

# THE HOMA FILES

---

Professor Ken Homa  
Georgetown University



## MARKET INFORMATION

Research & Analysis for Decision-making

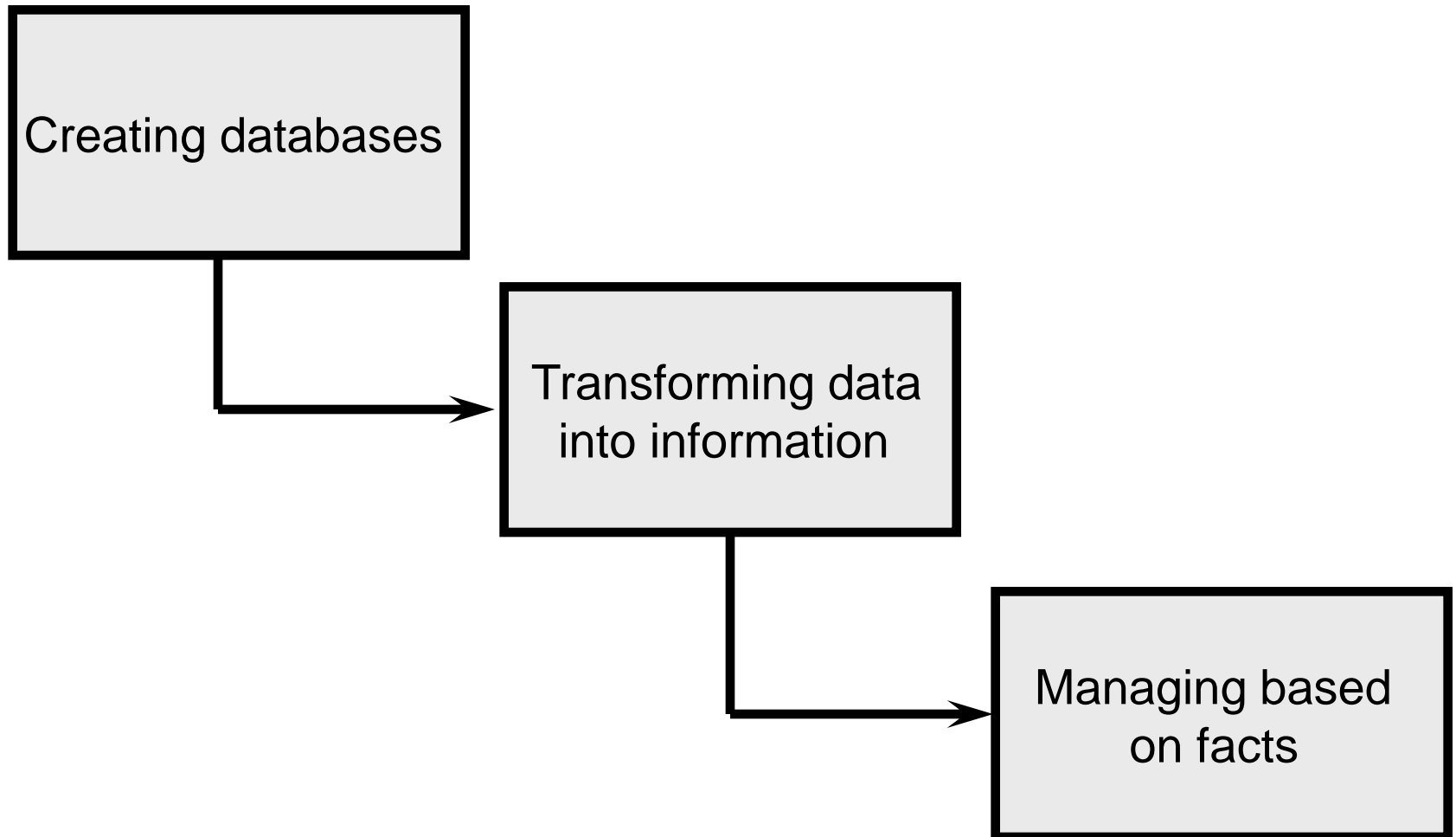
*Proprietary Material*

© K.E. Homa

# Marketing Research: Perspective

- Given the complexity & dynamics of markets and customer behavior, **information is a critical foundation element** for effective marketing
- Given advances in methodology & technology, the marketing information **challenge is shifting from data gathering to data management**
- All marketing research and analysis is a merely a means to an end : **better decision-making**

