

Six Essential Market Research Questions

In working with a wide variety of client organizations over the past 25 years, we have covered many areas of investigation and asked countless different types of questions. In looking back at this large body of research work, what we have found is that, despite the variety of clients, the different types of studies we have conducted, and the many different questions we've asked, the number of core questions that most organizations should be asking themselves is relatively small. Six to be exact.

Of these six questions, there are four which should be asked on a frequent basis, several times per year. The other two questions should be asked periodically, about once every 2-3 years. While it is true that while there are many important questions organizations should be asking themselves and their target audiences, certainly more than six, when you boil it down to the critical ones, the ones that organizations can't not be asking, we've found that it really does come down to just six.

Below are these "six essential" questions:

1. What is our brand awareness, and that of our competitors?
2. What are the most important purchase decision drivers in our category?
3. What are our primary brand associations, and those of our competitors?
4. How satisfied and loyal are our customers, and those of our competitors?
5. What are the primary drivers of satisfaction and loyalty?
6. How well are we improving our current products and developing new products?

The following explains why each of these questions is essential for organizations to be asking themselves. We've broken out these six questions into three areas of investigation, in order to show how each of these questions fits into the overall organizational operational picture. They are: Branding – "Getting Customers," Customer Satisfaction – "Keeping Customers," and Product Development – "Innovating." For each of these areas, at the end are descriptions of the types of research methodologies that can be employed to best answer the questions.

As noted earlier, four of these questions need to be asked on a regular basis in order to have any value. These are questions 1, 3, 4 and 6. The other two questions – "What are the most important purchase drivers," and "What are the primary drivers of satisfaction and loyalty" – identify drivers that typically change, if at all, slowly over time, so need only to be established in benchmarking research and then revisited periodically to determine if there has been any changes.

Branding - Getting Customers

Question 1: "What is our brand awareness, and that of our competitors?"

High brand awareness is the foundation of a strong brand. In particular, unaided awareness (vs. aided, or prompted, awareness) is the most important type of awareness in developing lasting brand strength. One of the key components of brand awareness to understand is the aided vs. unaided recall of your organization and/or product. If your organization is not at or above the levels of your top competitors in top-of-mind awareness, it takes more effort and expenditures

to develop the critical brand associations that drive purchases. What you want is for potential customers to mention your brand when asked to name brands in your category.

To refine this further, ideally you want to be the brand that potential customers mention first most frequently. If a customer mentions your brand on an unaided basis, and ideally mentions it first, it is much more likely they will choose your brand when they are considering a purchase in your category, than if you are not top of mind. Thus, it is critical that organizations have a clear picture of their unaided brand awareness, as well as those of their competitors, and how their and the brand awareness of key competitors are changing over time. If they don't mention your brand, it is unlikely that they will consider it when it comes time to purchase a product or service in your category.

In addition to the critical importance of unaided brand awareness in driving sales, increased brand awareness also lowers customer acquisition costs. Once an organization has achieved a high level of top-of-mind awareness ("high" meaning at or above that of the top competitors), the cost of acquiring new customers is much lower than if you have low brand awareness. Granted, costs are incurred to develop high brand awareness, largely due to advertising expenditures, but once the high awareness is achieved those costs essentially become amortized into the future as long as "maintenance" branding expenditures are continued to support the current levels of awareness.

When unaided awareness is high or increasing, it means an organization doesn't have to spend as much simply getting its name in front of potential customers, and instead can devote more of its branding work to the more refined and focused type of communications which develop the key brand associations and thus optimize the brand's position against competitors.

So having high brand awareness, and in particular high unaided brand awareness, is a critical part of developing a strong brand. The question then is, why does it need to be measured on a regular basis? There are two primary and related reasons why.

The first reason is to determine return on investment (ROI). Given that advertising and marketing expenditures are not trivial amounts for most organizations, it is critical that organizations know what kind of return they are getting for their investment. With brand awareness research, an organization can determine the return on marketing and advertising expenditures by tracking those expenditures against awareness trends.

The second and related reason why measuring brand awareness is important is because it allows the organization to know how well each of their different types of advertising is generating awareness. By knowing the respective levels of awareness being generated by different advertising methods (e.g., TV, radio, web, on-site, etc.), as well as other branding expenditures, the organization can know the ROI of its various advertising initiatives. With this analysis the organization can then decide to adjust the weighting of expenditures among its advertising channels and/or geographic areas, and/or develop alternative new creative approaches in order to increase its overall ROI.

This type of analysis is important because it helps organizations to not only increase brand awareness, but also optimize its branding/marketing expenditures.

While brand awareness is a necessary - and to be clear, absolutely necessary – component in establishing a strong brand, it is not a sufficient component driving customer acquisition. There are two other components in developing a strong brand that are also critical. The next two of our six essential questions provide the answers to complete the process for driving customers to your products and services.

Research methodology:

- Survey research (typically online)

Frequency:

- A minimum of yearly, though we typically recommend semi-yearly or quarterly. The quicker a market is moving or growing, the more frequently brand awareness needs to be measured.

Question 2: “What are the most important purchase decision drivers for products/services in our category?”

