QUIRK'S

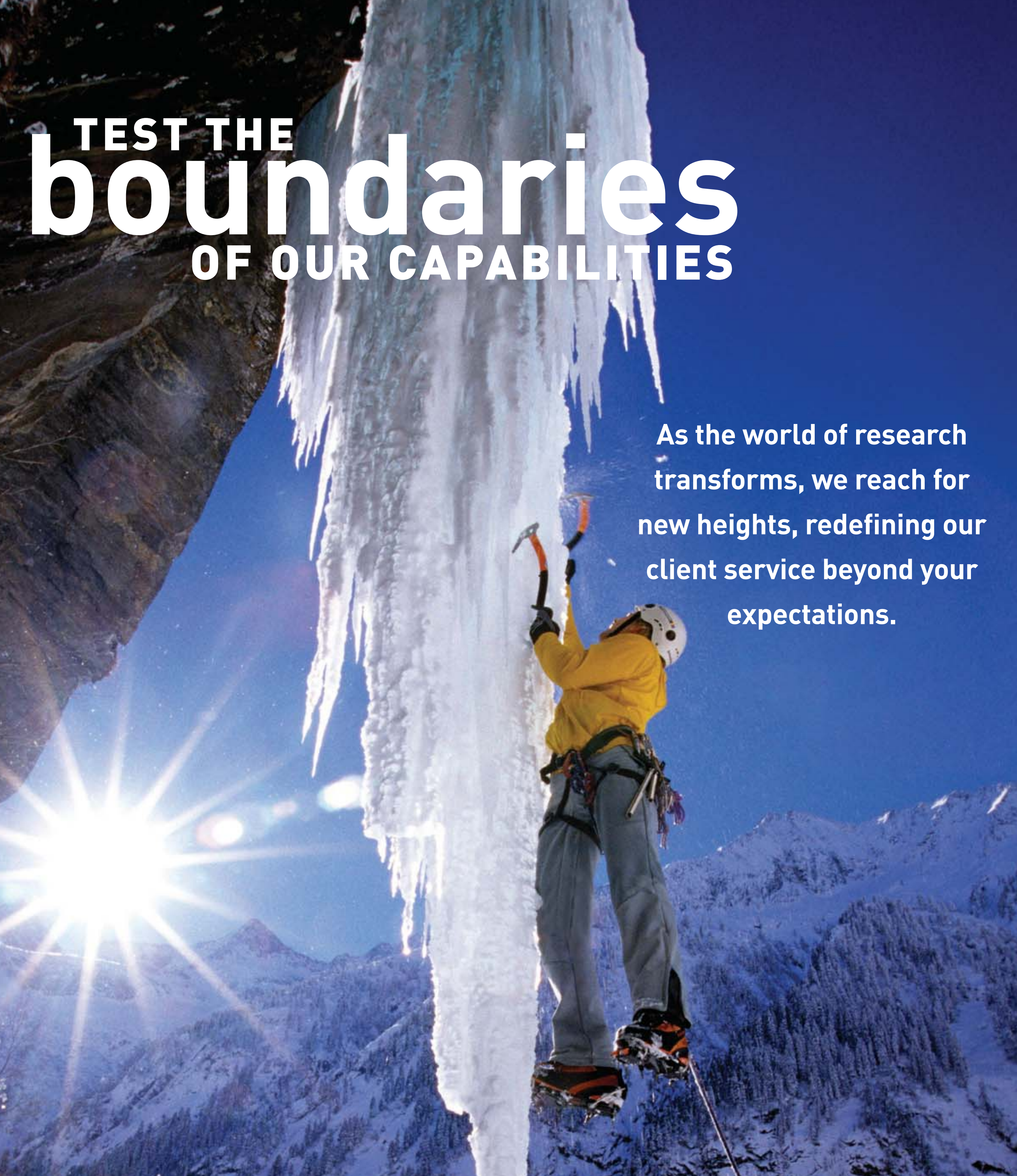
MARCH 2009

Marketing Research Review

Mystery shopping goes B2B

Also...

- Best practices for marketing to Chinese businesses
- How research can help restaurants survive tough times
- Why loyal diners are so important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Quirk's Marketing Research Review
Volume XXIII Number 3

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104 | Designing Effective Questionnaires: A Step by Step Workshop $2,195

New York	Jan 20-22
Los Angeles	Feb 24-26
Chicago	Apr 28-30
Baltimore	Jun 9-11
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106 | Online Research Best Practices & Innovations $1,795

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Cincinnati	Apr 21-24
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203 | Specialized Moderator Skills for Qualitative Research Applications $2,695

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in case you missed it...

news and notes on marketing and research

GLBT consumers on top of the trends

Nearly half of gay and lesbian adults report they like to keep up with the latest styles and trends, compared to only 38 percent of heterosexual adults, according to a study from Rochester, N.Y., research company Harris Interactive.

Taking a look only at gay men in the sample, 53 percent report they like to keep up with the latest styles and trends, compared to fewer than one-third of heterosexual men. In January 2007, when the same question was posed in a similar survey, 39 percent of gay men reported that they keep up with the latest styles and trends, compared to 32 percent of heterosexual males.

Gay and lesbian adults are also more likely than their heterosexual counterparts to upgrade to the latest model or version of a product. Forty-five percent of gay and lesbian adults say they tend to upgrade, compared to one-third of heterosexual adults. Just looking at gay men, 49 percent report they tend to upgrade, compared to 35 percent of heterosexual men.

The survey confirms a demographic distinction between gay/lesbian consumers and heterosexual consumers. "The LGBT community has long been known not just for trend spotting but also trendsetting," said Wes Combs, president of Witeck-Combs Communications, a Washington, D.C., GLBT public relations company. "They are very savvy consumers and often motivated to spend a little extra on new products and upgrades."

Protestants most willing to branch out and test the holy waters

Seven out of 10 regular churchgoers would be at least somewhat open to switching denominations, and another 44 percent report having one preferred denomination but would also consider others, according to a study from Ellison Research, Phoenix. Eleven percent have a small number of denominations they would consider, with no particular favorite among them; 6 percent don't have any particular denomination they prefer, but they do have certain ones they would not consider; and 9 percent say denomination does not factor into their decision of what church to attend.

Denominational loyalty differs strongly between Protestants and Catholics. Six out of 10 active Catholics would only consider attending a Roman Catholic church, and another 29 percent prefer this, although they do not rule out other denominations. Eleven percent of Catholics do not show a specific preference for attending a Catholic parish.

In comparison, just 16 percent of Protestant churchgoers will only consider attending their current denomination. Fifty-one percent do express preference for one denomination, but would also consider others. Thirty-three percent do not have any preference for one specific denomination.

Oddly enough, the devotion Catholics feel for their particular denomination does not translate into every area of their lives, namely brand loyalty. When asked about their loyalty to specific brands within 32 individual categories of products, services and stores, Roman Catholics are far more likely to be loyal to their denomination than they are to be loyal to specific brands within any consumer category.

The story is much different for Protestants; several consumer categories indicate brand loyalty levels consistent with loyalty to a particular denomination. As noted earlier, 16 percent of Protestant churchgoers are exclusively loyal to one denomination, and a total of 67 percent have a preferred denomination (even if they will consider others). Types of consumer products or services that show similar levels of brand loyalty among Protestant churchgoers include toothpaste (22 percent exclusive to one brand, with 64 percent expressing a brand preference); bathroom tissue (19 percent exclusive to one brand, with 59 percent expressing a brand preference); pain reliever (16 percent exclusive to one brand, with 57 percent expressing a brand preference); soft drinks (14 percent exclusive to one brand, with 70 percent expressing a brand preference); automobiles (11 percent exclusive to one brand, with 64 percent expressing a brand preference); and grocery stores (9 percent exclusive to one brand, with 66 percent expressing a brand preference).

No dollar menu here: freshness, quality keep small burger chain going

Wendy's fast-food restaurants made a splash in 2008 with their fresh-never-frozen ground beef patties and their customer greeting "What can we make fresh for you?", but one lesser-known hamburger joint has been thriving on those same principles since it opened its first restaurant in Arlington, Va., in 1986 - long before the emphasis on fresh, quality fast-food became popular among the largest chains.

Five Guys Burgers and Fries, a Washington, D.C.-based fast-food chain has helped spawn the national trend toward fresh ingredients cooked to order and served in a fast-food setting. Five Guys has been keen to the consumer craving for high-quality food over cheap-and-easy food, and it has reaped the rewards as it expanded its reach to 300+ locations in 25 states. The chain sticks to a small, trans-fat-free menu and focuses on preparing its few items to perfection, according to Sylvia Rector's January 22, 2009, article "Five Guys gets fresh with burgers," in the *Detroit Free Press*.

Five Guys doesn't have a freezer because nothing it serves is frozen. Its ground beef arrives fresh, and its skin-on french fries are cut by hand in the kitchen every day. To emphasize the point, the company stores its Idaho spuds in 50-pound bags in the dining room, where they wait their turn to be scrubbed and then run individually through a lever-operated french-fry cutter in back.

The company focuses on two products: hamburgers, served with your choice of 17 toppings, and its immensely-popular french fries, cooked in 100-percent peanut oil. Regular hamburgers come with two 3.4-ounce patties ($4.39); so-called little burgers have one patty ($3.29). Diners are invited to load their burgers to ridiculous heights; there's no extra charge for toppings other than cheese and bacon. The only other menu items are big kosher hot dogs and grilled cheese or veggie sandwiches.


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Kids go online to satisfy product curiosities

Children ages 6-11 are increasingly using the Internet to look into products they see in advertisements, and the older the child the more likely he or she is to take such action after viewing an ad, according to the 2008 American Kids Study, conducted by Mediamark Research & Intelligence, New York. In total, 46.3 percent of kids visited a Web site they saw or heard about in a commercial or advertisement.

Of the almost 10.7 million young consumers who report visiting a company's Web site after viewing its ad, 26.5 percent are 6-7 years old, 33.3 percent are 8-9 years old and 40.2 percent are 10-11 years old. These children are also more likely to hail from households where there are no rules placed on which sites they can or cannot visit. The gender split is almost equal, with 49.4 percent of girls and 50.6 percent of boys saying that viewing an ad resulted in a Web site visit.

Ad-promoted Web-site visits are not the only Internet activity in which these kids partake. In fact, children who report they visited a Web site after they saw or heard about it in a commercial are 48 percent more likely than the average U.S. child to access the Internet every day; 41 percent more likely to have their own e-mail address; 40 percent more likely to use an instant-messenger service; and 34 percent more likely to download music. For more information visit www.mediamark.com.

Study ranks banks in customer service

BB&T and M&I are ranked one and two, respectively, in branch-employee customer acquisition and sales and service skills, according to the 2008 National Mystery Shopping Survey, conducted by Informa Research Services Inc., Calabasas, Calif. The study examined 20 leading banks and showed that, while the industry performs well in the areas of customer courtesy and establishing good customer relations, it lags in the areas of identifying the customer's needs, product presentation and closing the sale. The survey also found that Fifth Third and HSBC are also succeeding in serving potential new customers.

The banks surveyed performed well in the areas of customer courtesy and cultivating good customer relationships by greeting, offering to assist, listening and using a pleasant tone of voice. However, it was documented that there was little display of advanced business development skills, such as exploring the potential customer's needs, developing a complete financial profile or even asking for business at the time of the visit.

"One key area that continues to suffer under testing is that of identifying customer needs," says Paul Lubin, senior vice president, Informa Research Services. "While banks are asking basic questions to understand the immediate banking needs of potential customers, they are not probing to understand the entire financial situation of potential customers, nor are they determining what product features are important to them."

According to the survey's findings, despite the industry's heavy focus on developing cross-selling skills, a majority of personal bankers do not go beyond the immediate need. Very few representatives question, explore or qualify the potential customers in order to discuss appropriate products and features. When presenting products, personal bankers are, for the most part, simply recommending a specific product but do not adequately link product features and benefits to the customer's needs. For more information visit www.informars.com.

Big Three struggles compel consumers to drive American

As American automakers attempt to stay afloat in a sinking economy, they might be relieved to know that, perhaps out of pure patriotism, one-third of new-vehicle shoppers say they would only consider cars from U.S.-based manufacturers, such as General Motors, Ford or Chrysler, and would not consider any vehicles from other countries, according to research from Kelley Blue Book, an Irvine, Calif., automotive information company.

At 33 percent, exclusive interest – shoppers saying they would only buy cars from a particular country – was far higher for vehicles from the U.S. than for any other country. Exclusive interest in Japanese vehicles, in comparison, was only 12 percent and 5 percent for vehicles manufactured in Germany. Furthermore, vehicles from the U.S. are on the vast majority of shoppers' consideration lists, with more than 90 percent saying they would consider buying a vehicle from a domestic manufacturer, compared to 74 percent for Japanese vehicles, 57 percent for German vehicles and 38 percent for Korean vehicles.

In addition, an overwhelming majority (97 percent) of vehicle shoppers plan to buy rather than lease their next vehicle, and nearly 70 percent say they will purchase new cars rather than used.

"Seeing the domestic automakers' recent struggle has ignited a heightened sense of patriotism among some American car shoppers, and the latest Kelley Blue Book marketing research indicates that people are pulling for the Big Three to survive and thrive," says Jack R. Nerad, executive editorial

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names of note

Kevin Steeds, former executive chairman of London research company *Cello Group*, died of cancer in December 2008.

Ellen Scherr has joined *Maritz Research*, St. Louis, as account manager, retail sector. **Dorothy Long** has been named research manager, pharmaceuticals group.

London research company *YouGov* has appointed **Todd Davis** as consulting director, financial services, and **Molly Millar** as senior research executive, media consulting division.

Angus Reid Strategies, a Vancouver, B.C., research company, has hired **Jeff Vidler** as senior vice president and managing director, radio research division.

Vidler **Brooke**

Vancouver, B.C., research company *Vision Critical Inc.* has hired **Eric Brooke** as vice president, marketing and communications.

Omaha, Neb., research company *infoGroup* has named **Roger S. Siboni** and **Thomas L. Thomas** independent directors of its board of directors.

Abt Associates, a Cambridge, Mass., research company, has hired **John Osika** as a principal associate and advisor, HIV/AIDS and infectious disease. Abt Associates has also promoted **Scott Royal** to division vice president, health.

Dexterity, a Chennai, India, research company, has named **Palanivel Kuppusamy** chairman and CEO. The company's former chairman and CEO, **Anantha Krishnan**, has moved into a strategic advisor role.

Gongos Research, Auburn Hills, Mich., has hired **Michael Francesco Alioto** as vice president, analytics, and as a member of the Gongos Research leadership team. Additionally, **Mitch Sanders** has been selected to lead Gongos' Consumer Village panel.

Sanders

DunnhumbyUSA, a Cincinnati research company, has hired **Kirk Jackson** as primary marketing research associate, custom insight.

ABI Research, New York, has hired **Jeff Orr** as senior analyst, mobile content. Orr will be based in ABI's Sacramento, Calif., office. Additionally, ABI has appointed **George Perros** as senior analyst, location aware services, telematics and navigation.

Kathryn Collins has joined New York research company *TNS North America* as senior vice president, employee engagement. Collins will be based in Toledo, Ohio.

Synovate Malaysia, a division of Chicago research company Synovate, has hired **Christina Lee** as research director, qualitative division.

Patricia Sikora has joined *Hansa|GCR*, a Portland, Ore., research company, as director, client services, and will be based in Denver. **Paul Johnson** has also been named director, client services, and will be based in San Francisco. Finally, **Dan Llanes** has been named director, analytics, and will be based in Fort Lauderdale, Fla.

Eileen Lambourne has been named director at *Ipsos MORI North*, a Manchester, U.K., division of Paris-based research company Ipsos.

Western Wats, an Orem, Utah, research company, has hired **Bob Ferro** as vice president, business development.

London research company *Kadence* has promoted **Keiron Mathews** to U.K. managing director.

Echo Research, London, has hired **Ed Coke** as global sector head, financial and professional services; **Frank Gabbert** as vice president and director, health care; and **Tim Morley** as company secretary and director, group finance.

Mobile Marketing Association, New York, has appointed **Mike Wehrs** as president and CEO.

Knowledge Networks (KN), a Menlo Park, Calif., research company, has hired **Henry Laura** as vice president, media. Laura will be based in KN's New York office.

Cambridge, Mass., research firm *Fuld & Company* has appointed **Wayne Rosenkrans** as vice president, consulting, pharmaceutical and health care industries.

User Vision, an Edinburgh, Scotland, research company has hired **Patrycja Kazmierczak** as usability consultant.

Enterprise Management Associates, a

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product and service update

Infosurv debuts on-demand prediction market for concept testing

Infosurv, an Atlanta research company, has released Infosurv Concept Exchange (iCE), a program to help companies conduct market research concept tests in two weeks by offering on-demand prediction markets. Prediction markets have been shown to have enhanced predictive validity, which may allow iCE users to more accurately determine which products and services will succeed.

Under the iCE framework, decisions from respondents are rationalized as reward values tied to specific outcomes (e.g., Concept C is best). The current market price is then interpreted as a prediction of the probability of the event. With a prediction market, only the "right" answer is rewarded.

Infosurv's Web site features a free white paper, Prediction Markets for Concept Testing: An Innovative Way to Improve the Speed and Accuracy of Online Concept Tests, which aims to demystify this new approach. For more information visit www.infosurv.com.

New technique to help forecast product launches

Ziment, a New York research company, has introduced Sequencez, an analytic technique for modeling order-of-entry effects in new-product research and forecasting. Sequencez is designed to assess the effect of launch sequence and time to market on peak market share.

"Modeling order-of-entry has always been especially hard for market researchers. It is just too difficult for respondents to estimate how they will react when a product that has not yet launched enters a future market containing other products that have also not yet launched, but are expected to have been available for, say, six or 12 months at the time the product in question is approved," says John Tapper, CEO, Ziment.

Sequencez is based upon dynamic new-entrant parsing, a technique Ziment has developed to address the forecasting issue. The technique combines uptake-curve modeling and time-series analysis to help estimate the impact of time on market for existing products on the share available to new entrants. For more information visit www.ziment.com.

GoReport offers enhanced survey reporting and analytics

Greenfield Online Inc., a Wilton, Conn., research company, has launched GoReport, a Web-based reporting and analytic tool designed to enable clients to access data in real time to begin conducting analysis of data and verbatim responses while their survey is still in-field and to provide users with an interface and the ability to drag and drop data into PowerPoint slides.

