, the first meter in the world which can truly claim to have the capability to collect the complete set of data on media ratings, have ensured uproar in the media landscapes of Europe and the USA. GfK puts all this down to three attributes, which have always been very important to its employees and in its work: responsibility, initiative and innovation.

Despite the fact that it is 70 years old, the future of GfK has only just begun. [GfK. Growth from Knowledge](#)

## 70 years of GfK. Growth from Knowledge

### Success story

- 1934 Establishment of Gesellschaft für Konsumforschung e.V., later GfK-Nürnberg e.V.
- 1947 Operations relaunched after the war
- 1984 Establishment of GfK GmbH
- 1990 Conversion to GfK AG
- 1999 IPO
- 2002 Reaching the half billion euro sales barrier for the first time

### Internationalization

- 1960 Austria
- 1978 Netherlands
- 1979 France, Switzerland
- 1981 Sweden
- 1985 Japan
- 1987 Denmark, Norway
- 1989 U.K., Hungary
- 1990 Poland, Czech Republic
- 1991 Russia
- 1993 Australia, New Zealand
- 1994 Azerbaijan, Belgium, Hong Kong, India, Indonesia, Italy, Malaysia, Singapore, Taiwan, Turkey
- 1995 Bulgaria, Romania, Slovakia
- 1996 Portugal, Spain, Thailand
- 1998 Ukraine
- 1999 China, Slovenia, USA, Vietnam
- 2000 Egypt, Iran, Korea, Saudi Arabia, United Arab Emirates
- 2001 Serbia and Montenegro, South Africa
- 2003 Bahrain, Brazil, Finland, Jordan, Kuwait, Qatar, Oman
- 2004 Argentina, Bosnia-Herzegovina, Chile, Morocco

### Development of instruments and service sectors

- 1936 Germany's first brand survey: the Bayer cross purchasing power data
- 1955 Purchasing power map of Germany
- 1956 Household panel research launched
- 1963 Establishment of the Europanel
- 1970 Retail panel research launched
- 1983 The first GfK consumer climate survey
- 1985 Start of TV audience research for ARD and ZDF
- Introduction of CATI Technology (Computer Assisted Telephone Interview)
- 1994 Launch of Electronic Diary for Consumer Tracking
- 1997 Launch of aTRACKtive production system
- ENCODEx software and service system launched
- 1999 Introduction of Radiocontrol electronic measuring technology
- 2004 Worldwide launch of S\*T\*A\*R\*T\*R\*A\*C\*K production system by Non-Food Tracking division
- World premiere of MediaWatch measurement of personal media consumption