# Marketing Information Process



# Why bother ???

- Understand market dynamics
- Evaluate performance
- Explore, define & calibrate opportunities

# Understanding market dynamics ...

- Purchase & use occasions
- Decision roles & processes
- Competitive space
- Buying models
  - Awareness - Trial – Repurchase
  - Value Function : *Attributes, Weights, Ideals*
  - Response functions : *Price, advertising, etc.*

# Evaluating performance ...

## Perspectives

Over time

By segment / customer

Versus competition

Market dynamics

## Criteria

Sales / share

Profitability

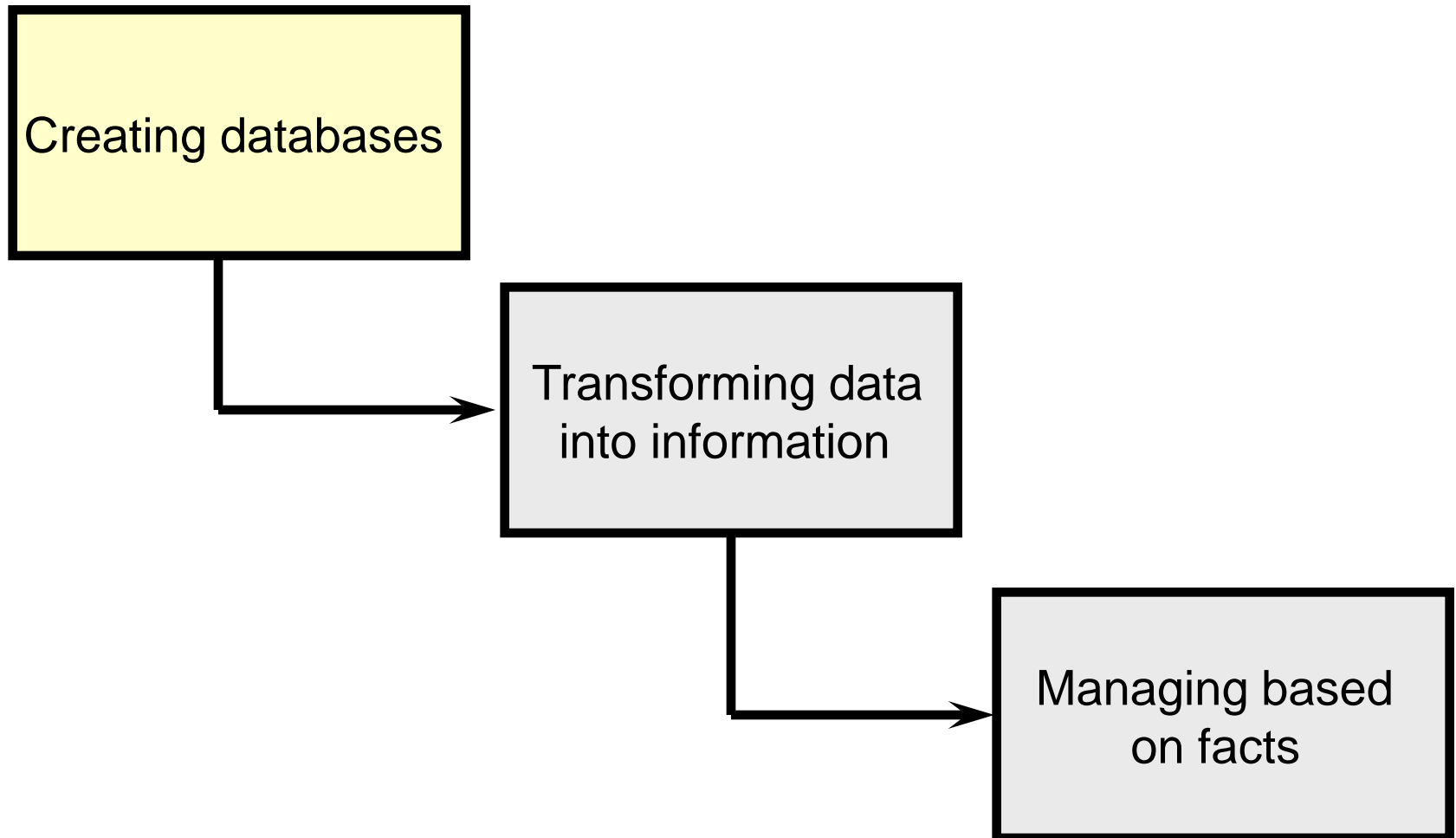
Key Success Factors

Awareness, ACV, etc.

# Exploring, defining, calibrating ...

- Macro trends & discontinuities
- Dis-satisfiers & unmet needs
- New product & program specification
- Market / sales forecasting

# Marketing Information Process



# Creating databases ...

1. Access existing data
2. Capture customer feedback
3. Supplement with targeted research
4. Leverage new technologies

# 1. Access existing data ...

- Internal : clever “slicing & dicing”
  - Order, ship, bill
  - Financial systems

# 1. Access existing data ...

- Internal : clever “slicing & dicing”
  - Order, ship, bill
  - Financial systems
- **External : tenacious, focused digging**
  - Publications
  - Agencies & associations
  - Syndicated studies & surveys
  - The Net

# Trends Analysis

*Catching a Wave*

# *Catching a Wave*

Knowing when to move to the next big wave is the most important skill required to be very successful, especially in high tech businesses.

# *Catching a Wave*

Astute observers can “see” new technology in labs at least a decade before it becomes commercially viable (and years before others recognize its importance).

# *Catching a Wave*

Within 3 years, you can determine if a wave is a big one ...

Get out if the market hasn't developed within 3 years ...

