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# (Re)Defining Market Research: Consumer Insight Is the Key

BY LINDSAY PEDERSEN

The concept of market research has been much maligned of late, and not without cause. Since Steve Jobs' death in 2011, a battle cry besieging market research has gone up, waving Jobs' famous disregard for it like a banner. (The day the Mac launched, Jobs, asked about what research preceded it, scoffed, "Did Alexander Graham Bell do any market research before he invented the telephone?" Jobs later told Business Week "…for something this complicated, it's really hard to design products by focus groups. A lot of times, people don't know what they want until you show it to them.")

> Consumers do know what they want – they just don't know what product you should develop next.

Jobs has a point, but his phrasing is off. Consumers do know what they want. What they don't know is what product you should develop next – figuring out that part is the marketer's job.

Many leaders simply don't understand the difference between successful market research that reveals valuable consumer insights about their lives, habits and desires – and half-hearted "research" that consists merely of simplistic questions to consumers with no forethought, analysis, or expert oversight.

## Who Needs Customers?

The Steve Jobs-fueled argument goes something like this:

**Look! The greatest commercial visionary of our time doesn't believe in market research, so my company doesn't need it either. I don't need to worry about the customer.**

Fortune Magazine, recently naming Jobs the greatest entrepreneur of all time, agreed: "It's a safe bet to assume that none of Apple's blockbuster products, from the Macintosh to the iPod and iTunes, from the iPhone to the iPad, would have come about if Jobs had relied heavily on consumer research."

Many leaders, already believing that market research translates to "spend lots of money asking customers inane questions" are relieved to have a reason to eject it from their plans.

The fallacies in this argument are twofold:

### Fallacy #1: You can create products independently of consumers.

The best marketers and innovators, Jobs included, highly respect their customers' needs. Market research, when done well, simply reveals the nugget of insight that helps us understand the need. Regardless of the specific method you use, make sure you find a path to understanding your customer. Jobs clearly had a deep understanding of his customers — he just didn't always use traditional research techniques to get there.

### Fallacy #2: All leaders are created equal.

Jobs' extremely rare talent was a keen intuitive feel for his market, emerging technology, and his customers' lifestyles. Because of this unique combination, he may not have needed market research to the same degree that most companies do. He approached product design with an outlook closer to that of an artist than an engineer.

Try to imagine Picasso doing a survey on whether the art-buying community was ready for cubism, or Robin Williams prefacing his stand-up act with a quick poll to test the outer limits of the night's improv. In this context, the idea of research for artistic breakthroughs becomes absurd. The successful artist, living in the climate of his market, senses the audience's need and fills it in a way they never would have anticipated. In this vein, Steve Jobs leveraged his instinct about the zeitgeist to launch the most successful products of the modern age.

> Steve Jobs had an uncanny ability to intuit customer needs. Most of the rest of us don't.

I'm inclined to side with Forbes.com contributor Chunka Mui, who writes, "Without Jobs' talents and the unparalleled creative team and processes that he built around himself, you won't get away with doing no market research and not listening to your customers." In other words, while Jobs possessed an uncanny ability to intuit customer needs, most of the rest of us need to talk to our customers in order to understand them.

In fact, if you don't truly know your customer, trying to pull a Steve Jobs can create catastrophic business decisions.

## Public Pratfalls

Witness the costly belly flop made by Levi Strauss & Co. in the early 1980s, when it tried to expand into formal menswear by introducing "Levi's Tailored Classics" and "Levi's Action Slacks and Suits." The venture failed miserably. Yes, the names are awful, but even worse is that Levi Strauss abandoned its hard-won identity as the longest-running jeans manufacturer in the world. Levi Strauss did conduct focus groups to gauge consumer interest in their new offering, but royally misinterpreted the results. (Interestingly, Levi Strauss learned from this mistake. With their next product extension in 1986, the company invited target consumers into the development and branding process. That work informed the smaller innovation step to khakis, using a new name that did not reference the denim-defined Levi's.

The result was the incredibly successful line of casual wear, Dockers.)

Video giant Netflix suffered from a high-profile failure to consider its customers' needs. In September of 2011, Netflix's image took a huge hit after a Solomon-like move: cleaving its video and rental services in two, with online streaming managed by Netflix while offshoot Qwikster handled DVD shipping. Customers wanting both services now had to visit two separate web sites to access their accounts – with two different passwords. A service once adored for its ease of use – and whose entire consumer proposition was based on that very ease and seamlessness – became cumbersome and full of seams.

