

Inside Insights

The secrets and surprises of getting at consumer insights.

What's your favorite method of getting at consumer insights?

Larry Flanagan: Nothing can top *observed* behavior, versus *reported* behavior. That's particularly true in the financial services category.

So, we like to do shop-alongs, and literally watch people at that "moment of truth" when they have to pay for something.

What is the actual process they go through and what goes through their heads when they decide to pay with cash or by electronic payment? If it's an electronic payment—which one is chosen and why? Nothing really replaces that actual observed behavior.

Cindy Hennessy: I like to look at where other categories are satisfying critical consumer-segment needs and try to understand how beverages may have a similar opportunity. One of my favorite categories is skin care because, as a category, it is concerned with pleasing our critical segments: Baby boomers, echo boomers, teenagers and infants.

As we look across the needs states of all those different segments and see how they're being satisfied, we can backwards engineer the problem and the opportunity. Then we can begin to have a dialogue

with our own consumers about how those problems may manifest themselves in other areas of their lives, and how beverages might play a role in addressing those needs.

Carol Wentworth: Ideally, what I like to do is start with some kind of quantitative—either financial or behavioral—metrics that give me the landscape I'm dealing with. That helps me identify where the opportunities or the problems are. Then I dig into the reasons why—so I can understand what the numbers are telling me.

Is it a perception, a past experience, attitudes or values that are important to the customer? That starts to give me some insights into what the numbers are telling me. So, it's a combination of quantitative and qualitative factors that helps explain why the landscape is as it is.

Ruby Anik: One of my favorite methods—and it's actually a qualitative method, not quantitative—is ethnographic research. I like to observe customers in their own environments, or in our stores. Meeting them on their own terms always yields the best, most insightful, learning. We have many

methods, but the really richest one, when you absolutely know who your bulls-eye consumer is, is ethnographic research.

Spencer Hapoienu: The best way to get at consumer insights is to capture data about customer behavior. If you know what customers buy—their frequency of purchase, and the way they spend their money—that tells you more than any other type of information could.

What's the most surprising consumer insight you've discovered?

Flanagan: One surprise that we uncovered recently is that an overwhelming percentage of consumers believe that MasterCard does a lot of things that we don't actually do. Most consumers think we issue cards, protect personal information and resolve disputes, for example.

That is really important insight because if consumers think we're responsible for something, we had better pay more attention to it. We can't just stand back and say that it's "not our job."

Hennessy: I'll give you a tea example. What really surprised me is that when you talk to most soft-drink drinkers, they're very

Nothing can top observed behavior, versus reported behavior.

LARRY FLANAGAN, MASTERCARD WORLDWIDE

A ROUNDTABLE FEATURING

Ruby Anik
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Larry Flanagan
MasterCard
Worldwide

Cindy Hennessy
Cadbury-Schweppes

Carol Wentworth
True Value

Spencer Hapoienu
Insight Out of Chaos

versatile. They'll drink just about any kind of soft drink. But with hot-tea drinkers we didn't see a lot of that kind of versatility.

Hot-tea drinkers will never be satisfied with anything other than the tea they love. That insight led to our introduction of Snapple Classic Teas that can be served hot or cold.

Wentworth: The surprising insight at True Value is the length of days between visits—even amongst customers who are engaged with us through our loyalty program. That insight brings its own unique set of challenges, because if you only have the opportunity to interface with a customer inside your store once a quarter, every experience they have with you is heightened. It's that much more important, because you may not see them again for another three months.

Anik: The surprising insight is with our female customers. Contrary to popular belief, our female customers actually want a consumer electronics gift for Mother's Day. Seventy-seven percent say they would prefer to receive a flat-panel television to a diamond necklace. It just blows me away that female customers are as excited about getting a consumer electronics gift as they are about a diamond necklace.

Hapoienu: The most surprising insight we've discovered is how responsive customers can be to personalized offers, even in low-interest or infrequent purchase categories. I think it's because we're all so overwhelmed by the amount of advertising that we're exposed to, that when customers are treated in a personal way, their responsiveness increases extraordinarily—even in categories where they're infrequently involved.

Are demographics discredited as a means of targeting consumer segments?

Flanagan: Demographics are not discredited, but often they are less effective versus behavioral and attitudinal insights. We really focus on looking at the motivation of what really drives behavior as well as understanding transactional behavior.

Ultimately, when we get to the implementation part of our programs—the demographics help us pull it together a little bit more. But nowadays, particularly in our business—where you can get real-time behavioral metrics from consumers—that's the best kind of insight you can get.

The best way to get at consumer insights is to capture data about customer behavior.

SPENCER HAPOIENU, INSIGHT OUT OF CHAOS

Hennessy: The consumption behavior across demographics actually is very pronounced in the beverage category. If you look at *per capita* consumption by age, and type of beverage consumption by age, there are some very definitive segmentations. But as any category matures, demographics must be married with other types of segmentation. Most of that segmentation is psychographic or behavioral.

For example, salads simply never sold at a fast-food restaurant in any volume until the last five years, and I think it's because of the aging of the population. People are now trying to undo the damage they've done with their bad eating habits over the years and are now trying to strike a balance.

Wentworth: Demographics are only one attribute in a set of many that have to be considered. We've done a pretty major consumer segmentation study in the home-improvement business, and there are some customers who are of no interest to us whatsoever. They may have exactly the right demographics, but they don't have the right values or behaviors or attitudes.

For example, we are trying to reach a younger customer, but we also have to reach a customer who loves to do home improvement projects. That customer also has to be open to shopping in a hardware store, because there is a segment of customers that is devoted to big boxes.

So, understanding a customer beyond demographics is definitely very important. But understanding

the demographics—especially as you're trying to grow your customer base—is also an important element.

