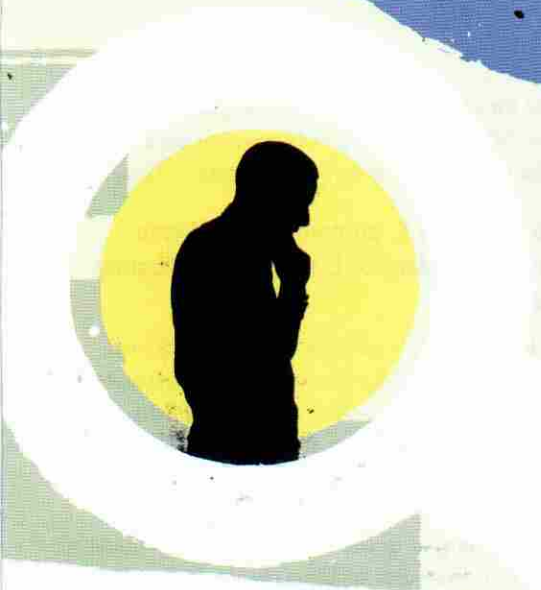
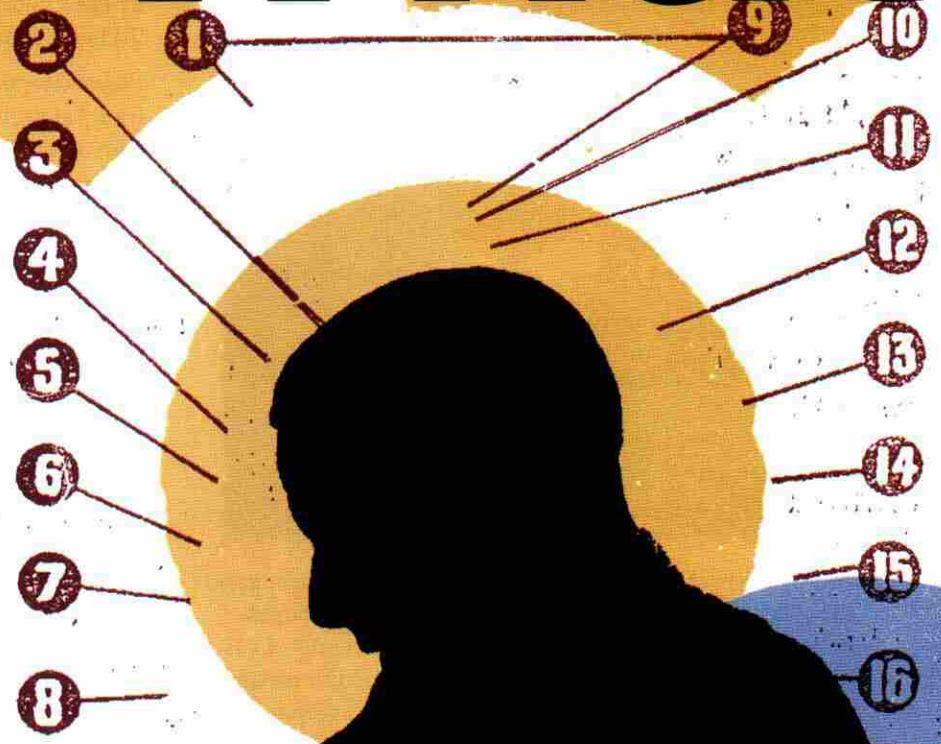




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What



Makes Customers

TICK?

Most businesses have no idea why customers behave as they do.

By Lewis P. Carbone

There's never been a better time or a more compelling reason to get to know your customers. Given the challenges facing business today, it's not surprising that the Marketing Science Institute lists "greater insight into the customer experience" as one of its top research needs. Increasingly, we have the means to achieve that end. Innovative new approaches and research tools are now becoming available to help businesses expand their view of customers and dig deeper to understand what truly makes them tick.

In recent years companies have made significant efforts to become more customer-centric. In fact, the notion of "listening to the voice of the customer" has been taken seriously—and quite literally—by countless firms. The practice of going

directly to consumers to find out what they think about a product, service, or experience is a basic foundation for business decisions every day.

Implicit in this practice is the assumption that customers will accurately report their thoughts and desires. Yet time and again companies engage in painstaking and expensive research to guide new initiatives, only to find that consumer behavior in the marketplace bears no resemblance to what their research indicated.