GoReport is provided as part of a standard offering to clients using Greenfield Online for survey programming. GoReport integrates with GoClient, the company's client portal. For more information visit www.greenfield-ciaosurveys.com/goreport.asp.

Collaboration tool mixes social networks and research

A Toledo, Ohio, research company, c8mr, has launched Forum360, a social collaboration tool that uses social networking and online marketing research to create discussions among consumers. Forum360 uses online social conversations among customers or target interest groups with the goal of understanding consumers in context and applying social collaboration to spot trends; develop products; create customer communications and advertising; engineer the customer experience; or explore brand image, loyalty and positioning.

Forum360 uses professional community managers to develop an engagement plan, balance the community membership according to client information needs, host the online interfaces and facilitate communication with the community. For more information visit www.c8mr.com.

Vovici updates EFM suite with Vovici v4

Vovici, a Dulles, Va., research company, has released Vovici v4, its latest suite of enterprise feedback applications. Vovici v4 is designed to bring online communities, business intelligence and survey software to a common platform by allowing managers to write their own online surveys in conjunction with internal mentors and by allowing employees to develop and customize their own analysis of surveys reflecting their domain or geography.

With v4, customers can manage workflows and approval cycles; create custom online panels for segmentation; create and interact with online communities; conduct and share survey analytics; and integrate data from online surveys into internal applications and CRM systems.

Vovici v4 has also expanded on the online community functionality, providing new modules for respondent profiles, private messaging and tag clouds. Community members can discuss ideas with one another in the enhanced forums module. For more information visit www.vovici.com.

Firms partner to deliver telephony platform

Confirmit, an Oslo, Norway, research software company, has partnered with Magnetic North, a Norwalk, Conn., research software company, to deliver a hosted telephony platform intended to reduce the cost of telephone research projects and feedback programs and avoid the need for dialer hardware installation. The telephony service will be integrated with Confirmit's new software platform and is designed to become a multi-

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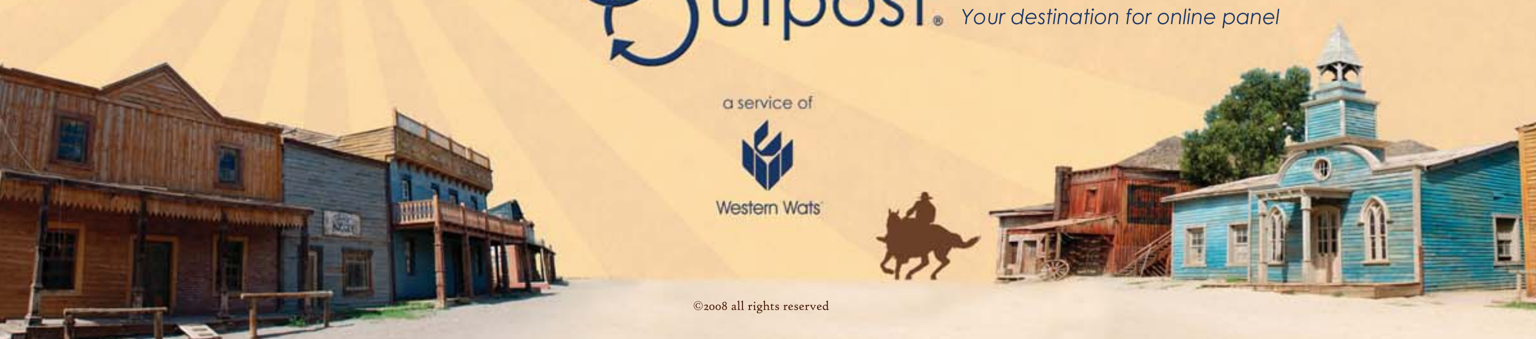

News notes

New York researcher **The Nielsen Company** has suspended indefinitely its P.R.I.S.M. (Pioneering Research for an In-Store Metric) initiative, a national retail data syndication service. Nielsen cites the nation's serious economic state as the cause of the suspension. In early January, **Wal-Mart** ended its participation in the service despite having taken part in the pilot development phase of the project.

The Media Rating Council, New York, has accredited New York research company **Arbitron Inc.**'s Portable People Meter (PPM) quarter-hour ratings data in the Riverside-San Bernardino market. The PPM radio estimates in Riverside are based on Arbitron's Radio First PPM methodology, which uses a telephone-based sampling and recruitment methodology and includes both landline and cell-phone-only households.

Separately, Arbitron Inc. has joined in a stipulated order on consent with the **Attorney General of the State of New York** (NYAG), resolving all claims against Arbitron that were alleged in the lawsuit filed by the NYAG in New York County Supreme Court on October 9, 2008. The lawsuit alleged violations of New York state executive, business and civil rights statutes relating to the marketing and commercialization in New York of the PPM radio ratings service. As part of the settlement, Arbitron will incorporate a number of actions into its continuous improvement program for the PPM ratings service in the New York radio market. Arbitron has also agreed to pay $200,000 in settlement of the claims and $60,000 for costs. The company will pay $100,000 to the National Association of Black Owned Broadcasters (NABOB) for a joint radio project between NABOB and the Spanish Radio Association to support minority radio.

Arbitron has also joined in a final consent judgment with the **Attorney General of New Jersey** (NJAG) that will resolve all claims against Arbitron that were alleged in the lawsuit filed by the NJAG in the Superior Court of New Jersey for Middlesex County on October 9, 2008. The lawsuit alleged violations of New Jersey consumer protection and civil rights laws relating to the marketing and commercialization in New Jersey of the PPM radio ratings services. As part of the settlement, Arbitron denies any liability or wrongdoing. Also as part of the settlement, Arbitron will modify its program for the PPM ratings service in the Philadelphia and New York radio markets. In connection with the settlement agreement with the NYAG, the company will pay a single lump sum of $100,000 to the NABOB for the aforementioned joint radio project between NABOB and the Spanish Radio Association; complete a non-response bias study in the New York radio market; and fund an advertising campaign in the radio trade press promoting minority radio.

The Association of Hispanic Advertising Agencies (AHAA), McLean, Va., has issued a statement

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Calendar of Events March-June

MarketTools will hold a Webinar, themed "Serenity in the Storm - How Researchers are Achieving Deeper Insight In Spite of the Chaos" on March 25 at 10 a.m. PDT. Space is limited to 600 participants. For more information and to register visit www.quirks.com/events/index.aspx or http://quirks.webex.com.

The Advertising Research Foundation will hold its annual RE:THINK! convention and expo on March 30-April 1 at the New York Marriott Marquis in Times Square. For more information visit www.thearf.org.

The AMA will hold a marketing research executive forum on May 3-6 at the Westin Michigan Avenue in Chicago. For more information visit www.marketingpower.com.

The QRCA will hold its first symposium on excellence in qualitative research, themed "Meeting Challenge. Achieving Success," on May 7 at the Hotel Intercontinental in Chicago. For more information visit www.qrca.org.

The Business Intelligence Group will host its annual BIG Conference 2009, themed "B2B Research: New Dimensions," on May 13-15 at the Marriott St. Pierre in Chepstow, Wales. For more information visit www.bigconference.org.

The AAPOR will host its annual conference on May 14-17 at the Westin Diplomat Resort and Spa in Hollywood, Fla. For more information visit www.aapor.org.

The International Mature Marketing Network and the Market Research Global Alliance will hold a workshop, themed "New Insights for Companies and Their Agencies: Targeting Boomers and Beyond," on May 15 at the Marriott Residence Inn Arlington in Arlington, Va. For more information visit www.immn.org.

CASRO will hold its annual technology conference on May 28-29 at the Millennium Broadway Hotel in New York. For more information visit www.casro.org.

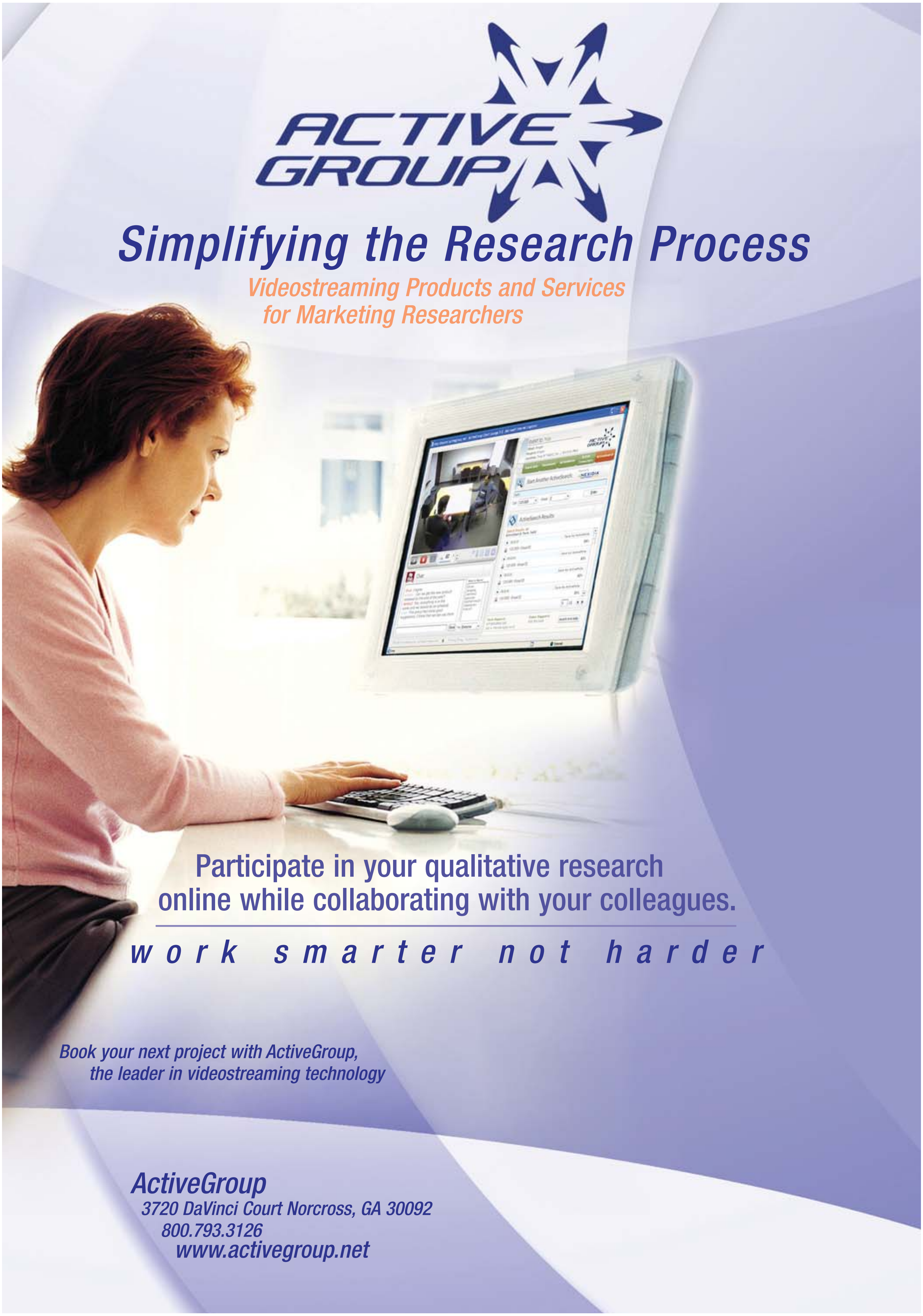
Parks Associates will hold its Connections 2009 conference, focused on advanced digital lifestyle solutions for residential and mobile environments, on June 2-4 at the Santa Clara Convention Center in Santa Clara, Calif. For more information visit www.connectionsconference.com.

The Marketing Research Association will hold its annual conference on June 3-5 in Chicago. For more information visit www.mra-net.org.

CASRO will hold its international research conference on June 18-19 at the Fairmont Hotel in Washington, D.C. For more information visit www.casro.org.

The TTRA will hold its annual conference, themed "Catch the Wave: Tourism Research!," on June 21-24 at the Hilton Hawaiian Village in Honolulu. For more information visit www.ttra.com/hawaii2009.html.

To submit information on your upcoming conference or event for possible inclusion in our print and online calendar, e-mail Emily Goon at emily@quirks.com. For a more complete list of upcoming events visit www.quirks.com/events.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By Jim Spanier

How to make sure your moderator does great groups

When you hire a moderator to conduct your focus groups, the best feedback you can receive from those who attend the groups is that they were "great groups." During the past 20 years I have moderated many focus group discussions and sometimes I'm complimented by my clients and told that I led a "great group." But occasionally I walk into the back room and am met with glum faces. Later I am told that the group was disappointing and that the client did not get what he or she wanted.

Now, the strange thing is that most of my "great" groups have been those in which respondents happened to like a client's product, service or advertising material, while the "disappointing" groups have always been ones in which the client's offerings were little- appreciated.

This is not meant to trivialize any client's desire for a positive reaction to what they are testing in their focus groups. Clearly, much time and effort had been spent in creating and perfecting a product, service or ad by the time it comes to me to be shown to respondents. It's only natural for those who have championed these offerings to believe that if something is not well-accepted, perhaps things would have been different with a different moderator.

But would they have been? The answer is yes, occasionally that may happen, but in most cases the results would be equally disappointing even with a different moderator. So rather than falling back on blaming the moderator, as a marketer what should you do to maximize your learning experience from focus groups that are evaluating a product or service?

Accept any product rejection as learning. If respondents don't react positively to what the moderator shows them or reads to them, that likely means they have not been offered a compelling idea or product. Either the benefits have not been sufficiently well-communicated or else those benefits do not appeal strongly enough to respondents for them to become interested in what has been presented. When this happens, it's not the role of the moderator to disabuse respondents of any mistaken ideas they may have about the product or persuade them to like it.

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If focus group respondents misunderstand the product or ad, then your consumer, who won't have a moderator to act as a spokesperson for either, will probably misunderstand as well. So realize that you will have to restructure your initial concept for consumers if the focus group respondents are not responding positively. Take the respondent's comments into account and redesign your concept, product introduction or ad so it is clear what you are offering and what the benefits to consumers are.

To give yourself every opportunity for the results of the groups in fact to be positive you should:

Brief your moderator thoroughly on the product. Don't

simply go over the discussion-guide questions with the moderator. Instead, brief him or her on the ins and outs of the products or concepts you will be testing. Show the moderator how the products work and how consumers will use them.

Recently I was asked to moderate groups that called for respondents to use some new earpieces. What I was not told was that if you wore glasses, as I do, the frames would interfere with putting on the earpiece. When I tried to demonstrate to the respondents how to wear the new earpiece, it wouldn't fit on my ear. As a result, they thought less of the product than they probably would have otherwise and the client was understandably upset.

How easy it would have been for that client to arrange for a run-through of all the stimulus material before the focus groups began! Anyone wearing glasses should have first taken off those glasses, put on the earpiece and then put their glasses back on. But in this situation, the product models were brought in to me only at the last minute, just before the start of the group.

Consider an iterative process. Don't accept your concept presentation as being written in stone and something that can't be altered as you proceed from group to group. Be prepared to change it from one group to the next if that seems necessary. Often you will learn something in the first group that will enable you to revise the presentation of the concept or product and make it more appealing to respondents in subsequent groups. For the same reason, consider doing a number of focus groups, certainly more than two, so that you can continue to improve your presentation based on learning from earlier groups.

Take the time

If you want your groups to be great, take the time to brief the moderator thoroughly on all the products he or she will be demonstrating and make sure he or she can demonstrate them seamlessly to the respondents. Also, brief the moderator on the technology behind any product, so answers can be provided to some of the respondents' unexpected questions. Finally, realize that if there are problems with the acceptance of the product in a focus group, the problem may reside not with your moderator but instead with the way you chose to describe or demonstrate the product to respondents, or indeed with the product itself.

This last point is the hardest to accept, but ultimately it is one of the reasons why we do research. You should recognize that "great groups" are not just those groups where the respondents think your new product is great. No, "great groups" can also be those where you learn the limitations of your product. | Q

Quality qualitative

Enter article ID 20070501 at www.quirks.com/articles to read moderator JudyLanger's insights on effective use of focus groups.

business-to-business research

By Marianne Hynd

Testing positive

Mystery shopping program guides improvement of customer communication for business-to-business firm

Mystery shopping is commonplace in the business-to-consumer realm, with shoppers evaluating and monitoring customer service across all types of industries. On the business-to-business side, mystery shopping has only been adopted recently but its use is increasing. After all, customer service levels play just as vital a role in the success of a B2B company as they do for a B2C firm - even more so in many cases. Rather than the hundreds of dollars that a customer might spend in a large B2C transaction, a B2B customer's outlay might be in the hundreds of thousands of dollars. Thus the loss of a dissatisfied customer in the B2B realm can result in a major drop in revenue.

One business-to-business firm that has been using mystery shopping is Stork Materials Technology, which has over 30 materials- and product-testing laboratories in the U.S. and Europe, providing testing, inspection and product quality certification for industries from aerospace and military components to commercial products such as mattresses.

The laboratories were acquired over the last decade, says Ari McKee-Sexton, the firm's marketing communications manager, and it was difficult for Stork to determine each laboratory's culture, how it strengthened the company and what areas could be improved.

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Stork Materials Technology and its parent company, Stork B.V. in the Netherlands, have embarked on an initiative of continuous improvement, combining Six Sigma, lean and other business methodologies to examine all processes and strive to perform them more effectively and productively. The company adheres to three standards for customer service: timely and accurate test certificates and reports; service-oriented communication and behaviors; professional appearance.

Special considerations

Mystery shopping in the B2B sector is quite similar to traditional mystery shopping, though there are some special considerations to ensure a successful program. First, companies have to determine if shoppers will be posing as potential or current customers. In the latter case, the company will need to provide the mystery shopping supplier with company information, including names, addresses, key contact names and a brief history and overview. Quite often, fictitious accounts are created within the system for this purpose. For potential customers, the company will need to provide the core services and assist the mystery shopping provider in creating a realistic scenario that will result in a typical transaction.

Training for mystery shoppers is also more detailed, typically with training sessions being held in online venues to allow shoppers the opportunity to ask questions, learn more about the company they will be evaluating and absorb other details to ensure success.

Shoppers are carefully screened prior to being selected for any work, as they will need to fit the appropriate role. Because shoppers come from all walks of life, it is not difficult to find shoppers who run their own business, for example, or those who have a history in the industry in which a company operates.

Annual service surveys

Prior to creating its mystery shopping program, Stork Materials Technology conducted annual customer service surveys to obtain customer feedback and measure satisfaction levels across laboratories. Additionally, the individual laboratories conducted their own internal customer surveys via e-mail, phone and mail to continually assess satisfaction. While the satisfaction surveys were useful and demonstrated a solid customer satisfaction base, Stork wanted to know more.