# U.S. Demographic Trends

- Aging population
- Ethnic **diversity**
- High education / high illiteracy
- **Non-traditional** households
- De-urbanization
- **Micromarkets**

# Economic Environment

- Stagnant real income
- Job insecurity
- Skewed income distribution
- Contained inflation
- Low savings rate
- Available credit
- High debt
- Retirement panic

# Naisbitt Megatrends

Industrial Society	=>	<b>Information</b> Society
Forced Technology	=>	High tech / high touch
National Economy	=>	<b>World</b> Economy
Short Term	=>	Long Term
Centralization	=>	<b>Decentralization</b>
Institutional help	=>	Self Help
Representation	=>	Networking
Hierarchy	=>	<b>Participation</b>
North	=>	South
Either/Or	=>	Multiple Options

# Faith Popcorn

“An always on-duty watchperson of cultural change ... who makes a living selling stardust to corporate types”

# Popcorn Report : “Clicking”

## **Cashing out**

Nostalgic return to values

## **Cocooning**

Isolate from scary world

## **Down-aging**

Act & feel younger

## **Economics**

Individualize oneself

## **Fantasy Adventure**

Emotional escapes

## **99 Lives**

Juggle roles & responsibilities

## **Save Our Society**

Environment, education, ethics

## **Small Indulgences**

Emotional fixes for stress

## **Staying Alive**

Longer & better lives

## **Vigilante Consumer**

Shoddy & inept not tolerated

# Clicking : 6 New Trends

- Anchoring *Trend to spiritualism*
- Clanning *Joining like-minded others*
- **Pleasure Revenge** *Secret sinning*
- **Female Think** *Caring & sharing*
- Mancipation *Female think for men*
- **Icon toppling** *Against business, gov't*

# Macro trends : SO WHAT ?

- Increasing rate of change
- No shortage of perspectives
- Challenge : distilling relevance

Descriptive => Prescriptive

# Trend Spotting

- Broaden your circle
- Keep your eyes open
- Connect the dots
- Avoid anchoring & fixation

Market and technology trends ...