Remember New Coke? Its introduction has been heralded as both a brilliant promotional scheme and a major faux pas. But in consumer surveys, even in taste tests, cola drinkers proclaimed their willingness to try and to buy a new reformulation of Coca-Cola's classic beverage.

EXECUTIVE briefing

How do consumers assess value and arrive at decisions? New insights and approaches into this issue are rewriting the old rules of market research. Science is proving that as much as 95% of human thought, emotion, and action is rooted in the unconscious mind. Organizations that want greater marketing effectiveness must begin to understand the value of these diverse new approaches, as well as the robust capability they offer for designing and delivering far richer customer experiences.

They even responded positively to a more Pepsi-like reformulation. But when the new formula rolled out, it was met with anger and dismay by loyal Coke drinkers and non-drinkers alike. Contrary to the research-based expectations, sales were poor and the product flopped.

The phenomenon isn't unique to the cola business. Marketing has always been based on taking consumers at their word—on grilling them for insights about their tastes, buying habits, and brand attitudes. Yet approximately 60%–80% of all new products fail.

Why? Because traditional research doesn't take into account how the consumer mind works.

How the Brain Works

Up to this point, much of the effort put forth to understand customers has dealt with how they behave and what they have to say. What has not been developed—in large part because the capability hasn't existed—is a deeper understanding of why customers behave the way they do.

Most conventional market research assumes customers understand how they develop preferences and feelings about their experiences. However, we're learning that the conscious choices consumers make are determined almost exclusively through unconscious processes. By relying on consumers to accurately report why they act the way they do, popular research methods like focus groups and surveys very often force customers to develop "intellectual alibis"—to make sense out of things that they simply aren't able to articulate due to their subconscious origins. Instead of the real reason for buying or not buying something, these conscious-centered approaches result in rationalizations based on how people think they ought to be motivated.

This fact affects not only value for consumers, but actions in corporate board rooms. Noted management scholar Peter Drucker states that many CEOs of large U.S. firms who were appointed in the past 10 years "were fired as failures within a year or two in part because they relied on poor paradigms about customer thinking."

The good news is that in the last decade neuroscientists have learned more about how the human brain works—how

people process data, both consciously and unconsciously—than in all previous centuries combined. Because of this, we can now begin reaping valuable insights based on how customers formulate their thoughts and preferences about a product, service, or the total experience.

"More may have been learned about the brain and the mind in the 1990s—the so-called decade of the brain—than during the entire previous history of psychology and neuroscience," notes leading neuroscience scholar Antonio Damasio, M.W. Van Allen distinguished professor of neurology at the University of Iowa College of Medicine.

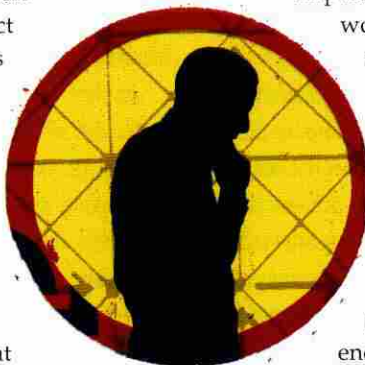
In particular, modern neurological research shows that people don't think and draw conclusions in linear, hierarchical ways or in exclusively conscious ways. Instead, they glean cues and bits of information from all the senses, above and below awareness, to form a composite experiential impression that becomes a basis for preference, loyalty, and advocacy.

What Customers Can't Say

One marketing researcher whose work has been devoted to this crucial understanding is Gerald Zaltman, author of *How Customers Think: Essential Insights Into the Mind of the Market* (Harvard Business School Press, 2003). He describes the impressionistic approach to the brain in action as "that wonderful if messy stew of memories, emotions, thoughts, and other cognitive processes we're not aware of or that we can't articulate."

Knowing that humans take in and process information in a multitude of ways, effective marketing researchers like Zaltman are beginning to develop an array of more sophisticated approaches. The new insights into how consumers assess value and arrive at decisions, coupled with the growing weight being given to experience-driven perspectives, are rewriting the old rules of marketing research. And they're creating significant opportunity for companies to design and deliver far richer customer experiences.

The lesson of New Coke and other similar examples is that opinions, even though they are conscious expressions, seldom tell the complete story. Science is proving that the unconscious dynamics of customer thinking provide the richest understanding of attitudes, behavior, and loyalty tendencies. Studies in neuroscience have revealed that as much as 95% of all



thinking occurs in our subconscious, which means it is also the starting point for conscious action.

