

Tuning in to the Customer's Voice: Hearing the Spoken and Unspoken Messages

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One key aspect of Customer Centricity is understanding and anticipating the needs of your customers and prospects. Retail execution that synchs well with customer needs, desires and goals (whether articulated or not!) will result in improved customer satisfaction, increased customer retention and higher sales (and margins).

Today most retailers are quick to analyze sales data and other information that tracks how customers have behaved in the past, but face more struggles when trying to really understand the psyche of these same customers - looking at their buying triggers and motivations, uncovering latent needs, and more. That's where the use of both quantitative and qualitative market research, marrying proven techniques with new tools and technologies, comes into play.

In the newly released Customer Centricity Study, conducted by the National Retail Federation and Ogden Associates, a major increase was noted in the percentage of retailers seeking direct input from their customers on a daily basis: 36%, up from just 9% a year-and-a-half ago. Other major indicators of retailers' commitment to hear and respond to the customer's voice are revealed in the study. The study also highlights that savvy retailers know that there is much more to be done.

Help in understanding retail consumers is available from many sources. For example, the findings from the NPD Retailer Customer Satisfaction tracking, based on NPD's 600,000 online member panel, indicate a plethora of causes of customer satisfaction (or the lack of same). The top ten of these relate to various aspects of how "good value" and "quality" are being perceived. In addition, there are countless potential reasons for dissatisfaction - service (or lack of same), checkout, sales people and disorganized stock.

The results of both the NRF and Ogden research and of NPD's ongoing consumer research clearly validate how important it is for retailers to build a true dialogue with the customer, leading to a deeper relationship, which in turn yields richer customer insights.

As this White Paper from the NPD Group and Ogden highlights, there are both tried and true methods and exciting new technologies available to enable the retailer to hear the voice of the customer so what is heard can be quickly acted upon to drive quality and value throughout the retail organization.

Customer Satisfaction Feedback Methods

How can you better hear what your customers are saying – and better understand what they are not? There are many different approaches, each with strengths and limitations. The first step, though, is to determine what needs to be learned, or uncovered, through your customer research. A clearly focused objective is necessary so that the best method or combination of methods can be determined for achieving the research goals.

Also, data that is already being generated as a by-product of day-to-day customers interactions, including, but not confined, to purchase history should not be ignored. Indeed, all opportunities to collect information should be maximized and systems put into place to keep track of this and update on an ongoing basis.

Certainly this information can be made even more meaningful with the use of third-party research complemented by the retailer's own market research, and especially when a very strategic approach is put into place to truly listen – and respond to the customer.

The following is a checklist of research vehicles but no matter what tool or technique is selected, retailers need to make certain that these will be well received by their customers, as well as internal staffs. The strengths, weaknesses and an example of each are highlighted in the table below.

Customer Research Tools & Techniques	Description	Strengths	Weaknesses	Example
Direct Survey to Members of Retailers' Database <i>Mail or email survey sent out to or phone interviews conducted with, individuals from within retailer's database of customers.</i>	Customer names collected through POS transactions, private label credit card programs, customer loyalty cards, reward programs and/or similar methods.	<ul style="list-style-type: none"> • Readily available source of customer feedback • Possible to obtain large sample sizes • Ability to see trends over time • Can measure specific aspects of store operations, specific locations, reaction to specific merchandise offerings, etcetera 	<ul style="list-style-type: none"> • Easy to have bias in questions themselves • Obtain feedback only from retailer's own customer • Results can be skewed by over representation from very happy or very unhappy customers; customers with "average" experience can easily be under represented 	Written survey can be mailed or emailed as follow-up to retail purchase, can be included in customers' monthly credit card statements, or mailed as follow-up to retail purchase. Customers can also receive post card in store that alerts them to possibility that they may be called to participate in telephone survey.
In-Store Invitation to Participate in Survey Research <i>Customers invited to phone a toll free number or visit web-site to provide feedback</i>	Measures re-visit intent, overall satisfaction, satisfaction with specific aspects of store visit, and recommendations to friend/relative.	<ul style="list-style-type: none"> ▪ Possible to segment who will be invited to participate in this research, providing ability to make comparisons among different customer groups ▪ Potential to collect feedback from large 	<ul style="list-style-type: none"> ▪ No comparison to competition; results are exclusively from own customers. ▪ May over-represent customers who are either very happy or very unhappy ▪ May under-represent customers who 	Invitation printed on random cash register receipts at time of check out. Receipts could be triggered by purchases of specific products or product groupings. Customers invited to call toll-free number or visit web-site address to

