



# Insights Into Customer Insights

Insights often emerge from looking at a problem differently, and by being eclectic in research methods.

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**E**xcellence in customer relationship management begins with deep understanding. But customer understanding goes well beyond the traditional CRM notion of analyzing customer responses and creating targeted offers for specific customer segments. While [redacted] can lead to [redacted] in marketing effectiveness, it seldom results in marketing breakthroughs. True breakthroughs often come from customers who aren't in your database with offerings that customers cannot even visualize. They are often based on powerful [redacted]

Consider [redacted] and its phenomenally successful personal digital music player – [redacted]. When Apple launched the iPod in October 2001, [redacted]. In fact, digital music players had been around since 1998. But Apple was the first to get it right by understanding the crucial design equation for a portable digital music player – the largest number of songs divided by the smallest physical size. Apple's research uncovered a key insight – people want to take all their music with them, but they want [redacted]. [redacted] led to two key design goals – make it as [redacted] and build [redacted]. Add a dash of Apple's design and usability magic to this insight, and you have a recipe for a blockbuster. By April 2004, Apple had sold more than 3 million iPods, creating a billion-dollar business for Apple. Apple commands a 40 percent market share in digital music players and a whopping 70 percent share in the legal digital music download market.

Apple's success was grounded in the insight about how consumers wanted to consume digital music. Indeed, entire companies have been built on a single customer insight. [redacted] was founded on the [redacted] but [redacted] [redacted] [redacted] early success was based on the [redacted]

[redacted] as most hardware stores focused on contractors and professionals. [redacted] was successful because it [redacted]

And [redacted] is founded on the [redacted] [redacted] and [redacted]

While customer insights are valuable, they are hard to come by. In fact, they are hard to even define. So what exactly is a customer insight? Where do insights come from? Why does conventional market research rarely produce customer insights? How can companies improve their customer insight capability? Where should they look, and what tools should they use in their search for customer insights? In the answers to these questions may lie the keys to the growth and success of your company.

## The Nature Of [redacted]

The dictionary defines insight as the "act of [redacted] the inner nature of things." More precisely, I define a customer insight as a fresh and not-yet-obvious [redacted] that can become the basis for competitive advantage. This definition suggests several characteristics of a customer insight:

[redacted] Wisdom is sometimes defined as a "penetrating view of the obvious." Insights seem eminently logical in hindsight. But they are not obvious before they are discovered. In fact, they are often not obvious to most people even after they are discovered. A [redacted] in the highly competitive MP3 player market. Southwest Airlines and Wal-Mart defied conventional logic by refusing to locate their operations in the most highly trafficked neighborhoods and airports. So when you are

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the truth is obvious.

It is a [redacted] If you want to have different conversations, you must have different voices. And if you want to see different things, you must look through different eyes and with different lenses. [redacted]

The [redacted] discovered that [redacted] by [redacted] the emergency dispatch system used by the [redacted] The [redacted]

To gain customer insights, we must understand that we are prisoners of what we know and what we believe. And we must broaden our horizons by using diverse tools and listening to diverse voices.

It [redacted] A common theme in customer insights is that they [redacted] In fact, quantitative market research rarely yields customer and market insights. As Steve Bennett,

ing. The first approach is [redacted] where we test a known idea or hypothesis in order to see if it is true. Deductive reasoning is the dominant logic behind quantitative or “[redacted]” customer research, where [redacted] or to get specific answers to well-defined questions. The quantitative research paradigm uses the scientific method of experimental design and hypothesis testing, and relies on structured customer interviews and sophisticated statistical analysis.

The second approach to customer understanding is [redacted] where [redacted] Inductive reasoning does not begin with a question or hypothesis. Rather, [redacted] that may lead to a hypothesis. Qualitative or “interpretative” customer research draws on inductive reasoning. In the qualitative research paradigm, we rely on thick observation of customer behavior in a quest for deeper understanding and insight.

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**Qualitative research and quantitative research need to go hand in hand for true customer understanding. Qualitative research generates insights, while quantitative research validates insights. You need both research traditions, and in the right sequence.**

CEO of [redacted], observed in a recent speech at Northwestern University’s Kellogg School of Management, “[redacted]” Yet companies continue to spend millions of dollars on market research, using rigorous surveys and sophisticated quantitative techniques like conjoint analysis, cluster analysis, and factor analysis. [redacted]

It is often rooted in an observed anomaly. In uncovering insights, it is important to heed the saying: “[redacted]” Often, an anomaly is a valuable starting point for uncovering insights, because it [redacted] and potentially overturn the orthodoxies in a market. When [redacted] it asked, “[redacted]” [redacted] questioned [redacted] when [redacted] and people don’t rent cars only when they fly. As companies race to benchmark and copy each others’ strategies, they often end up looking just like each other. This strategy convergence tends to reinforce industry traditions that make perfect sense to insiders, but create interesting opportunities for outsiders who find that the status quo in the industry is at odds with what should be, or what could be.