It's that dynamic linking that explains the failure of conscious-focused research activities to correctly predict consumer responses in the marketplace. Like the tip of a very large iceberg, the rational reasons consumers give for their buying decisions and preferences are highly influenced by the mass of information below the surface of consciousness. By the time people become aware of a decision on a conscious level, it has already happened in their unconscious mind.

Marketers searching for greater marketing efficiencies and effectiveness must understand the value of diverse new approaches that help tap into the underlying 95% and apply them to create more value for customers. Doing so is the key to competitive advantage in the 21st century.

Choose Your Tool

Fortunately, new approaches are emerging that provide windows into unconscious consumer thinking. And "experience management" perspectives and techniques are making it possible to translate that information into more relevant day-to-day interactions. Tools grounded in psychology, anthropology, ethnography, neuroscience, and linguistics, among others, are entering the research arena to help businesses mine for these insights. They range from cross-disciplinary one-on-one interview strategies to using MRI techniques that allow researchers to literally "watch" what parts of the brain are stimulated when people are exposed to particular experiences and stimuli.

These approaches, along with technology-enhanced observation techniques, are leading to far more valuable offerings and experiences for consumers because they are resulting in more relevant and authentic connections with them.

Zaltman is leading the charge in this exploration. In *How Customers Think*, he states that the foundation for understanding customers—and thus surviving in today's rapidly shifting business environment—is to "draw on research from an array of disciplines to extend managers' comfort zones." Those disciplines may range from musicology, neurology, philosophy, and linguistics to the more familiar fields of anthropology, psychology, and sociology. Combined, Zaltman notes, they give marketers powerful new tools to help them "better understand what happens in the complex system of mind, brain, body, and society when consumers evaluate products and the experiences they have with them."

Zaltman cites the example of a client that met for two days with a neurobiologist, a psychiatrist, an Olympic coach, an

adult learning specialist, and a public health sociologist to examine new ways to use consumer incentives. The meeting resulted in several innovative and practical ideas that were immediately implemented—some within two weeks. In the next seven months, the effectiveness of the company's consumer-incentive program soared by almost 40%.

And then there is Moen Inc., the showerhead manufacturer that enlisted video specialists, cultural anthropologists, and hydro-therapists to expand its understanding of consumer showering preferences as it developed a new high-end massaging showerhead. Even at more than double the cost of standard showerheads, the "Revolution" has become a top seller in the consumer market. In addition, its commercial use has made it such a point of differentiation in selected Marriott Courtyard Hotels that showerheads are actually sold at the front desk.

What follows are some examples of innovative approaches in the areas of interpersonal, observational, and linguistics research. From them, it will become more obvious how drawing on an array of disciplines offers marketers expanded options for putting together a more complete picture of consumers.

Thinking Metaphorically

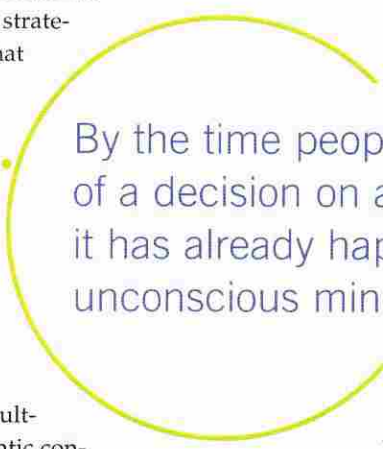
One of the most productive of the innovative research strategies pioneered by Zaltman is the study of the metaphors

that consumers use to express their thoughts and feelings. The technique is called metaphor elicitation (and has been trademarked by its developer as the Zaltman Metaphor Elicitation Technique, or ZMET for short).

A metaphor is a way to understand one thing in terms of something else. In *Seeing the Mind of the Market* (Harvard Business School Press, 1998), Zaltman and Kathryn Braun show how metaphors are central to human thought and act as organizing frameworks for the expression of abstract or varied concepts.

For example, when someone says a person is a "train wreck" waiting to happen, they're using the idea of a mishap with things coming apart to convey certain, yet unspecified characteristics about an individual who, in starkly physical terms, has nothing in common with a locomotive on a track. But although the message is not supposed to be taken literally, its meaning is clear. Similarly, the metaphor of "being in good hands" has nothing to do with being physically touched or held, but the meaning is clear.

Neuroscience has revealed that humans think more in images than in words. For this reason, metaphor elicitation researchers rely on visual images chosen by respondents in



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one-to-one customer interviews to help surface metaphors. When recognized and probed for the thinking behind them, metaphors are considered reliable vehicles for transporting unconscious thoughts to conscious awareness.

