QDI Strategies
Goals · Insights · Strategy

20/20 Vision for Marketing Breakthroughs

Building a Clearer Market Vision:
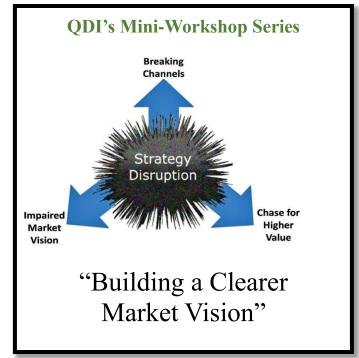# How to See Market Reality

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For over 15 years Mr. Bassill and Mr. Barr have lead QDI to helped companies develop channel strategies that build market power.

"It isn't what we don't know that gives us trouble, it's what we know that ain't so."
Will Rodgers

Will Rodgers, in the early 1900's, understood the danger of impaired vision. He said, "It isn't what we don't know that gives us trouble, it's what we know that ain't so." Pubilius Syrus 2,000 years earlier actually went further when he said, "Better to be ignorant of a matter than half know it."

It's pretty obvious why "impaired market vision" will disrupt a business strategy. What decision makers think they know is what they base their decisions on. If they were ignorant of a matter, at least they might question their knowledge, but if they think they know it, then their decisions will be based on what they think, which may be "not so".

QDI's Mini-Workshop Series

"Building a Clearer Market Vision"

Better Decisions

In earlier white papers we have discussed how changes in channels, products scope, and technology are disrupting markets and impairing market vision. This paper explores how to overcome impaired market vision that can lead to flawed strategy and implementation decisions. As Will Rodgers and Pubillius understood, if the decision inputs are wrong – "If what we think we know ain't so" – we will make bad decisions. The danger, and one we repeatedly face while working with clients, is that it's natural to be unaware of what we don't know.

The real challenge in learning what we don't know is that "what we know seems so reasonable." This "reasonable" understanding forms implicit assumptions on which we base decisions.

To develop this level of market insight we employed discovery research rather than traditional surveys. Discovery research collects information about the market with the goal of creating a valid hypothesis of how the market works, whereas traditional surveys

start with a hypothesis and capture data to prove or disprove the hypothesis. In the traditional survey approach we are often testing a hypothesis that is based on underlying assumptions that are seldom stated.

Discovery research has four significant advantages:

1) Discovery research looks at the customer's behaviors, identifying not only what you and the customer "know" is important, but related behaviors, costs, unstated needs and issues which the strategy MUST address.

2) Discovery Research speeds implementation because the research process rapidly develops and tests hypothesis, enabling the team to create and test alternative strategies as part of the research process. As the team understands the key customer adoptions issues, they can test some alternatives to address these newly identified customer needs as part of the research process.

3) Discovery reduces risk because it is an open learning process, potentially uncovering faulty implicit strategy assumptions that traditional survey research misses.

4) Key individuals on the development or launch team are involved in the process -- discussing what is being learned, shaping the questions and even participating in some of the interviews.

The table below shows how Discovery Research answered the original question, plus more importantly, discovered other fundamental issues that altered the strategy.

Original Question	Discovery Research Finding	Implicit Original Assumption	Strategy Revision based on Discovery Research
What educational formats (webinar …) will help customers learn and adopt?	Almost 90% of the customers need much greater support than education.	Educating customers will increase adoption.	The client had to develop application support expertise for these customers
What should sales force training cover so they can help increase adoption?	The sales force does not call on the people who make the decisions.	The existing sales force can introduce the concept to customers.	The client had to create a sales group appropriate to a more senior decision maker
What types of case studies do customers need to see to assess the potential benefits?	Customers say their situation is different – they will not believe the case study savings apply to them.	Case studies showing customers how much they can save will increase adoption.	The client needed a program of customer trials not case studies.

These findings each had implications that the team realized contradicted an implicit assumption in the team's plans. The implicit assumptions were logical and based on extensive experience in their core businesses.

The statements that we list as implicit assumptions were not even questioned when we started our research. It's not that the assumptions were always wrong, for example customer education scored highly, it's just that it was not sufficient to materially impact adoption in this situation.

Discovery Research

In the research cited above, we used Discovery Research to explore how customer made decisions to adopt the specific type of product our client was about to market. It was through conversations with customers that we found out what was necessary to drive increased purchases or adoption. Thus, when we looked back at the strategies the teams were developing it was then that we realized they held underlying assumptions about customer behavior that were not true. Employing discovery research, instead of traditional hypothesis based survey research, changed WHAT the clients did.