It worried that changes in personnel or other unknown potential issues would damage or derail the customer communication process. Another concern was ensuring that

individual labs' automated phone systems were operating properly and that callers were not being lost or misdirected. Because customer feedback and satisfaction surveys wouldn't reveal this information, Stork sought out other methods to uncover and eventually rectify any problems.

While mystery shopping was initially considered as an option, key personnel were not certain that this methodology was used in the B2B segment. But after some investigation, the company learned that it could indeed use mystery shopping and it designed and executed a two-pronged program that launched in March 2008.

First, the company was interested in knowing more about each laboratory's service culture as it relates to potential customers. Second, the company wanted to determine any breakdowns in the communication chain that would lead to loss of new customers as well as a decrease in customer satisfaction.

The program focused on evaluating e-mail inquiries and telephone calls, as these are the main venues for communication. Four waves of evaluation were conducted to allow time to share results and implement additional training/procedures between waves. Stork was able to further assess the effect of this training and of sharing the shopping program results.

To achieve a true baseline performance review, staff were not informed of the mystery shopping program until the first wave was complete. After that time, they were brought up to speed and told that it would be an ongoing process which would be carried out quarterly.

In both modes of communication, mystery shoppers posed as potential customers who were inquiring about a specific testing capability as it related to their fictitious company. Shoppers were trained to evaluate the following aspects of the interaction:

- the length of time to receive a response via e-mail;
- how many telephone calls were placed before an inquiry response was received;
- staff knowledge of testing capabilities at each laboratory;
- what follow-up information was collected, including the shopper's name, company name, telephone number, etc.;
- the shopper's overall satisfaction based on the interaction.

Each laboratory was contacted by mystery shoppers a total of four times within each evaluation period. Three telephone calls and one e-mail inquiry were initiated, varying the days and times for each communication. This achieved a solid overall snapshot of service levels, as various staff members were evaluated across days and times, allowing Stork to pinpoint individual performance and find communication breakdowns that were specific to a time of day or day of the week.

Further, to delve deeper into potential communication issues, mystery shoppers were instructed to wait for 24 hours to receive a response via e-mail or a response to a voicemail message. In the event that a response was not received, they were told to call back a second time and track the course of interaction. Shoppers waited up to 48 hours from the time of the second contact to determine if a response was received. If responses were not received after a second attempt, the evaluation ended.

Clear progress

Stork employees showed clear progress in telephone and e-mail performance, demonstrating quicker response times, a significant decrease in dropped inquiries and improved staff knowledge. Results specific to e-mail and telephone inquiries are discussed below.

E-mail evaluations

The first wave of e-mail contacts resulted in a strong e-mail response within 24 hours of mystery shoppers sending an inquiry. Each evaluation period showed steady improvement, resulting in a same-day response to the majority of e-mail inquiries received from mystery shoppers at the end of the study.

When e-mail responses were received, Stork was able to view the entire e-mail correspondence to learn more about where e-mails were forwarded, who ultimately responded and if the response fully addressed the shopper's inquiry. This helped the company learn more about the chain of communication with regard to customer inquiries and improve its processes, where necessary.

Telephone evaluations

Telephone evaluations were scored based on professionalism/promptness of the staff member, staff knowledge and follow-up, when needed. Mystery shoppers also indicated their overall satisfaction with the interaction.

Performance scores increased in all areas across the length of this study, with a total increase of six percentage points in overall performance. Similarly, the portion of the evaluation focused on employee knowledge and ability to answer inquiries without the need to transfer the call improved by five percentage points over the course of the study. Because of the progress made, the mystery shoppers' overall satisfaction with the interactions rose more than five percentage points.

More specific findings related to this area of evaluation include how many calls were placed to each facility before an inquiry was resolved. Similar to the e-mail evaluation, the majority of the inquiries were resolved within the first call, or within 24 hours of placing the call in the event a voicemail was left with the facility. The instances in which the inquiries were resolved during the first call rose seven percentage points across the four waves.

Finally, staff knowledge was evaluated based on the responses provided to each shopper's inquiry. Shoppers were asked, "Was the employee able to answer your specific questions knowledgeably and with confidence?" To assess this question, shoppers were provided with the correct response to their inquiry and were instructed to assess confidence in the response using criteria such as the employee not expressing hesitation with the response, offering information but suggesting that the shopper speak to another representative to confirm the information provided and whether the call was transferred in an attempt to resolve the inquiry. Questions ranged from information specific to testing capabilities (i.e., size of samples needed, what testing specifications are adhered to) to inquiries about which facilities were capable of specific testing procedures.

From the onset of the study through the end of the fourth wave, the company improved by 22 percent, indicating that the staff responsible for fielding calls demonstrated increased knowledge of the facility's testing capabilities and other specifications. Because staff were able to handle inquiries themselves without needing to transfer the call to a second person and could provide information as callers contacted each facility, customer confidence and satisfaction in their experiences with Stork subsequently increased.

Ask better questions

Stork has used the information gathered from the mystery shopping program in many ways, says the firm's Ari McKee-Sexton. First, the results and individual reports have been presented to location and regional managers at quarterly meetings. The customer service director also studies the reports. Location managers were asked to use the information to install improved communications procedures – for example, better phone scripts and e-mail protocols. Further, the information has been used to tweak the customer service training curriculum and ask better questions in customer service surveys.

Second, on a more location-specific level, the results were used to strengthen procedures and standards. Some location managers discussed the calls with the staff involved, especially if there was miscommunication that needed immediate correction. Additionally, the call transcriptions are often used anonymously in Stork's quarterly customer service training.

Finally, when Stork CEO Charles Noall visits facilities that have demonstrated excellence in customer service during the mystery shopping program, he spends time talking with the customer service representatives to congratulate them on their success.

Gauge progress

To build on the success of the current mystery shopping program, Stork plans further improvements in the coming year to gauge progress and troubleshoot problems. The staff response has been positive and McKee-Sexton says that even the employees who are the very best service providers have learned valuable lessons about how Stork customers interact with the company.

"Simply put, our callers and customers are experiencing better service," McKee-Sexton says. "We have developed phone and e-mail protocols and we are employing them more consistently in contact after contact. And because Stork service excellence emphasizes good service to our internal customers – between staff and between Stork laboratories – we are experiencing better, more-responsive internal communications as well. Like the rest of our improvement programs, it's had a viral effect and is spreading through the company, making Stork a better place to work and a stronger competitor in the market."

Additionally, as new laboratories are acquired, the program will allow Stork Materials to monitor their compliance with Stork's standards and to also learn from the laboratory's existing best practices.

More recognized

As the use of mystery shopping in the B2B segment increases, the benefits will be quickly realized. This methodology has proven successful in the B2C segment for many years and it is now becoming a more recognized approach to evaluating service and performance levels across the B2B segment. Additional planning and training are required to successfully execute such a program but the benefits clearly outweigh the effort required. |Q

business-to-business research

It's all about the relationship

By Matthew Harrison

The question of how to market and sell to companies based in China is one that is debated endlessly by foreign companies seeking to profit from the country's huge potential. Views expressed vary wildly, from those who say that marketing and selling in China is "just like home" to those who exaggerate the unique nature of Chinese business and Chinese people to such an extent that selling in China sounds like an impossibility. The reality is that these two positions are both equally crass and incorrect - there is no reason why a Western company with a flexible, patient and listening-based approach to marketing and sales should not succeed in the Chinese market.

This article aims to dispel some of the myths surrounding Chinese business and explores the reasons behind both successful and unsuccessful marketing and sales approaches in China. We do not seek to provide definitive, one-size-fits-all answers to companies looking to establish or increase their presence in China. Rather we aim to put forward some general guidelines for companies from outside China to bear in mind.

Our insights are based on 100 in-depth interviews with business owners and senior purchasers throughout Beijing and Shanghai. Companies of all sizes were interviewed, from those with sales of $1.5 million through to multinational companies. Companies were divided into quotas to ensure a cross section of different types of manufacturing and service companies.

A guide to marketing and selling to Chinese businesses

Less widely recognized

The principle of marketing in business-to-business markets is less widely recognized in China than in more mature markets. Commonly, marketing is seen by many in Chinese businesses as little more than the promotion element of the 4 Ps. Product is the job of engineers, price the job of sales forces and place the job of senior management.

In contrast to some Western markets, the salesperson and, more broadly, the principle of selling are widely respected in China. Two issues perhaps lie at the core of this fact: firstly the entrepreneurial spirit of the Chinese people and secondly the importance placed on relationships in business decision-making.

What is a Chinese company's preferred means of being targeted by potential suppliers? Unsurprisingly, a wide range of marketing and sales techniques can work and usually a combination of different

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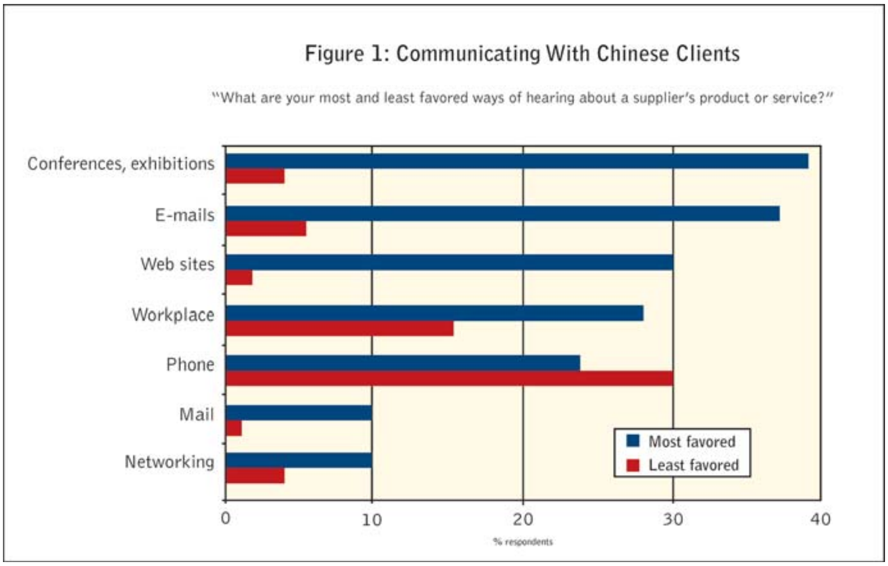


methods is necessary (see chart and Figure 1).

Market-leading quality

Any marketing campaign should have at its core the communication of the target market's needs. It is therefore essential to consider what Chinese businesses require from potential Western suppliers (Figure 2).

We have excluded price from our analysis, taking this as a given. Unsurprisingly, the main requirement Chinese buyers have from potential Western suppliers is to provide market-leading quality. Indeed, it is the minimum a Western company must do to justify its higher prices vis-à-vis the local competition. The company's offering must add value in the eyes of the buyer.

Communicating superior value in Chinese B2B markets is far more difficult than even two or three years ago, as the premium that can be charged for Western products is decreasing quickly. First, increasing numbers of foreign companies are competing with each other, driving down prices; second, the quality of the local offering is improving rapidly; third, the ability of local companies to communicate their offering is increasing; and fourth, international companies based in China are recruiting more and more local staff into senior (buying) positions. Such staff are far more confident than their expatriate predecessors at "buying local" and managing cheaper local suppliers.

To a great degree business trust is developed through relationships. However, the first thing any Western company should do is prepare and present comprehensive case studies and client lists for the potential Chinese customer, in order to prove that they are established in the market and can demonstrate experience in dealing with similar companies (preferably in China).

This need to communicate relevant past experience cannot be overstated and relates to perhaps the biggest barrier facing any Western company (particularly new entrants) in China: the time and effort required to gain the target market's trust.

The challenge of gaining trust can be turned into an advantage if the Western company leverages its brand to the maximum. When approaching a potential customer for the first time, a company's brand can communicate experience and credentials in the same way as a case study or reference. Even if the company is unknown in China, the brand of "The West" can be a real plus, and at the very least generate curiosity in the company's offering. In many cases, the Western brand represents quality; therefore in at least one respect most Western companies enter the market at an advantage.

Of course over time, any company would want its brand to refine and develop a personality of its own in China. Nevertheless, Western companies' cost bases are such that entering China without quality at the core of a branding strategy and other communications is virtually impossible.

Extremely demanding

Reliability is linked to quality, articulating to a large extent quality of service as opposed to quality of product. Chinese buyers are extremely demanding in terms of their service requirements, on issues as diverse as lead time (which tends to be shorter), availability after hours (a much more frequent requirement) and technical service (particularly when dealing with Western companies, Chinese businesses feel they are paying for top quality, and when technical issues arise they therefore expect them to be dealt with quickly and efficiently).

A key challenge here is communicating that the Western supplier has an established and permanent presence and infrastructure within China. There is a

Marketing and Sales Communications in China
A Summary of What to Use and When

Communications Approach	When To Use
Exhibitions and conferences	Constantly, in order to establish the first contact with new customers.
E-mail	Once you have made initial contact, use an e-mail to introduce the company and outline specific products/services that may be of interest in more detail.
Web site	An easily-found, easily-navigated and easily-understood Web site is essential. A good site will be referred to again and again before, during and after the sale.
Meetings at the workplace	Essential, but only under the right circumstances. Dropping by companies' offices unannounced is rarely successful. Workplace meetings should be used to move the relationship forward, once the potential customer has shown some interest. Deals will almost always be closed in face-to-face meetings.
Phone calls	As a first contact, in order to locate the correct person. However, avoid trying to sell or negotiate over the phone - this must usually be done face-to-face. Obviously phone calls can be used for informal discussions and to keep in contact between meetings.
Mail	Direct mail can be an effective way of generating initial interest. Contrary to popular belief, the Chinese are, if anything, more receptive to direct mail than most Westerners.
Networking	An important complement to marketing efforts at all times. Relevant events should be attended and business relationships developed to the maximum.

great deal of wariness regarding Western companies who are happy to export their products to China and charge significantly more than local competition but who then have little interest or ability when it comes to after-sales service, ongoing relationships or even rectifying small issues with the product that has been sold. The latter point also explains the prominence of local presence as a requirement from Western suppliers.

Figure 2: Main Chinese Requirements From Western Businesses (Other Than Price)

- Quality of product or service
- Established company
- Reliability of delivery or service
- Worked for other similar companies
- Wants to meet my needs, understands my needs
- People I can work with
- Local presence
- Aftersales

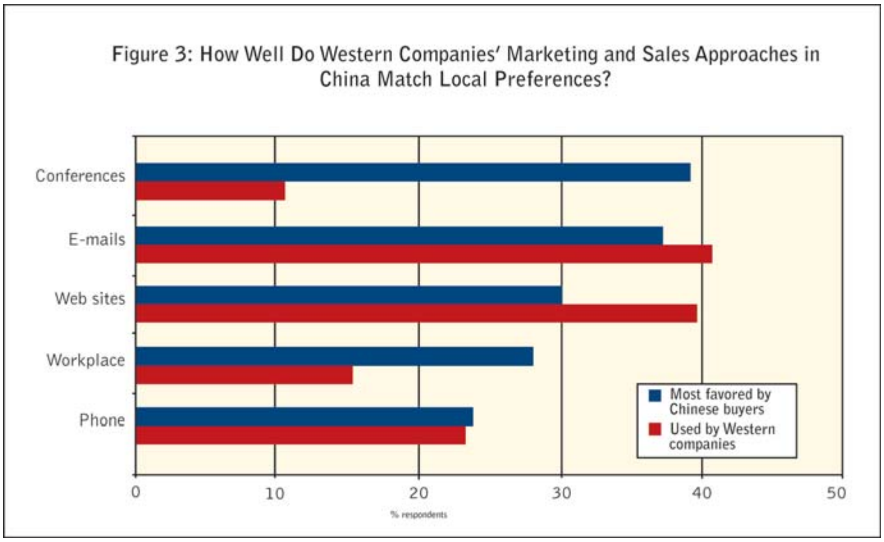
An understanding of their needs

Chinese buyers state emphatically that they want Western companies to show an understanding of their needs but also a willingness to listen to and learn from the buyer. A frequent comment is that Westerners spend far too much time talking about what they can offer and far too little time building up their understanding of what the customer requires and what is driving that requirement.

Chinese buyers do not expect suppliers to understand their needs immediately; in fact they tend to believe that doing so is impossible and perhaps even belittles the uniqueness of their challenges and requirements. Rather they want suppliers to listen carefully to the issues facing the business and commence a dialogue which begins to identify their needs and put forward ways of meeting these needs. Suppliers who claim to have an immediate solution are seen as crass, naïve and untrustworthy.

As well as being reliable in a business sense, Chinese buyers want suppliers who are easy to deal with and who personally engage with them. Business relationships in China can often be distinguished by the way they go beyond the workplace and impinge on the participants' social lives. Companies that do not wish to take the discussion outside the workplace are often seen as unfriendly and - more significantly - hard to get to know, perhaps willfully so. The latter can be fatal to a potential business relationship in an environment where gaining trust is fundamental.

Language and other barriers clearly make expanding relationships beyond the workplace difficult for many Western suppliers. However, this, as well as the requirement to show a general interest in customers as people rather than as just customers, is often essential.



Doing their utmost

It is clear that Western companies are doing their utmost to market themselves to Chinese businesses. Over half of all companies included in our study state that they have been targeted by 20 or more Western businesses within the last year alone. Forty-one percent of companies maintain that they are targeted by Western companies at least as frequently as they are by Chinese companies. And respondents said they are now being targeted on a large scale not only as low-cost suppliers but also for their burgeoning purchasing power.

It is true that the most effective way of targeting a potential customer is not necessarily the way in which that potential customer asks to be targeted. Nevertheless, it is informative to compare the approach of Western companies with the preferences of the Chinese target market (see Figure 3).

On a positive note, Western companies are seen as excellent in terms of their ability to communicate through new media. Their efforts in communicating in Chinese are recognized and Westerners are seen as presenting themselves extremely professionally and clearly.

A typical remark made by a Chinese businessperson in our study was "Western companies are excellent at using their Web sites to tell you exactly what they offer and how it can benefit you. They get straight to the point. Chinese companies tell you about their people and what industry they are in but don't really tell you what they do." This view of Western businesses (and Westerners in general) as being extremely direct is widespread in China and is often not seen as a positive characteristic. However, in written business communications, absolute clarity is a distinct benefit and one which Western companies are using to their advantage.

