

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)**



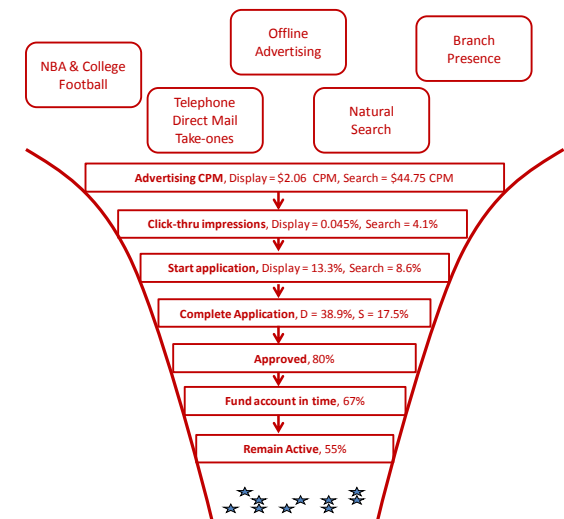
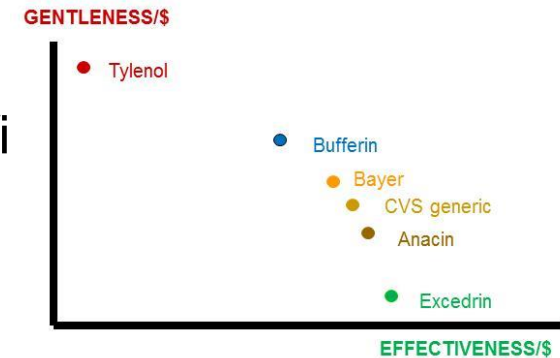
Aqualisa hints

- **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

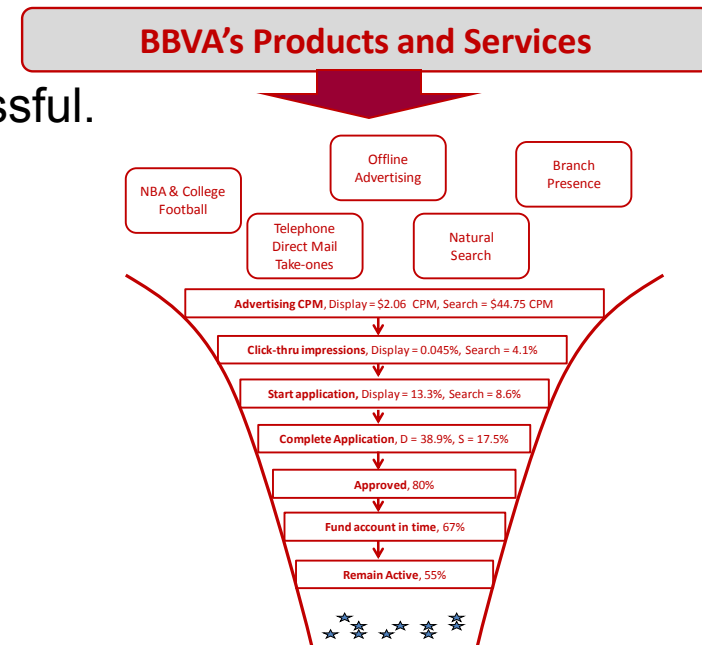
Metrics fallacy

- **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.



15.810 Marketing Management

You are the customer ...



Does customer satisfaction matter?

Starbuck's Customer Satisfaction Survey*

Visits/month	
Ticket size/visit	
Customer life	
Total valuation	

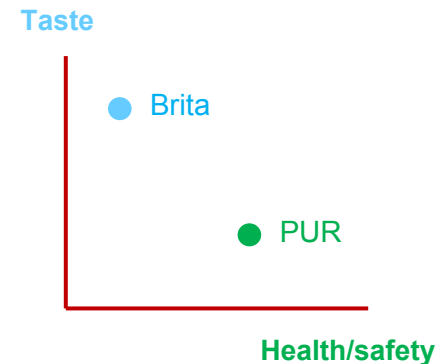


*Data from Yongme Moon and John Quelch (2004), "Starbucks: Delivering Customer Service"