Discovery Research starts at the beginning of the learning process when you are going from data to a hypothesis. You use Discovery Research when you don't know how customers will buy, or are willing to take a fresh look at how the market works, or what solution customers want, or what strengths you could apply to the problem, or simply put, "You don't know what you don't know!"

Discovery research is designed to provide a broad understanding of market behavior, letting the market dictate what is important and what topics or issues we should explore. This leads to learning what is really important to the market and for your strategy. Discovery research involves open, unbiased listening to what customers are saying.   It is from understanding the patterns and consistency in what customer are saying and doing and why they are behaving as they are that enables project teams to build hypotheses about customer behavior.

During the Discovery Research process the researcher is comparing what he is learning from one discussion to the next to create a hypothesis about market behavior. As he continues to talk with the market the researcher begins to verify the hypotheses by constantly comparing what he is learning from different parts of the market to see if there is consistency in behavior that supports his hypotheses.

Jim Collin's book "Good to Great" is based on this type of discovery work:

> "…we developed all the concepts in this book by making empirical deductions directly from the data. We did not begin this project with a theory to test or prove. We sought to build a theory from the ground up, derived directly from the evidence."

Discovery Research uses the "Grounded Theory" concept which builds hypotheses based on the data, as opposed to survey research which is using the data to test a hypothesis. For an academic journal see http://groundedtheoryreview.com/

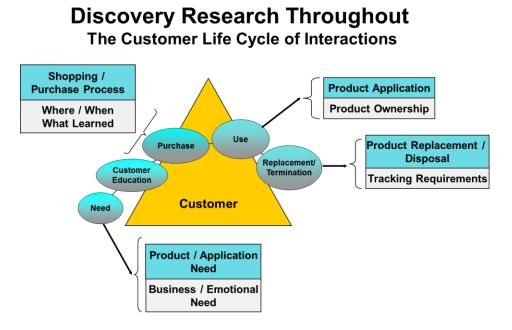# How To's of Discovery Research –Tools and Process

The open-ended nature of discovery research makes it very difficult to predict or manage the learning process. QDI uses a structured approach and three primary tools to focus learning when using Discovery Research to understand business to business (B2B) market behavior. The tools include:

1) Customer Lifecycle of Interactions (to structure the conversations)
2) Decisions Hierarchy within Customers (to scope the interactions)
3) QDI's Market Effectiveness Model (to categorize the strategic impact of what you are learning)

The Tools: Customer Life Cycle of Interactions

Discovery Research explores the customer's entire life cycle of interactions with a product or service from **Need** through **Purchase** and **Application** to **Replacement** or **Termination**, as shown below:
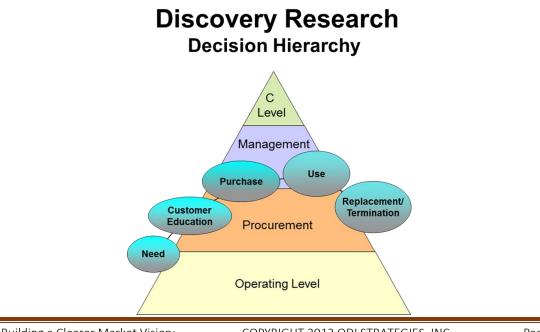
- Need Development – how the customers discovered they had a need that your product or service might meet

- Shopping / Purchase Process – the steps the customer went through to make a purchase decision; where he shopped, what he learned, what he evaluated, and how he made his decision

- Product Application –how the customer uses, intends to uses, or used your product within his business. Examine what it did well. Poorly? What was better?

- Product Replacement – what the customer did when he was ready to dispose of, or add to your product or service

Discovery Research Throughout
The Customer Life Cycle of Interactions

Decision Hierarchy

To understand the impact of the product or service in question we need to understand its impact from the **Operating Level** to the **C-Level.**
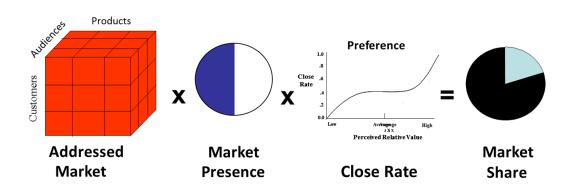
Discovery research branches out to anyone involved in the marketing chain, especially anyone involved in the customer's decision-making process. Thus, as shown below, Discovery Research explores the behavior and needs of all the relevant decision-makers and influencers, from operators to executives, when assessing how a product or service will fit into a customer's business.