### The Two Ways Of Knowing

To improve our ability to understand customers, we need to appreciate that there are two very different approaches for customer understand-

research traditions, and in the right sequence. Quantitative research that is not informed by insightful qualitative research may end up being precise but lacking in customer insight. On the other hand, [redacted] As Albert Einstein observed, “Science without religion is blind, and religion without science is lame.” Qualitative research provides the eyes, but quantitative research provides the legs of validation. You need both if you want to walk out of the forest of ignorance.

### From Market Research To Customer Insights

In most companies, the market research organization is charged with the responsibility for developing customer understanding. However, most market research departments aren’t fulfilling this mission because they fail to appreciate that they exist not to do market research, but to generate customer and market insights. The value of the market research department is not determined by the number of studies that it does, but on the [redacted] In fact, I believe that market research departments should be called the “[redacted]” function, to emphasize the true [redacted] This is what the consumer products giant Unilever has done. Its customer and market insights organization defines its mission as “getting better at understanding our consumers and meeting their needs.” At Eli Lilly, the vision



for the customer insights team is to “deliver insights that drive decisions,” and not confirmation of what Eli Lilly knows or hypothesizes. These examples reinforce a basic fact – market research is a means to an end – generating customer and market insight. Research as an end in itself has no meaning and no value.

### Making Lightning Strike Twice

Customer insights are like a lightning bolt – illuminating, but rare. While you cannot make lightning strike, you can make it more likely that you are at the right place and the right time where lightning is likely to strike. To increase the probability of generating customer insights, you must talk to the right people in the right places using the right set of tools. Here are some specific

firm. Customer insight is too important to be left to the market research department or the marketing organization. Customer insights can come from any functional area of the organization, including marketing, engineering, sales, customer support, purchasing, or operations. They can originate from the top management or from a front-line employee. And they can be sourced from inside the firm or from external partners. The marketing organization needs to connect customers with all functional areas in the company, to capture customer insights wherever they may emerge, and to disseminate insights to where they can be used. Marketing must evolve beyond its traditional role as a “middleman” conveying the voice of the customer to the organization. Instead, it must become the orchestrator of all customer-facing interactions between the firm and its customers.

users who don’t do business with anybody in the category. As Clayton Christensen observes in his book, *The Innovator’s Solution*, disruptive innovations often compete against category non-consumption. Southwest Airlines did not compete with other airlines. It competed against railroads and cars, taking people out of cars and putting them into planes.

Customer insights often emerge from so you must cast your net wide in fishing for insights. Leading customer insight companies such as

Some examples:

- Intuit designed a “” program where researchers spend time watching consumers manage personal finances in their homes;
- Hallmark has the “” a 1,000-member virtual community that the company mines for ideas and feedback on personal expression;
- Mazda used a “” tool called “” which monitors all conversations and discussions related to the Mazda RX-7 to understand what customers wanted in its new RX-8 sports car; and
- “” relies on a design concept team consisting of external domain experts and industry visionaries to generate breakthrough design concepts.

Market research organizations should not wait for product managers to come to them for research projects. Projects that

Winning the customer insight race demands that you understand the true nature of customer insights, embrace both the ways of knowing, reinvent the market research function as a customer and market insights function, and improve your peripheral vision.

Expand your repertoire. “” is essential for a deeper understanding of customers. Traditional research techniques like “” are better at understanding needs that customers can articulate. To gain a better understanding of unarticulated needs, the research tool kit needs to be augmented with “” like “”

These techniques rely on direct observation and interpretation t

Most efforts at customer understanding are focused on current customers and currently served markets. “” you need to escape the “tyranny of the served market” by looking beyond the customers in your customer base and the products in your portfolio. To expand the peripheral vision, you should try to “” and non-

are originated by product managers tend to focus on seeking answers to known questions, because they relate to a specific product or marketing problem. Market research organizations should complement these projects with proactive, open-ended projects that seek to develop a deeper unders

er-competitive world, the race for competitive advantage is really a race for customer and market insights. Winning the customer insight race demands that you “” of customer insights, embrace both the ways of “”

as a customer and market insights function, and improve your peripheral vision. While there is no guarantee that an apple falling on your head will lead to the same level of insight as it did for Isaac Newton, you can at least make sure you are sitting under a tree that is full of ripe apples, where it is more likely that an apple will fall on your head. ■