Starbucks chose their target carefully

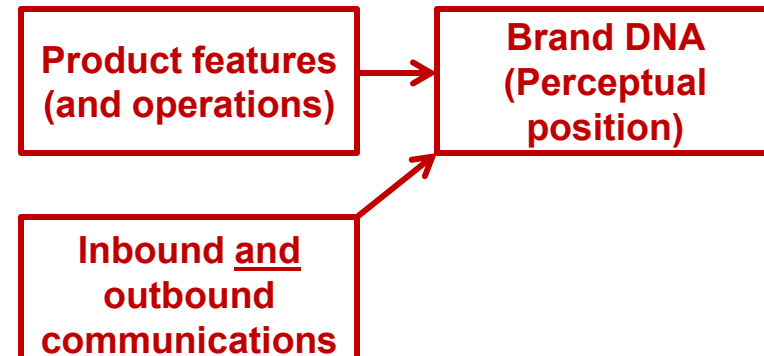
- **Positioning! Differentiation!**

- 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



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



Screenshots © General Motors. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <http://ocw.mit.edu/help/faq-fair-use/>.

15.810 Marketing Management

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"

Company	Customer wants	Company-ese
Maker of dishwashing liquid	Cleans my dishes	Surfactants

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**



© unknown. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <http://ocw.mit.edu/help/faq-fair-use/>.



© Cobras. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <http://ocw.mit.edu/help/faq-fair-use/>.



Qualitative research

Focus groups and ethnography

MTV: Finding the next trend

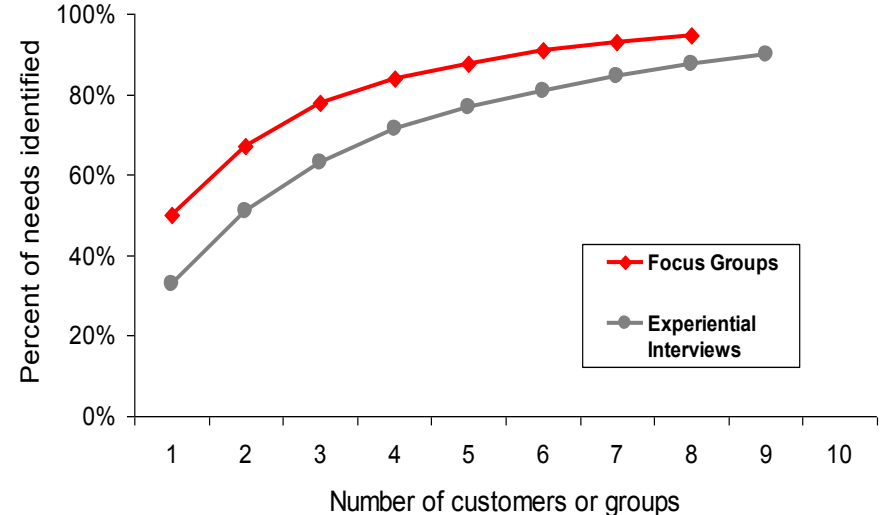


Levi's: exploring new markets



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)



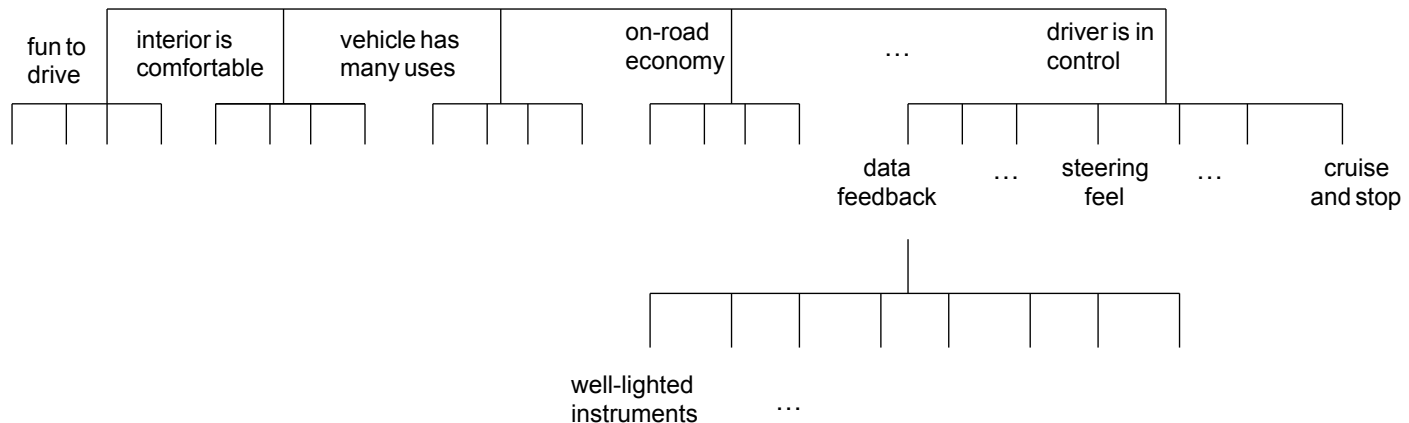
The firm listens better if it can focus on what is important

