New Foundation Confronts Offshoring Cover-Up

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Market Research Clients and Providers Call for Transparency in Data Collection and Analytics Offshoring Practices

The Foundation for Transparency in Offshoring (FTO), a non-profit organization dedicated to establishing offshoring disclosure standards for companies that deal with clientsâ€™ intellectual property and customer survey or database information, officially launched today.

FTO Founder & Chairman Tom H.C. Anderson, Managing Partner of the research consultancy Anderson Analytics, says FTO does not advocate for or against offshoring, but was created to bridge â€œa serious transparency gap between research providers and clients. Very few buyers have sufficient information to assess the relative strengths and risks associated with offshoring,â€• said Anderson. â€œIn most cases, research buyers donâ€™t even know that their projects are be offshored.â€•

Illustrating this discrepancy, FTO fielded a survey among 850 U.S. and international research buyers and providers in November 2009.

When asked whether their organizations offshore research projectsâ€“â€“compared to their research agency counterpartsâ€“â€“nearly 20% more clients said no, 40% fewer clients said yes, and 100% more clients said they were not sure.

FTO defines offshoring as the movement of a business process done at a company in one country to the same or another company in a different country, usually due to a lower cost of operations in the new location.

Commonly referred to as knowledge process outsourcing (KPO), it is estimated that as many as two-thirds of research agencies now offshore critical servicesâ€“â€“from data collection to advanced analyticsâ€“â€“to India, Eastern Europe, Latin Am and Asia-Pacific regions.

Each country and region comes with its own set of regulatory, legal, and cultural issues directly related to data security and intellectual property protection that should be understood and accounted for prior to moving research operations to these countries.

FTO Advisory Board member Sonia Baldia, a partner at Mayer Brown LLP and one of the foremost legal experts on offshoring, explained:
â€œClients absolutely need to know about any offshore subcontracting and the location in order to gauge risks and protect themselves. Many offshoring destinations do not have well developed intellectual property laws and data protection laws. On top of that, their court systems can be a significant trap for the unwary because of the difficulties in enforcing contracts.â€•

Gordon Morris, Global Insights Manager for Sony Ericsson (London, UK), a charter FTO member who also serves on FTOâ€™s Board of Advisors, says his company learned this lesson the hard way. â€œWe provide our global research partners access to sensitive plans and projects,â€• Morris said. â€œThis creates a business risk. For example, one of our major product launches for 2010 â€“â€“the Experia X10 Android phoneâ€“â€“was leaked several months early. We estimate the potential dama caused by the leak at approximately â‚¬100 million.â€• Â

Morris added,
â€œTransparency in the research process is a crucial component in mitigating this risk. We need to know exactly which companies our appointed agencies are offshoring to, where they operate, and what elements of our projects are being outsourced to them.â€•

To remedy the situation, FTO has introduced a self-certification process modeled after the EUâ€™s Safe Harbour Compliance Framework.

Through a simple registration procedure, a research company can inventory its offshoring practices by activity, country, and provider relationship (e.g., wholly-owned subsidiary vs. independent third party).

Participating research organizations receive one of two verification seals. The first seal certifies research organizations that offshore services and have complied with FTO disclosure standards; the second seal identifies research organizations that do not offshore.

In addition to Morris and Baldia, FTO has recruited an advisory board of international clients, suppliers, academics and independent experts including the Advertising Research Foundationâ€™s Chief Research Officer, Joel Rubinson, and former

ESOMAR Vice President Ann Margreth Hellberg.

FTO is actively recruiting additional advisory board members. The organization has also approached key research industry professional associations including ARF, ESOMAR, and MRA. Research buyers, full-service agencies and KPOs are encouraged to support the transparency initiative.

About The Foundation for Transparency in Offshoring (FTO)
The FTO is an independent, non-profit organization dedicated to educating buyers and suppliers of consumer research and analytics services on considerations related to offshoring, and to establishing sensible, clear disclosure standards for offshoring practices.

FTO holds no position for or against offshoring research services, but maintains transparency and open dialogue between research buyers and suppliers are critical to making informed, secure business decisions.

For more information, please visit www.offshoringtransparency.org.

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