

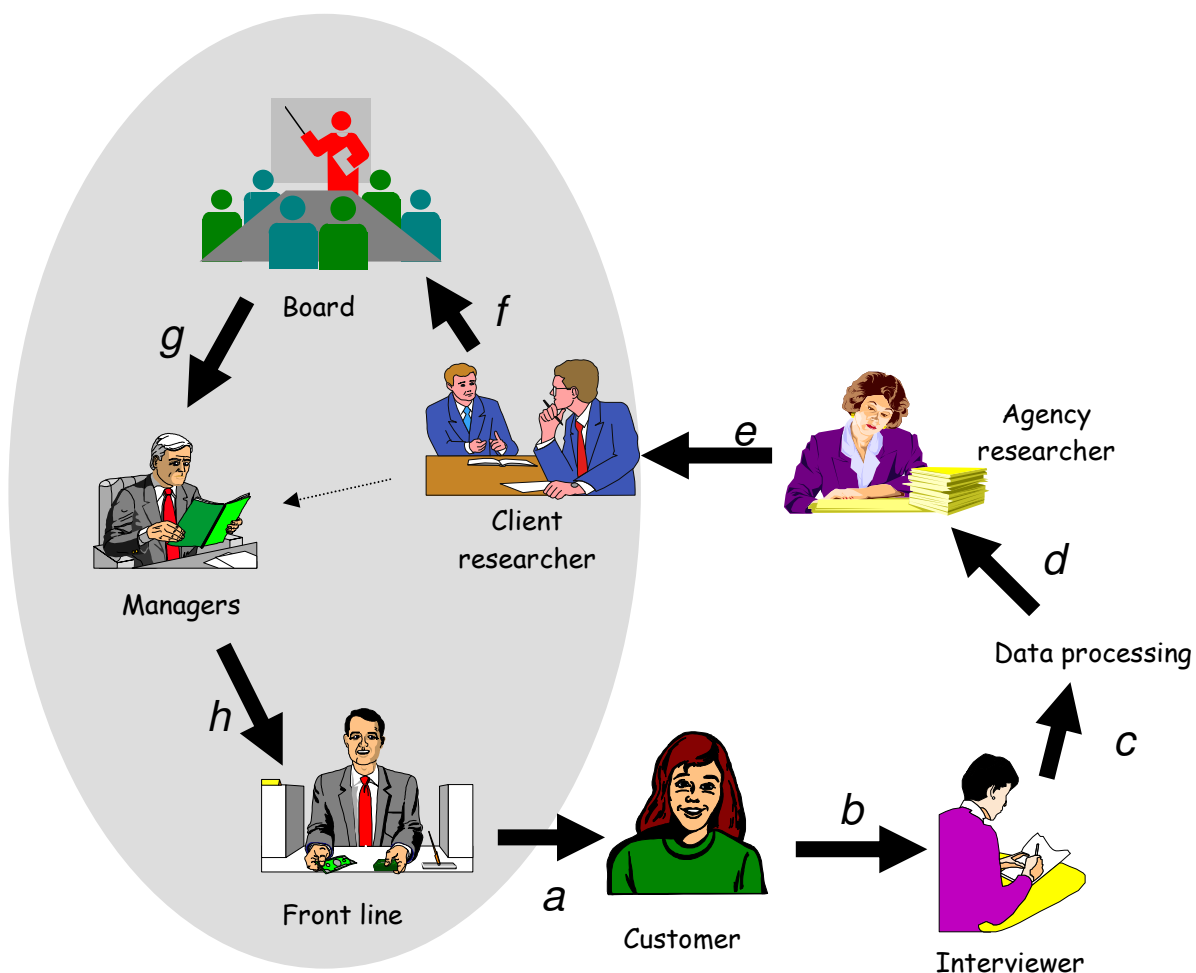
One to One Research in Business Markets

At the MRS Conference in March, we introduced the idea of One-to-one Research - a new way of looking at the market research process which is more in tune with today's relationship driven, one-to-one marketing. This paper looks at how One-to-one Research applies to business markets in particular and some of the specific issues of business-to-business research can be overcome with One-to-one research. To start with it is useful to summarise what is meant by One-to-one Research (for more details see MRS Conference 2000 Papers: "One-to-one Research for One-to-one Marketing")

Summary of what is meant by One-to-one Research

In describing One-to-one research it is useful to look first at the classic way in which market research is typically carried out. This process can be described in terms of a cycle – from customer interaction to organisational response.