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		<p>sample size</p> <ul style="list-style-type: none"> Performance and perceptions of individual store units/merchandise categories and/or other variables can be measured and tracked over time Surveys may be connected to real-time CRM system (triggering response by different members of the retail organization) 	<p>had an average experience</p> <ul style="list-style-type: none"> Some customers may view as being intrusive 	<p>complete survey. Incentives, such as entry in contest or in-store coupon offer are often included.</p>
<p>In-Store Intercept Interviews <i>Pre-printed survey or interview</i></p>	<p>Members of store staff provide pre-printed survey to customers at check-out, or in other area; or can be handled by independent interviewing service who intercepts customer (whether or not they have made purchase) at or near store exit (PDAs and other wireless devices can now be used generating real time</p>	<ul style="list-style-type: none"> Ability to target customers who bought a specific product or shopped a specific section of the store Also ability to obtain information from those who browsed stores but who opted not to make a purchase Affordable, if using own staff to conduct survey. Immediate feedback. No lapse between store experience 	<ul style="list-style-type: none"> Results are exclusively from own store traffic Can also be biased by selective sampling due to avoiding irate customers and favoring happy customers. Staff can bias customers 	<p>Technique that has been employed by many retail stores. Sales associates hand out survey in retail stores (or use PDAs or other wireless devices to administer). Consumer completes survey during store visit. Or, independent interviewer asks survey questions at point of customer exit.</p>

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Non-Customer Specific Surveys <i>Phone interviews, mailed surveys or Internet surveys</i>	Participating households/ individuals are randomly selected based upon pre-set criteria (may include whether or not they have shopped at selected retailers in their operating area). Usually conducted independent market research resources on behalf of specific retailer.	<ul style="list-style-type: none"> Way to obtain information about consumer perceptions, likes/dislikes about the sponsoring retailer and their competition Random sampling ensures unbiased data. Trendable Highly customizable 	<ul style="list-style-type: none"> Relies on customer recall of events May be biased by a variety of short-term and long-term experiences during the time period. Some bias in who is willing to participate Could be problems in actually matching up responses with customers targeted 	Independent research agency is contracted to conduct unbiased survey; may use web-reliant research company or use own web-research tool. Consumers randomly selected by random choice method. Survey is customized to retailer's needs; may sometimes be opportunity to pose survey questions as part of larger, more generalized, research effort. Results can be tabulated by independent agency and summarized for retailer; when utilizing web, retailers can see in real time.
Focus Groups/In-Person Concept Testing <ul style="list-style-type: none"> Can include customers and/or non-customers 	Popular qualitative research method that enables retailers to gain insights into the mindsets of their customers – way of beginning to marry customer purchase behavior and customer attitude/perceptions research.	<ul style="list-style-type: none"> Enables retailers to get inside the minds of customers. Can provide valuable information from those not now shopping the retailers' stores – way to obtain comparisons to competitors. Ability to test new concepts, potential of new 	<ul style="list-style-type: none"> Does not provide "scientific" results or easily measurable results Limited number of participants Can be expensive to execute 	Retailer can develop specific topic, or area of concern, to be addressed through the Focus Groups. Generally uses outside resource as focus group moderator, and to secure locations and screen participants. Participants can include customers (including those representing different \$ purchase

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		merchandise offerings		or other segmentation criteria), past customers, those who shop only the competition, etc., with parameters set by the retailer.
<u>Observational Methods</u>				
Mystery Shoppers <i>Trained retail observers/auditors visit selected retailers</i>	Mystery shopper poses as real customer – identity remains unknown to staff	<ul style="list-style-type: none"> ▪ Use of trained “auditors” provides consistency in measurements ▪ Anonymity provides “true to life” experience ▪ Able to pinpoint areas of opportunity, problem areas that may not be identified through other research methods, outside initial research scope 	<ul style="list-style-type: none"> ▪ Can be rather expensive ▪ Staff often tipped off to Mystery Shopper’s presence ▪ Only feasible to gather information from relatively small number of store locations. 	Independent auditing agency is contracted to conduct mystery visits. Auditor has checklist and must experience all aspects of the retail experience on the list.
Video Cameras/Video Monitoring	Retailers work with outside vendor to install cameras and other video monitoring devices to pinpoint how shoppers travel	<ul style="list-style-type: none"> • Ability to pinpoint how shoppers travel through the stores. • Information can be re-examined to identify 	<ul style="list-style-type: none"> • Difficult to correlate with actual purchases made • Analyze behaviors at only one or a limited number of store locations 	Retailers can use this to look at how consumers travel through their stores, what areas they may stop and browse through but then not buy, how merchandise