This is enormously useful information because, as Zaltman states, “no matter what the characteristics of a product, experience, or brand, it will always be initially perceived by consumers in some organizing framework or metaphor.” What’s more, universal metaphors are often revealed after probing just a handful of interview respondents. Once surfaced and recognized, these metaphors become an invaluable form of shorthand for understanding how offerings and experiences fit into people’s lives. And those insights often become the basis for new product designs, communications, or experience designs.

Recently, Toronto-based Innerviews Inc. conducted a metaphor elicitation study around employee workspace. Two environments that, at first blush, would seem to have little in common were studied: a state-of-the-art call center and a nurses’ station at a children’s hospital. Despite their apparent differences, it didn’t take long for interview respondents to share the intense nature of how they felt about their surroundings—and in surprisingly similar metaphorical terms. In language and visual images, both groups referred to their workspace as “territory” and their need to feel that it was like “a home.” The need to feel “rooted” in workspace, with corresponding visual images of mature, well-anchored trees, was another common description.

But while both groups of respondents aligned on the overarching concept of territory, surprising insights surfaced as each discussed their workspace in very different organizing metaphors.

Call center employees consistently described their state-of-the-art work environment by using combat metaphors. Language, behavior, and visual images were summed up in words and pictures that conveyed “feeling like East Germany,” “feeling invaded,” “attacked from all sides,” and “nowhere to hide.” Through these expressions of vulnerability, an obvious conflict was revealed between the employees’ deep desire for their own private space (territory) and the open design and layout of the work area.

The organizing metaphor for the children’s hospital was very different. The nurses interviewed had a deep desire for their space to be a place of retreat from their time on the floor with patients. They referred to wanting an area to help them “re-energize,” “escape,” or “seek serenity.” Images that intro-

duced this idea were often garden-like, associated with the color yellow and soft guitar music.

The organizing metaphors for both environments were quite different, largely due to the cultures of the two institutions. But consideration for the “culture” as part of design work is critical to creating clues that will imprint the experience for the intended audience in more dynamic and profound ways. The metaphors in the workspace study suggested very different starting points for design work, but with the need for territory to always play a central role in both.

For the call center, this involved ways to personalize and allow employees to “mark” and privatize their workspaces. For the hospital, it translated to providing a place that had revitalizing and serene characteristics, but was “off stage” and away from the chaos.

When companies are able to surface and understand relevant metaphors, a window into the unconscious is revealed, which can serve as a powerful compass for communications, experience design, and planning.

Learn by Observing

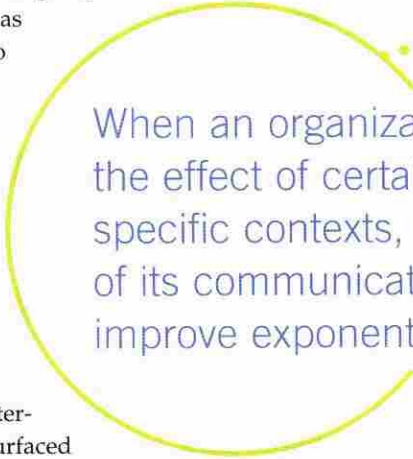
To invoke that great American philosopher, Yogi Berra, “You can observe a lot by watching.” Companies are discovering that simply observing customers offers a wealth of information they cannot get with traditional research methods.

With enhanced technological capabilities, watching consumers in their natural settings is becoming an important part of the expanded research mix.

Ironically, according to Harvard professor Dorothy Leonard, until marketers developed the tools to gather “hard” num-

bers from large samples of the population, the kind of “soft” information that observational research captures used to be the norm. Today, most businesses rely on that hard data in lieu of observing consumers in their natural settings—and often miss important insights as a direct consequence.

As a growing number of organizations have discovered, there are many innovative ways to observe customers in action. During development of Quicken, its top-selling accounting software, Intuit brought users into labs and even sent engineers into people’s homes to see how they used the product. This took engineers a step beyond what customers verbalized and enabled them to see how clients physically used the product. “This type of observation gives you a depth of understanding beyond which customers can articulate,” says Craig Cunningham, CEO of Customer Integrated Solutions, a consultancy that helps companies create client-driven initiatives. “It gets you past what clients think they need and helps you see what they really require.”



When an organization understands the effect of certain words in specific contexts, the impact of its communication can improve exponentially.

