The New Focus Groups: Online Networks

Proprietary Panels Help Consumer Companies Shape Products, Ads

By Emily Steel

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When [Del Monte Foods](http://online.wsj.com/public/quotes/main.html?type=djn&symbol=dlm) was considering a new breakfast treat for dogs, it sent out a note to an online community of dog owners asking them what they most wanted to feed their pets in the morning. The consensus answer was something with a bacon-and-egg taste.

The result: Last summer, Del Monte introduced its Snausages Breakfast Bites. They are flavored like bacon and eggs, and contain an extra dose of vitamins and minerals, which the dog owners said was also important to them.

The online community, called "I Love My Dog," isn't some random chat room or yet another Web site for dog enthusiasts -- the group was created by Del Monte. Its 400 members were handpicked to join the private network, which the company uses to help create products, test marketing campaigns and stir up buzz.

Such online networks, first cultivated as a tool for consumer research by tech and videogame firms, are now rapidly spreading to companies ranging from [Coca-Cola](http://quotes.wsj.com/KO) [KO -0.43%](http://quotes.wsj.com/KO) [**KO**](http://quotes.wsj.com/KO) **in** Your Value Your Change Short position to [Walt Disney](http://quotes.wsj.com/DIS)'s [dis -0.29%](http://quotes.wsj.com/DIS) [**dis**](http://quotes.wsj.com/DIS) **in** Your Value Your Change Short position ABC Television Studios. They are often cheaper and more effective than phone surveys or traditional focus groups because companies can draw on the participants in a much broader and deeper way than they could in an offline setting.

The sites often bear some resemblance to other social-networking sites, where members create profile pages and post to discussion boards. Companies use them to administer polls, chat in real time with consumers and even ask members to go to the store to try out specific products. The rapid back-and-forth between the company and the online community can help substantially shorten the product-development cycle. It can typically take a year or more from the time a company comes up with a product idea until the item arrives in stores. For Snausages Breakfast Bites, that process took six months. During that time, Del Monte contacted "I Love My Dog" members dozens of times, both as a group and individually. The company has also tapped members for prelaunch insights into other products, including a 50-calorie pack of its Pup-Peroni treat that recently landed on store shelves.

"It is not just a focus group that you see for three hours; you are developing a relationship with these pet parents," says Gala Amoroso, Del Monte's senior manager of consumer insights.

But as with any social-networking site, the consumer companies that run these private networks face the constant risk of member boredom -- and ultimately, member flight. There can be a fair amount of turnover on the private networks, and the companies that set them up have to constantly add games and other features -- as well as provide incentives such as coupons, giveaways and sneak peaks at new products -- to keep members around.

The private networks are part of companies' continuing efforts to figure out how to use the Web to assess and shape the way consumers think about their products. Some have created profiles on popular social-networking sites such as Facebook and [News Corp.](http://quotes.wsj.com/NWS)'s [**nws**](http://quotes.wsj.com/NWS) **in** Your Value Your Change Short position MySpace, while others, including [Procter & Gamble](http://quotes.wsj.com/PG), [PG -0.30%](http://quotes.wsj.com/PG) **[PG](http://quotes.wsj.com/PG) in** Your Value Your Change Short position have set up their own social-networking sites. But many of those efforts have fallen flat, because people typically join a social-networking venue not to talk about brands but to socialize with friends. Other marketers, particularly in the tech community, have tried scanning blogs for consumer insights.

Networks such as "I Love My Dog" help remove some of the guesswork for marketers, by letting brands know exactly to whom they are talking -- and giving them more control over the discussions. The companies work with technology firms such as MarketTools and Passenger to create the members-only networks, whose participants are often drawn from a company's internal databases. "Otherwise, it is completely controlled by the users. That is allowing the inmates to run the asylum," says Jonathan Edwards, an analyst at market-research firm Yankee Group.

Some companies are using the private online communities to test new advertising campaigns. Sylvan Learning, for instance, is working with MarketTools to survey a group of mothers as it creates a new national ad campaign to launch next month. Sylvan sent mothers with children in first through 12th grades potential story boards for a possible TV commercial. Through online chats, email and other research, Sylvan found that it needed to focus on the success children can have through tutoring instead of the struggles kids face with school.

To conduct similar research in the past, Sylvan has interrupted people at places like shopping malls or called them at home. Because mothers participating in the online network are generally in their own homes and choose to participate in the research, Sylvan thinks they are relaxed and willing to give more honest answers.

While spending on these proprietary market-research networks is a small piece of total market-research spending, it is growing. In 2007, spending on proprietary panels in the U.S. came to $40 million, according to Inside Research, a firm that tracks market-research spending. That figure is projected to grow to $69 million this year.

Now, some of the big social-networking sites are thinking about ways they can tap their own communities to generate market research. MySpace, for instance, says it is talking with Passenger about how it could sell advertisers the option of creating such private communities using MySpace members.

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