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	through and behave within their stores. This can be married with new technology that can follow individuals around the store, read facial expression, analyze why they buy/don't buy, whether they're pleased or not, etc.	<p>specific trends, areas of opportunity – leads to ability to be proactive in making positive changes</p> <ul style="list-style-type: none"> • Retailers may have the ability to segment customers by the way they interact with different areas of the store 	<ul style="list-style-type: none"> • May offend some customers • Must deal carefully, and straightforwardly, with privacy issues. 	areas/displays can be shifted in order to maximize sales.

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In-Store Sensors	Infrared sensors can be placed throughout the store environment; provides another way to track customer movement throughout the store	<ul style="list-style-type: none"> • Provides insights into how shoppers, in aggregate, move throughout the store • Ability to see in which merchandise categories, by which displays, customers spend the greatest amount of time – and which fail to attract. • Most effective when used in combination with other methodologies. 	<ul style="list-style-type: none"> • Does not yield information about individual customers, or customer groups • Does not yield database of trendable information 	Can be used in conjunction with video monitoring to identify store “hot spots” where further attention needs to be devoted – such as why are so many people stopping at sweater display but sweater sales are still below plan? Can be used to pinpoint such issues.
Anthropological Approaches	This method is really borrowed from the world of social sciences and involves actual human observations of what is taking place within the retail (and/or shopping mall) environment. Often combined with use of video cameras, other monitoring “devices”.	<ul style="list-style-type: none"> • Provides real-time research • Easy to segment observations in multiple ways • Yields highly actionable information 	<ul style="list-style-type: none"> • Resources can become strained • Find out information about what is happening in only a limited number of locations • Some personal bias can creep in (training of observers is critically important) 	Outside resource is engaged to perform this research. Retailers may embark on this when trying to find answers to specific questions related to poor selling merchandise categories, store layout considerations, low browse/purchase ratio, and so forth.
Ethnography Methodologies	Method based upon researchers	<ul style="list-style-type: none"> • May provide ability for 	<ul style="list-style-type: none"> • Unproven • Could be 	Retailer contemplating

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	actually infiltrating customer target group; so far use has been confined to consumer packaged goods industry.	retailers to better understand consumers' cross channel/cross categories <ul style="list-style-type: none"> • Can be especially effective in researching otherwise hard to reach customer niches 	extremely expensive <ul style="list-style-type: none"> • Risk of alienating certain customers/customer groups 	launching a new concept/entering into a new line of business can use this to really get into the mindset of the target customers. This may also be particularly useful in understanding the shopping behaviors as they affect your store and your competition, of the Generation Y shoppers.

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Sales Force Observations	This is similar to anthropological research but relies upon the sales force to make observations about those shopping the stores; now made easier through the use of wireless devices.	<ul style="list-style-type: none"> • Can be relatively inexpensive to implement. • Can do across multiple store locations • Ability to grab additional customer specific information at POS, enriching specific customer i.d. profile. 	<ul style="list-style-type: none"> • May have to shift resources from actual customer service • Need for training, especially important to be seen as non-intrusive 	Retailers can automate this process, giving sales associates a couple of additional prompts at the POS. Information can then be easily identified with specific customers.
<u>Emerging Technologies</u>				
Web Site Statistics	With the emergence of the web as an important information and selling channel, and the continuing evolution to multi-channel retailing, the opportunity clearly exists for retailers to better utilize such information in the stores as well as online.	<ul style="list-style-type: none"> • Ability to gather additional information about specific customers and marry with other already known info • Can zero in on offers to specific customers (using this for market research as well as promotional purposes) 	<ul style="list-style-type: none"> • May face road blocks in integration of info gathered with other customer databases 	Retailers can view already existing web site statistics to learn much about their online customers; learning, especially about individual customers (once induced to “sign in” online, information about web behaviors can be married with already existing data in a variety of compelling ways.)
Intelligent User Interfaces	Generally these are based upon the use of touch-screen technology, in-store or online, where in-depth	<ul style="list-style-type: none"> • Enables retailers to gather deeper levels of customer insight – going beyond their own “answers” to 	<ul style="list-style-type: none"> • May be difficult to sell into internal management • Some learning curve needed on part of both “participants” and 	Retailers can use this approach to gather information about what topics are of particular concern to their customers; can also track response