- **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**



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



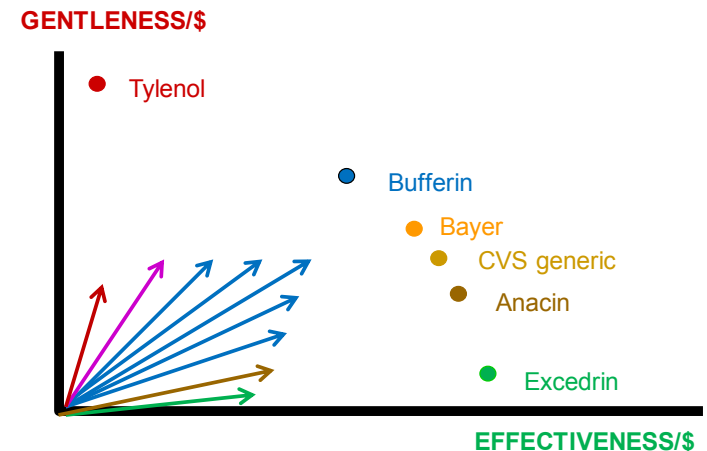
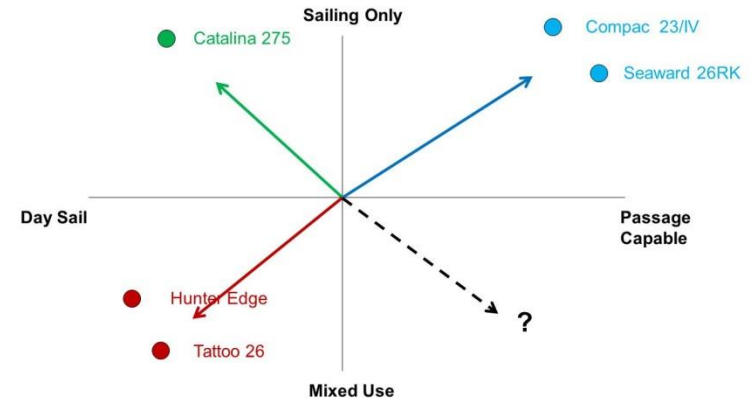
Customer sort?

- **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”

	Anchored Scales (assign 10 to the most important, 0 to 10 to all others, cascade primary, secondary, tertiary)	Constant Sum (assign 0-100 for each need, but they must sum to 100, then cascade)	Directly Stated (Assign 1 to 9 directly to each tertiary need, sum for secondary and primary)
Predictive Ability (correlation with preference for concepts: 1.00 would be perfect, 0.90+ is excellent)	0.93	0.93	0.89



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	100
Driver is in control	72
Interior is comfortable	86
Has many uses	86
...	...