# Trend Spotting

## TREND SPOTTING

equals

**INFORMATION**

Reading

==> *Book a week*

Networking

==> *Diverse Rolodex*

plus

**THINKING**

Understanding

==> *Why ?*

Dreaming

==> *Why not ?*

# Creating databases ...

1. Access existing data
2. **Capture customer feedback**
3. Supplement with targeted research
4. Leverage new technologies

## 2. Capture customer feedback ...

- Complaints
- Hotline Inquiries
- Surveys
- In-Store Observations
- Distributor Reports

*Web & 800 numbers have opened the floodgates*

# Creating databases ...

1. Access existing data
2. Capture customer feedback
3. **Supplement with targeted research**
4. Leverage new technologies

# 3. Supplement with targeted research ...

## Steps in the Research Process

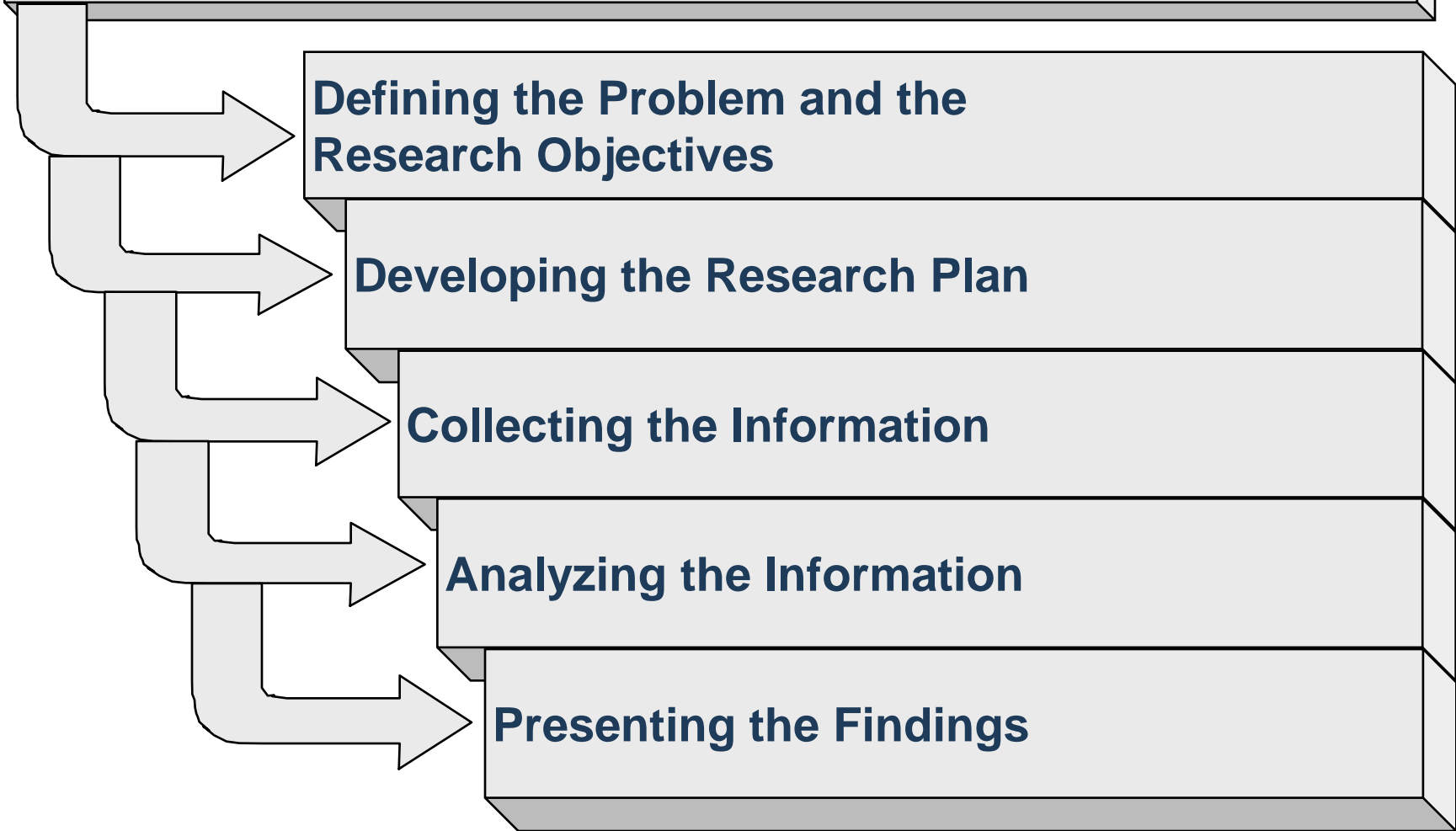
**Defining the Problem and the Research Objectives**