Customers flooded Netflix with angry emails, and by the end of the month more than 800,000 had canceled their memberships. The

> Levi Strauss and Netflix learned the hard way to let consumer needs drive their product development.

saving grace of this story is that Netflix eventually listened to its customers. In October, Netflix wrote a public apology and ushered Qwikster to an unmarked grave. (Learning your lesson after a product rollout is an expensive, embarrassing way to do market research. If Netflix had understood all along how much customers valued its seamlessness, it never would have launched Qwikster.)

## Getting It Right

For a shining example of a consumer insights-based product, consider e-commerce giant Zappos. Zappos discovered that people wanted outrageously positive customer service online. Based on that valuable

> Zappos focuses on the consumer's desire for incredible customer service, with resounding success.

consumer insight, Zappos made a promise to treat its customers like VIPs and consistently delivers in spades, from express-shipping upgrades to sending flowers, and even buying shoes that are sold out at Zappos from other retailers to ship to Zappos customers. By focusing on that consumer need of great service, Zappos makes each customer feel like a queen with a 24-hour

concierge at her service. The company leadership took that initial customer insight to heart and ran with it, and continues to express that benefit of outrageously good customer service through all four Ps. The result? Resounding success.

## Sometimes Market Reseach Is Not "Market Research"

Let's revisit Steve Jobs. Biographer Walter Isaacson quotes him on market research:

> *Some people say, "Give the customers what they want." But that's not my approach. Our job is to figure out what they're going to want before they do. I think Henry Ford once said, "If I'd asked customers what they wanted, they would have told me, 'A faster horse!'" People don't know what they want until you show it to them. That's why I never rely on market research. Our task is to read things that are not yet on the page.*

If this is Jobs' definition of market research, no wonder he doesn't like it. Conducting effective market research does not mean asking customers what product to develop, and then developing it. (If it were that easy, entire departments would be out of a job.) Responsible, sound market research entails gathering raw consumer insights so that people like Jobs can figure out what they're going to want before they do.

> If Henry Ford had asked consumers what they wanted, they may well have said, "A faster horse" – but that would have been shoddy research.

Maybe Ford was right – if he'd asked customers what they wanted, they may well have said, "A faster horse." But that would have been shoddy, useless market research. Instead he could have asked customers, "What's missing from your life? What are the things in life that you love, and what prevents you from doing the things you love? What is your day like?"

The answers to those questions would have led to powerful observations; perhaps Ford would have learned that people wanted to spend more time with family and less time commuting, or that they didn't like how horses smelled, or they wished they didn't have to ride in the rain. That is the kind of market research that yields insights which in turn lead to true innovation.

Here's an example of powerful market research by Apple itself. According to Isaacson's biography of Jobs, after the phenomenal early success of the iPod in January of 2005, "Jobs learned that the 'shuffle' feature on the iPod, which played songs in random order, had become very popular. People liked to be surprised, and they were also too lazy to keep setting up and revising their playlists." What came out of this insight was the breakthough iPod Shuffle, which could be tiny because there was no screen; there's no need for a screen when people enjoy not knowing which song comes next.

How did Jobs learn that people liked to be surprised? Isaacson doesn't make that clear. Informal conversations with customers, perhaps? Formal user testing? Watching friends use their devices while spending casual time together? Listening to customer service phone calls? Polling Apple "Geniuses" about their interactions with customers? All of these are valid forms of market research. If Apple hadn't uncovered these insights, the company would not have developed the iPod Shuffle, and would have missed out on its staggering success.

(Tech news watchers will also note that the Apple v. Samsung trial in July 2012 revealed that Apple had conducted market research about the already-in-use iPhone and iPad; presumably the results informed the development of subsequent versions of these products.)

## Customers Are More Powerful than Ever

Because of Steve Jobs and his many competitors, consumers today have unparalleled access to information about competing products. In seeking to attract and retain these ever-more-informed customers,

marketing experts know that strong relationships are becoming more crucial.

IBM's 2011 study of Chief Marketing Officers makes this directive clear. Among the three imperatives for success called for by CMOs worldwide, these topped the list: "Deliver Value to Empowered Customers" and "Foster Lasting Connections" – lessons Levi Strauss and Netflix learned the hard way.

*The most proactive CMOs are responding to these challenges by trying to understand individuals as well as markets.*

> – IBM's From Stretched to Strengthened: Insights from the Global Chief Marketing Officer Study Executive Summary

A professor of mine used to say, "Marketing is the gift of understanding." Is there anything more satisfying, really, than feeling understood? It instantly engenders goodwill, bonding, and the kind of loyalty that takes years of product experience to build.