Paco Underhill, a retail anthropologist, has done considerable research documenting the “science of shopping.” Through video observation and customer interviews, he has observed more than 1,000 distinct shopping elements, everything from how shoppers negotiate department store doorways on a busy Saturday to how often they touch the merchandise before buying and the intricate ballet of product placement on the shelf.

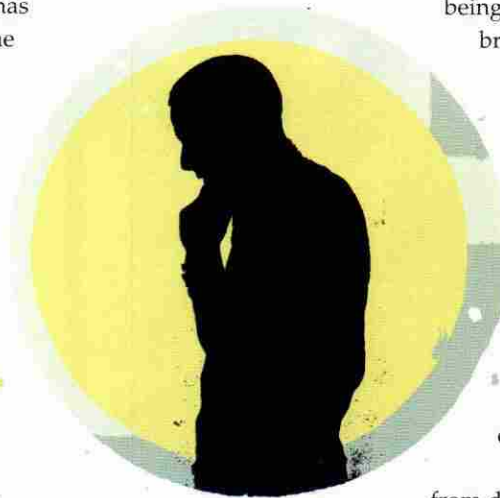
Often, it’s the most prosaic observations that provide new insights that affect both the customer experience and the bottom line. For example, in *Why We Buy: The Science of Shopping* (Touchstone Press, 2000), Underhill describes a supermarket study for a dog food manufacturer that, through video, revealed that adults bought the dog food, but dog treats were almost always picked out by children or senior citizens. Because of the smaller packaging, however, dog treats were typically stocked near the top of the shelf. Children were observed climbing the shelving to reach the treats and one elderly lady used a roll of aluminum foil to knock down her favorite dog biscuits. Once the treats were moved to lower shelves, sales of dog treats went up.

The Right Words

As Mark Twain put it, “The difference between the right word and the almost right word is the difference between lightning and a lightning bug.” When an organization understands the effect of certain words in specific contexts, and is able to cue metaphors where possible, the impact of its communication can improve exponentially.

The fast-deepening science of linguistics offers marketers exciting ways to understand customers and communicate more effectively with them. Charles Cleveland, founder of Communications Development Corporation (CDC) and former director of the Academic Computing Center at Drake University, has developed patented conversation analysis software that can make ultra-fine distinctions in the human communication process. It does this by comparing the language of one context (or group) to another and recommending the necessary language shifts to move to the desired context.

To see the power of even simple nuances, consider this example from “The Little Words in Life,” a paper delivered by Cleveland in 2000 as part of the University of Toronto Distinguished Fellow Series. Imagine you are renting a car at an airport. And you’re in a hurry. The agent at counter A says, “I’ll have a car for you soon.” The agent at counter B says, “I’ll have the car for you soon.” Which car agency would have the edge in making you feel most confident that your need was understood and it would be met? Most likely rental counter B because the words its agent used, “the car,” imply it has a specific car picked out, creating an impression that the vehicle is



being readied just for you and will be brought down in a minute. At the other counter, “a car” left a more general impression—it’s even possible someone might still be out searching for a car in the lot.

The difference in two tiny words in that single situation might seem insignificant. In fact, the customer might not even notice the words. But linguistically, those words register and contribute to a greater or lesser sense of confidence.

And if there’s impact to be derived from distinctions as simple as “a” and “the,” imagine what may be possible when the linguistics in an entire transaction are analyzed. Cleveland tells of a financial services firm that explored the language effectiveness of its call centers with the goal of improving customer satisfaction scores. By monitoring several hundred random conversations between customer service reps (CSRs) and customers, his contextual linguistics software benchmarked both groups’ language and measured the degree of meaningful communication between them. All conversations were found to have communication breakdowns—on average, the gap was 115%.

After the firm trained its CSRs in usage of high performance words that maintain business language but also come closer to the customer’s context, the communication gap narrowed to substantially less than 30%. In terms of return on investment, the language effectiveness study resulted in overall customer satisfaction rising 12% for the company and employee turnover dropping by 23%.

The implications for how customers experience businesses in the years to come are profound. Organizations that develop expanded approaches for understanding their customers will gain powerful competitive advantages. It’s the difference between trying to make judgments from a single snapshot or having an array of perspectives from different vantage points that offers a far more holistic and truthful picture. The ability to play back a video, assess body language, gain insights from verbal contexts, or surface meaningful metaphors will lead to far more relevant connections with customers, which will lead to greater differentiation, loyalty, and value for all concerned. ■

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