↑
Importances

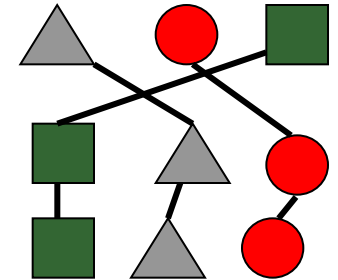
Actions by product designer

Relationships between Customer Needs and Design Attributes

Costs and Feasibility

“Engineering” Measures

Poor Great

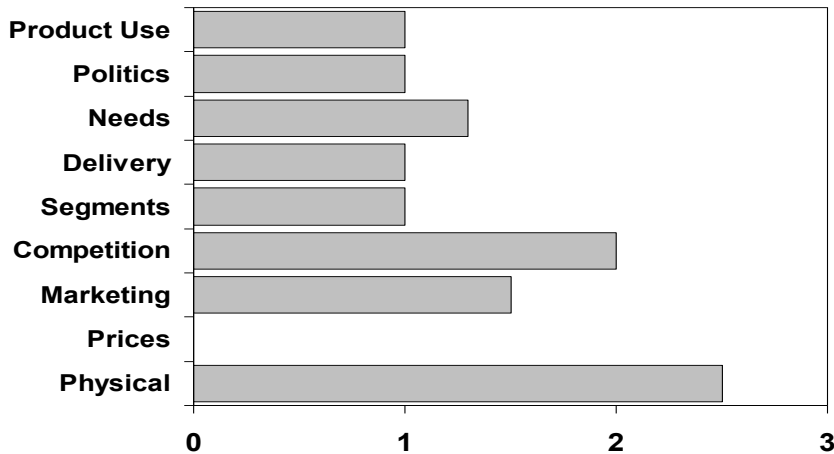


BMW Toyota GM

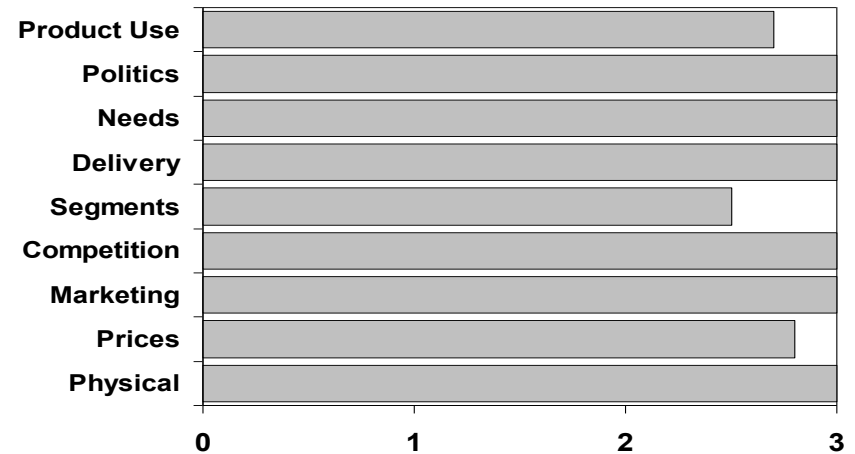
Customer Perceptions

Listen to customer and communicate within the organization

Failed Product



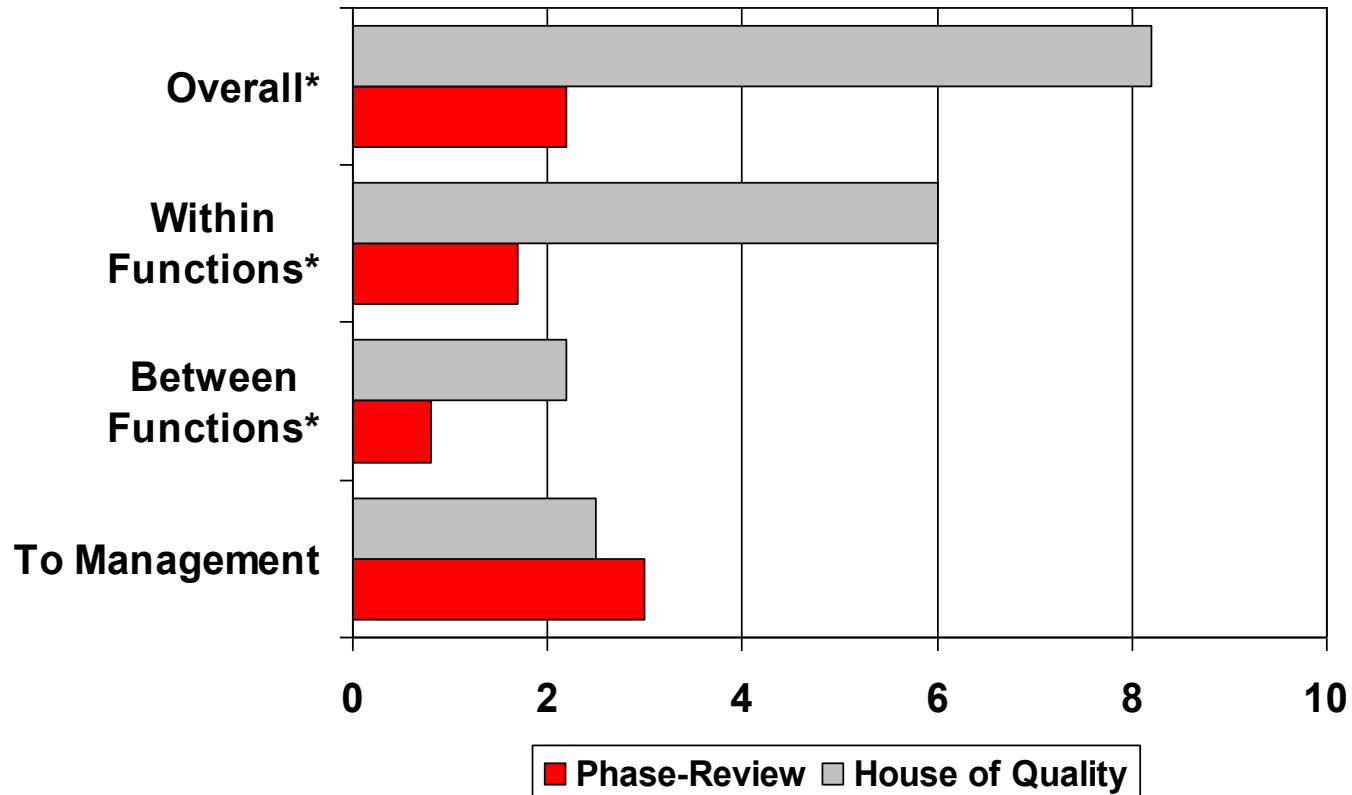
Successful Product



Amount of communication



Core team communications at Ford



* Significant at the 0.05 level.

Communications per week

Advanced topics

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

Women's Body Wash
Linkages Between Emotional and Functional Needs

Functional Needs	Secondary Importance	Emotional Needs																	Performance												
		I Take Care of Myself	I Feel Healthy	Confident	Take Some Time to Focus on "Me"	Giving Something Back to my Body	I Feel young	Feel Shower Fresh	I Feel Complete	Prepared For Anything	My Life is Fun, Not Mundane	Well-Groomed & Presentable	Carefree	Ready to Start My Day	Replenished	Have a Balanced Work/Family Life	I Have My Life in Order	Put-Together	Invigorated and Wide Awake	Refreshed	I'm Treating My Body Right	Pampered & Indulgent	I Care About My Appearance	Beautiful	Sexy	Feminine	I Don't Feel Stuck In a Rut	Client's Brand	Alternative Brands	Performance Gap	
Cleans My Skin Effectively	9.9																											3.0	3.4	(0.4)	
Makes Me Smell Clean & Fresh	9.8																												3.0	3.3	(0.3)
Nourishes My Skin	7.8																												2.7	3.1	(0.4)
A Brand I am Comfortable With	7.3																												2.4	3.3	(0.9)
Product is Easy to Dispense and Use	7.2																												2.6	3.5	(0.9)
Comes in a Variety of Clean, Light Scents	6.2																												2.8	3.3	(0.5)
Has Bonus Ingredients (e.g. Vitamins & Antibacterial Cleansers)	6.1																												2.5	3.5	(1.0)
A Product Made For Women	5.2																												2.5	3.5	(1.0)
Available in a Variety of Sizes	4.9																												2.3	3.4	(1.1)
The Packaging is Attractive and Feminine	4.5																												2.3	3.5	(1.2)



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?



MIT OpenCourseWare
<http://ocw.mit.edu>

15.810 Marketing Management: Analytics, Frameworks, and Applications
Fall 2015

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.