15.821

Listening to the Customer, fall 2011

Section A MW 8:30-10, E51-151

Section B MW 10-11:30, E51-151

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## The 15.821 + 15.822 sequence

Marketing research may be divided into methods that emphasize understanding "the customer" and methods that emphasize understanding "the market." This course (15.821) deals with the customer and emphasizes qualitative methods (interviews, focus groups, Voice of the Customer, composing questions for a survey). The companion course (15.822) deals with the market and emphasizes quantitative methods (sampling, survey execution, quantitative data interpretation, conjoint analysis).

The methods covered in 15.821 are often used in the "front-end" of market research project, whose second-stage is a quantitative survey. The quality of information gathered in the second-stage is greatly enhanced in this way.

15.821 is designed for the nonspecialist, e.g., someone planning a career in general management, product or project management, R&D, advertising, or entrepreneurship. 15.822 teaches analytical techniques that are standard in consulting or marketing research, and is ideally suited for students planning careers in those fields.

## Objectives of 15.821

This course has three complementary objectives, namely, to:

- provide a concise "user's guide" to the most valuable and common qualitative customer research methods (focus groups, customer visits, interviews)
- teach key skills for "do-it-yourself" customer research (preparing & conducting interviews, group discussions, surveys, and site visits)
- through a full-course project, teach all the basic steps of a Voice of the Customer exercise

## Texts

Required:

Burchill, G. and C. H. Brodi, Voices Into Choices: Acting On the Voice of the Customer, Oriel Incorporated, 1997.

This covers all the steps in the Voice of the Customer project. It is comprehensive, and extremely applied with many helpful checklists.

Recommended:

McQuarrie E.F. (1993). Customer Visits: Building a Better Market Focus. Newbury Park, Sage. [very well written; the topic is somewhat specialized, but many of the points apply to qualitative research in general]

If you want need a good marketing research reference text you might invest in Churchill's Marketing Research. It has everything (almost). Also, Churchill is the required textbook for 15.822.

Churchill, Gilbert A., and Dawn Iacobucci. Marketing Research, Chicago: The Dryden Press. [Plus: Comprehensive and precise. Minus: Dry, expensive.]

Lehmann, Donald R. Market Research and Analysis. Homewood, IL: Irwin, 1989. [Plus: Well written, sensible. Minus: Virtually no coverage of qualitative methods.]

## Hardware/Software

You will need a tape recoder for your interviews.

## Group Project (3-4 students per project)

This material is tough to learn from a textbook. Therefore, a major element of the course is a survey-based group project. It breaks down into seven tasks, which roughly coordinated with the seven weeks of the course:

1. Selecting a topic and formulating a research plan;
2. Preparing for customer interviews;
3. Conducting and taping interviews;
4. Transcribing the interviews and identify customer statements or “voices”
5. Interpreting or “scrubbing” the voices, and organizing into a hierarchy
6. Proposing a new concept or solution based on the voices
7. Writing the research report

A typical problem involves understanding the customers’ perspective in a new market. You will have a lot of freedom in choosing the problem, as long as it allows application of all of the steps.

## Grading

Group project: 60%, Class participation: 40%

| Project reports are due on October 21st, by close of business (5PM). |
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<u>Listening to the Customer</u> Schedule
Reading assignment indicated by ❑ (VIC = <u>Voices Into Choices</u>)
Written assignment due indicated by !

| | | *PROJECT SCHUDULE* |
|---|---|---|
| | Sep 7 **Course overview** | *1 Form team* |
| Sep 12 **Interviews**<br><br>❑ Consumer Behavior Exercise (individual assignment) | Sep 14 **Guest Lecture Jim Ferry**<br><br>! VOC project interview guide (1 per team) | *2 Select VOC topic and prepare discussion guide*<br><br>❑ VIC, Step 4 |
| Sep 19 **Case: Boston Beer**<br><br>❑ Boston Beer Company<br>❑ Storytelling<br>❑ Metaphorically Speaking | Sep 21 **Student Holiday – No Class** | *3 Conduct VOC interview*<br><br>❑ VIC, Steps 10 &12 |
| Sep 26 **Guest Lecture Robert Klein, AMS**<br><br>❑ Understanding User Needs | Sep 28 **Observational methods**<br><br>❑ Seeing is Believing<br>❑ Spark Innovation through empathic design<br>! VOC transcripts (1 per team) | *4 Complete and transcribe VOC interviews*<br><br>❑ VIC, Steps T15 or R15 |
| Oct 3 **Film: Empire of the Air** | Oct 5 **'Scrubbing' exercise**<br><br>❑ <u>VIC</u> Step R16<br>❑ <u>Customer Visits</u>, Ch. 6 | *5 Identify & scrub voices*<br><br>❑ VIC, Steps T15 or R15 |
| Oct 10 **Columbus Day – No class** | Oct 12 **The Customer's Voice on Pricing**<br><br>❑ Spending More ....<br>❑ <u>VIC</u> Steps 18 and 19 | *6 Create an affinity diagram and propose solution*<br>❑ VIC, Steps R16 & R17 |
| Oct 17 **Presentations** | Oct 19 **Presentations** | *7 Write report* |
| | ! Final Project Due for all teams on October 21 | |