**Developing the Research Plan**

**Collecting the Information**

**Analyzing the Information**

**Presenting the Findings**



# Market Research

## *Types & Objectives*

- **Exploratory**      *Preliminary Hypotheses*
- **Descriptive**      *Rough calibrations*
- **Causal**      *Cause and effect*
- **Prescriptive**      *Probable outcomes*

# Market Research

## *Design Elements*

- **Data Sources**  
*Secondary, primary*
- **Research Approach**  
*Direct observation, focus group, survey, experimentation*
- **Sampling Plan**  
*Who? How many? How selected?*
- **Contact Method**  
*Mail, phone, in person*

# Limitations of Market-Derived Information

- **Core rigidities**  
*Resistance to new technologies*
- **Tyranny of current markets**  
*New products cause “system” changes*
- **Users’ natural myopia**  
*Bounded context, not visionary*

# The Customer Requirements Dilemma

All want different things

Middle-of-Road Satisfies No One

May not know what they need

Constrained by Experience

Don't always buy what they need

Swayed by Distractors

Keep Elevating their Expectations

Puts Premium on Speed

*Key is understanding the underlying dynamics*

# Empathic Research

*Getting really close to the customer*

# In Depth Interviews

“Personally, I would rather talk with 3 housewives for 2 hours each on their feelings about, say, washing machines than conduct a 1,000 person survey on the same topic. I get much better insight and perspective on what they are really looking for.”

*Kenichi Ohmae, McKinsey*

# Impact Samples

- Heavy users
- Leading-edge users
- Change agents
- Decision-makers

# Heavy Users

PRODUCT (% USERS)	HEAVY HALF	LIGHT HALF
Soups and detergents (94%)	75%	25%
Toilet tissue (95%)	71%	29%
Shampoo (94%)	79%	21%
Paper towels (90%)	75%	25%
Cake mix (74%)	83%	17%
Cola (67%)	83%	17%
Beer (41%)	87%	13%
Dog food (30%)	81%	19%
Bourbon (20%)	95%	5%

# Understanding Underlying Dynamics

## Information

## Approach

- |  |                       |
|--|-----------------------|
| 1. Expressed desires (current customers) | Traditional research  |
| 2. Unexpressed needs (current customers) | Customer interaction  |
| 3. Desires of lead & heavy users         | Expert observation    |
| 4. Unrecognized desires of future users  | <b>Empathic study</b> |
| 5. Scenarios of future markets           | Futures visioning     |

Aligning ==> Creating

# In Depth Interviews

Less than 10 interviews generally identifies more than 80% of the underlying needs & motivators

# Market Research

## *Keys to Success*

- Action / decision oriented
- Conceptually framed
- Hypothesis based
- Tailored methods
- Valid, unbiased
- Balanced cost / precision

# Creating databases ...

1. Access existing data
2. Capture customer feedback
3. Supplement with targeted research
4. **Leverage new technologies**