So pick the tools of your choice, whether you follow traditional market research techniques or go a more alternative route. But make sure to invest in a solid method to uncover consumer insights, and build it into your product development process upfront. Discover who your customers are, learn what their days are like, and most of all, figure out how to make their lives easier, fuller, better. Understanding your customers' needs is the only way to win and keep them.

For traditional and emerging ways to find out what consumers are thinking, see:

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  *Time-Tested Methods of Market Research with Real-World Examples*

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  *Alternatives to Traditional Market Research*

APPENDIX A

# Time-Tested Methods of Market Research with Real-World Examples

Following are a few of the most widely-used tools to gain consumer insights, with examples of how I've used each. In each case, the research must be conducted effectively and results must be analyzed by an expert. This is not the time to cut corners – your new product hinges on whether consumer interest exists.

## SURVEYS OR QUESTIONNAIRES:

These can be in person, via phone, by mail, or online, with varying degrees of effort and expense. Sometimes responses to questionnaires become the basis for a quantitative market research study known as a segmentation. A segmentation clusters responses into groups of individuals with a lot in common, and a marketer can leverage these traits. While working on a pet product, we noticed in a segmentation that most of our consumers had two cats, no children, lived in the suburbs, seldom traveled, and called their cats by "people names" like Bill or Chloe. That insight was invaluable for our product development and messaging.

## OBSERVATION/ETHNOGRAPHY:

Watching or videotaping people as they choose or use a product often reveals extremely valuable and sometimes surprising information. When I ran marketing for a laundry brand, I would stand in the laundry aisle at Safeway and watch shoppers as they chose one brand over another, noticing where they paused, what drew their attention. I have also conducted "shopalongs," which are interviews at the channel where customers purchase your product, allowing you to watch them shop and learn about their decision-making.

## INDIVIDUAL INTERVIEWS:

A one-on-one interview will not reveal statistically significant data, but may uncover useful stories, opinions and attitudes. Once I was

working with a dairy brand that was trying to communicate "local" more effectively on their packaging. During our shopalongs, we watched people shop for local products, and asked them what packaging cues told them that the product was local. We learned that rarely does a package say "local," but several packaging features (unsophisticated artwork, non-glossy surface, and references to a place, such as "Cascade Springs") led customers to conclude that the product was local.

## FIELD TESTING/USER TESTING:

A limited release of a new product can generate early information about the product, including its pricing and packaging. A wireless phone company I worked with conducted user tests at multiple points while developing new products. This helped us understand which features caused friction and which delighted the consumer, so we could make informed choices for additional development.

## FOCUS GROUPS:

Focus groups can be in person or online (if consumers are geographically dispersed). My favorite size is usually six participants, but in some instances fewer ("triads") can yield deeper insights. Make sure the moderator is highly skilled in drawing insights, not in asking product definition questions.  Conduct at least three sessions, preferably more, in order to get a meaningful body of data.

## COMBINATIONS OF THE ABOVE:

I like to do focus groups with an ethnographic component. For example:

→ Have focus group participants log their product usage the week before the session so you can see their actual usage.

→ Conduct focus groups, and then ask particularly articulate participants for follow-up observation of their product use.

→ Conduct small focus groups in the participant's home, where he or she invites a friend and you listen to them discuss their product usage and ask questions.

## APPENDIX B

# Alternatives to Traditional Market Research

This isn't your father's market research. Today's technology and the public's penchant for sharing opinions online have created a goldmine for those open to alternative ways of gathering consumer insights.

## CUSTOMER SERVICE TRACKING:

As we've all heard, "This call may be recorded." Listen to those calls and analyze them for trends in both kudos and complaints from customers.

## CREATE AN ONLINE COMMUNITY:

Reach your customers where many of them are all day: online. Add a community aspect to your website, whether via blog comments, a forum, or the ability to write reviews.

## LEVERAGE SOCIAL MEDIA:

With the ubiquity of mobile devices and all the software that follows, your customers are inevitably talking about you. Track mentions on Twitter (and respond to them!), start a Facebook page and encourage Likes and comments, and maintain a presence on Instagram, Pinterest, and whatever app takes the world by storm next.

## COMBINE TRADITIONAL AND NEW TECHNOLOGIES:

Think outside the box and use conventional methods with new technology. For example, merge surveys and mobile: services like SurveySwipe let customers interact with you via mobile questionnaires and even upload photos of the products they're using.

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