Perhaps unsurprisingly, Westerners' interpersonal abilities are seen as lacking. This manifests itself in a perceived unwillingness to attend events or visit the client's workplace or even to make phone calls (of course linguistic limitations are part of the reason for this). Good as Westerners' written communication is, complementing this with verbal and particularly face-to-face interpersonal contact is essential. One of the most commonly-mentioned and extreme differences between supplier-client contact in Western companies, in comparison with China, is Westerners' tendency to think that "work is work" and is therefore limited to the workplace. In China, relationship-building and negotiations often take place not only during the working day but also at a restaurant afterwards. Taking a business guest for a meal is a basic common courtesy.

A particular area where Westerners place insufficient emphasis on interpersonal contact is in recognizing the importance of exhibitions and similar events. The prominence of these has been noted; however, many Western companies see insufficient tangible benefit in attending. Westerners must understand that the right exhibition in the right location can be more valuable than almost any other aspect of the promotional mix.

Wants to hear

Perhaps more important than their communication methods is the question of the messages Western companies actually convey and how well these correspond to what the target market wants to hear.

Most Chinese buyers start from the position that the offering will be high-quality when they begin to evaluate a Western company, and that usually turns out to be the case. It would appear, therefore, that Western companies are doing a good job overall in terms of meeting their clients' product and service requirements.

General professionalism is seen as a key distinguishing factor between Western and local Chinese companies. This manifests in many ways, ranging from the product itself through to company literature, appearance and knowledge of staff, and paperwork.

An inability to listen is a common criticism. The importance of this cannot be overstated and this relates partly to the need to show respect to any potential customer. Most importantly, only by studying customers' requirements and how they evolve in China can any Western company hope to engage with and meet the needs of Chinese companies.

While the quality of Western companies' marketing communications and the knowledge of their salespeople is seen as a real strength, some Chinese buyers feel there can be a tendency to exaggerate the qualities of the company, product or service in question. This can damage trust, something which usually proves fatal to any attempt to sell to a Chinese business.

Signs of potential problems

Chinese businesses are now experienced at dealing with Western companies, who have been contacting them as potential suppliers or customers for a number of years. This has led Chinese companies to look out for early signs of potential problems and many are particularly wary of new entrants from the West whose infrastructure or product offering may not yet be established in, or tailored to, the Chinese market. Chinese buyers are particularly adept at asking questions that get to the core of exactly what a supplier's offering is and equally good at picking up on exaggeration.

Western companies are prone to showing a sheer unwillingness (rather than an inability) to negotiate, even walking away when the going gets tough, wrongly assuming that all differences are irreconcilable. This is absolutely the wrong approach in China, where negotiations are extensive and the opening price is almost never the price the customer ends up paying.

Rigid Western purchasing procedures are a frequent complaint, as is a tendency for companies to regard certain issues as simply off-limits at the negotiating table. Payment terms is one example of this, but so, surprisingly, are many aspects of product or service specification. Too many Western companies are unwilling to sufficiently tailor their offerings to the Chinese market.

Room for refinement

We have devoted a lot of time to critiquing Western companies' ability to market to Chinese businesspeople. But how do Chinese companies compare? Despite the experience they have of dealing with target clients in their own country, there is much room for refinement and improvement. Below is a summary of the key criticisms Chinese buyers level at their local suppliers:

- inconsistent product quality;
- general lack of professionalism;
- unsophisticated approach to marketing and promotion, with Web sites, brochures and other promotional materials seen as poorly presented and uninformative;
- disorganized approach to paperwork;
- surprisingly, Chinese companies are seen as not willing enough to attend conferences;

- written communications seen as vague rather than direct;
- specific mention was made of some Chinese companies' tendency to turn up at the customer's office uninvited - this is often seen as extremely impolite and unprofessional.

The above criticisms highlight two key issues. Firstly, Chinese buyers and business owners assess suppliers on their merits and are as willing and able to criticize Chinese companies as they are to criticize foreigners. Secondly, it is clear that there remains an opportunity for good-quality Western companies to enter Chinese markets, usually on the basis of a high-value-added, high-price offering. Western companies must recognize, however, that their competitive advantage on quality and professionalism issues is eroding and it will continue to do so, making innovation and efficiency increasingly important requirements.

Lack of understanding

There are a number of reasons for Western companies' apparent lack of understanding of how to market; many of these are self-evident and all stem from a lack of experience in China.

Some of the mistakes made by Western companies can be explained by the fact that many of their Chinese activities are relatively new. Companies are providing solutions to needs which have only just emerged and mutual understanding between buyers and suppliers is still developing.

There has been a strong tendency for Western companies to undervalue the importance of marketing in China, seeing it as something that takes place not at the beginning of the product life cycle but rather once channel access and market penetration have been achieved. This is extremely surprising, given the sophistication of marketing techniques in the West and may result from poor knowledge of the target market as well as a lack of confidence that marketing techniques will be successful.

If Chinese companies tend to regard promotion as the only aspect of marketing, there is an opposing tendency for Western companies in China not to pay promotion enough attention. Western companies entering the market have frequently conducted some kind of channel (place) research, as well as an examination of the likely prices the market will bear. They have usually given a good level of consideration as to which products will appeal, albeit with insufficient thought to how these will need refining. However, analysis of the market assessment research being conducted by market research agencies in China will tell you that the fourth P, promotion, has often been completely ignored. Company resources have been thrown into understanding the size and nature of the market opportunity, with much less emphasis placed on how that opportunity should be communicated directly with the target market.

Automatically superior

A valid criticism made by Chinese businesses is that their Western counterparts sometimes appear hardwired in thinking that everything they do is automatically superior to the local competition. Essentially, Western companies forget that marketing is about the profitable satisfaction of needs and that if a need is different in China to the West, then the value proposition must also be different. Westerners tend to try to reeducate Chinese buyers rather than simply providing a value proposition that meets the market's existing needs.

In addition, some Western companies, many of them guided by Western market entry consultants, tend to overstate the importance of relationship-building in China; they see it as a substitute for the marketing effort rather than a complement to it.

And, it cannot be denied that there remains a significant language barrier between Chinese and Western companies, albeit one that is closing as huge numbers of Chinese businesspeople learn English and increasing numbers of Westerners learn Chinese. Once companies need to interact at an operational rather than strategic level, mutual linguistic understanding can often be lacking.

Looking to succeed

In closing, we offer some general recommendations to Western companies looking to succeed in the Chinese market:

Remember the marketing basics. Product, price, place and promotion are all important. All should be researched before and after market entry to ensure that the value proposition meets and continues to meet the target market's needs.

Patience. Patience is required when applying the marketing basics to the local market. Local buyers will take time to be convinced that a Western company has the local credentials to meet their needs.

Listen. Only by listening will you be able to understand and meet the local market needs. Chinese companies do not want to buy a product or service that has come straight off a shelf in the West.

Relationships. Any salesperson must be prepared to be "friends" with a potential supplier. However, this is as well as, not instead of, the four Ps of the marketing mix.

Be confident in your quality. Western companies start from a strong position here, but remember to focus on the value you add and be prepared to explain why you can add value in China specifically.

Be methodical, but flexible. One of the qualities that defines Western businesses is their methodical approach to doing business. It is clear that when this turns into a dogma about how business should be done, Chinese companies can quickly lose interest in your offering. However, do not be afraid to highlight the methodical nature of your offering, as this is something that is valued by Chinese businesspeople and seen to be lacking in some Chinese businesses.

Be prepared for plenty of negotiation. The Chinese approach to completing deals relies heavily on many rounds of negotiation. It is almost inconceivable that your first proposal (particularly your first price) will be accepted. Consider the price you are willing to accept for your offering but never open negotiations at this level.

Avoid exaggeration. Focus on the credentials you have rather than exaggerating to make up for perceived deficiencies. Chinese companies want above all to trust their suppliers. | Q

B2B research in China

Enter article ID 20081101 at www.quirks.com/articles to view Matthew Harrison's overview of B2B research in China.

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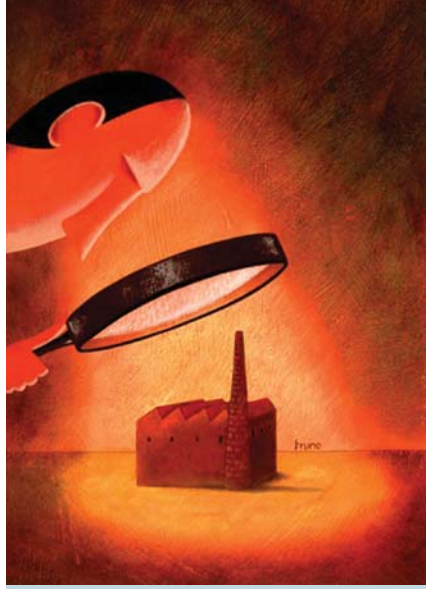
business-to-business research

Beyond initial impressions



By Charles Ptacek

Using morphological content analysis to mine insights from qualitative interviews

In business-to-business market research, the collection of qualitative data stands in contrast to quantitative data collection procedures, which impose a predetermined framework upon participants. The final product is not a series of crosstabulations reported in a stark, dry format. Rather, it is, or should be, an active set of narrations, quotations and interpretations that come alive with feelings. In many instances, the chief value of the final product will be its presentation of what the respondents had to say, in their own words.

While it is probably fair to say that by the best of current standards, analysis of qualitative data is a mysterious, half-formulated art, the success or failure of qualitative research resides in the investigative and interpretive skills of the researcher and his tools.

There are three basic types of analysis frameworks that can be used with the collection of B2B qualitative information. The most basic level of analysis is commonly used when time and cost limitations are severe. The researcher simply prepares a brief, impressionistic summary of the principal findings, depending mainly on his own memory. The second and probably most commonly-employed qualitative analysis uses the traditional fact-sheet or matrix approach. Here, the analyst listens and relistens to recordings of the interviews, copying down significant segments, fitting the respondents' reactions into a more general scheme derived from his understanding of the history and present status of the business problem.

When the analyst is imaginative, discerning and skillful, reports using this traditional analysis can be stimulating, creative and fascinating, as well as infuriating, to anyone who is not prepared to take the analyst at his word. As noted by one authority, with this kind of analysis the respondents' manifest reactions make roughly the same contribution to the final report as the patient's free associations make to a psychoanalyst's case report.

Morphological content analysis, a third method of qualitative analysis that can be employed with B2B surveys of knowledgeable persons, is designed to preserve the most significant interview material more or less intact and still allow for imaginative interpretations. This method of analysis preserves the most relevant sections of each interview and presents the interview material in an organized coherent framework. It provides the analyst with an opportunity to identify key relationships, interpret where inferences are needed and point out implications.

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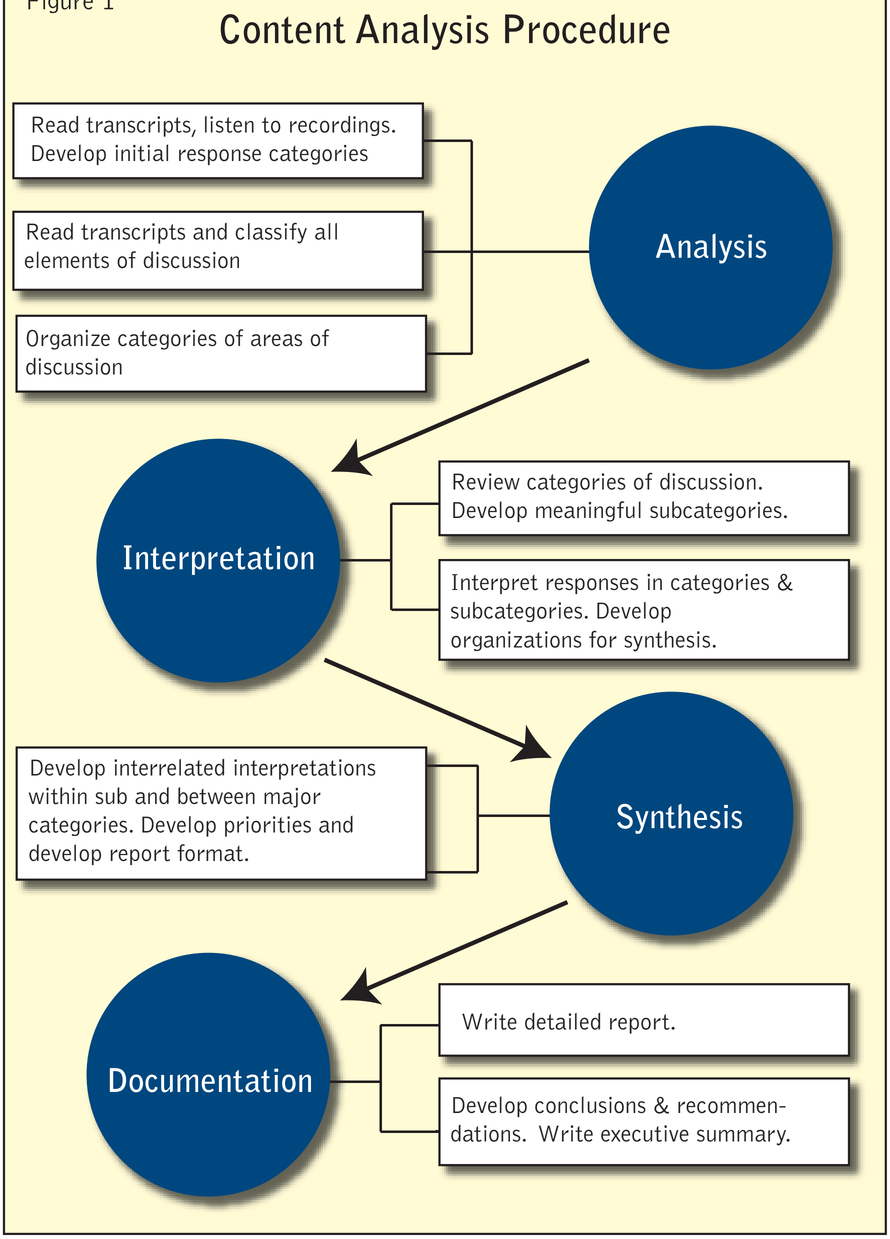
Figure 1



As a mode of observation, content analysis is essentially an operation of coding communications in terms of some conceptual framework. In morphological content analysis (MCA), as in other research methods, you must refine your conceptual framework and develop specific methods for observation in relation to that framework. Hence, coding in MCA involves the logic of conceptualization and operationalization. Morphological content analysis is neither fast nor cheap; however, it can have a high return-on-investment when it comes to qualitative depth analysis.

Range of impressions

A qualitative analysis of in-depth B2B communications is usually complicated by the wealth and range of knowledgeable persons' comments. Although other analyses such as the fact-sheet matrix approach rely on preconceptions, which tend to oversimplify and undervalue the analysis process, MCA captures the range of impressions and observations on each topic discussed and provides a framework for interpreting them in light of hypotheses generated by the MCA analytic technique. The MCA qualitative procedure can best be described as a psychological inquiry involving a number of in-depth tasks that are performed interactively (Figure 1).

The first step of a MCA involves an examination of the information collected from knowledgeable persons. All interviews should be recorded and transcribed for this analysis. To begin with, both the recordings and transcripts are reviewed a number of times. The analysis step is analogous to developing a data information file or codebook, and there are two general procedures that can be used to operationalize the areas of discussion during the coding process: deduction and induction.

Deduction represents reasoning from the general to the specific. In our situation, this means that classification is accomplished by defining general areas and then grouping the specifics accordingly. For example, the original research objectives can provide a preliminary list of areas of discussion concentration for classification purposes. Transcript segments are bracketed and coded by subject matter. The coding is simply the analyst's notes, written in the margin of the transcript, on what the bracketed segment is about and where it should be classified. Bracketed segments of discussion concentration are commonly represented by abbreviations or tags and this process is often referred to as tagging. The transcripts are then organized into areas of investigative interest following the detailed coding process. With this approach, respondent data are distilled and described according to the information objectives and category codes that were established for the project.

Categories emerge

In the inductive approach, the classification scheme is not imposed by the researcher; rather, the categories emerge from discovery analysis. Individual observations become the means by which an organization or typology evolves. Using this exploratory reduction procedure, the emerging themes or patterns are analogous to the procedures of cluster and factor analysis. Specific observations are used to build toward general patterns. In most situations, the inductive approach is used when the research problem is related to exploratory goals or in the early stages of hypothesis generation.

Most recently, the computer has enabled social scientists to automate the content analysis process. The analyst's task consists of inputting the text and the output serves as the basis for subsequent interpretation and synthesis. Compared with human-coded interpretive modes of analysis, one of the most important advantages of computer-aided content analysis is that the rules for coding text are made explicit via the development of custom or standard dictionaries, and, once formalized, the computer provides perfect coder reliability.

Some readily-available computer-assisted text and data analysis tools include QDA Miner, WordStat and Simstat. Simstat is a Windows-based full-purpose statistical package not unlike SPSS for Windows. TextSmart by SPSS represents software designed primarily for the analysis of open-ended survey responses and uses cluster analysis as well as multidimensional scaling (MDS) techniques to automatically analyze key words and group text into categories. The Windows version of the TEXTPACK program, which was also originally designed for the analysis of open-ended survey responses, provides a multi-unit data file output that can be imported in statistical analysis software such as SPSS or SAS. TEXTPACK has been extended over the years to cope with many aspects of computer-aided text analysis.

Interpretive investigation

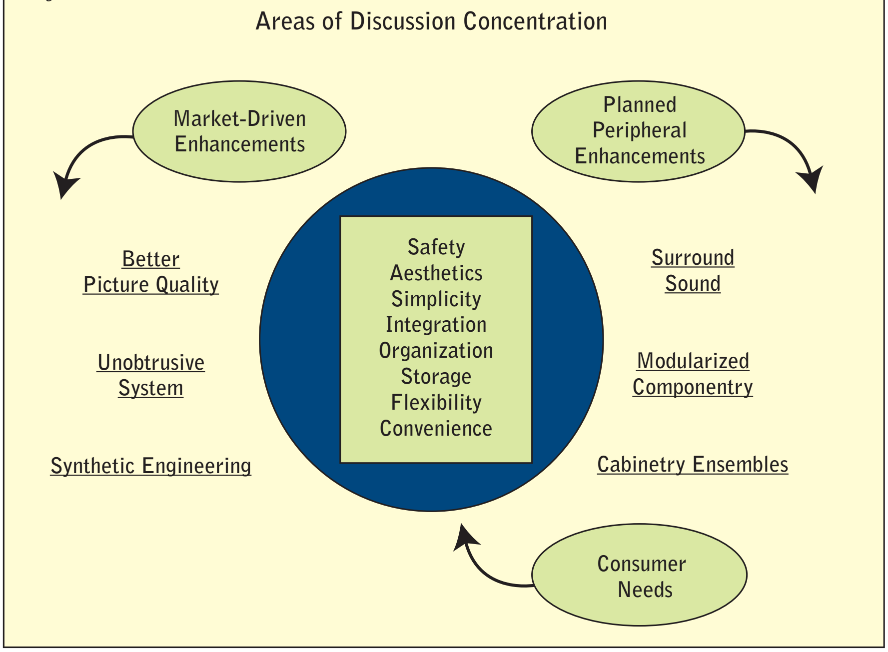
Following the analysis step, an interpretive investigation is performed on each area of discussion concentration. This step is marked "interpretation" and involves reviewing the discussion within each area of concentration, developing subcategories of responses, interpreting these responses, and finally, developing a hierarchical organization of information.