Anik: Demographics are a really good start, but we prefer to go deeper. Just because people live in the same neighborhood or have reached the same stage in life does not necessarily mean they think the same way or want the same things.

We've really moved to attitudinal and behavioral segmentation. That's what our one-to-one, loyalty-marketing program, is based on. We mine the customer insights based on their needs states and what they've purchased. We don't want you to just buy a box from us. We want to figure out how we can create a whole experience for you.

If you're buying a plasma TV, we want to turn that into a home theater experience for you. If you're buying a computer for your child, we want to turn that experience into helping him or her be successful both academically and socially. That's really how we look at both psychographics and demographics.

Hennessy: It works both ways — sometimes we start with strategy and go find insights! More often, I would say truthfully that there's more serendipity than there is specificity. It's similar to the R&D "tail" in technology, where you spin off more technologies than you have an intention to use. The same

also defines how and when we connect. We don't make a move without insights into our target that have not been vetted directly with our target or with our front-line employees. We have 130,000 employees. We want to turn on the information that 130,000 front-line employees have from their interactions with our customers.

Understanding "why" is really important, so that you don't spend money and resources on the wrong thing.

CAROL WENTWORTH, TRUE VALUE

Hapoienu: Demographics are becoming more and more discredited. If you think about how everyone uses all of the media, and how quickly you can change your lifestyle or behavior because of new technology, it renders demographics less and less relevant.

For example, YouTube is changing the behavior of lots of different kinds of consumers. We may be talking about a relatively small segment of the population overall, but it's probably a very wide range of demographics that watches YouTube. So, I don't know how you could look only at demographics and say, "that's our user base" anymore.

How do you go about connecting your consumer insights to marketing strategy?

Flanagan: For us, it's a pretty buttoned up, linear process. The MasterCard Worldwide corporate vision is to advance commerce worldwide, and it's based on insights into what drives commerce. So, the demand for consumer insight is built right into our corporate strategy and our marketing strategy.

thing happens in consumer insight. Along the journey, developing and expanding insight into one area has a "tail" of intriguing insights that kicks out along the way. Following those tails can reveal more wisdom than any intended hunt for an insight.

Wentworth: We connect insights to our strategy by focusing on the single-biggest hurdle that we have to overcome. The one hurdle that we've identified—and this is specific to True Value—is the perception among customers that we don't have all the products they need to

In addition, we want to bring our customers into conversations with us and become part of the dialogue we're trying to create around our brand. As we look at our marketing strategies, we are looking at what is going to motivate that customer. We spend a lot of time figuring out the dominant need that we're going to solve for the customer.

Hapoienu: The hard part is being able to step back, look at the information and identify the opportunities from a strategic point of view. What happens is, you fall into a trap of just reacting to the data on a short-term basis. You end up taking the easy path of just doing the same kinds of things because they worked, without stepping back and looking at the long-term opportunities.

The penalty of death has suddenly made boomer behavior match their attitudes.

CINDY HENNESSY, CADBURY-SCHWEPPE

complete their projects. So, everything we're doing this year is focused on trying to become a more relevant resource for people who are predisposed to include hardware stores in their selection of outlets.

Anik: Our insights drive what I'd call our customer value propositions — that is, our product assortment, our store experience and our messaging strategy. It

The challenge is to create business rules that take advantage of predictable customer behavior. For example, when a customer buys a product, what's its use-up cycle? When will they need replenishment or accessories for that product — next week, next month or in two years? We need to find ways to absorb all of that data and take advantage of short-

term opportunities, but also step back and figure out ways to make changes in long-term planning and how it can affect and elevate the brand. We need to predict what consumers are going to do next.

What is the relationship between consumer attitudes and consumer behavior?

Flanagan: The behavior in our category is clearly demonstrated in the use of MasterCard products. That's been on a very strong trajectory. Increasingly, consumers are displacing cash and checks with electronic forms of payment.

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RUBY ANIK, BEST BUY

This is directly related to their positive attitudes with regard to all forms of electronic commerce.

So, our focus is to constantly have our finger on the consumer's pulse, concerning their attitudes, preferences, their satisfactions and concerns about using electronic payment products in lieu of traditional forms of cash and checks.

Hennessy: With the rise in obesity and age, behaviors are starting to match intentions. You start rounding the base toward age 50 and suddenly there's not as much runway between you and the end. You suddenly realize you need to start behaving the way you intended, so you start to save your money, and eat and drink better.

Boomers have been very interesting because the boomers are the first generation of "perennial youth."

We believe that the smartest people are the youngest people and "young" is being re-defined as "boomer's age." But I think the penalty of death has suddenly made boomer behavior match their attitudes.

Wentworth: You're going to get the richest insights that are actionable for your business if you look at *both* behavior and attitude. Behavior alone won't tell you the reasons why. Any solid marketing person wants to know *why*—what's behind it?

Is something changing in the customer's life? Is something changing in the competitive set they're considering? Did they have a bad experience in my store the

last time and is that why I haven't seen them return? Understanding *why* is really important, so that you don't spend money and resources on the wrong thing.

Anik: We believe that the best predictor of customer behavior—both now and as we continue to map the future of customer demand—are their attitudes regarding our products, our stores, our online experience, our associates, and also the benefits they seek from the products and services Best Buy offers.

So, attitudes are at the heart of what drives customer behavior. It's because of that kind of understanding of who our customers are, their attitudes and what drives their behavior, that we can then drive a relationship with our brand.

Hapoienu: There's a very strong relationship between attitudes and



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behavior. For every brand that I have worked for, we could see the strength of the loyalty based on the attitude the customer had toward the business and the brand.

The mistake that many companies make is to try to create loyalty with empty promises of service and empty corporate-speak advertising. What people are looking for is genuine conversation between the business and the consumer. ■