Figure 1: The Research Cycle



In the Research Cycle there is typically a transaction or interaction between the company and the customer (a). The customer is then interviewed about the transaction (b). The interview is processed (c) and passed to a researcher (d) who reports the findings to the client researcher (e) from where the information is passed through the management team (f) to line managers (g) and then to the front line who take the necessary action (h). The front line can include those responsible for communication, or product design, or customer service or sales.

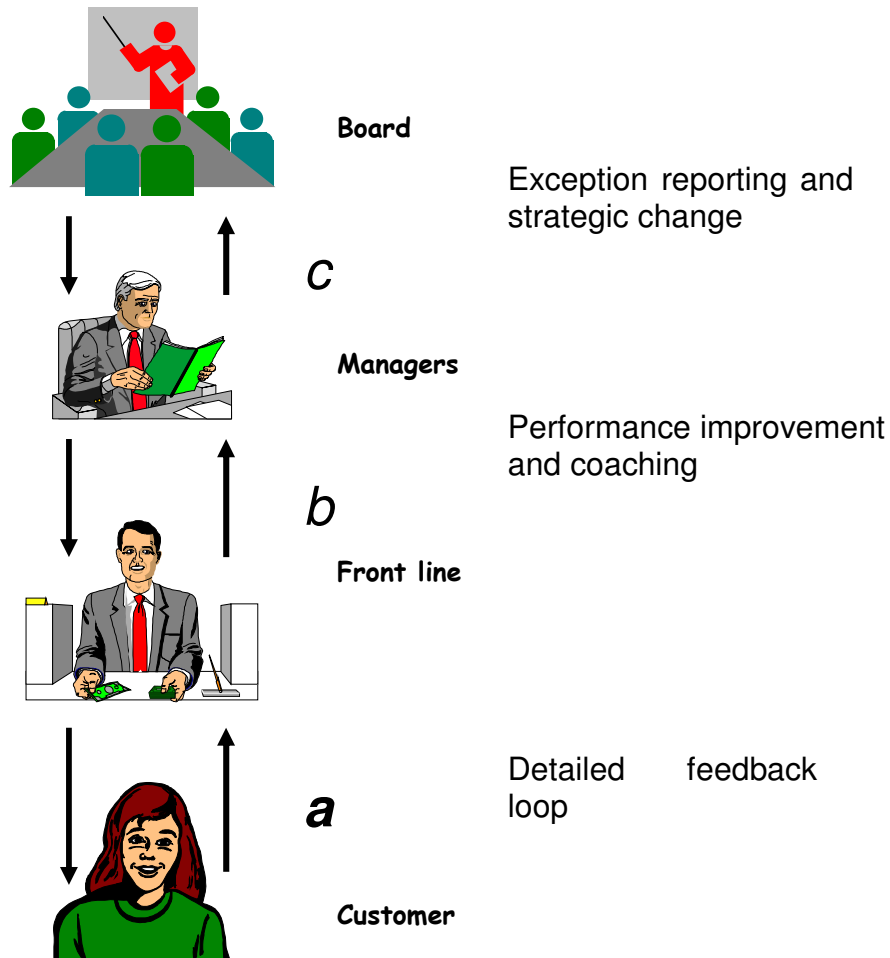
Note the cycle is not complete until the organisation has actually taken action in response to the information from the customers. If no action is taken, then from the customer's point of view what was the point in taking part in the research in the first place?

For research in general, this Research Cycle can be criticised as

1. Slow, particularly in competitive situations where response is needed quickly
2. Expensive per contact compared to other forms of information
3. Suffering from Chinese Whispers as information is lost at each point in the chain
4. Looking too much at the aggregate and not enough at the individual
5. Splitting demand knowledge (researcher), from supply knowledge (internal implementation)
6. Working "top-down" in reporting with detail seen by those at the top who want summaries, and summaries for those at the bottom who want detail
7. Potentially interfering with existing customer-supplier relationships.