If one is using a computer algorithm to perform this stage of the content analysis, then this investigation will proceed from a strict counting of words to a broader categorizing procedure. For example, a dictionary-driven WordStat analysis enables the researcher to quantify units of meaning by grouping words or phrases together employing heat plots that show relative correlation between words, phrases or categories using a color spectrum. Hierarchical clusterings of these units of meaning can be displayed using dendograms (tree groups).

The clustering of data is a method for inferring meaningful interpretations from the patterns that emerge. TextSmart has an easy-to-use Windows interface that allows for quick sorting of words into frequency and alphabetical lists and produces graphics such as bar charts and two-dimensional MDS plots for interpretation.

The synthesis step includes integrating this information and interpreting how it relates to various issues and hypotheses. The integration process involves the systematic combination of discussion elements and the generalization of research findings. New ideas and insightful interpretations result from new combinations and associations of respondent discussion elements. For example, understanding a network of interrelated unmet customer needs could provide the basis for new product concepts that address a generalized void in the B2B marketplace.

Figure 2



Clearly, this step can be considered highly subjective and value-added and hence, depends largely upon the analyst's ability to uncover creative interpretations of the information. With MCA, this is made possible by morphological synthesis - forming new relationships between areas of concentrations derived from the juxtaposition of discussion elements.

Morphological synthesis pertains to the analysis of structure created from the interpretation stage of the content analysis. Once the structure is created, forced relationship techniques can be used to investigate provocative new patterns of interpretations. By coming up with different combinations and variations of the discussion elements, you create innovative new ideas and interpretations. The output derived from MCA is far more creative, objective and meaningful than can be derived from a cursory treatment of qualitative information (an industry standard).

Three general classes

Content analysis is especially appropriate for three general classes of research situations. The first two classes of research are common in political science, journalism and communications research, where quantification is the most distinctive feature of content analysis. What is implied by the quantification emphasis is that the communication data be amenable to statistical methods not only for a precise summary of findings but also for interpretation and inference.

In most instances, the quantification process is a matter of simply noting the presence or absence of a category within the collected data set. This lowest level of measurement can be performed on words, collections of words or even themes. The most straightforward example of this is the use of previously-mentioned dictionary-driven, word-processing programs to do basic text analysis. The value of computer-enhanced applications of content analysis is that they fill a methodological gap between small-group discussions, which may give impressionistic understanding but no statistical interpretations, and large quantitative surveys, which often produce pages of numbers with no depth of meaning.

The third class of research is more common in personal research applications where some form of content analysis is necessary when the respondent's own language and mode of expression is crucial to the investigation. Such is the case in B2B marketing research where individual depth interviews and professional group interviews are employed as the data collection methodology. With regard to morphological content analysis, the emphasis is on creative analysis, synthesis and interpretation of respondent discussions - who says what, to whom, how and why, and with what effect? As a mode of observation, MCA requires a considered handling of "why" to achieve an in-depth understanding and interpretation of professional participant attitudes and behavior.

Sample application

To explore some of the concepts outlined above, let's look at a sample application of MCA involving the concept of home entertainment systems of the future.

The emergence of cable and satellite TV and the penetration of peripheral electronic equipment such as VCRs, DVD/Rs, video-game consoles and personal computers represent technological developments external to the TV monitor. Since so many peripheral electronic products interface with the TV monitor or panel display, it is possible that the video display will become the central component of the home entertainment system of the future. For this to happen, the display must meet the requirements set forth by the peripheral-equipment manufacturers and ultimately meet the wants and needs of consumers adopting the peripheral equipment.

The purpose of this exploratory research assignment was to investigate the viability of several new TV product enhancements and to document expectations for them. In total, eight focus groups were held with dealers of peripheral-electronic equipment. Each session lasted approximately two hours and involved nine to 11 participants. All sessions were recorded and transcripts were prepared for each group session. Over 500 pages of transcripts were generated and over 1,000 specific responses or discussion elements were coded, edited and taken from these transcripts and organized into subcategories for the morphological content analysis.

Unmet needs

The chief areas of discussion concentration revealed a network of interrelated unmet needs surrounding a generalized void for integrated video entertainment systems. A summary of product requirements as presented by the professional electronic equipment dealers and associated market-driven enhancements consistent with the entertainment system void as well as the planned peripheral enhancements are presented in Figure 2.

Results from this content analysis demonstrated to the client that the planned peripheral television enhancements did not address the network of unmet needs associated with peripheral equipment requirements. Likewise, the idea that all one needs to do is to add a nice-looking ensemble to the product offering or enhance the sound quality and other componentry would fall short of meeting these requirements. For example, ensembles may be an important element of the entertainment system because they enhance the aesthetic appeal and at the same time solve practical space and storage problems, but by no means do they satisfy all the wants and needs.

To address only a portion of the problems that make up the network of unmet needs would not fill the void revealed by the content analysis and, hence, could result in introducing a new-product failure. Moreover, although the monitor or panel display may become the controlling focal component of the home entertainment system of the future, its status as a legitimate piece of furniture is likely to decline over the next 10 years. Based on the results of this study and the morphological content analysis, the client revised its new product concept to better meet the requirements of the evolving marketplace.

More profound

The use of the word "depth" implies seeking information that is more profound than is usually accessible by traditional research methods. MCA is designed to appraise all of the facts and boundary conditions needed for an in-depth deduction or induction of relevant interpretations. Because of its suggestive power, the process enables a researcher to make new relationships between component facts by systematically combining these elements into new ideas and innovative interpretations. More importantly, it insures a fruitful type of profound thinking and exploration of all the possible practical applications of the results.

MCA is probably more appropriate for diagnostic interviewing such as individual B2B depth interviews, although it can be used with some of the more elaborate group depth designs as demonstrated. We have found that group depth interviews employing MCA are particularly useful in the development phases of a research program.

Perhaps the major function of MCA in these qualitative B2B research designs is to generate creative and fruitful hypotheses. With regard to individual depth interviews, we have employed MCA in many different technical product assignments and have never been disappointed.

Morphological content analysis is no panacea, but it does meet and usually exceeds the analysis and interpretation objectives associated with professional in-depth B2B diagnostic interviewing. This form of discovery analysis is critical in understanding and documenting the essence and meaning of communication in its natural state - the presentation of what participants had to say, in their own words, and what it means to the client's situation. | Q

French fries and the law of unintended consequences

By Brad Barash

There was a time when many believed unsaturated trans fats were healthier than saturated fats. That belief (along with cost implications - let's not kid ourselves) led to the overwhelming use of partially-hydrogenated oil in the preparation of American staples like french fries. What the health advocates who supported the use of partially-hydrogenated oil did not realize at the time was that unsaturated trans fats raise the bad cholesterol and lower the good cholesterol.

This is an example of the law of unintended consequences. Every cause has more than one effect, and sometimes these side effects can be more significant than the intended effect. It is nearly impossible to prepare for every potential implication of a specific action, but there are approaches that can bridge that gap.

Fast-food restaurants can face their own battle with unintended consequences when they look to optimize their menus. Menu optimization requires a complete understanding of how appealing an item is and how an item will affect other menu-item sales. Avoiding unintended consequences and instead generating a positive outcome means going beyond asking consumers how they might feel about a potential new item and delving into how a potential new item may or may not change purchase behaviors.

The trouble is, the marketing research techniques that most restaurants use today fall drastically short in considering the consequences, intended and unintended, of new strategies and tactics. Let's use french fries to illustrate this. Health trends in the U.S. have created a bizarre segment of the population that refuses to eat fries (I shouldn't judge, but come on … How could you not eat french fries?!). The implication is that many restaurants have seen a drop in side-item incidence. These restaurants, therefore, have searched for healthier alternatives to add to the menu in an attempt to restore side-item orders.

Make sure your research methods are helping - not hindering - your menu optimization efforts

The natural tendency, from a research perspective, would be to test these healthier items among non-fry users (Are the items appealing?, How likely are non-fry users to purchase them?, etc.). Makes sense, right? Wrong.

Here's the rub: French fries are among the most profitable items on any menu. So, while it may be a benefit to increase side-item incidence among non-fry users, it is critical to consider the law of unintended consequences. That is, if current fry users switch to the new item, overall side-item incidence

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Didn't Use
M/A/R/C
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may still increase (given the reach of non-fry users), but profitability may decrease with the loss of fry orders among current users.

Gauge the interaction

It is critically important to understand not only the performance of one potential menu item but also the interaction of that item with existing items. It is common for restaurants to use marketing research to optimize a menu, solving for which existing items can be safely eliminated from the menu and which of a large volume of potential new items should be added to the menu. Simply getting an appeal score for every item is not enough. Again, it is critical to gauge the interaction of items against each other.

Given this, many research companies will recommend TURF analysis (total unduplicated reach and frequency). TURF can provide some insight into identifying items that reach customers who would not otherwise order an existing item (this is the definition of unduplicated reach).

This approach can add value but has some flaws to be aware of. Our experience is that most restaurants have already maxed out reach with just a small portion of their current menu. And, it is possible to increase unduplicated reach but still end up with a situation similar to the french fry example noted earlier.

Other measures beyond unduplicated reach can provide substantial value. There are a few simple exercises that provide several beneficial measures. The first is a simplified order exercise. Expose respondents to all menu items (even simple text descriptions of each item), existing and proposed, and ask them to indicate which they would order over a series of visits. They could order the same item(s) multiple times or order something different each visit.

This exercise provides two key measures for every menu item, existing and proposed: breadth of appeal (What percentage of customers order the item at least once?) and depth of appeal (How often is the item ordered?). There may be items that reach a smaller proportion of customers but those customers order that item more frequently.

Substitutability is another important measure. Respondents can be queried on what (if anything) they would order instead if the item they select is not available. This provides a measure of which items are substitutable with each other, and importantly, which items are less likely to be substitutable with any other item. There is also a loyalty measure that can be obtained by asking customers which items must be on the menu for them to continue visiting the restaurant as often as they do now.

Not an easy task

The bottom line: optimizing a menu is not an easy task, particularly when there is a large volume of proposed items. One perfect solution simply does not exist. As with any research, several factors should be considered when deciding which existing items should be eliminated and which new items should be added. The research measures described above should be evaluated in unison with other measures, such as ingredients needed (Does the item use unique ingredients or does it leverage ingredients also available for other items?), operational difficulties and profitability.

Each of the measures previously described can help to narrow down a large list of tested items to a more manageable size. Ultimately, before any menu changes are made, there are two critical areas to address from a research standpoint.

The first area is one that most current research techniques address: attitudinal measures. How appealing is the menu? What is the impact on customer satisfaction? What is the impact on intent to visit in the future? What is the impact on various restaurant perceptions?

The next area is equally as important but seldom addressed in research: behavioral measures. What is the impact on product mix (proportion of orders across menu items)? What is the impact on average spend?

Behavioral measures are not often addressed in research because they have been difficult to obtain. Historically, short of actually rolling out the menu, only an in-market test could provide that output. In other words, implement the new menu in a subset of stores and then compare sales of those test stores against the rest of the system.

Virtual representation

Today, online research techniques have made it possible to project those key data points in a survey - without the risk of actually implementing a strategy in a live market. The output is obtained by exposing respondents to a virtual representation of a menu or a menu board and asking them to order just as they would in real

life. The result is simulated sales data, including product mix (proportion of orders across items and categories) and average ticket price. Following a menu-order exercise, respondents can be probed on satisfaction with the menu, intent to visit in the future, perceptions of menu categories, value perceptions, etc.

Back to french fries: This approach would allow a restaurant to understand if a new, healthier side item could accomplish all of the following: increase total side-item incidence without stealing from french fries, increase average spend (due to the increase in side-item incidence), and improve perceptions of the restaurant offering healthier items.

Without a robust menu-order exercise, only the last measure could be obtained – restaurant perceptions. Again, it is very conceivable that test items could improve restaurant perceptions and even increase side-item incidence, but they may cannibalize french fries, resulting in average ticket prices that are flat – and a decrease in profitability. That side effect would not be discovered until after the new product is actually available in the restaurants.

Tremendous impact

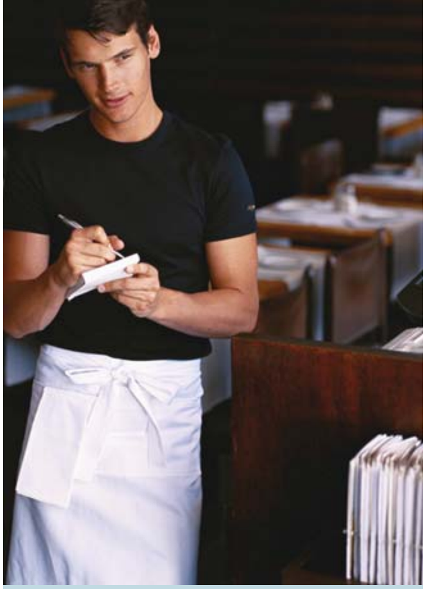
Over years of restaurant research, we have seen the influence of several factors on how and what customers order. Everything from the flow and placement of items on a menu or menu board, the imagery used, promotions and, of course, pricing, can have a tremendous impact on orders. That impact is manifested in product mix and average spend. Yet, again, most restaurants depend on attitudinal measures when testing these solutions. So, they expose respondents to a menu or menu board and ask them how appealing it is. Attitudinal measures are, of course, important, but they should never be used in isolation – not when it is so easy to obtain the behavioral measures as well.

Short of operational efficiencies (i.e. improving profitability of existing business), there are three primary approaches to growing sales in the restaurant world: attracting new customers, getting current customers to visit more often and getting current customers to spend more each visit.

For the first two approaches, both focused on generating additional traffic, traditional research techniques only tell part of the story (intent to visit). It is critical to also understand how traffic-building initiatives impact what people order. For example, adding value-priced items to drive traffic may accomplish the goal of increasing visits, but does the increase in traffic overcome the potential drop in average spend if a high proportion of visitors migrate to the lower-priced items? A thorough menu-order exercise can provide that behavioral output and can also gauge the effectiveness of strategies used to increase average ticket price, allowing you to avoid getting trapped by your own set of unintended consequences. | Q

food/restaurant research

Back to the basics



By Joe Cardador and Mark Hunter

These are tough times for restaurant industry executives and managers. Everywhere they turn it seems they are inundated with bad news. Traffic for the industry as a whole is down as people look for more cost-effective ways to eat. Commodity prices had a roller-coaster year which made everybody nervous about the long-term cost of doing business. The "get big" strategy of the last decade, which was driven by low interest rates and commodity costs, is collapsing under these new pressures.

So what's the new winning strategy? Many feel that it's time for restaurants to get back to basics and focus on the customer. With marketing budgets getting tighter and competition for the consumer's time increasing, it's becoming more and more difficult to attract new customers through mass media. It makes sense to build an unpaid army of loyal followers who will come back more frequently and tell others about their great experience. The only way for restaurants to do this is to provide a consistently exceptional experience for their customers wherever and whenever they walk through the door.

In a story in the October 2007 customer satisfaction issue of *Quirk's* we shared the idea that providing a great experience can drive transaction value and customer loyalty in retail settings (see link at end of this article). We showed that executing prescribed service behaviors can more than double the value of a customer transaction compared to a self-shopping experience. In addition, we showed that customers who had a great experience also exhibited stronger loyalty behaviors - that is, they returned more often and were more likely to recommend the store to their friends and family.

Restaurants can weather the storm by creating loyal customers

Less opportunity

In retail environments, creating positive customer experiences can make any customer more valuable to the business, sometimes increasing average transaction amount up to 50 percent. However, in a restaurant environment, because customers are rarely in a position to order and eat twice as much as they planned, there is less opportunity to increase the transaction amount by providing a great experience. Still, creating a positive experience for the customer and executing service standards has shown to effect at least some increase in average ticket amounts.

Although the results are not as dramatic as retail, customers who have a highly satisfying experience in a restaurant spend slightly more

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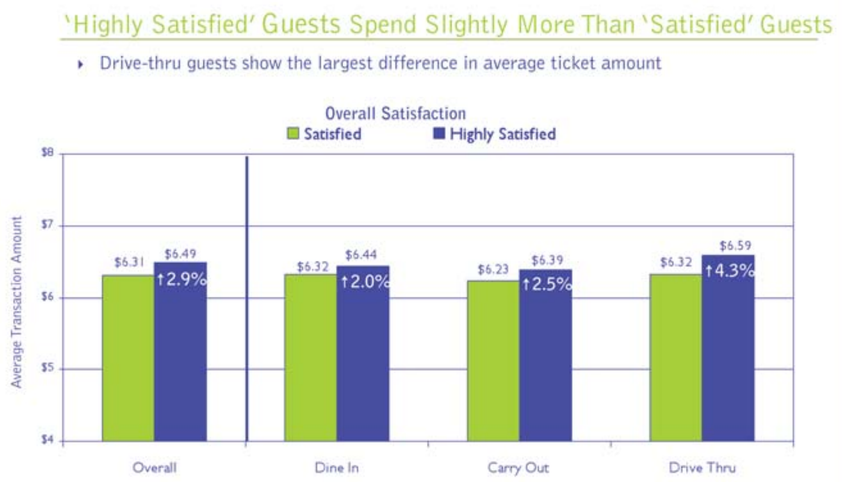
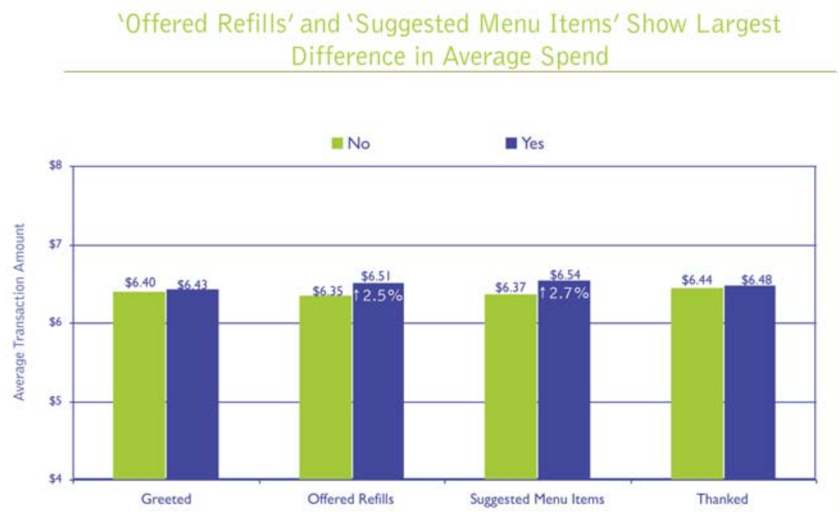
Figure 1



SMG quick-service restaurant client

Figure 2



SMG quick-service restaurant client

money as those who were just satisfied (Figure 1). Part of this increase can be attributed to up-sell effects when a server mentions a particular appetizer or menu item (Figure 2). However, higher average ticket amounts are not merely the result of suggestive selling; restaurant staff can increase average check amounts by creating a great dining experience that customers want to enhance and make longer by sampling additional menu items. The immediate effect on sales from providing a great customer experience may be small but it makes a big impact on the business when multiplied over thousands of transactions for an individual restaurant or restaurant chain.

