

# What The Leader Needs To Know: Does Your Market Research Drive Action?

Leo F. Flanagan, Jr., Ph.D.

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## The Opportunity

One simple question: What do you get in return for the money you spend on market research?

Too often the answer is best described as knowing the answers to questions such as:

- How do customers feel about our products and services versus our competitors?
- What percentage of potential customers are aware of our offer?
- Are we in the consideration set for likely buyers?

Answers to questions such as these create urgency for action – but they don't direct the action. In today's marketplace the last thing you need is more urgency. You get that from all points of the compass. What you need is the specific information that guides you to executing the actions that will improve results.

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Another disadvantage of much market research is the distraction it causes and the energy it wastes. Say you subscribe to a company that provides you with data on how you stack up against the competition. Your overall ranking drops from 3<sup>rd</sup> to 4<sup>th</sup> and your customer satisfaction score drops from 84% to 79%. What ensues in most organizations is a sense of crisis and a search for blame. Two things usually happen. People immerse themselves in the reams of information provided in the search for clear answers. What they come out with is only more questions. Second, people look to assign blame. Who dropped the ball? None of this is helpful and all of it keeps people from focusing their energy on the customer. Ironic, given you made the investment to gain insight into the customer.

Hopefully, you're in a different situation. Your overall ranking has moved up from 3<sup>rd</sup> to 2<sup>nd</sup> and your customer satisfaction score rises from 84% to 89%. Great news! What caused it? What do you do again? Are your quality scores higher because of something you did – or because your top competitor's recent product roll out was flawed?

You need market research that tells you specifically what drives results and what doesn't – and you can have it!

## How To Leverage It

### 1. First Work With What You Have

You've invested time, energy and money in market research. Don't waste it. Take the data you have and use it as described below. The process is called secondary analysis and it's worth doing. You're bound to get specific indications of what will grow your business.

To do the best secondary analysis you need access to the raw customer data. If the company that conducted the research for you isn't going to do the secondary analysis, ask them for the original data. If they balk, insist. You paid for it.

### 2. Get Meaningful Market Segmentation

You've got a profile of your customers. Whether B2B or B2C you've got a definition of your biggest customer segment. You need to go deeper. Your biggest segment tells you where you are already winning. Now, take that segment and go one level deeper. Separate your biggest segment by their satisfaction. Pay particular attention to the percentage of top box scores and the customers within the segment giving you those top box scores. Second, look at the percentage and characteristics of customers who are giving you next to top box scores.

For example, assume you use a five point scale to assess customer satisfaction (which we recommend). Look at the percentage of customers within your largest segment who score at each of the five points. Let's assume that 15% of your customers in this segment give you a rating of 5 –they are in the top box. Further assume that 40% of your customers give you a rating of 4. We call the first group Loyal and the second group Poised. It's a proven fact that if you move a small portion of the customers rating you 4 to a rating of 5 you will have a dramatic improvement in business results.<sup>1</sup> In this example, with 40% Poised you've still got plenty of room for growth in your largest segment.

But what if you found the reverse – 40% Loyal and 15% Poised? This suggests you may be better off finding another segment(s) to fuel your growth.

So, your segmentation should fully describe each of your customer groups and look at the customer satisfaction ratings – point by point - within each group.

<sup>1</sup> For example, see Heskett, et al, "Putting the Service-Profit Chain to Work", Harvard Business Review, March-April, 1994.



### 3. Be Clear About The Goal: Predicting Behavior

If you think about it, whether or not a customer is satisfied with you or your product isn't necessarily going to drive your business growth. Satisfaction is some combination of opinion and emotion.

What we need to understand to achieve sustained, profitable growth is what customers do that will grow our business. Your customer surveys should ask about the specific behaviors that you need customers to perform to fuel your business. For example:

- In the last 3 months, have you recommended our product/service to anyone?
  - If yes, how many times?
- In the last 3 months, have you used any of our competitor's products?
- How many of the following service/products do you purchase from us?
- How often do you purchase from us?

These are all the types of questions that allow you to understand not what customers think of you but how they contribute to your business.

### 4. Avoid The Most Common Mistake

Market research is a process that creates pain. Inevitably you are going to learn that some customers are not happy with your products or services. You are going to learn that in some respects your competitors are seen as better than you are.

In many companies the result is that market research is reported in a way that minimizes the pain and the usefulness of the data. In our discussion above, we talked about the importance of knowing what percentage of your customers are Loyal versus Poised versus lower. In the majority of market research that we've seen customer ratings are grouped. For instance the 4s and 5s are reported as "Highly Satisfied Customers". The 3s are reported as "Satisfied". Why? It usually ends up making us feel that we're doing better with our customers than we are. If I tell you that 60% of your customers are "Highly Satisfied", you'll probably feel better than if I tell you 15% of your customers are Loyal and 45% Poised. The former makes you feel better – but the latter is far more useful. Insist that data is reported by percentage of each rating point as well as the average rating.

### 5. Use Science Not Opinion

Most market research reports provide an enormous amount of descriptive data. Basically, how many customers gave which answer to each question. Based on this massive amount of information, you and your team then devote time and energy to debating what caused customer satisfaction to go up or down.

Simply put, this is not a matter for debate. It is a matter of fact. There are valid and reliable statistical techniques that can tell you how strongly things are related or not. They very clearly show you what you can do to drive business growth.

Here's a real example that may help. A client of ours, as part of their market research, asked customers whether having the latest technology was important to them. Customers overwhelmingly gave having the latest technology available an importance rating of 4 or 5 on a 5-point scale. The company in turn invested heavily in the latest technology. Given the costs involved not all technology could be present at each location. So customers with particular needs were referred to other locations with the desired technology.

The impact was to significantly reduce customer satisfaction and much more importantly buying behavior. What went wrong? In the absence of statistical analysis that would show the drivers of customer satisfaction and buying behavior, the executives, understandably, guessed that spending more on acquiring the latest technology would be rewarded with increased customer purchasing. How could they be so mistaken?

When secondary analysis was conducted and statistical analyses were performed, here's what they found. The presence of the latest technology directly increased the customer's perception of the competence of the company's professionals. This in turn increased the customer's satisfaction and buying. The key to increased buying behavior wasn't the technology. It was the perceived competence of the professionals. When the technology was purchased, professionals began referring customers to other locations. To the customer, this looked like the professional wasn't comfortable handling their problem. Perceptions of competence and in turn satisfaction and buying behavior decreased.

Once the relationships were deeply understood the solution was simple. The company stopped leasing and purchasing expensive technology. They negotiated agreements with other companies with the latest technology to use it on behalf of their customers. Second, the company made a modest investment in learning. This ensured that professionals were always up to date on the latest technological innovations. Finally, they trained professionals to have very explicit conversations with customers about the technology options before making a decision. The results - \$50M in cost savings, dramatically improved customer satisfaction and growth that has been sustained over the last five years.

#### About The Author

**Leo F. Flanagan, Jr., Ph.D.** is President of Flanagan Consultants, LLC. He has over 25 years experience partnering with businesses to achieve unprecedented results.

Flanagan Consultants, LLC helps leading companies formulate and execute their business, marketing, and human resources strategies. Flanagan Consultants take pride in partnering with clients to rapidly achieve breakthrough business results. Leo can be reached directly at 203-321-8423 or [Leo@FlanaganConsultants.com](mailto:Leo@FlanaganConsultants.com). He welcomes your insights.