To meet the challenge of relationship-driven marketing where time-to-respond is central, we suggest the use of One-to-one Research. In essence this involves collapsing the Research Cycle into a chain of feedback loops, aiming to build dialogues to replace the continuous chain of monologues in the Research Cycle.

Figure 2. One-to-one Research



In the first loop, information from the customer passes directly to the front line in the first instance (a). The front-line can then act and modify behaviour based on their specific information. Line managers can collect and collate information from the front line to identify trends or exceptions to assist and ensure corrective action is taken (b). The senior management team can then take an overview of the data collected to determine strategic responses to be addressed across the company as a whole (c).

There are four major benefits to this approach for general research:

1. Speed of response
2. Appropriate information for the appropriate level in the organisation
3. Bottom-up information that can be supported by coaching
4. The encouragement of experimentation through the bringing together of supply understanding and demand knowledge

There are issues of how data collection is controlled and used – issues such as objectivity, deciding who to talk to and how to collect information. However, we have found most, if not necessarily all such issues can be overcome. In particular, we find that there are real benefits to

using One-to-one Research techniques in business markets beyond those we find in consumer markets.

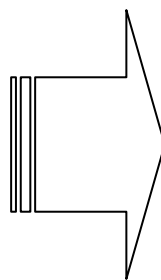
The challenge of business markets

Business markets are quite distinctive when compared to consumer markets. For instance, they are typically smaller in terms of actual numbers of customers, the customers themselves typically use expert buyers, and individual customers can be extremely significant source of revenue for a single supplier. Indeed, we can consider business markets as covering a spectrum of types ranging from broad consumer style markets such as stationery to extremely specialised markets such as aircraft engine design where there may only be 10 potential customers in the whole world.

We can describe features of this spectrum below:

Consumer-style

- Many customers
- Final users of product
- Standardised products
- Standardised services
- Standardised communications
- Small part of supplier's business
- Simple relationship
- Little influence with supplier
- Transactional purchasing



Specialised business

- Few customer (handful)
- Part of supply chain
- Unique products including service (eg design) elements
- Face-to-face communication
- Large part of supplier's business
- Complex multi-faceted relationship
- High strategic influence
- Professional purchasing and tenders

For research purposes, techniques and approaches that are suitable for consumer-style markets, such as large scale quantitative projects can be less suitable in more limited specialised business arenas.

However, the picture is further complicated when it is realised that an individual firm selling to business-to-business markets will probably have 80% of their customer base which is more consumer style and 20% that is pure specialised business.

Moreover, it is typically the larger customers that make up the small number of specialised accounts and in this group single customers can often be worth several percentage points of overall revenue. So getting to understand just a handful of key customers can be crucial to establishing real market understanding in business environments.

The process of marketing in business-to-business markets is thus far more focused on building and understanding relationships than is currently the case for consumer markets. Consequently broad mass market techniques are less applicable than individual face-to-face sales and relationship building.

In practice, the classic research cycle is not so good where there are close one-to-one relationships. By considering customers as remote, anonymous entities, the research cycle ignores the closeness of the relationship between buyer and seller in business markets. Consequently, for business markets research cycle style approaches can feel as if they interfere with, rather than help understand existing relationships, particularly if a number of different relationships are aggregated, ignoring key points of uniqueness.

Where we have spent time developing research processes in companies, we have found that both customers and suppliers have found problems with the normal interviewer based approach.

For instance we commonly find that business respondents feel that it is only worth giving up time for research if they feel that research will have an impact, and preferably where they get feedback that something is happening. There is commonly an expectation that information given to an interviewer should be “known” by their account manager and simple things should have been dealt with quickly after the interview. Too often respondents complained of their time and opinions disappearing into a “black hole.”

For the internal users of business-to-business research – the accounts teams and the customer service teams - there is often a great deal of distrust and scepticism of the results. Typically the aggregation of data masks the unique nature of each relationship and produces results that can fly in the face of “on-the-ground” experience of customers. Typically, relationships with the larger customers are particularly close, often with daily contact. How does the research reflect and support this day-by-day interaction?