Pretty intuitive

Customers who have a highly satisfying experience tell us time and again that they are going to return to that restaurant more often than those who don't have a highly satisfying experience. That's pretty intuitive, right? What may not be as intuitive is the difference between a good experience and a great experience. When the restaurant is working well - the server is friendly and knowledgeable, the food tastes great and the atmosphere is humming - that's when you create a loyal guest. On average, results show that when comparing those who say they had an exceptional dining experience to those who


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Figure 3

Guests Who Rate Their Overall Experience a '5' Are More Likely to Return and Recommend

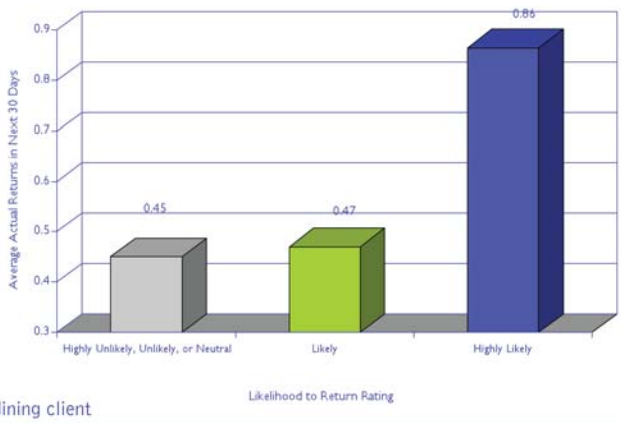
- Guests are three times as likely to recommend to others and twice as likely to return if they were 'Highly Satisfied' vs. 'Satisfied' with their experience

SMG fast-food client

Figure 4

Intent to Return Mirrors Actual Return in Next 30 Days

- Customers who say they are 'Highly Likely to Return' actually return at twice the rate



SMG casual-dining client

were merely satisfied, twice as many who had the exceptional experience are likely to return and three times as many are likely to recommend that restaurant to their friends and family (Figure 3). This pattern is true for restaurants at all ends of the service spectrum, from quick-service to white-tablecloth. Simply put, creating a great customer experience creates loyal customers.

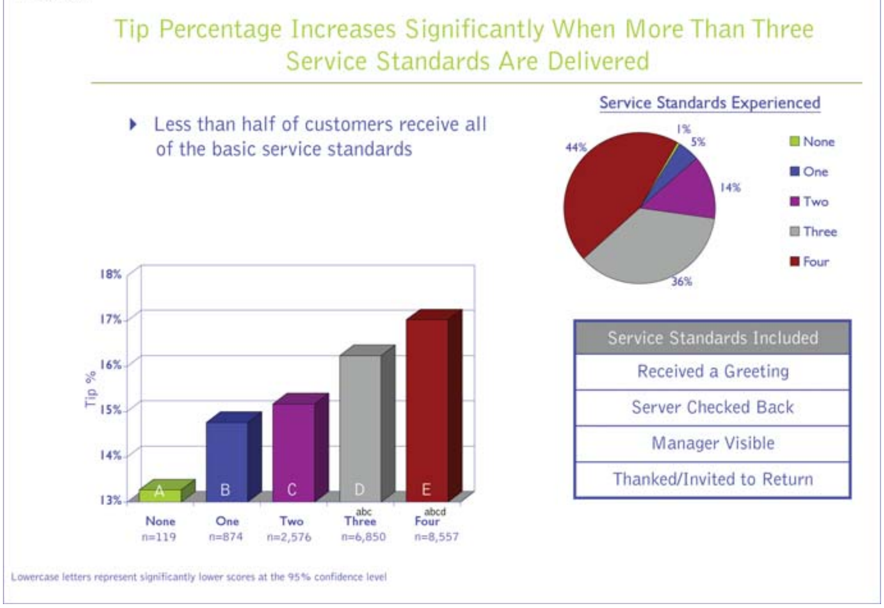
But we all know that just because someone says they are going to do something, they may not necessarily follow through. When someone tells us they are loyal to a restaurant, does that mean they really are? Maybe they say they are going to come back more often, but will they really do it when the reality of a tightened home budget hits? We can test this by tying customer satisfaction results to credit-card or loyalty-club data. In fact, for one casual-dining concept, customers who said they were highly likely to come back in the next 30 days did so at almost twice the rate of customers who said they were likely to return in the next 30 days (Figure 4). Imagine the impact on traffic and revenue if restaurants could provide the kind of experience that would convert just 5 or 10 percent of their guests from having good experiences to having the kind of experience that would engender this kind of loyalty.

Spend more money

One interesting side effect we've seen is that when customers visit a restaurant because of a recommendation or a previous positive experience, they actually spend more money. This is in sharp contrast to the people who visited primarily because of a promotion or advertisement. Those people actually spent less than people who visited for any other reason. In one quick-service restaurant (QSR) example we found that customers who visited because of a positive recommendation from a

Figure 5

Figure 6



trusted friend or family member spent approximately 14 percent more than those who visited because of a promotion or advertisement. Customers who received recommendations still spent 5 percent more on average after controlling for coupon use by customers responding to a promotion or advertisement. This finding is consistent with other research indicating that customers acquired through positive word-of-mouth referrals generate more lifetime value to the firm than those acquired through marketing (Villanueva, Yoo and Hanssens, 2008).

These findings suggest that the healthiest way to grow in the restaurant business is to create loyal customers. Marketing and promotions can be addictive tactics to boost sales. When a restaurant company runs a new advertising campaign or discounts certain menu items there may be an immediate boost in traffic and sales. This gets executives excited and they want to do it again. They run promotions more often and at deeper discounts until they realize that the marketing budget and the price cuts have significantly reduced their margins while they were pursuing the goal of increasing traffic and sales. What's worse is that these new customers are extremely price-sensitive, less loyal to the brand and are likely to migrate to the competition for a hot new promotion. Maintaining a healthy base of highly satisfied, loyal customers adds stability to the long-term growth plan.

Servers are the key

How do restaurants build those positive experiences that customers want to repeat and recommend to others? It starts at the front line. Servers are the key to converting a customer from merely satisfied to loyal. Frontline workers in the restaurant industry tend to be a transient group - moving from one restaurant to the next for a variety of different reasons. Interestingly, we have found that executing a simple set of service standards can have a big impact on driving guest satisfaction with their experience. Figure 5 illustrates that by simply greeting guests, checking back with them regularly, thanking them for their business and ensuring that a manager is visible in the dining room restaurants can nearly quadruple guest satisfaction compared to a guest who receives zero or just one of those behaviors. So although retaining your best servers is the most effective way to drive satisfaction and loyalty, ensuring that simple service behaviors are consistently executed may be the most attainable way to improve the guest experience in the real world.

One way managers and executives can create buy-in from servers is to go back to the data and show them the kind of impact their actions can have on their own income. By again tying guest feedback to transaction information, we see that guests who experienced all of the prescribed service behaviors are not only more loyal to the restaurant but they really do tip their servers better. In fact, for one casual dining concept we saw a marked increase in tip value when guests experienced all of the service behaviors instead of just one (Figure 6). Everybody in the restaurant wins when service becomes the focus.

This is all great information, but none of it really matters if it doesn't drive overall financial performance at the restaurant. Fortunately, it does. We see it in a variety of restaurant chains from quick-service to casual-dining to white-tablecloth. When customers have great experiences the restaurant has higher traffic, higher sales and higher comp sales than other locations in the chain. In tough economic envi-

Figure 7

ronments with declining comp sales, customer loyalty matters more than ever. Take a look at the quick-serve chain shown in Figure 7. We see that the quartile of restaurants with the highest percentage of customers who said they would be highly likely to recommend saw comp sales decline at less than half the rate of the group of restaurants with the least-loyal customers.

One place to turn

In these tough days of pressure from all sides, restaurant executives and managers have one place to turn for hope: their loyal customers. By creating an atmosphere in their restaurants that is entirely focused on the guest experience they can create a legion of loyal supporters that drive the business forward through word of mouth. The days of low interest rates and rapidly growing profit margins may be on hold for now, but loyal customers continue to be the cornerstone of sustained financial success. There will still be winners in the restaurant industry even in this difficult environment and those winners will be the ones who focus on the experience of their customers. | Q

References

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food/restaurant research

A menu for survival

By Joseph Rydholm and Emily Goon

How marketing research can help the restaurant industry get through the recession

In its fourth-quarter 2008 earnings report, McDonald's reported that same-store sales increased by an impressive 5 percent in the U.S. and 7.2 percent globally. Those figures stood in stark contrast to the rest of the news coming from the restaurant industry, which for months has been a bleak litany of location closings, plummeting earnings and declining traffic.

With no end in sight to the bad tidings, we spoke to three researchers who specialize in the restaurant industry to get their insights on how marketing research - from online research with recent diners to comment cards and IVR-based surveys and mystery shopping - can help dining establishments weather the current storm.

Beyond discussions on the role of research, one main piece of advice for restaurateurs emerged from our conversations: stay the course. In other words, whatever your outlets do well, keep doing it. If you're known for offering cheap food made fast, keep it coming. If customers come to your chain expecting a fun, festive atmosphere, make sure that's what you deliver. Now is no time to cut back or scrimp on the things that make your brand what it is. "Stick to your marketing message but also make sure you deliver on your marketing message. Say it and live it," says Rick Garlick, senior director of strategic consulting at St. Louis-based Maritz Research.

In addition to delivering on core brand promises and upholding quality, restaurants of all stripes can use research to make sure employees are adhering to corporate service standards and practices and, perhaps more importantly, that they are excelling as brand ambassadors. "Every restaurant has policies and philosophies and guidelines and a set of standards they want their teams to execute, and it can be something as simple as a guest being greeted within 30 seconds of being seated, the timing of entrees, checking back to make sure every guest is thanked on the way out. Without any measurement device, it's hard to determine if those things are being done and how well they're being done," says David Agius, owner, The Sentry Marketing Group, Dallas.

Agius argues that that's where mystery shopping can be of value, as it can note the quality of the greetings or goodbyes, rather than just the fact that they were uttered, and get at some of the satisfaction-enhancing nuances of service. "At a full-service restaurant, let's say the standard is that every guest is said goodbye to. That may be the standard but what was the tone of the goodbye? How personal was it? How sincere does somebody

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appear? Feedback on service doesn't cost anything to correct but it can be the difference between somebody coming back or not coming back," he says.

What value means

First and foremost, the consumers who are still dining out are looking for the most bang for their buck when it comes to spending their precious discretionary income, so eateries would be smart to consider emphasizing value. "Whether you're a fast-food player or a fine-dining establishment the last thing you want to do is alienate customers by lowering quality," says David Morris, senior food and restaurant analyst at Chicago research company Mintel. "Really, offering quality food at a fair price is the minimum requirement for success for restaurants as the environment becomes more competitive in the downturn. Consumers are in the driver's seat in being able to seek out quality dining experiences that deliver more on value."

But of course, different dining segments define value differently, Morris says, and research can help by showing a restaurant what value means to its specific consumer segments. "For a fine-dining establishment value is important but you're looking at a very different [customer] rationale for choosing a fine-dining establishment. These operations need to be a lot more artful in how they communicate value, more subtle. They need to weave elements of value into those that enhance the spirit of indulgence and celebration that comes with the fine-dining experience, extras that may further pamper the diner, rather than something like a three-for-one special."

While they attempt to deliver value to their customers, restaurants can also create value for themselves, Agius and Morris both suggest, by making better use of ingredients that might already be on-hand. Restaurants may want to try to "thin down the number of SKUs that they bring in – you'll see a lot of them focusing on in that right now," Agius says. "They have a few items that are used in a multitude of ways and the focus is on executing the menu really well and making sure that the food and the guest experience live up to expectations."

Diners' emotions

While the standards of quality food, good service and fair prices are givens, there is also some room for restaurants to appeal to diners' emotions. Not specifically of the "come enjoy a great meal to forget about your troubles" ilk but rather reminding consumers of the reasons they dine out in the first place: to mark special occasions, spend quality time with family and friends or to establish and nurture relationships. "You can't give them money to spend, but what you can do is remind consumers how important dining out has been to them and the emotional positives it has provided and can continue to provide," Morris says. "If you look at some of the most prevalent reasons for dining out, they involve celebration, treating oneself, doing something special for other people - these are all things that I think will still be important to consumers in this environment. Will they be able to spend as much? In all likelihood, no, but strong and savvy marketing strategies that connect to those need-states can insure that consumers still look to restaurants to help satisfy those needs."

Earn loyalty

Learning about diners' motivations and how they make their choices is one part of a three-phase research approach, Garlick says. The other two parts involve examining how effectively restaurants deliver on the dining experience promised by their marketing campaigns and how restaurants can earn and keep diners' loyalty. "We believe that the whole key to success in restaurants and the hospitality industry in general is creating a differentiating experience for the customer," Garlick says. "Once we understand what customer motivations are through choice research, then customer experience research or customer satisfaction research can take the next step to look at how well the restaurant is delivering on the value proposition that brought people in in the first place.

"So with a brand like Chili's for example, which is all about a fun dining experience, beyond asking if the food was hot, the server friendly, and did you get your food in a timely manner, you want to see if it was a fun experience. Of all of the things the brand is trying to accomplish, did it deliver? Did it resonate with the consumer?"

Plan to cut back

A December 2008 Maritz survey of frequent diners found that 34 percent of people said that they plan to cut back on the number of times they dine out in the next six months and 20 percent said they planned to downgrade the class of restaurants that they frequent. Thus fine-diners will be moving toward the Red Lobsters and Olive Gardens of the world and fans of those restaurants will be trending toward the fast-food outlets.

In other words, Garlick says, "The higher up you are, the more likely you are to suffer in these next six months. These tough times are, no pun intended, a golden opportunity for McDonald's and similar restaurants because they have the opportunity to appeal to that segment who are trading down. A good way for those kinds of restaurants to use research is to look at the needs of these people who might be using them more now than in the past. What are they looking for? What kinds of products and services might represent some new opportunities to capture their business going forward?"

"In an economic downturn I think it's more important than ever for restaurants to really understand their consumers - what they're looking for and how the pressure of the recession is affecting their spending patterns, to be able to develop strategies to help maintain guest traffic, which is really what it's all about right now," Morris says. "The restaurant industry is really bleeding guest traffic and feeling a lot of pressure because of the migration on the part of the consumer to either trade down to cheaper restaurants or trade out of restaurants and back to food at home. Ultimately, it's important to know customers as well as possible in order to target the practical, emotional and lifestyle rationales consumers have in choosing to dine out."

Trimmable expense

Just as consumers these days may regard dining out as a luxury, restaurant firms may see market research as a trimmable expense, rather than as a necessary tool to help market their brands and maintain guest traffic. Not surprisingly, all three researchers argued that now is not the time to cut back on marketing research. Rather, it's time to use it to ensure that the dollars being spent, on everything from marketing to everyday operations, are working their hardest. "If I have fewer marketing dollars to spend, and fewer ad dollars and promotional dollars, and with all of the strategic decisions I need to make to compete in a very tight market, I need to make my choices wisely," Garlick says.

"So much of restaurant research has devolved into immediate feedback. Clients want to buy surveys about was the food hot, the service timely, would I come back here, etc. But what they don't do is link their brand research and their choice research into their experience research. You have to go beyond just measuring quality. You need to create the experience that will make similarly-minded customers spread the word to other customers. We know the importance of word of mouth in a lot of industries but it is especially important in the restaurant industry. Restaurants need to connect to people at a real emotional level, to the point where they really like a restaurant and it becomes part of their daily experience and becomes a hard habit to break rather than something that can be tossed overboard in tough times."

Agius says some clients are asking why they should spend money on a marketing research program right now. "Our answer back is, 'Why wouldn't you?' Don't you want to know if the people who are coming into your restaurant every day are being taken care of in a manner that is consistent with your operating processes, philosophies and procedures?"

More selectively

While a certain segment of the population will have to stop dining out, the vast majority will keep doing so, just more selectively. "Over the past 15 to 20 years, especially when you look at younger consumers, their lifestyles have been tailored around going out to eat. It's a $500-billion industry, so it's those consumers who might find it more difficult to pull back from behaviors that are such a part of their lifestyle," Morris says.

Though short-term issues like customer traffic are certainly paramount, Morris argues that keeping an eye on long-term trends during a recession can help poise a restaurant for even greater success in a more spend-friendly economic environment. "It's very important not to lose sight of the bigger picture. I think looking at food quality and playing to one of the longer-term trends, like healthfulness or convenience, is going to be very important. These trends don't evaporate in a recession - they're still there and need to be addressed. Healthfulness is something that is going to gain momentum. Whether restaurants like it or not, I think the government has already begun taking a closer a look at the caloric and content issues on restaurant menus and that's only going to pick up. The issues the U.S. has with consumers being overweight and health care costs is something that's going to be here now and three years from now and five years from now. Those are instances where I think restaurants can continue to prepare themselves for, really, the inevitable change that will come with requiring healthier fare in more transparent ways." | Q

food/restaurant research

More than just a place to eat

By Charles Young

How images work to brand a quick-service restaurant

The late sociologist Erving Goffman pioneered a place-based theory of human behavior. In a famous example he used a theater model of place - contrasting "backstage" places with "frontstage" places - to describe the rules of social behavior in a fine restaurant.

