Session 8: Product Design and the Voice of the customer

Today’s Topics

• Customer satisfaction and target positioning

• Really listening to the customer

• Qualitative research (for action-learning exercise)

• Focus and prioritization of managerial decisions

• Product development funnel (if time)
Aqualisa hints

• The case is strategic (what is Aqualisa’s R&D strategy, what is Aqualisa’s product line strategy).

• The case is analytic (CLV, EVIU, etc.).

• The case is about framing (what does it take to sell the product).

• The case is about the organization.
Quick Review

• **Strategic positioning (Tylenol, SWA, Brita)**
  
  – differentiate → “local” monopoly provides profit
  
  – pick your brand DNA
  
  – “position” matches company strengths

• **Marketing analytics**
  
  – simple, logical calculations
    
    • allocation, CLV, CRM
  
  – quick calculations & spreadsheets
  
  – funnel (online and offline complements)
  
  – use the tools, don’t let the tools use you

**MR vs. MC**
Metrics fallacy

• Some funnel measures are easy to measure
  – Google search words
  – Blog inquiries, etc.

• Some funnel measures are hard to measure
  – Television advertising
  – Sports marketing

• Tendency to give too much credit to measures at the bottom of the funnel (and undervalue top-funnel measures).
The product is at the top of the funnel.

- Brita

- BBVA Compass Bank
  - Case did not provide detail on positioning,
  - But BBVA needs good products to be successful.
You are the customer …
Does customer satisfaction matter?

<table>
<thead>
<tr>
<th>Starbuck’s Customer Satisfaction Survey*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits/month</td>
</tr>
<tr>
<td>Ticket size/visit</td>
</tr>
<tr>
<td>Customer life</td>
</tr>
<tr>
<td>Total valuation</td>
</tr>
</tbody>
</table>

*Data from Yongme Moon and John Quelch (2004), “Starbucks: Delivering Customer Service”
Starbucks chose their target carefully

• **Positioning! Differentiation!**
  - Which customers are you serving?
  - What benefits are you delivering (relative to competition)?
  - Product and service is a means to deliver benefits?
  - Image and promotion delivers **perceptual** benefits.
  - Does this match your company skills?

• **Product features and communications → brand DNA**
  - Must first listen
  - Link your actions to customer perceptions
  - Coordinate with communications
  - Test it with customers

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Taste

- Brita
- PUR

Health/safety

- Product features (and operations)
- Brand DNA (Perceptual position)
- Inbound and outbound communications
Customer insight is important for product development

- Why did they do that?

- Surprise and delight!
VW’s Project Moonraker

• **Enthnographic team spent 18 months in the US**
  – ride the Greyhound bus, subways, rental cars, red-eye flights
  – visit Mall of America, Rock and Roll Hall of Fame, Coca-Cola Museum
  – attend NASCAR, drag racing, rodeo, spring break in Daytona
  – headquarters a house in Malibo, CA
  – walk of pain – three day trek through parking lots and on-street parking

• **Learned**
  – why Americans drive rather than take the bus
  – tailgating
  – long commutes, need for cup holders, fast food, tissues
  – basically, the car in-use
Contextual observation at GM

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The firm listens more effectively if we begin with customer needs

- **Customer needs not solutions**
  - need: easy to get in the back seat
  - solution: push button to move and fold front seats
    - many other solutions possible

- **Customer’s own words**
  - as they speak to one another
  - images, feelings, visuals
Customers don’t speak “company-ese”

<table>
<thead>
<tr>
<th>Company</th>
<th>Customer wants</th>
<th>Company-ese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maker of dishwashing liquid</td>
<td>Cleans my dishes</td>
<td>Surfactants</td>
</tr>
</tbody>
</table>
1-on-1 interviews (B2B example) (review from action-learning project)

• Experience the experience of the customer

• Learn to listen
  – tell me more
  – what does that mean to you

• Steep learning curve

• Nothing beats first-hand experience
Qualitative research
Focus groups and ethnography

MTV: Finding the next trend

Levi’s: exploring new markets

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Many ways to get customer input

- **Low cost for product variants**
  - expeditionary marketing
  - need a means to limit risk
  - try until they stick, then generalize
  - often used by entrepreneurs

- **Design for the next “bench”**
  - when fellow employees represent the market
  - technology aimed at other technology users (H-P)
The firm listens better if it can focus on what is important

- Typically, embarrassment of riches
  - 10-20 1-on-1s → 100 to 400 phrases
  - which are critical for success?

- Managers (and product teams) need structure
  - primary needs
  - secondary needs
  - tertiary needs
Solution: involve the customer

• Customers can tell you what needs go together

• Customers can identify primary (and secondary) needs

• Procedure
  – winnow
  – customer sort
  – identify “exemplar” from pile
  – cluster analysis
Can the product development team sort customer needs?