In addition, from a research point of view, business research can be made harder by following the research cycle. The imposition of external interviewers means that response rates can be lower than 1 in 20 for hard to reach segments and even good interviewers can struggle to reach senior people in the limited (and over-researched) universe of multi-national businesses.

Sampling is also more problematic than for consumer markets, not just because universe sizes are smaller. In consumer markets we broadly assume that each customer is of equal importance and so “1 in n” sampling is appropriate. However, this is not typically the case in business markets as larger accounts are normally much more important to the clients revenue than small accounts. Aggregating results from a simple “1 in n” sampling approach would over-emphasise the needs of the less important smaller accounts. And indeed, if you are only able to reach 1 of the top 20 accounts via an interviewer, you risk under- or even mis-representing the most important customers within the final sample.

One-to-one Research and Business Markets

In contrast to the Research Cycle approach, One-to-one Research is designed to build on existing relationships between customer and supplier by providing tools and a mechanism for improved dialogue between customer and supplier – and may actually enhance existing customer-supplier relationships.

Our approach is typically to work with the internal sales or action team to produce a process whereby they can capture information in a systematic way that can be aggregated to provide an overall customer view. Overall team leaders and senior managers can then use this aggregated view to monitor performance or to determine strategic action. This provides detailed micro-level information about each account spoken to, in addition to macro-level strategic information.

A number of benefits of One-to-one Research in general have been mentioned above, including speed of response. However, in business markets there are a number of additional benefits:

1. Response rates are typically far higher than with interviewers.

Internal staff can normally achieve agreement to take part of about 70-80%, compared to about 5% or less in standard business-to-business surveys. Where relationships are complex we are also able to encourage multiple interviews with different contacts at the larger accounts.

2. Those people who carry out the interview know the language and details of the industry.

Typically in business-to-business markets, the issues are more technical than in consumer markets and interviewers from outside the industry can miss finer, yet important distinctions, and implications of what respondents say. For instance the ability to include MPEGs in a database as opposed to JPEGs has enormous implications in terms of database size and structure. If you are unaware that MPEGs means videos and JPEGs means still pictures, it can be extremely easier for an external interviewer to hear or grasp the importance of the distinction.

3. Feedback and action points from the research interview can be included in subsequent follow up work.

As the interview is part of the on-going process of communication, issues raised can be followed up or additional calls made to clarify meaning to help in directing the account development plan for instance. There is no barrier of anonymity that says communication ends with the completion of the questionnaire.

From the customer's point of view, it is also valuable to have feedback to understand that their time has been well spent. Sometimes just a formal record of what was discussed and agreed at the interview is enough feedback to illustrate that the supplier takes the process seriously.

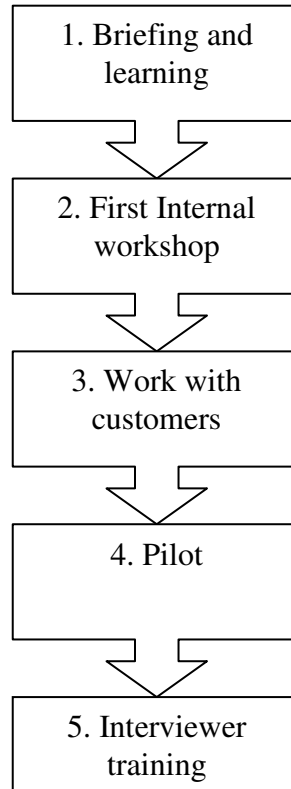
4. Conducting the interviews itself can be part of a change process.

There is currently a desire for more flexible and responsive organisations that means Change Management has become one of the key challenges for companies today. We do come across situations where internal staff claim they already "know" everything about the customer. In practice, after completing a One-to-one Research interview, we find they almost undergo a revelation as the process forces them to ask questions previously left as assumptions. This "re-framing" can be a key part of encouraging internal staff to identify and buy into a process of internal change to meet the needs of the customer.