We can use Goffman's simple theater model to describe the kinds of brand experiences a quick-service restaurant (QSR) might choose to focus on in communicating its brand image to the public. In particular, we can use this conceptual framework to understand how different types of experiences within the restaurant itself contribute to the overall image of the brand.

A fast-food restaurant, unlike a fine-dining establishment, should actually be described in terms of three places where the consumer can have a memorable experience: the dining room or eating area; the kitchen or food preparation area; and the boundary between the two, the counter, where the menu is presented, orders are placed and food is served (see Figure 1). Each of these three places defines a different kind of brand experience for your customer - and each requires a different type of image to promote the brand.

For a restaurant, the dining room is the place where the restaurateur must maximize the social appeal of the brand experience. As Goffman pointed out, the dining room is a frontstage place of the restaurant theater, governed by well-defined rules of social interaction. One primary goal of a restaurant operator who wants to build a strong brand, therefore, is to make the dining room an emotionally-inviting place where a group of fast-food consumers would want to spend time with family or friends.

At minimum, the atmosphere of the restaurant should avoid conveying the impression that this is only a place to go to when you are eating alone. Some years ago we conducted research for a national fast-food chain that was trying to understand a contradiction that kept showing up in other research it regularly did among its customers. When it did taste tests or when it asked customers to rate their food preferences, our client's products were overwhelmingly preferred to the comparable products of its closest competitors. Moreover, its stores were rated as clean and attractive and just as conveniently located as its competitors. And its prices were considered competitive. And yet when you looked at tracking-survey data, the same customers who said they preferred our client's food reported that they went to competitive stores more often for the same type of food. What was going on?

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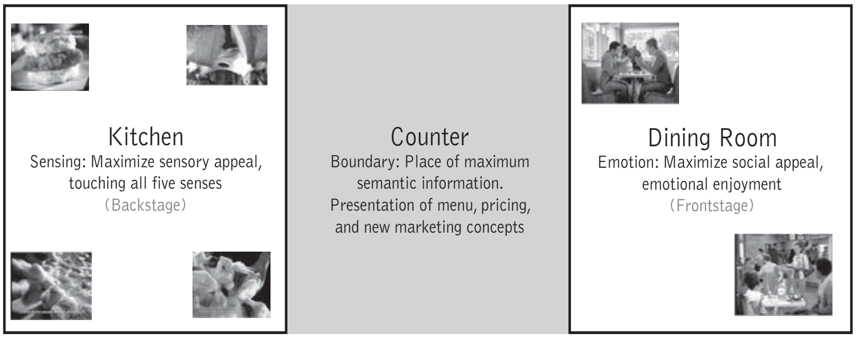
Figure 1

QSR Restaurant Experience Model



We did some simple observational research. We went into a number of our client's stores and those of its closest competitors and counted customers. We found a consistent pattern over time that revealed a fundamental weakness in our client's brand image.

Compared to the competition at almost any time of the day, a higher number of customers in our client's restaurants were eating alone and a lower number were eating in social groupings. From a behavioral standpoint this is what was going on. When a regular customer was by himself and needed to eat, he followed his personal preferences and chose our client a high percentage of the time. But when that same customer was part of a group, and as groups tend to make a "negotiated decision" about where to eat, that customer would not lobby for our client. We uncovered the reason for that with qualitative research: the image of our client's restaurant was that of a place where lonely men go to eat by themselves.

By doing simple math we calculated that if our client won only an average number of the negotiated decisions about where the social group should eat, sales would go up 38 percent! As a result, the social attractiveness of eating in these restaurants became the basis of a new brand communication strategy.

Sensory appeal

In contrast to the dining room, the kitchen can be thought of as the place where a restaurateur must maximize sensory appeal. To elevate perceptions of food quality in brand communications, the goal should be to excite all five senses. In fine-dining restaurants the kitchen is normally a backstage area, but in the case of fast-food restaurants, the work of the kitchen is, by design, highly visible to the customer. For a fast-food restaurant the goal is to convince the customer looking at the food preparation that this is indeed a real kitchen and not a food factory.

Food cues are visibly different in a real kitchen than a mass-production food prep area. The food the customer sees is "real" in terms of sights, smells and textures. Temperature cues are important for conveying fresh-from-the-oven. Branded ingredients might be on display to convey a sense of quality.

The boundary between these two places, the dining room and the kitchen, is the countertop in a fast-food restaurant. This is a third place that is important for the brand experience. This is where the service event takes place. While true waiters are missing from fast-food restaurants, the smile and the greeting by the counter staff take their place.

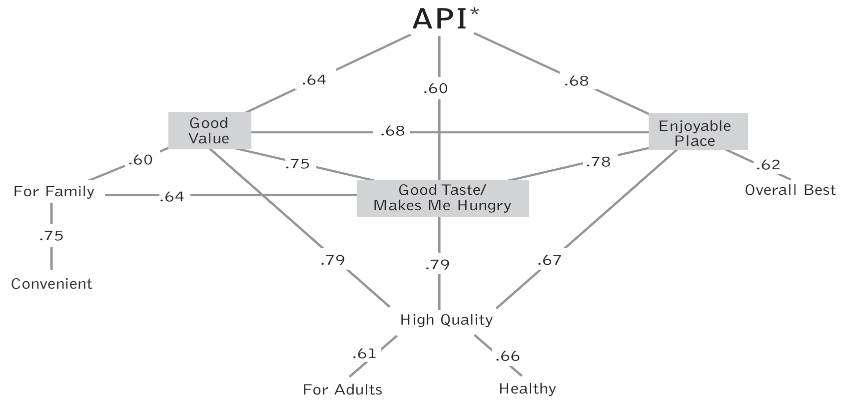
The counter is also important from an information processing and decision-making standpoint. This is the place where the menu presents the customer with verbal and visual descriptions of the variety of food choices that are available. This is where prices are displayed and in-store promotions are most highly visible. This is where the food orders are communicated and received. And this is where financial transactions take place. In other words, the counter is where the rational part of the brand experience occurs.

From a strategic standpoint, each of these three places in the restaurant contribute distinct experiential components - emotional, sensory, rational - to the total experience of the restaurant that a fast-food marketer might choose to focus on in building its brand.

Clarify the relationships

One way that cognitive scientists have of studying how the mind forms concepts, such as the concept of a particular brand, is to construct a semantic network of how different ideas are linked together - how close together

Figure 2
A Semantic Network
Showing the Linkages Between QSR Brand Values



*Ameritest Performance Index: Ad Performance Index is based on a weighted combination of Attention, Branding and Motivation.

(numbers are correlations)

or far apart they are. The value of semantic networks is that they clarify the relationships between the various selling ideas operating in a category and therefore can provide critical insights for marketers into how a brand is positioned in the marketplace. One way of thinking about semantic networks is that they describe the different "places" in the mind where the consumer stores the different ideas and images they associate with your brand.

The quick-service restaurant business in the U.S. is a fast-moving, highly-advertised category. Every month approximately 30 new commercials debut nationally from the top 20 QSR chains as each brand tries to defend its positioning and knock the others out of theirs. Our firm tests all of these new commercials as part of a syndicated tracker. Last year we interviewed about 26,000 fast-food consumers and one kind of data that we collect is a set of ratings of brand images for all the different QSR brands.

Using this data we construct a semantic network for the QSR category by examining the correlations across all the variables and brands in the category. The semantic net in Figure 2 shows us the brand messages that are important drivers of the overall ad performance index or API, which is a validated predictor of in-market sales performance.

The three most important ideas in the category are shown on the top tier of the semantic net, and these can be identified with the three brand places in a QSR restaurant that we discussed earlier. "Good value," for example, can be identified with the menu of choices that we look at as we are standing at the counter deciding what to order. As we look back into the kitchen and take in the sights and sounds and smells we think about how these products

Figure 3

Best QSR Branding Moments of 2008

"taste good" and which ones make us hungry. And as we carry our tray of food into the dining area we form an impression of what an "enjoyable place" this restaurant is to eat in.

As they are driving down the highway the consumer can sort through the various restaurants they come across based on their personal ratings of each restaurant on these primary dimensions of performance. Importantly, we can also use this same language to understand how the consumer sorts through the various brand images they are bombarded with every month.

Visual promises

Still photographs are one of the best inventions ever created to capture and store our memories of the exceptional experiences in our lives. From a research standpoint, we can also use still photographs to retrieve the visual promises of exceptional experiences that QSR brands make in their advertising.

As part of our tracking service we use Picture Sorts to identify which images in a television commercial are: 1) memorable, 2) highly charged with emotion, and 3) communicate an important brand value. Importantly, for this third picture sort, which we call the Flow of Meaning, we use the same 10 brand values from the semantic network we just discussed to tag the meanings of the visual imagery in QSR advertising.

In 2008 we tracked approximately 350 QSR commercials and for each of these commercials we rated an average of 25 still photographs taken from each ad. This gives us a visual dictionary of nearly 9,000 images for which we have consumer-based ratings of brand meanings. We can use this dictionary to describe in pictures what enjoyable place, good taste and good value mean to the consumer.

The average QSR commercial produces four branding moments. We know from the picture sorting that the respondents do that these are the most memorable, most emotionally-charged and most meaningful images in fast-food ads. We also know, from experiments we have done for other clients, that these are the images that get recorded in consumers' long-term memories, as part of their "virtual experience" of the brand. Branding moments are the only ad moments that consumers will remember and associate with the brand months and even years after an ad has gone off the air.

The 350 commercials that the QSR category aired in 2008 produced approximately 1,400 branding moments for these advertisers. These vivid memories represent the essence, distilled through consumer perceptions, of what these brands were selling. If we look at how consumers themselves rated these moments in terms of the three categories of good taste, good value and enjoyable place to eat, we can see (Figure 3) examples of the consumer's choices of best branding moments of 2008:

Good taste: McDonald's takes the top spot with its Southern-style chicken biscuits and its highly tactile, hot-biscuit pull shot. In second place, the dripping fudge, moist brownie and lip-smacking topping of the Dairy Queen sundae looks like 3,000 calories of pure sin. And in third place, Pizza Hut's payoff shot of a man biting into a crunchy crust filled with gooey cheese reminds us how much Americans love cheese.

Good value: Sonic's 99-cent banana split scores as the best value of the year. With many sub sandwiches costing north of $5, Quizno's "only $2.99" offer, coming right after a shot of the sandwich in a toaster, focuses viewer attention squarely on the value of this sub. And in third place Sonic builds up the notion that its brown-bag special has lots of food and it slaps the price on the screen. The viewer doesn't know if they are getting six items, two dozen or somewhere in between, for less than $7.

Enjoyable place to eat: McDonald's wins again with a mom-targeted image as an older brother helps to care for a younger brother, in spite of the younger brother messing up, so that the reward in the end is a trip to McDonald's, just him and mom. In second place, a unique moment shows Harvey Brownlee, COO of KFC, shaking hands with an employee at the counter who just won the Finger Lickin' Good award. The implication? KFC takes care of its people, so they take care of you. And finally, another spot from McDonald's makes two young girls "feel like a Disney princess," by transporting them to a Disney castle as they enjoy their McDonald's food.

Represents a key

In these branding moments we see different moments of truth for each brand experience. An appeal to the head, an appeal to the heart and an appeal to our senses each represents a key to the total fast-food restaurant experience. By communicating that a restaurant is an enjoyable place at which to eat, offering good taste and good value, each of these branding moments is designed to ring the cash register today while making a deposit in the image bank for the brand's future sales. |Q

Research Company Spotlight - Restaurants/Fast-Food

Below is a list of firms from our Researcher SourceBook™ specializing in research in the restaurant and fast-food industries.

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ACCE Inc.
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www.acceintl.com

Ann Michaels and Associates Ltd.
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www.ishopforyou.com

Assistance In Marketing/ Baltimore
410-337-5000
www.aimresearchnetwork.com

Bryles Research, Inc.
708-478-3333
www.brylesresearch.com

Bryles Research, Inc. (Br.)
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www.brylesresearch.com

C&R Research Services, Inc.
312-828-9200
www.crresearch.com

ChildResearch.com
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Chudnoff Associates
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Cooper Roberts Research, Inc.
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www.cooper-roberts.com

CRG GLOBAL, INC. » SEE AD 43, 53
386-677-5644
www.crgglobalinc.com

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www.culinary-focus.com

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www.greenfieldgroup.com

Herron Associates, Inc. » SEE AD 44
317-882-3800
www.herron-research.com

IMAGES Market Research
404-892-2931
www.imagesusa.net

Insights Marketing Group, Inc.
305-854-2121
www.insights-marketing.com

The Institute For Sensory Research
914-696-5155
www.sensoryguidance.com

Insula Research
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IVRsurveys.com
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director and executive market analyst for Kelley Blue Book and kbb.com. "The overwhelming inclination to buy versus lease is a sign of the current economic climate. People feel that leases are both less available and not as financially advantageous as they previously were. In addition, consumers are being more fiscally conservative in the midst of the recession, opting to buy a car they can afford versus leasing a car that may realistically be out of their budget."

More than half of the survey respondents plan to purchase their next vehicle in the next three months and say they could be motivated to purchase even sooner if good auto-financing offers are available, citing cash rebates and incentive offers as most popular, followed by financing offers and then overall improved economic and personal financial stability. For more information visit www.kbb.com.

For some, a phone is just a phone

Forty-five percent of U.S. mobile-phone users prefer to use their mobile phones to make calls and not for other available multimedia features. Only 20 percent of mobile-phone users prefer to use their phones as an all-in-one multimedia device for music, videos, Web surfing and other activities beyond making phone calls, according to The Mobile Phone Usage Report, conducted by The NPD Group, a Port Washington, N.Y., research company. Among top wireless carriers, Verizon Wireless customers are the least likely to embrace their phone as an all-in-one multimedia device.

While most U.S. consumers are aware of text messaging and the ability to change ringtones, results revealed that 34 percent of mobile-phone users did not know whether their current phone's memory could be expanded; 28 percent did not know if they could watch videos; and 12 percent did not know if they could access the Internet via Wi-Fi. Nearly a quarter were not sure if their phone included GPS, while a similar percentage (21 percent) did not know if their handsets would play music.

The adoption of advanced handset features shows a gap between the usage of these features and the increasing sell-through of devices supporting these features. According to NPD's monthly Mobile Phone Track service for December 2008, 71 percent of all handsets purchased by consumers in the U.S. were capable of playing video, 60 percent had expandable memory and 55 percent had GPS technology. For more information visit www.npd.com.

Women willing to pay more to go green

Thirty-six percent of Americans say cost is the biggest impediment to being more environmentally friendly, but women are more likely to spend more on and use more green products than men, according to a study conducted by LeadDog Marketing, New York, on behalf of Better Homes and Gardens Real Estate.

Despite the premium they must pay for green products, half of respondents say they have paid more for an energy-efficient product in the past 12 months, and many others report engaging in eco-friendly or green acts in the past six months, including recycling (73 percent), replacing incandescent lights with CFLs (69 percent), conserving water (57 percent), adjusting the thermostat (51 percent) and purchasing energy-efficient appliances (30 percent).

Women are significantly more likely to spend more and use more environmentally-friendly products. In the past six months, 72 percent of female survey respondents changed their light bulbs to CFLs, 59 percent claim to have used less water for their daily activities (showering, washing dishes, etc.) and 75 percent recycled. Among men, the numbers were lower, at 65 percent, 53 percent and 70 percent, respectively.

When it comes to their homes, 30 percent of homeowners are willing to spend $5,000 or more on green improvements to increase their home's resale value and appeal to potential buyers. Women and men are prepared to spend similar amounts. Some 18 percent of men said that they are prepared to invest $1,000 to $2,500, while 17 percent of women agreed. More women (17 percent) say they are prepared to invest $2,500 to $5,000 to increase their chances of resale, compared with only 15 percent of men. On spending $5,000 or more, 26 percent of women and 27 percent of men consider it a good investment if spending that amount on green home improvements helped increase their chances of selling their existing home faster. For more information visit www.bhgrealestate.com.

Cross-channel expectations stay on the rise

Retailers who can deliver a seamless experience across online and brick-and-mortar channels are best positioned to gain increased customer loyalty and revenue per customer, according to research from Sterling Commerce, a Columbus, Ohio, research division of AT&T.

Increasingly, consumers want to channel-hop to complete their purchases. For example, 57 percent of consumers feel it is very important to be able to return merchandise to a store even if it was purchased via telephone or online, up from 41 percent in 2007. Thirty-five percent of consumers feel it is very important to be able to pick up merchandise at a store after ordering online, double last year's number (17 percent in 2007). In addition to wanting to pick up at and return items to the store, most consumers also want both call- center and store personnel to have a record of what they've purchased from that retailer in the past, regardless of whether it was in a store, online or via a call center. Overall, 33 percent consider this to be very important.

Across the board, more consumers are channel-hopping to complete their sales. However, similar to 2007, the survey found that high-value consumer groups - higher-income consumers and college graduates - continue to place higher value in the cross-channel experience. The survey found three-fifths of in-store shoppers have gone online to do research or look at an item before purchasing it in a store (up from 57 percent). For consumers with household incomes above $75,000, the number rose to 80 percent and for college graduates it was 77 percent. Thirty percent have taken an online coupon or rebate offer to the store (up from 24 percent), and for consumers with household incomes above $75,000, the number was 46 percent and college graduates 42 percent. Research also is going mobile, with 9 percent reporting that they have accessed information about an item via cell phone. For consumers with household incomes above $75,000, the number rose to 11 percent. For more information visit www.sterlingcommerce.com.

Product and Service Update

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channel platform, suitable for any size and complexity of feedback program or market research survey.

Using Magnetic North's hosted on-demand outbound dialing and call-recording technology, Confirmit will provide users with preview, progressive and predictive dialing, autodialing, call recording and real-time audio-visual monitoring of telephone agents. The solution is expected to serve geographically-diverse operations, as interviewers need only an Internet connection and telephone line or VoIP connection. Additionally, the solution provides "burstability" for call-center operators and other telephone operations, meaning new interviewers can be added to the system without the need to purchase and install new hardware. For more information visit www.confirmit.com.

Briefly

Quick Test/Heakin Research Inc., Jupiter, Fla., has launched OmniView, an in-person omnibus conducted once a month among a demographically-representative sample of 500 U.S. adult respondents using its network of mall-based data collection facilities across the continental U.S. For more information visit www.quicktest.com.

