

BY ROXANNE LENNY

Building Markets Around Customer Needs

GETTING THE REAL STORY FROM YOUR CUSTOMERS



In previous issues of the *Client Communiqué*, we have discussed the need and importance of a solid understanding of the customer.

Businesses may feel they have an understanding of their customers from customer interactions — the sales force, “feet on the street” and other employees who have day-to-day interaction with customers — and hear what customers have to say. In time, the front line begins to develop an understanding of what customers want and what they need — at least on the day when employees have contact with them! But too often, interactions between a business and its various points of

At Frank Lynn & Associates, we have developed methods and practices to provide managers a solid and functional understanding of customers’ needs and expectations, and importantly, insights and methods to reach potential new customers.

contact are rushed, superficial and lack sufficient detail to provide a clear understanding of critical issues and perspectives to managers.

In addition, business managers often do not have the opportunity or take the time to tap into their employees to gain any feedback that can be provided. This loss of interaction with customer “touch points” keeps managers from hearing, even indirectly, what the customer has to say about products, services or pricing. Generally, a deep understanding of the customer is only available when management deliberately and directly seeks to obtain it.

Although management is “brought in” when a significant customer issue arises, daily management responsibilities often prohibit managers from hearing customers talk about the business’ (or competitor’s) services — be it positive or negative input. Unfortunately, when customers have a serious

problem with a product or service, they often simply shift their buying practices elsewhere rather than communicate issues and problems to the company that has been serving them. If perceptions and insights direct from the customer are not recognized early, monitored and then responded to by management, growing sales, sustaining profitability and market share will be a challenge, and likely impossible in the long run.

At Frank Lynn & Associates, we have developed methods and practices to provide managers a solid and functional understanding of customers’ needs and expectations, and importantly, insights and methods to reach potential new customers. Our experience has demonstrated that it is critical for our clients to hear from and understand what their customers are thinking on a consistent basis. Some managers proudly proclaim their commitment to market research, since they talked directly with customers 5–10 years ago when they launched a new product or offered a line extension. This intermittent approach is inadequate in today’s business climate.

Our tools and methods link valuable, in-house employee input (as it relates to understanding the customer) with information and input obtained directly from the consuming end-user marketplace. Our research programs and market research tools will provide you with direct and actionable insights. They are not used solely to identify and diagnose current issues and problems, but also are of significant value in identifying and securing an actionable strategy for future business growth.

To be successful, it is necessary to utilize different research approaches. Based on the business’ challenges and issues, as well as the characteristics of the end-user customer, we select the research approach that best fits the needs of the business.

Initially, we usually approach market objectives and problems qualitatively, to get a “first hand”

sense of the overall market environment. This allows us to develop theories and hypotheses about the nature, cause and implications of the perceived problems in your business. These qualitative conversations with end users can include Frank Lynn & Associates led focus group sessions (where 8 to 10 end users are engaged in a two-hour conversation). Focus groups are also useful as a qualitative research technique. This approach offers a way for managers to observe the conversations without the interviewees seeing you and being biased in their responses by your presence. We can conduct this type of research almost anywhere, permitting geographic freedom, because we have access to these facilities nationwide.

In other situations, research methods might employ individual, personal interviews — detailed conversations where we talk to your customers (or your competitors if possible) to gain insight and intelligence. These interviews can be successfully conducted both in-person or by telephone depending on the needs of each client.

Once we have established a fundamental understanding of the situation and issues from the end-user's perspectives, we conduct generally quantitative research. Quantitative methods include surveying larger numbers of end users for feedback — utilizing information gathering techniques that include interviewing by telephone or at a retail location, and more often by email (or Internet).

IN THE BUSINESS-TO-BUSINESS WORLD,
WE USE RESEARCH TO ASSIST US IN:

- > **MARKET SEGMENTATION** — understanding different customer groups, buying behavior and competitors
- > **CHANNEL OPTIMIZATION** — where products/services need to be marketed and available to win customers and maintain an advantage
- > **COMPETITIVE ANALYSIS** — leverages an understanding of competitive threats in the marketplace; strengthens your industry position and market share
- > **CUSTOMER VALUES ANALYSIS** — identify opportunities to shape the value proposition to customers
- > **MARKET COVERAGE ASSESSMENTS** — identify costly gaps in market coverage and develop new strategies to reach new markets and customers

ON THE BUSINESS-TO-CONSUMER
FRONT, QUANTITATIVE METHODS ARE USED
TO ADDRESS ISSUES RELATING TO:

- > **BUY PROCESS ANALYSES** — follow shoppers to stores and outlets to understand how consumers buy, where they buy and the product features that are the keen buying focus
- > **CUSTOMER SATISFACTION AND RETENTION INQUIRIES** — an on-going study of true and loyal customers
- > **PROSPECT ANALYSES PANELS (COMPETITOR'S SHOPPERS)** — understand the value of a key competitor or the perspective from loyal shoppers
- > **WIN-BACK MEASUREMENTS** — provide an understanding of shifts in product/service loyalty and develop counter-measures to bring these "lapsed" customers back to your business
- > **EMPLOYEE SESSIONS** — engaging your front line in conversations, to get their take on key business and customer dynamics

Effective market research allows business managers to hear, first hand, what customers think about when they need your product or service — how they select you, competitive factors that are considered, service levels expected from your business or product — and how to keep customers long term. When handled properly, there is a tremendous opportunity to tap into the same end users, or different ones, as often as necessary to monitor critical business issues and competitive conditions.

Incorporating our research methods and results into our other situational analyses broadens our consultative capabilities for our clients and has had direct and immediate applications for our clients. Here are just a few of the important and powerful outcomes our clients have realized:

- Buying process analyses for a client in the lighting fixture industry illustrated the need for expanded capabilities and roles for their in-house design consultants. Consumers did not realize that these on-site, no charge designers were available to also help them with lighting design — an area where they needed expert assistance. Signage that directs customers to this help has increased the use of the consultants and has boosted lighting sales by 15%

continued >>

- A large box store has reduced shrinkage by changing its liberal return policy regarding custom mixed paint. Our consultative analyses indicated that customers did not expect (or demand) this policy; in fact, while store management thought that they were meeting all of the customers' needs, the customers felt this policy was unnecessary (and suggested that ultimately higher prices would be passed onto the customers)
- Several companies are using video clips of our interviews at national sales conferences to help charge and motivate their sales force. Another company shares its customers' insight (videos of customer interviews) at the annual Board of Directors presentation — demonstrating to the Board how the company is run with a tight lens on the customer
- A leading building supply retailer now has a "first alert" employee program, where management is provided with customers' reactions from employees regarding a new inventory management process on a semi-monthly schedule. This feedback has permitted immediate fine-tuning of the new management program

SUMMARY

Our capabilities include a wide range of qualitative and quantitative approaches, as well as advanced statistical techniques to maximize insights gained from customers and prospects. If you are interested in learning more about the many other market research approaches that Frank Lynn & Associates employs, contact Roxanne Lenny, Director of Market Research, at rlenny@franklynn.com.

Frank Lynn & Associates' Audit Services

ARE YOU PAYING YOUR DISTRIBUTORS, RETAILERS OR OTHER CHANNEL PARTNERS TOO MUCH?

The Frank Lynn & Associates' Channel Compensation Audit is a unique opportunity to improve your bottom line. Our efforts in this field have generated substantial returns for clients across industrial, consumer products, telecommunications, high tech, construction and other industries. Are you paying your distributors, retailers or other channel partners too much? Are your discounts and allowances motivating them to perform or simply increasing their profits? Are you recognizing and compensating your best channel partners' value-add or paying them all the same? Or, worse, are you providing higher levels of compensation to your least efficient partners?

Channel compensation programs — including discounts, rebates, commissions, allowances and special deals, are major business costs.

- For manufacturers in industrial markets, rebates can average 15% or more
- In some building material markets, distributor discounts are 80% to 90% off list
- Promotional funds average 12% of sales at consumer packaged goods companies

These payments impact your channel partners' performance and your business results. Consider that the average

wholesaler or retailer earns 2% to 3% net profit before tax. A 1% rebate can increase a channel partner's net profits by 50%! Change your discount structure or other channel compensation programs and watch your channel partners' behaviors change.

In response to these challenges, Frank Lynn & Associates developed its Channel Compensation Audit. The audit focuses on the effectiveness of manufacturer discount structures, terms and conditions, rebate programs, incentives, promotional allowances and commissions. Tailored to each client's specific needs, the audit includes an evaluation of programs designed for wholesalers, retailers, distributors, VARs, integrators, reps, OEMs or other channel types. It can focus on long-standing channel partner relationships, emerging channels, or changes to an existing structure. As an option, a legal evaluation can be included. A marketing law attorney will assess current exposure or the risk of specific program changes.

We would be pleased to offer this service to your company and suggest that we begin with an informal meeting to discuss the benefits of this approach. Contact Karl Edmunds at 312.558.4866 or kedmunds@franklynn.com for more information.