Designing One-to-one research process

In business-to-business markets, each set of relationships is unique to each supplier. The process of design needs to get the right method of approaching each customer and identifying the right issues for research. We would say that this is a central part of making One-to-one Research work. By involving staff in the process of interviewing, we need internal commitment to make the methodology work and this is best gained by involving internal staff in the design process from the beginning. Careful design is also essential if you are not to alienate or disappoint the customers who take part.

Our approach is to build the design in a number of stages. Our ideal is broadly as follows, however circumstances such as time or money, may prove that some of these stages are not appropriate. In practice, a common comment has been the process of design has been as valuable as the results at the end.



Briefing and learning

As each industry is different and has different supply structure, different competitive set and different language and jargon, we take learning about a company or an industry extremely seriously, particularly if we are to have credibility with account managers or action teams. For instance, our learning exercises have taken us out on vans, to see refineries and to visit customer service centres. After learning how customers relate to the supplier, we are in a far stronger position to identify who should interview and how that interviewing should be carried out. This briefing and learning should also clarify the key business issues for the design

Workshops

To obtain maximum involvement we like to use workshops with those who will carry out the research. This enables the people on the ground to identify key issues and to ensure that we do not simply impose a set of questions on people who are actually more expert in their industry than we are.

In addition, we would ideally work with customers to ensure that the process is acceptable to customers too. Typically, topical internal issues can dominate internal workshops and it is always

useful to have a different perspective. Sometimes we would have a second internal workshop to help synthesise internal and external views.

Pilot

Once the questionnaire and interview are in place, we would typically carry out a small pilot exercise. This ensures that the process works for all parties (including us) and helps in the design of the training materials and other notes.

Training

Once the interview is designed and piloted, we can launch and roll-out the exercise. To ensure that the process is understood and operates smoothly we would provide suitable training. The training could cover issues such as who to interview, how to complete the questionnaire, or how to use the results for instance. With a full training pack, it means that as personnel move around and new team members are taken on-board, there is an easy way to learn and take part in the process of One-to-one Research.

Practical examples

In the past at Strategic Research we have used Corus (British Steel) as an example. But we have also worked with a number of other companies on similar projects.

The first example is a major multinational company with headquarters in London. The team we were working with provided centralised services to the major operating divisions based in 6 regions around the world. A central question for the team was whether their internal customers valued the services they provided, and how could they make improvements or offer new services.

The process of design involved two consecutive days with the team, firstly getting to know the issues and identifying the most appropriate people to contain and the best way of talking to those people. This was then used to build a 5-10 minute telephone interview with the team, followed by training and guidelines on telephone interviewing and monitoring of initial calls.

Over the next two weeks the team conducted telephone interviews or phone plus email interviews with all their major contacts and customers around the world. By the time we aggregated results and produced the final statistics, the team had an extremely clear picture of what their customer wanted and what the key areas they needed to address for the coming 12 months. Much of this came from the qualitative discussion generated with people that they rarely spoke to, rather than so much of the final quantitative results that we presented back to them.

The second example is a major commodity food manufacturer who, because of EU regulations, was in a semi-monopoly situation but under threat of losing this status with EU reform. The question was therefore how to become more customer-focused in a market situation which to that point had paid little heed to customer needs. To help this process of change, we helped the company instigate a program of customer research with a company-wide action team taking the role of the interviewers.

The design process included learning about the industry by visiting the production and distribution facilities and a full briefing from staff across the company about issues facing the market. This was followed by qualitative research among customers and an internal workshop with the action team. In this instance we used a face-to-face approach using a conjoint-based interview technique via CAPI. After training, the action team arranged the interviews with the customers themselves taking along portable computers for interviewing. The results were then fed back to the action team who split into focus areas to drive the necessary changes through the company.

Conclusion

One-to-one research has proved extremely effective in addressing the particular issues surrounding research in business-to-business markets so far. We find that companies generally like to have their own staff conducting interviews and more directly involved in the research process. The ability to respond quickly to direct customer comments and requests has helped strengthen relationships between companies by offering a new way of maintaining a dialogue with customers. In particular, One-to-one Research works with relationships appreciating that differences may be as important as similarities and that not all customers are equal in a business-to-business market.