# 4. Leverage new technologies ...

- Point of sale scanning

*Real time movement*

*Product & customer info*

- Electronic commerce

*Electronic Data Interchange*

*Internet buying*

- Data warehousing

*Gargantuan databases*

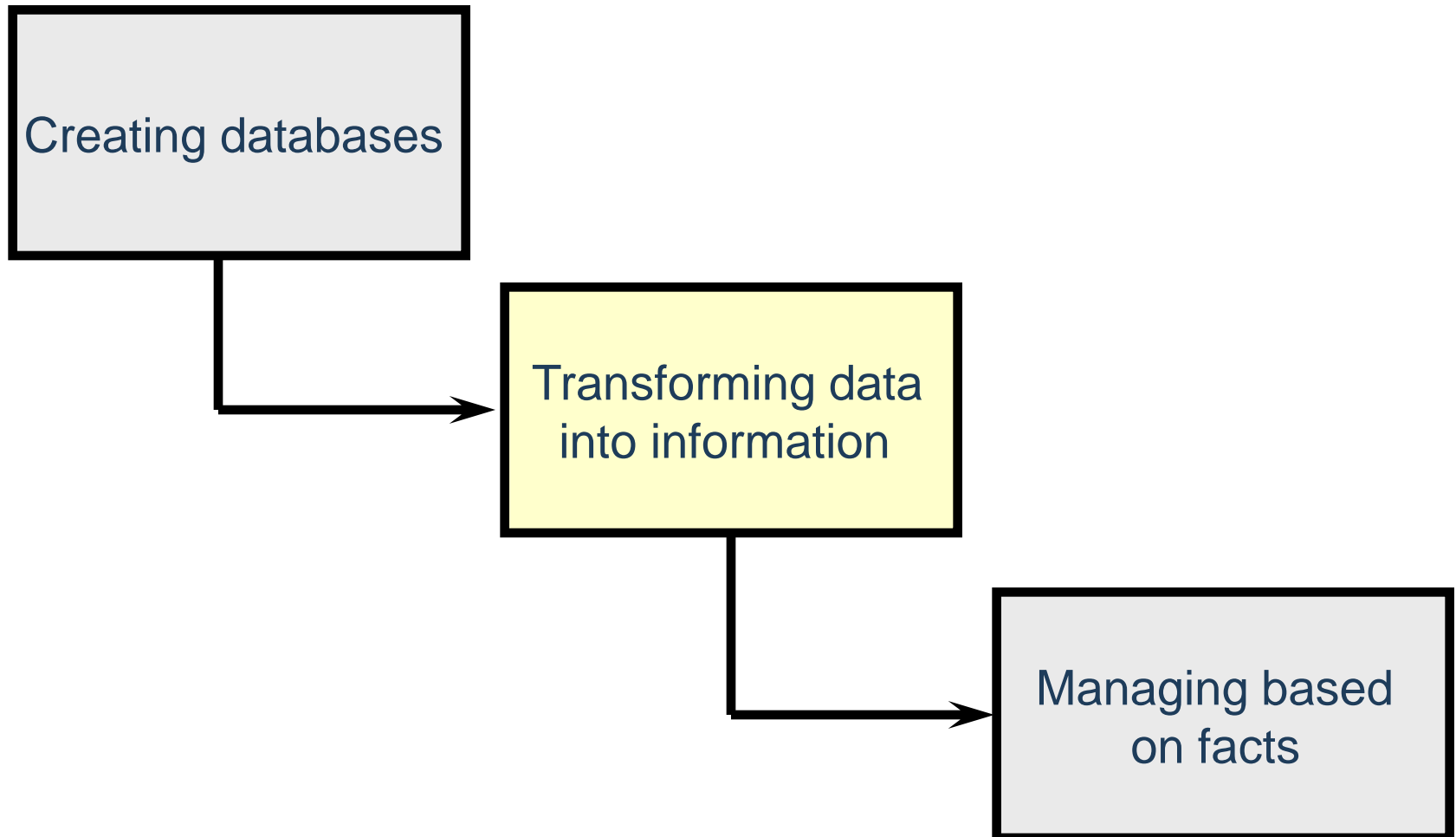
*Cheap, high speed extraction*

# 4. Leverage new technologies ...

## *Implications*

- Real data replacing surrogate data
- Micro level of granularity  
*Product. Customer. Region*
- Increasing information overload

# Marketing Information Process



# Transforming data to information ...

## Management gripes

- Can't find data
- Too much data
- Too little useful data
- Too late to be useful
- Doubtful accuracy