**Detailed Assignments**

Sep 7

There is no assignment for the first class. Before you leave, make sure you pick up the Consumer Behavior Exercise (one version only, does not matter which).

Sep 12

Conduct and write-up a one-on-one customer interview, as described in Consumer Behavior Exercise (A-F). There are six different version of this exercise (A,B,C,D,E,F), and everyone should have received one version on Sep 7. The exercise will (a) give you a chance to practice interviewing before you do it for the project; (b) give examples of good discussion guides; (c) give you a feel for typical content that might be explored in an interview.

The class will be devoted entirely to the discussion of what you have learned in the interviews.

Sep 14

Guest Lecture: Jim Ferry, President, Boston Innovation Group (or BIG).

Jim Ferry (a.k.a. Mr. BIG) is one of the leading practitioners of exploratory market research in the Boston area (and is also a professional focus group moderator). We will do several exercises illustrating exploratory research. You can meet Mr. BIG at http://www.bostoninnovationgroup.com.

As preparation for the class, please think of a problem or opportunity, meeting the following conditions:

(1) It should be real
(2) You should be responsible for implementing the solution
(3) It should require a creative approach, i.e., not a decision between two known alternatives
(4) You should be comfortable talking about it in class.

Note - the interview guide for the VOC exercise is due in class (1 per team). In preparing your guide, you can take a look at a 'professional quality' interview guide in the course packet (submitted by three former students). Your guide doesn't need to be as elaborate.

Sep 19

Read Boston Beer Case; take a careful look at the ZMET transcripts at the end of the case.

Prepare for class discussion:

What should Boston Beer do with the Lightship brand?
How useful was the market research? Are you confident in their interpretations?

Is "Lightship" a good name? How would you find out?

Finally, an interesting question:

Why is there no "Diet Bud" or "Pepsi Lite"?

The case illustrates use of Zaltman's metaphor elicitation method. We will discuss the method in class. This articles in Fast Company is a good introductions to the method:

Metaphor Marketing, Fast Company, April 1998, available at:
www.fastcompany.com/online/14/zaltman.html

For more technical information, check out Prof. Zaltman's website, www.olsonzaltman.com.

Sep 21

Student Holiday – no class

Sep 26

Guest Lecture: Robert Klein, President, Applied Marketing Science, Inc.

Mr. Klein heads a leading market research company, which has developed a very successful proprietary Voice of the Customer methodology (Vocalyst™). He will discuss this in class.

As preparation, read the HBS reprint "Understanding User Needs."

Check out their site: http://www.ams-inc.com

Vocalyst is described at: http://www.ams-inc.com/products/vocalyst.htm

Project assignment due: 1 transcribed interview per team.

Sep 28

Observational methods. Read the article "The Future of Marketing Is Looking at You" from Fast Company, on its website:

http://www.fastcompany.com/magazine/05/elab.html

Oct 3

Read the HBS case FM Radio (A) (distributed separately). We will watch the film "Empire of the Air - The Men who Made Radio." The film describes the evolution of the radio industry, from its infancy to the present day, FM-dominated period. The narrative focuses on three individuals most responsible for this history.

Lee de Forest - an old-style inventor in the Edison mold, a relentless entrepreneur and self-promoter who called himself the "Father of Radio"

Edwin Howard Armstrong - an extraordinary genius, obsessed with perfect sound quality, who made (and lost) a fortune from his critical scientific inventions (including the invention of 'static-free' FM)

David Sarnoff - the business visionary who understood technology and was the one man most responsible for the state of today's radio and television industries

The film is relevant to our class for three reasons.

First, a major theme here is that understanding a technology or business does not translate directly into an understanding of the customer (and hence, an understanding of the commercial significance of a new invention or product). In fact, being close to a new product, either because you have developed the technology or the business, makes it especially difficult to appreciate the customer's "naïve" point of view. In this film we will see a striking illustration of how being close to the technology prevents people from understanding it's true business potential.