Discovery Research
Decision Hierarchy

Market Effectiveness Model

QDI's Market Effectiveness Model provides a framework for assessing the strategic implications of what you are learning. Are you hearing issues about the product or service that imply you are not meeting the basic product needs of the Addressed Market? Are you not getting presence to the customer's problems and purchase process? Are you present with a viable product, but not making the sale – what value are you not delivering that is lowering your Close Rate?

QDI's Market Effectiveness Model

Structuring what you are learning and estimating the impact of these market discoveries on your market share provides the insight necessary to focus on the key strategic issues.
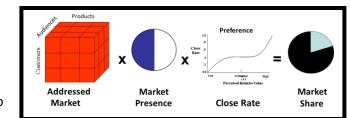
The Process

The process that we outline below provides structure and engages your team in an open learning process. The process starts with what you know. Discovery starts by exploring your internal data, interviewing players throughout your organization, and studying research you've conducted in the past. The objective at this stage is to understand the market from the internal perspective and the business issues that need to be addressed.

The next step is to explore what you *don't* know.

- Develop a "discussion guide" and a sample design, essentially identifying what you want to learn and who you think you should talk to in this process. Use QDI's Lifecycle of Interactions model as a framework to structure your customer discussions.

- Begin interviews by listening for the customer's interaction with the product or service you are trying to understand. Look to understand what the customer is doing at each stage of interaction with the product or service and the why's behind this behavior. Make notes of anything unexpected, i.e., a particular behavior or reason for doing something, such as a problem or frustration the customer has, or unanticipated costs incurred in use of the product or service.

- Review each interview – how do the findings – expected and unexpected -- relate to the product / service / opportunity / launch plan? What follow up questions does this generate? Pay particular attention to who you are talking with. Does this person have the same organizational role as the prior people you have spoken with? If not, what difference in perspectives are you hearing? What does this indicate to you?

- In the next conversation, if you notice differences, tell the customer what you heard before and ask why he is doing something differently.

- Continue reviewing interviews looking at the implications and the variations between interviewees. When you see differences of interest, be sure to add appropriate questions to the next version of the discussion guide.

- Repeat this process and begin to identify patterns of behavior, needs or even attitudes. You may start seeing different patterns and therefore start to think about creating segments based on behavior. Use QDI's Market Effectiveness Model to categorize what you are learning relative to its impact on market performance. Share what you are learning with the rest of the team to explore

what follow-up questions should be added and what possible strategies should be tested in the next set of customer discussions.

- You repeat this process until you no longer see significant differences in what you are learning. At this point you have created some hypotheses about customer behavior and possibly even tested strategies to address these hypotheses.

- Triangulate, integrate, and, cross check what you are hearing in conversations with market players – channels – industry experts – internal sources.

Triangulate, Integrate, and Cross Check

The team undertakes a robust learning process by looking at data from all of the market players including your organization. How does what they say support or contradict what you are learning and why?

- Your internal data, past research, and organizational knowledge
- Your customers, the competitors' customers, and potential customers
- Your channels, the competitor's channels, and potential channels
- Industry experts
- Associations and government sources

In addition to the statistical validity of findings within each source, the consistency between audiences of how each speaks about the uncovered issues provides additional validation of the hypothesis.

Discovery Research Process Summary

The critical steps in this process are:

1. Look at every customer discussion as new insight that might change what you think.

2. Compare one discussion to the next even across audiences.

3. Try to hypothesize why the response may have been different than expected.

4. Revise the discussion guide to the next to gain deeper insight and test strategies.

5. Use this insight to develop hypotheses about the market which would impact strategy.

This isn't an easy process, as Phillip Kotler (Professor of International Marketing, Kellogg School of Management, Northwestern University) said, "Some customers… cannot articulate these needs … We can distinguish among five types of needs: (1) stated needs, (2) real needs, (3) unstated needs,(4) delight needs, and (5) secret needs. Responding only to the stated need may shortchange the customer." Discovery research is the starting point to "See Market Reality".

If you are interested in QDI's assistance in applying QDI's Discover Research Process in your business to see the reality of your market, give us a call.

Where Clients Ask QDI for Help	
New Products / New Markets	Develop market insight to <u>speed</u> launch and ramp-up while <u>reducing the risks</u>
Channel Issues	Provide <u>clarity</u> regarding conflict, performance, and go-to-market options
Share Growth	Discover market drivers and determine <u>strategy opportunities</u>

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