# Transforming data to information ...

## Keys to success

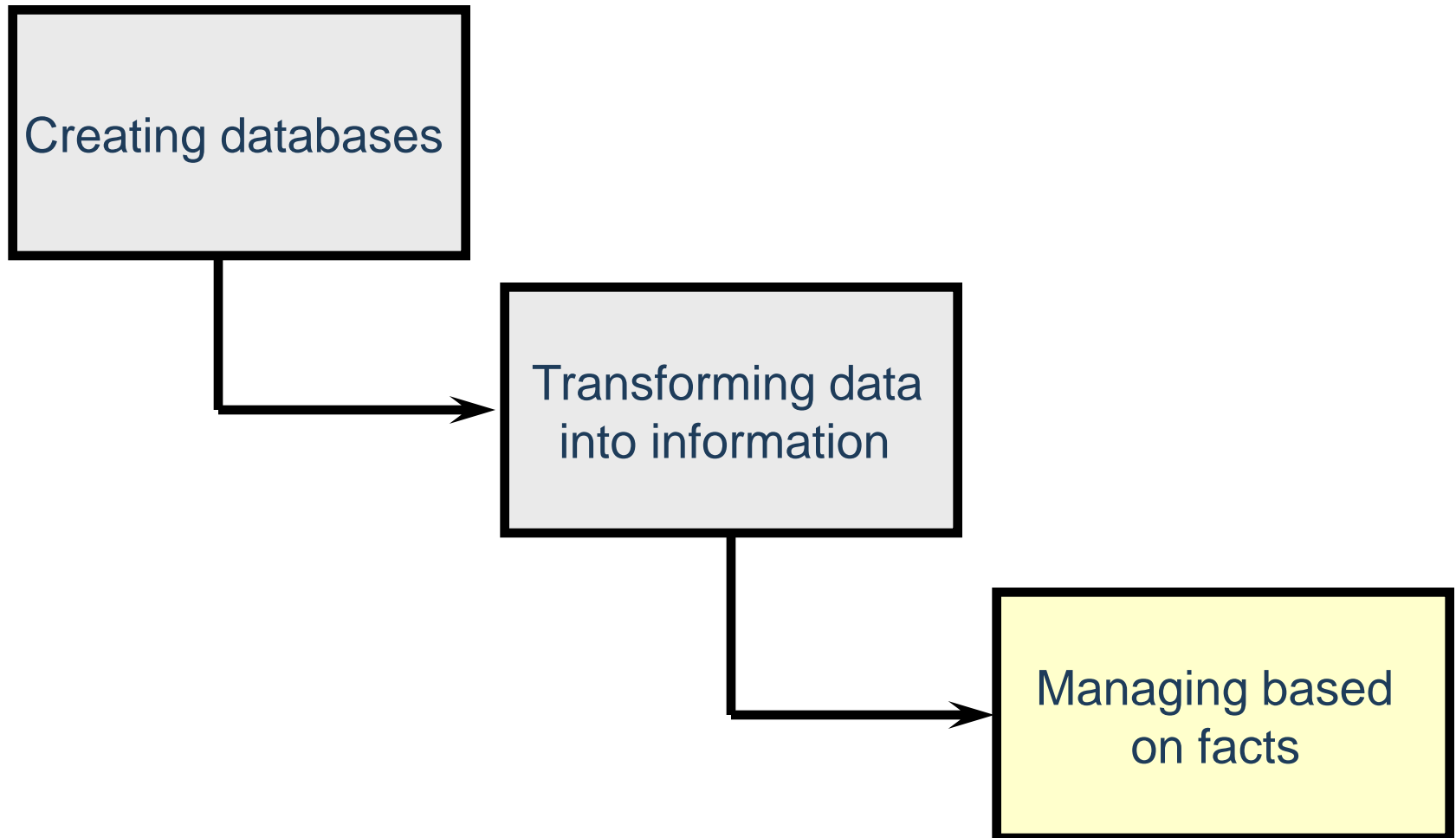
- Management perspective  
*Decision / action orientation*
- Real time availability
- Multi-directional “drill down”
- Models & heuristics
- “What if” functionality
- Non-threatening technology

# Transforming data to information ...

## Leading-edge Systems

- Decision support
  - Database
  - Models
  - What if
- Database marketing
  - Customer database
  - Customized offerings

# Marketing Information Process



# Fact-based management ...

## *Keys to success*

- Management leadership  
*Demand facts over conjecture*
- Sustained consistency  
*Avoid lapses of convenience*
- Feedback loops  
*Reinforce validity of process*

# Market Information

## Conclusions

- Critical to effective marketing
- Many sources & methods
- Real data increasingly available
- Challenge : data => information
- Era of fact-based management