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	information and trend insights can be gathered.	pre-specified questions <ul style="list-style-type: none"> Especially when used online, can obtain relatively large sample sizes 	marketers <ul style="list-style-type: none"> May have costly price tags associated with them Still somewhat unproven as a research tool. 	of customers to various product offers.
Merging of Software with Customer-Specific Processes	Retailers are working with a variety of software vendors, and providers of other new technologies, to determine how to best utilize new processes married with advanced technologies to get at underlying causes of customer behavior. (Examples can be provided.)	<ul style="list-style-type: none"> Ways to uncover more about customers' latent needs, unspoken likes/dislikes Can be married with other customer research data collected to yield more actionable recommendations 	<ul style="list-style-type: none"> Can have high price tag May be some internal resistance to utilizing May face challenges in integrating with CRM, other in-store systems 	Retailers are looking for more advanced ways to gather useful customer information, eliminate some of the bias that may be inherent in other methods.

Exploring Beyond the Obvious

Market research experts agree that there is a certain bias inherent in many of the research methodologies used to date. Customers who are willing research participants often tend to be skewed at either end of the spectrum – they are either extremely pleased with their experiences or they have a beef that they want to share. The challenge continues to be how can you obtain useful, actionable information from all of those in the middle?

Certainly there have been great strides made. The use of new technologies and techniques, such as methodical observational research (often using a combination of video technologies and in-person observations), is helping retailers get at richer levels of insight. They are finding ways to uncover not only the expressed needs of customers but, just as importantly, what they are not saying but may be thinking.

Leading retailers across industry segments are recognizing more and more today that their market research efforts can yield even more meaningful results when they have a holistic vision of why, how, and what

customer data to collect and how that data will be analyzed and ultimately used for advantage in Marketing, Merchandising, and Operations. The goal is to capture actionable customer insight and use this to drive performance across the organization.

Today it's possible for retailers to take seemingly disparate data and integrate it for advantage, for example combining customer purchase histories with market and customer research findings to establish a solid base of business intelligence on which to ground decision-making concerning all aspects of the customer experience. It's not a one-shot deal. It's a matter of establishing processes to gather customer insight on an ongoing basis, ideally as a natural by-product of day-to-day retail operations. The insights gained can in turn drive positive transformation in marketing, merchandising, store ops, store layouts, and all other retail touch points where critical interactions with customers take place.

Why is Dialogue So Important?

Talking to customers in ways relevant to their precise needs and providing them with merchandise that meets obvious as well as latent needs, is more critical than ever before as customer loyalty and customer retention become key metrics of retail success.

Customer dialogue can progressively reveal information about customers' lifestyles and life stages, and customers' needs, wants, and aspirations. Once merchandise buyers are provided with a comprehensive view of the customer as a human being with a lifestyle, life stage, attitudes, and preferences, merchandising decisions can become more proactive and less reactive. Customer insight can then be used to better *anticipate* and *influence* customer needs, rather than merely to analyze and react to them. Decision-makers, including retail marketers, merchandisers, store operations staff and marketing people armed with such knowledge have clear advantages over the competition.

It's only through cultivating such understanding that retailers can put in place the combination of attributes such as service, merchandise, pricing and promotions that will not only deliver positive experiences for their customers, but that will increase customer retention, and drive sales and profitability.

Customer behaviors are only partly measured by historical trends; current customer satisfaction measures, in-store observations and other market research methods help build the total picture of the spoken and non-spoken messages from your customer. Success is achieved when delivery of the retail experience consistently not only meets but exceeds the customer's expectations.

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