Research Now, London, has launched OmniTaxi for the U.S., designed to provide clients with a flexible alternative to omnibus research. OmniTaxi is not conducted according to a set weekly or monthly timetable, and clients are allowed to choose their sample target from a list of prescreened options. OmniTaxi does not enforce deadlines on respondents, and results are available from 48 hours after survey question submission. For more information visit www.researchnow-usa.com/omnitaxi.htm.

Sage Books, a Vienna, Va., publishing company, has released the *Encyclopedia of Survey Research Methods*, which includes descriptions on the components and methods for building survey-costing calculations. Both business and scientific elements are described and combined to derive calculations that can be used to estimate survey costs. The book is sponsored by Nielsen Media Research, New York. For more information visit www.sagepub.com.

IPC, a Bannockburn, Ill., electronics association, has made all market research reports created and commissioned by the IPC Executive Market and Technology Forum program available to IPC members. IPC members will have full access to the library through www.ipc.org/membersonly. Additionally, selected presentations have been recorded and synchronized with the author's slides. These multimedia presentations are also available at the members-only Web site. For more information visit www.ipc.org.

Healthcare Landscape, a London research company, has made its patient and caregiver panel available to U.S. agencies. The panel was launched in 2005 for European pharmaceutical and medical market research agencies to access when conducting focus groups, in-depth interviews, ethnography and online studies. Panel members are drawn from the firm's recruitment portal The Patients Voice, as well as from its health care social network site icarecafe. It comprises around 290,000 patients and caregivers and covers at least 400 conditions. For more information visit www.healthcarelandscape.com.

NeoEdge Networks, a Mountain View, Calif., online gaming company, has launched NeoMom, a service created to collect survey data from female online gamers ages 25-54. A series of seven or eight survey questions appear as a Flash file in games that run on the NeoEdge network. The questions appear in natural break-points in the game platform where gamers would typically see an advertisement. The platform reads an XML document. For more information visit www.neoedge.com.

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in response to Arbitron's settlements with the states of New York and New Jersey. The AHAA asserts that the decisions made by the Attorneys General indicate a commitment to accurate representation of Hispanic radio listeners and to preserving a marketing medium for this population. AHAA commends the steps to be taken by Arbitron to "adopt new standards to cure flaws in its PPM methodology," as required in its agreements with the states.

Acquisitions/transactions

New York research company **Hall & Partners** has acquired a majority stake in **Jigsaw International**, a Shanghai, China, research agency. The Jigsaw acquisition will enable Hall & Partners to establish a research center for the Asia-Pacific region.

Communisis, a Leeds, U.K., communications company has acquired **Ai Data Intelligence**, a Surrey, U.K., data software company, in a deal totaling £12.6 million. Ai's Jon Cano-Lopez will continue as managing director, reporting to Alistair Blaxill, executive director of Communisis.

Alliances/strategic partnerships

Vovici, a Dulles, Va., research company, and **Walker Information**, an Indianapolis consulting firm, have partnered to offer a service that combines Walker Information's database of employee loyalty information with Vovici's enterprise feedback management solution. The combination is intended to help organizations deploy employee loyalty surveys and compare results against Walker's employee loyalty benchmark database.

Four companies have agreed to enter their research facilities in a preferred partner relationship: **Murray Hill Centers** in New York, Atlanta, Dallas, Los Angeles and Chicago; **Smith Research** in three Chicago areas; **TAi Companies** in the New York metro area, Tampa, Fla., and Denver; and **Ingather Research Reality House** in Denver. The arrangement permits each independent facility to maintain current client relationships while assuring priority of opportunity, referrals and services with selected facilities on multi-city projects.

Empathica Inc., a Toronto research company, has signed an agreement with Melbourne, Australia, research company **DBM Consultants** to allow Australian service organizations to use Empathica's customer experience management products. Under the partnership, DBM Consultants will implement and support Empathica's customer survey and analytics and employee engagement survey offerings throughout the Australian service industry.

Percept Talent Management, a Mumbai, India, entertainment company, has partnered with **Hansa Research**, Mumbai, for a celebrity research study called CelebTrack, which will measure clients' ROI when using celebrities to endorse their brands. CelebTrack will track 150 celebrities over 10,800 respondents across two pan-India waves annually.

New York research company **Authentic Response** has partnered with **RelevantView**, a Westport, Conn., research technology company, to include RelevantView's RelevantID digital fingerprinting system in Authentic Response's Authentic Validation data security and validation process. The integration of RelevantID is intended to add a layer of independent, third-party validity and support to Authentic Validation.

Association/organization news

The Qualitative Research Consultants Association (QRCA), St. Paul, Minn., has formed a Creativity and Innovation Special Interest Group (SIG). The SIG provides a forum for QRCA members to exchange information and knowledge on practices and techniques in the qualitative research field, and its objectives are connecting with others to stimulate and cross-fertilize ideas; presenting innovative tools and techniques by group members and by outside speakers; providing output for the public, such as white papers and published articles focused on creativity and innovation; and building business management practices in creativity and innovation so clients receive the best products and services to meet their needs. The Creativity and Innovation SIG is co-chaired by QRCA members H. Grace Fuller and Susan Saurage-Altenloh.

The Interactive Marketing Research Association (IMRO), a division of the Marketing Research Association, Glastonbury, Conn., has launched a new blog (http://imroresearch.blogspot.com). The blog is managed by Birgi Martin of Google Inc., Mountain View, Calif., and is designed for sharing the latest news, insights and thoughts on Internet trends, online market research and advertising, emerging technologies and more. The blog is also located on the IMRO Web site (www.imro.org).

Awards/rankings

Bob Chua, CEO of **Pulse Group** PLC, a Kuala Lumpur, Malaysia, research company, was awarded the Ernst & Young Emerging Entrepreneur of the Year Award 2008.

RFL Communications Inc., a Skokie, Ill., research information company, has selected **Paul Borgese**, director of research for The Weather Channel, Atlanta, as the winner of the Market Research Executive of the Year award. The honor is bestowed each year by RFL's *Research Department Report*.

New accounts/projects

New York research company **Arbitron Inc.** has commercialized its Portable People Meter radio ratings service in four new local markets: Dallas-Ft. Worth, Texas; Atlanta; Washington D.C.; and Detroit.

The Natural Marketing Institute (NMI), a Harleysville, Pa., research company, and New York researcher **The Nielsen Company** have expanded on an agreement made in 2008 so that Nielsen's Canadian division, Nielsen Canada,

will also use NMI's services. NMI will field a Canadian version of its LOHAS (lifestyles of health and sustainability) Consumer Trends Database to quantify the size of the consumer base for environmentally-responsible products and services; measure the importance of the environment, society and corporate social responsibility; explore environmentally-conscious behavior; and determine consumer usage of LOHAS products and services.

New companies/new divisions/ relocations/expansions

BrainJuicer Group PLC, a London research company, has opened an office in Hamburg, Germany. The company has appointed Jonathan Gable as managing director of BrainJuicer Germany.

A new research company, **Acumentics Research**, has launched. Acumentics' research focuses on a measurement model based on exposure, engagement, influence and action for social and traditional media measurement, and on an approach called the PR Value Cube, which aims to map where social media and public relations add value to an organization. Don Bartholomew will lead the Dallas-based operation. The firm is online at www.acumentics.com.

New York research company **Arbitron Inc.** has established a subsidiary in Kochi, India, known as Arbitron India. The Kochi center has been set up for software engineering, product development, research and development and for providing operational support for Arbitron's Portable People Meter radio ratings service.

James Salter has founded **Customer Lifecycle LLC**, a Philadelphia-based business-to-business research and consulting firm.

TAi Companies, a Denver research company, has established **TAi National**, a new division for national field management and recruiting, also located in Denver. Additionally, TAi has launched its client loyalty program, a points-based incentive system "for clients who trust us with their projects." Points may be redeemed for a variety of rewards when the National service or TAi facilities are used.

The GfK U.S. Healthcare Companies, a Blue Bell, Pa., division of Nuremberg, Germany, research company The GfK Group, has consolidated its three marketing research operations - **GfK Market Measures**, **GfK Strategic Marketing** and **GfK V2** - into one entity: **GfK Healthcare**. The three companies have operated separately since being acquired by GfK in 2005 and, as one entity, will maintain staff and operations in Blue Bell, East Hanover, N.J., and Princeton, N.J.

Consumer Contact ULC, a Toronto research company, has opened a fifth call center, located in northeast Toronto.

Research company earnings/ financial news

BrainJuicer Group PLC, London, has issued a pre-close trading statement for the financial year ended December 31, 2008. Highlights include results ahead of market expectations; reported revenues of over £9m (an increase of over 40 percent); operating profit up by 45 percent to over £1.2m; and client increase from 115 to 140. New products also grew by more than 50 percent and account for over 40 percent of revenue. BrainJuicer's revenue growth (which was entirely organic) reflected strong trading performance across each of its regions and enabled the company to continue investing in its technology platform and to start paying dividends.

United Sample, Encino, Calif., has closed a $3 million Series B round of venture capital financing led by Greycroft Partners, Santa Monica, Calif. The funds will be used to grow sales, increase marketing efforts, develop technology and enhance operations. In connection with the financing, Dana Settle, a partner at Greycroft, will join the company's board of directors.

Names of Note

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Boulder, Colo., research company has hired **Curtis Breville** as senior analyst.

LRA Worldwide Inc., a Horsham, Pa., research company, has hired **Kevin Conley** as sports research consultant and **Jeff Ganis** as senior research consultant.

Michael P. Skarzynski has been named president and CEO of New York research company *Arbitron Inc.* Skarzynski has also been appointed to Arbitron's board of directors.

Survey Sampling International, a Shelton, Conn., research company, has named **Kees de Jong** CEO and **Dennis J. Beckingham** president and CFO.

GfK Custom Research North America, a New York division of Nuremberg, Germany, research company The GfK Group, has hired **Holly Heline Jarrell** as group managing director, GfK Roper Consulting and GfK Public Affairs and Media.

Anna Hamon has joined *Voodoo Research*, Marleybone, U.K., as a research executive.

Acxiom, a Little Rock, Ark., research company, has appointed **Claire Pribula** as vice president, Asia-Pacific sales. Pribula will be based in Singapore.

Synergy Research Group, Reno, Nev., has hired **Jeff Doyle** as vice president, research.

Schlesinger Associates, an Edison, N.J., research company, has made several personnel changes. **Nancy Ashmore** has been promoted to managing director, overseeing the Houston and Dallas facilities; Ashmore will be based in Dallas. **Pam Lintner** has been promoted to research director; Lintner will be based in Chicago. **Jason Horine** has assumed Lintner's previous position as managing director, San Francisco facility. **Bj Kirschner** has been promoted to lead Schlesinger's global management solutions (GMS) along with **Laura Haxton**, research director, GMS. **Nadine Casaletto** has also been promoted to project director, GMS.

Denver research company *iModerate* has hired **Adam Henderson** as senior director, moderating services.

Maryland Marketing Source Inc., a Randallstown, Md., research company, has promoted **Michelle Finzel** to vice president, full-service research.

MI Surveys, a Cincinnati research company, has promoted **Adam Jolley** to senior account executive and **Amy Hungler** to senior project manager.

The Natural Marketing Institute, a Harleysville, Pa., research company, has hired **Jorge Santos** as vice president, strategic consulting. Santos will be based in Ontario.

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only 23 percent say they track and measure the volume and nature of these messages;
- customer voice has gone online, but only 14.5 percent track word of mouth on the Internet;
- only 12 percent are using a word-of-mouth marketing platform to drive online customer advocacy.

The Council argues that the drive to create and use systems to take in and disseminate customer inputs and viewpoints needs to be part of an institutionalized corporate culture. But as the survey found, many companies are not taking advantage of the types of company-wide performance improvement and business growth that can be driven by absorbing and acting on customer input.

Isolated events

Rather than viewing customer input as an ongoing resource, most firms see customer interactions as isolated events driven by service situations and incidents that need quick resolution. Thus:

- only 38 percent of companies gather customer insight from customer engagement situations;
- just 32 percent look for ways to turn problems into new sales opportunities and only 15 percent introduce new products or services to further monetize the relationship;
- only 17 percent use the opportunity to identify and cultivate potential customer champions and advocates.

Though their firms have a long way to go in turning detractors into brand advocates, senior marketers are clearly aware of the importance of customer experience. Eighty-three percent of respondents said it is either "essential" or "increasingly important" in driving brand advocacy and business performance. Further, 84 percent said positive customer experiences and word of mouth have helped their brands and businesses grow. High-profile negative customer experiences have at some time compromised their brands, according to 44 percent of respondents.

Getting better

While just 31 percent rate their company's commitment to customer listening highly, 35 percent say it is "getting better." Although 34 percent of respondents said their companies have made no changes to the way they track and analyze customer experience in recent years, 45 percent say their companies have taken steps to better integrate and analyze customer data. Another 39 percent have increased personalization and intimacy in their customer communications, 20 percent say they have begun using Internet analytics and 18 percent are capturing real-time information at the "point of pain." For more information visit www.cmocouncil.org. | Q

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trade talk

By Joseph Rydholm
Quirk's editor

Tuning out the voice of the customer?

A study from the Chief Marketing Officer (CMO) Council found that many execs feel their companies are failing when it comes to integrating the voice of the customer into their operations.

Of the 480 executives surveyed for the Giving Customer Voice More Volume study, 58 percent said their companies do not compensate any employees or executives based on customer loyalty, satisfaction improvements or analytics. Thirty-eight percent said there are no programs in place within their organizations to track or create positive word of mouth among customers. And just 29 percent give high marks to their firms' ability handle and resolve customer problems or complaints.

As taken from the organization's press materials, the study, which was sponsored by Satmetrix, San Mateo, Calif., uncovered deficiencies in the way companies measure, optimize and leverage customer experience to drive loyalty, improve brand value and increase business performance and growth, including:

- insufficient availability and aggregation of real-time customer experience data across touchpoints that should be shared across the organization;
- poor use of customer interactions to collect insights and intelligence or maximize up-sell and advocacy opportunities;
- lack of Internet processes and systems to track online word of mouth and drive customer advocacy;
- intermittent monitoring of customer experience, which fails to provide timely insights into problems and opportunities;
- too few compensation programs tied to customer experience, loyalty and satisfaction gains.

"Customer experience is one of the most critical determinants of brand strength and business growth. Yet most organizations and senior marketers suffer from major blind spots and gaps in the way they interact, handle and respond to customer issues or problems," said CMO Council Executive Director Donovan Neale-May in a press release. "CMOs must assume ownership for the customer experience and establish enterprise-wide measures and disciplines to ensure continuous improvement. We are missing a major opportunity to turn customer pain into competitive gain at every touchpoint through better use of Web and contact-center technologies and processes."

Other findings of the study include:

- nearly two-thirds of companies do not have a formal voice-of-the-customer program in place;
- only 13 percent use real-time systems to collect, analyze and distribute customer feedback;
- while 74 percent say they receive customer feedback via e-mail,

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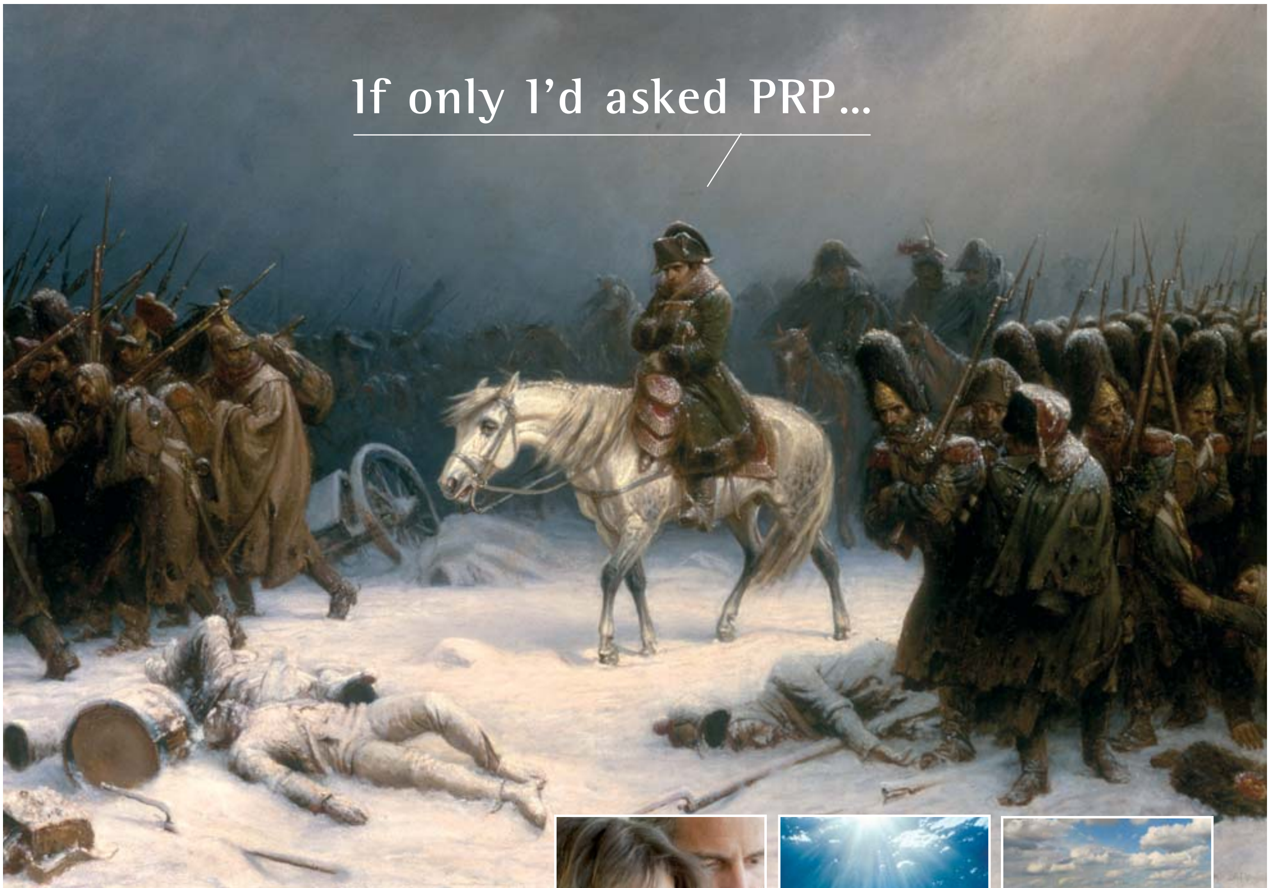

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