- **Team sorts customer needs**
  - container utility
  - convenient
  - physical characteristics
  - container price
  - thermal characteristics

- **Customers sort customer needs**
  - attractive, good-looking
  - convenient
  - works well
  - right size
  - maintains food temperatures
  - carries many things
  - easily moveable
Customer sort?

• The team sorts the needs as they build the product.

• Customers sort the needs as they use the product.

• Customer-sort tells us how to structure our managerial and product design decisions.
Now we have structure. How do we focus?

- Survey research.
- Well-studied science.
- Details in 15.822.
- Sampling (panels).
Example scale
(disguised from a P&G study)

When thinking about choosing a laundry detergent, how important is it that the laundry detergent:

- Cleans your clothes well [ 100 ]
- Is safe and gentle for synthetic fibers [ 57 ]
- Is good for the environment [ 23 ]
- Clothes are ready to wear after drying [ 84 ]
- It is easy to do the laundry [ 19 ]
- My clothes smell fresh and clean [ 12 ]
- Good value for the money [ 93 ]

Please assign 100 points to your most important need and any number of points between 0 and 100 to all other needs.
Importance measures can be accurate (P&G example)

P&G tested three different types of questions to measure “importances”

<table>
<thead>
<tr>
<th></th>
<th>Anchored Scales</th>
<th>Constant Sum</th>
<th>Directly Stated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(assign 10 to the most important, 0 to 10 to all others, cascade primary, secondary, tertiary)</td>
<td>(assign 0-100 for each need, but they must sum to 100, then cascade)</td>
<td>(Assign 1 to 9 directly to each tertiary need, sum for secondary and primary)</td>
</tr>
<tr>
<td>Predictive Ability</td>
<td>(correlation with preference for concepts: 1.00 would be perfect, 0.90+ is excellent)</td>
<td>0.93</td>
<td>0.93</td>
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</tbody>
</table>

Predictive Ability (correlation with preference for concepts: 1.00 would be perfect, 0.90+ is excellent)
Summary of VOC input

• Customer needs **not** solutions.

• Three steps
  – listen carefully for customer’s description of needs
  – sort and organize needs
  – prioritize needs by customer’s perceived importance

• Strategic and tactical
  – strategic positioning
  – link solutions to customer needs
Listening to the customer is good if you listen to the customer

- Product developers don’t trust marketing research and vice versa.

- They don’t speak the same language.

- “Boundary objects” help them communicate.
Linking customer needs to actions

Customer Needs
(strategic needs)
- Fun to drive
- Driver is in control
- Interior is comfortable
- Has many uses
- ...

Customer Perceptions
- BMW
- Toyota
- GM

Importances
100 72 86 86 ...

Relationships between Customer Needs and Design Attributes

Costs and Feasibility
“Engineering” Measures

Poor  Great
Listen to customer and communicate within the organization

Failed Product

Successful Product

Amount of communication
Core team communications at Ford

* Significant at the 0.05 level.

Communications per week

* Phase-Review  House of Quality
Advanced topics

- Segments, product lines, product generations
- Partners, channels of distribution, pricing
- Emotional needs

[Table: Linkages Between Emotional and Functional Needs]

**Women’s Body Wash**

**Functional Needs**
- Cleans My Skin Effectively
- Makes Me Smell Clean & Fresh
- Nourishes My Skin
- A Brand I Am Comfortable With
- Product is Easy to Dispense and Use
- Comes in a Variety of Clean, Light Scents
- Has Bonus Ingredients (e.g. Vitamins & Antibacterial Cleaners)
- A Product Made For Women
- Available in a Variety of Sizes
- The Packaging is Attractive and Feminine

**Emotional Needs**
- Take Care of Myself
- Feel Healthy
- Feel Content
- Take Some Time to Focus on “Me”
- Give Something Back to My Body
- Feel Complete
- Feel Free
- Feel Comfortable
- Feel Prepared For Anything
- My Life is Fun. No Miserable
- Maddy-Crowned & Presentable
- Comfort
- Ready to Start My Day
- Reassured
- Have a Balanced Work/Family Life
- I Have My Life in Order
- Put Together
- Affirmative & Indulgent
- I’m Treated My Body Right
- I Care About My Appearance
- Beautiful
- Stay
- Feminine
- I Don’t Feel Stuck in a Rat

**Performance**
- Client’s Brand
- Alternative Brands
- Performance Gap
Summary

- Product is the top of communications’ funnel.
- Listen to customers (focus groups, ethnography, 1-on-1’s)
- Link customer needs to actions
- Organize and prioritize
- Topics to be covered later in semester
  - price vs. features (conjoint analysis)
  - consumer behavior theory
Any questions?