Second, the film is studded with radio samples and quotes or "voices" from interviews with early radio "customers." In this way, the film provides a beautiful example of the voice of the customer.

Third, through the three main characters, the film gives us three examples of totally different styles of creativity.

In-class assignment:

As you are watching the film, write down at least three customer voices, expressing a need associated with or fulfilled by radio. Do not translate but preserve the customer's voice! We will discuss them after the film.

Oct 5

We will spend the class translating customer voices into requirements. The basic method is given in Voices into Choices Step R16. Each team member should come to class with their voices on Post-It notes. We will provide flip-chart paper and magic markers.

Oct 10

Columbus Day - no class

Oct 12

The Customer's Voice on Pricing. This is an area of special research interest to me. We will discuss what customers "really" want from pricing structures and arrangements.

Oct 17 and 19

Final presentations

<u>Overview of the Voice of the Customer Project</u>

The project will teach you how to conduct a Voice of the Customer, and how to incorporate the information that you collect into a professional survey.

There are three deliverables:

- Interview discussion guide (Sept. 14)
- Interview transcripts (Sep 28)
- Final report (Oct. 21)

Here are the steps in the project.

Step 1 <u>Pick team</u>

For the project you will need to create teams of 3-5 persons (teams of 4 are recommended). You can look over samples from previous projects in the course packet.

Step 2 <u>Pick topic and prepare discussion guide</u>

Pick the project objective. It should be possible to express the objective using one or more of the five key verbs (forming the GUIDE acronym):

Generate (...customer needs in connection with a product or service).
Understand (...the customer's point of view about an issue or problem).
Identify (...areas where current product performance falls short).
Describe (... the decision process of a certain type of customer)
Explore (... the customer's perceptions of a company, or product).

You don't want an objective that is narrow or quantitative (e.g., forecasting market share for a new product, sizing a market, etc..).

After you have selected the topic, you should then recruit several customers (at least one per team member) and give them their "homework assignment." This assignment is an adaptation of the key steps used in ZMET (see readings for Sept. 21 class). You will ask each customer to collect 6-12 images that are in some way related to the topic. The images can come from any source (preferably, they are polaroids taken just for the exercise, but they can also be clips from magazine). The images should be brought to the interview. Give the customers at least 3-4 days to collect the pictures. Tell them not to do the collecting just before the interview.

While the customers are collecting their images, you should schedule a meeting to work out the interview discussion guide. Follow the guidelines in <u>Voices Into Choices</u>, Step 4. You can also look at the examples in the Consumer Behavior Exercise (distributed on Sept. 7). The guide should be short, fitting on one page. It is due in class on Sept. 14 – <u>do not conduct your interview until we have checked your interview guide.</u>

Step 3 Conduct customer interviews

The interview itself should have two parts. In the first part of the interview, ask the customer to describe how each particular image they brought to the interview is related to the topic. In the second part, continue the interview with questions from your previously prepared interview guide. Throughout the interview, do be satisfied with easy answers, but probe for hidden meanings. Follow the interview guidelines in Voices into Choices (Steps 10 or 12), or in Customer Visits (Chapter 4).

You should tape the interview.

Step 4 Transcribe customer interviews and identify voices

Working from the tapes, create a transcript of the interview, and make two copies. Distribute the copies among the team members. The goal is to have two team members separately read each transcript. For example, if your team has three members, and you interview four individuals, then the "reading assignments" should look like this:

| | Team member 1 | Team member 2 | Team member 3 |
|---|---|---|---|
| Customer 1 | x | x | |
| Customer 2 | | x | x |
| Customer 3 | x | | x |
| Customer 4 | x | x | |

Each team member should sit down alone with their transcripts and identify a set of customer statements. Follow the guidelines for identification from Voices into Choices (Step R15 or T15).

A crucial part of this process is capturing the customer's own voice, with a minimum of interpretation. You may want to begin by simply highlighting key statements from the interview transcripts. We call these statements voices. They could be needs, concerns, images, experiences, feelings, problems, solutions, or anything else that helps us understand the customer's point of view.

Next, write out the voices on the self-stick notes, only editing where necessary to improve understanding or eliminate irrelevant details. Number each voice and identify your own notes by writing your initials in one corner. These voices on self-stick notes will be used during the in-class exercise to help your group create a mental image of the entire customer's voice. The voices collected from a single customer interview are likely to vary widely. In Step 4, the goal is simply to document the voices identified by the interview and not to analyze the relationships among them.

