Case Study

Premium Audio Equipment Manufacturer Tunes In to its Customers to improve product profitability.

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The Director of Strategic Marketing of a well-known premium audio equipment manufacturer (the Company) in the United States had just concluded a weekly meeting with her team. As she walked back to her office, her mind raced as she anticipated her team's next challenge: to formulate the product development plan for the Company's entry into a new and potentially lucrative market. "How will this new product differentiate itself from existing products," she wondered. "Can we successfully compete in this market?"

At this point, the Director would, customarily, have to initiate an iterative product planning process with her cross-functional team. The process included assessing appropriate products in their development pipeline, establishing the target market's profile, determining the product attributes the target market seeks, as well as examining products targeting the same market segment. On the basis of that analysis, the team would then create a (MRD) Marketing Requirements Document to illustrate the proposed product's features and attributes. In addition, they would have to design and conduct their own market surveys and focus group discussions to validate assumptions of consumer attitudes toward the planned product attributes. Once these elements and the project's financial outlook are worked out, the Director would make a final recommendation, and if top management approved, the product would be rolled out into a development stage.

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She was, however, dissatisfied with this time-consuming, costly, and tedious process. Just formulating and validating survey questions took up a considerable amount of time and resources. Moreover, she realized that many product design decisions were being made on the basis of certain assumptions about their target market and not on actual customer experience with a product. As a result, the process had not always translated into market success for new products. "We're running batting averages of well below 50%," she thought to herself. "There must be a more effective approach to this."
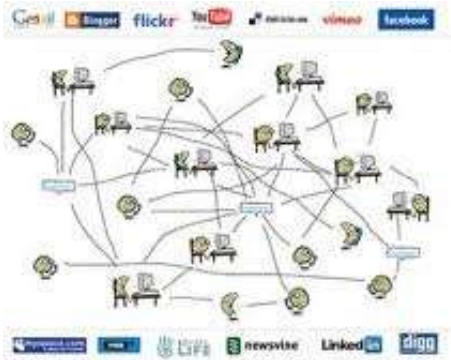
The Company

Established in the 1920s, the Company had built a name for itself in the high-end audio equipment and accessories market. It had 100 products in 12 categories in the market, translating into yearly revenues of almost $1 Billion. Although, on the average, its Strategic Marketing group worked on 1 or 2 product planning projects each quarter, the Company conservatively released new products with less frequency, at around 2 per year.

An alternative approach to market segmentation

A few days later, the Director had lunch with a friend who worked as a business consultant, and explained her dilemma. Luckily, her friend told her about innovative software that supports an **alternative approach to market segmentation**.

Unlike a traditional, demographically-defined market segmentation method, this approach at once zeroes in on a market segment composed of *customers* (not consumers) who have purchased existing products that the planned product intends to challenge. In particular, it analyzes *actual customer experience* with those existing products. The relative frequency with which customers mention certain attributes tend to indicate those

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attributes' importance to the customers. On the other hand, customers' satisfaction or dissatisfaction with a product in terms of those attributes tends to denote particular strengths or deficiencies. Accordingly, those *white spaces* where existing products are unable to meet key customer expectations present potentially lucrative opportunities for new product differentiation.

Unaided by technology, this approach, had not gained much popularity because of its complexity, high implementation cost and inability to scale. However, a month before, at the CES trade show, the consultant had come across Amplified Analytics, a company which had pioneered the use of machine learning, opinion mining and semantic analysis of *user generated content* (UGC) technologies for strategic product planning applications.

Pilot Test

After the initial telephone introduction, Amplified Analytics provided her with a live, on-line demonstration of its Customer Intelligence Analysis (CI analysis) service which, by mining content generated by the product customers, discovers real insights into a target market's preferences and expectations. Realizing the possibilities that the software offers, the Director decided to pilot it for a week, to aid her team in composing their MRD (Marketing Requirement Document).

From the outset, the Director was amazed at how easy it was to set-up the service. All they had to do was to select those products that were serving that particular market segment, and with which the new product will compete for their customer' affinity. Within 24 hours, the CI analysis algorithms located a few hundred online stories written by actual customers about their experiences with the identified products. It then analyzed the content of these stories, and produced a detailed list of the product attributes that were important to the customers, such as bass level, battery life, and Bluetooth compatibility. It also measured how the customers' experiences with a particular attribute met their expectations. The Customer Intelligence Analysis report was delivered to her online and included access to the verbatim comments. The following chart shows a sample deliverable. While the colored

bars indicate the products' satisfaction scores in terms of particular attributes, the green line running across the chart depicts the attributes' relative importance to the customers