Step 5A Interpretation or 'scrubbing' of the voices (class exercise)

The scrubbing process is described in Voices into Choices (Step R16), and we will review it briefly in class. The output is a list of 25 of fewer nonredundant and semantically 'scrubbed' customer needs or requirements.

The goals of step 5A are to combine the voices identified by each of the team members on self-stick notes into a set of voices agreed upon by the team, and to translate these voices into customer needs or requirements. The output of this process will be a set of 25 or fewer key customer requirements.

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|---|
| NOTE: Translating voices into requirements is appropriate if the objective of your project is to understand customer needs or likes/dislikes in a given domain. Typically, this would then lead to the development of new concepts - for products, services, ad campaigns, and so on. If your project has a very different objective, then it may be more appropriate to translate the voices into some other format (not 'requirements' per se). |

Time breakdown for the class exercise:

(30 min) Each team member brings their set of voices from Step 4 to the exercise. One team member begins placing his or her voices on a sheet of flip chart paper, and reads each voice aloud to the team as it is placed on the chart. If other team members have identified the same or a very similar voice, they stack their notes on top of the original note, completely covering it. (As a general rule, similarity among voices is indicated by placing them closer together on the chart.) After the first team member has finished reading his or her voices, the next team member reads any of his or her remaining voices. The process continues until all voices are placed on the chart.

(15 min) The next step is to select the most essential voices (not more than 25) which represent the customer's perspectives, opinions, or feelings (see Step R15, p. 251 in Voices into Choices). If several voices reflect the same thoughts, pick the voices that best describe a need rather than a similar statement that is more narrowly solution-focused. Focus on the concrete, first-hand experiences of your customer rather than generalizations. As you select voices, move them to a second sheet of flip chart paper. Once you have consolidated similar voices, if you are still left with more than 25, agree on the most essential voices as a team. Discard the others from the chart.

(45 min) The final step is to construct Requirement Statements. The goal of this step is to create a set of action-oriented statements identifying functions that are critical to the customer. First, transfer the self-stick note documenting each of the core 25 voices to the top section of the requirement worksheet. Next, identify 1-3 key ideas being conveyed by the voice. Finally, write an action-oriented statement that translates the voice into a requirement following the guidelines outlined below. Keep in mind that one voice might translate into two or more requirements, each of which may reflect a different key item.

Step R16 in Voices into Choices gives guidelines about translating customer voices into requirements. Here are some examples in the context of student evaluation of cafeteria service:

> Avoid statements in the negative form: use "open during peak student demand" rather than "doesn't close early."
> Use multi-valued attributes rather than two-valued (yes/no) attributes: use "minimize time spent getting and paying for food" rather than "no waiting in line".
> Avoid abstract words. Be specific about the customer's needs.
> Avoid statements of a specific solution, e.g., "they should have more cashiers at lunchtime."

Avoid premature details, e.g., "stays open until 6:00 PM".
Use the concrete terms of the customer's own experience rather than intangible concepts: use "offers several brands of juices" rather than "offers a good selection."

For example:

Voice:

"I don't have much time [so] I get really irritated standing in a long line."

Key items:

customer is time-constrained
customers may become irritated if the process of getting food takes a long time.

Requirement:

"Minimize time spent getting and paying for food"

To save time you can divide voices among the team members for an initial translation. Afterwards, the team checks each other's work, discussing potential changes.

Step 5B Diagram the requirements

Schedule a group meeting. Follow the instructions for making an "affinity diagram" as described in Step R17 of Voices into Choices.

Step 6 Brainstorm for the best solution to the problem.

You should attempt to identify a possible solution to the motivating problem for the project, e.g.,

a new product concept, meeting the a key customer need identified in the VOC
a statement of the most significant deficiency or problem with a product or organization
a definition of the actual and desired brand or company image

This solution should make sense given the evidence collected in the Voice of the Customer, but you don't have to defend it with any quantitative evidence. Just use your group judgment (e.g., brainstorm and discuss). You can use Steps 18 and 19 in Voices into Choices as a guide for brainstorming ideas, and picking the best solution.

Step 7 Prepare report and presentation

## The Report

The report should be about 15 pages long, and cover the following:

1 Statement of objective
2 Description of methodology
3 Qualitative interpretation of the interviews
4 Affinity diagram
5 What has been learned – proposed solution & future research
6 Appendix - Pictures collected from the customers

You can make adjustments to this sequence of topics, but check with me first.

The most important part of the report is Section 3 on "qualitative interpretation." You might want to use as a model the readings: "To save or to spend," which is a professional summary of a daylong focus group in which I participated. Note the use of direct quotes, headings, and paragraph-length summaries.