Customer opinion about Product attributes by their importance to customers
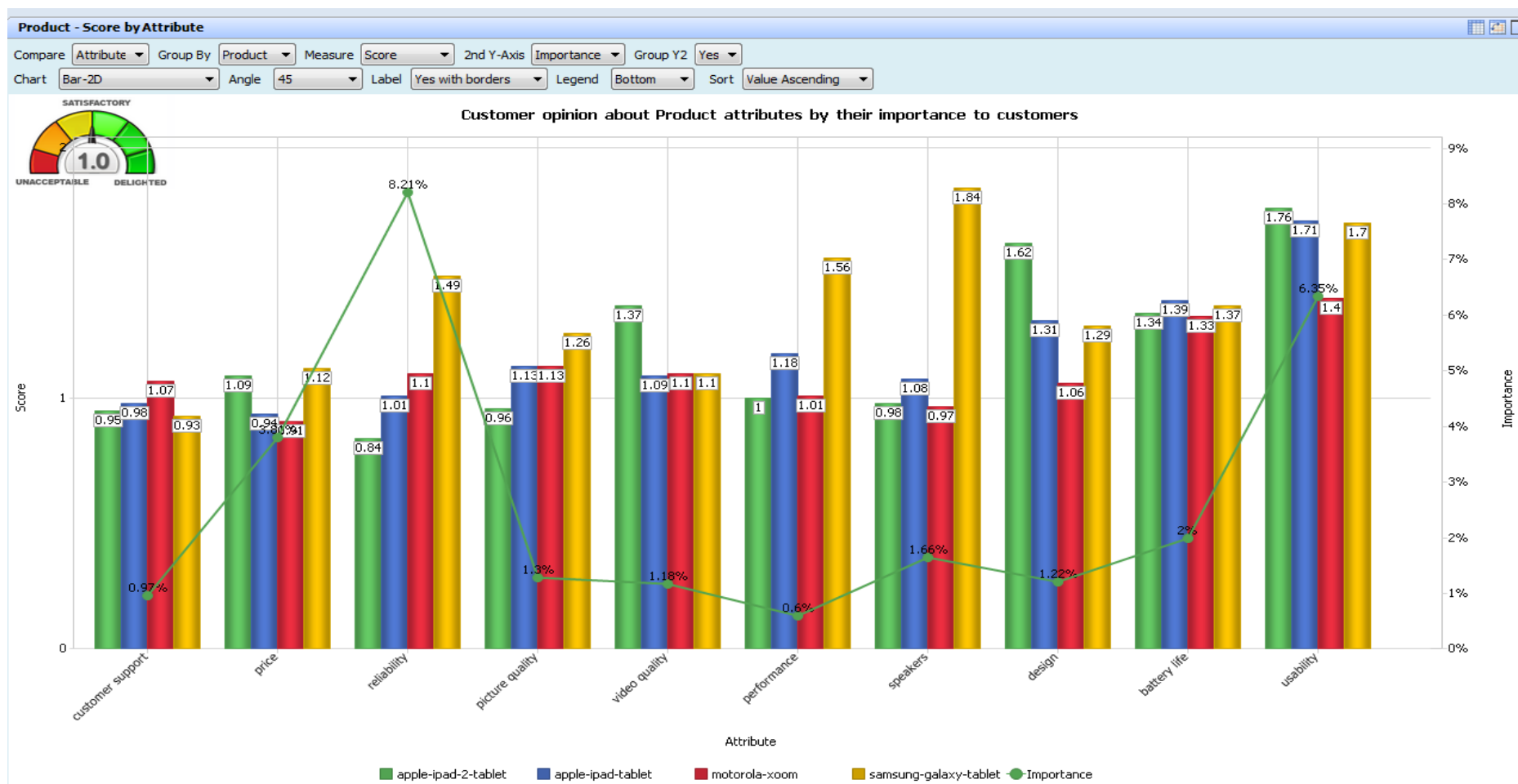
The Director's team took a few days to review the CI analysis information and absorb it in the context of verbatim comments. They soon realized that the attributes that were of high importance to customers but registered low product satisfaction scores were the ones that presented excellent opportunities for product differentiation. Moreover, the report drew their attention to certain attributes that they had not considered previously.

Results

Certainly, the results of the report provided the Strategic Management team with reliable, customer-driven base for product development. In addition, because the reports allowed users to zoom in to specific, verbatim stories or comments, they also allowed the team to craft marketing messages that would very likely resonate with their target market. And after exploring the websites that carried the customer stories, the Director seriously considered using Social Media for the product launch, and subsequent word-of-mouth marketing campaigns.

"We incorporated the methodology into all of our Strategic marketing business processes," she says. "At the monthly cost of service being below 10% of what we used to spend on Consumer Research, and the quality of information the Amplified Analytics software generates, it was a very easy decision to make"

Although the Director decided to use traditional Market Research methods to validate the software's findings, it was at a dramatically reduced cost.

By providing reliable information on what the market seeks right at that moment, it cut short the arduous process of creating customer survey questions, and made focus group discussions a lot more productive. As Amplified Analytics pointed out, "what you don't ask, people won't tell you." With much of the tedium eliminated, the Director and her team were, consequently, able to focus on more strategic concerns.

The new product was finally launched 3 months later. While it is still in the early stages of its 18- to 24-month life cycle, it is already indicating market success. To date, the ratio of units sold to units shipped is 15% higher than the company's historical benchmarks.

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