Most companies don’t know the key purchase drivers for their products or services. This has been shown in various studies, and also anecdotally in our working with clients over the years. Organizations usually *think* they know the primary purchase drivers for their category, but when we conduct the research, typically the purchase decision drivers that they think drive category sales are actually ranked in the middle range or even quite low, and other decision drivers that they didn’t think were important (or which they didn’t even consider at all) are ranked at the top. Why is this important? It is important because if you don’t know the primary purchase drivers for your product or service category, your branding efforts will be off-target and consequently you will be wasting large amounts of money on your advertising and other branding expenditures. You cannot develop on-target messaging and creative if you don’t know the key purchase drivers in your product/service category. It is only when an organization knows the key factors that drive sales that it can develop messaging which is in tune with customers’ wants and needs, and which are crafted to resonate and generate long-lasting, positive brand associations. By knowing the key purchase drivers, and developing messaging based on them, you will get a higher ROI, as each dollar spent with on-target messaging has a greater likelihood of creating a new customer than messaging that is off-target. This sounds obvious, but it is amazing how many companies are not doing this.

What we do in our branding research is look at both the specific product attributes as well as their related tangible and emotional benefits. By determining both the specific features as well as their related benefits that customers care most about, an organization can develop a brand identity that deeply resonates with its audience and optimally positions the organization and its offerings.

Once we have determined the most important features and benefits for the product category, the next step is to determine how well your organization is using this information to develop messaging that makes your brand memorable and which drives sales more effectively than your competitors.

Research methodologies:

Establish the set of drivers that most impact purchase using the following three methods:

- Internal interviews with organization managers
- Focus groups, in order to gain an understanding of the broad basket of factors driving purchase.
- Survey research to narrow down the initial broader basket of purchase drivers.

Frequency:

- Once the initial set of purchase drivers is established, re-visit the factors via focus groups and survey every two to 4 years, depending upon how quickly the market is changing in terms of what is driving purchase.

Question 3: “What are our brand associations, and those of our competitors?” (Also could be asked as: “What are we and our competitors most known for?” or, “How are we and our competitors perceived to be delivering on the most important purchase factors?” or, “How are we and competitors positioned in the marketplace?”)

This question (and its permutations, noted in the parentheses) is closely related to question two - knowing the most important purchase decision drivers - but takes it to the next step to measure and track where your organization and your key competitors are positioned on these key purchase drivers. Once an organization knows the key purchase drivers in its category, it can then develop creative execution which highlights these purchase drivers and their related benefits, both tangible and emotional. The key to positive brand esteem is to deliver high levels of performance on the top purchase decision drivers, and to communicate this performance in compelling and memorable ways in advertising and other branding communications.

The problem for many organizations, however, is that they are not tracking this metric, and so cannot develop the type of creative execution - and thus positive and compelling brand associations - which they need to optimize their brand position and ultimately drives sales. If your organization’s positioning is off of where it should be - that is, customers aren’t strongly associating your brand with the top purchase drivers and their related benefits - then your positioning is sub-optimal and you are losing sales and wasting advertising and branding dollars. When you track your brand position by tracking its brand associations, you can then adjust your creative execution as needed in order to optimize your positioning and maximize your marketing and branding ROI.

Research methodologies:

- Conduct brand laddering focus groups to gain understanding of key purchase drivers, including their related tangible and emotional benefits, and to develop a list for measuring the relevance importance of them in subsequent quantitative research

- Conduct benchmark survey to:
 - Determine the top purchase drivers and their related benefits
 - Measure brand awareness
 - Assess performance on key purchase drivers

Frequency:

- Semi-annually or annually, to track trends on brand awareness and brand performance of key purchase drivers. It is rare that brand associations need to be tracked more frequently than twice a year.

Customer Satisfaction - Keeping Customers

Question 4: “How satisfied and loyal are our customers?”

Without satisfied, loyal customers, an organization has a multitude of problems, specifically, money-losing problems. On the other hand, satisfied and loyal customers provide many benefits, specifically money-saving and generating benefits. Here are some of them, both the problems and benefits, enumerated by some key statistics:

- A good customer service experience is told to 8 other people
- A bad customer service experience is told to 22 other people
- It costs 6 – 7 times more to acquire a new customer than retain an existing one
- A 2% increase in customer retention has the same effect as decreasing costs by 10%
- 90% of unhappy customers will not buy again from you
- For every customer who contacts you to complain, 26 others say nothing
- However, 70% of unhappy customers will buy from you again if you resolve their problem quickly and courteously

Just these handful of facts (and there are many others like these which show the critical, bottom-line importance of high customer satisfaction) highlight quite clearly just how important it is to keep customers happy. Dissatisfied customers will tell others of their dissatisfaction nearly three times as often as will satisfied customers. In addition, keeping your customers satisfied saves a great deal of money in customer acquisition costs. And the fact that the vast majority of dissatisfied customers simply leave without telling you emphasizes just how important it is to conduct continuous customer satisfaction research, so that you can stay on top of problems, fix them quickly, and keep your customers.

Research methodology:

- Survey research of customers, in order to:
 - Measure performance on top satisfaction and loyalty drivers
 - Track trends (i.e., improvement or decreasing satisfaction)
 - Collect customer comments regarding specific problem areas and their suggestions for how to improve products and services

Frequency:

- Anywhere from semi-annually to continuously, depending on the industry and volume of customers.

Question 5: “What are the factors that make for a satisfied and loyal customer?” (Or, “What are the key drivers for customer satisfaction, and how can we optimize our performance in delivering on these?”)

In order to improve customer satisfaction and loyalty, an organization has to go beyond just knowing their levels (high, low, in between) and dig into which attributes are actually driving high satisfaction and high loyalty, as well as dissatisfaction and low loyalty. So how do we determine these attributes? Many organizations, often taking advice from their research firm, will simply ask their customers what are the most important service attributes - e.g., ‘how important to you are short wait times?’, ‘how important is speed of the application?’ This seems reasonable. However, often customers don’t really know to what degree the various service attributes are truly affecting their overall satisfaction. The field of psychology tells us that we often don’t know ourselves what motivates our actions or the way we perceive things. Similarly, we often don’t know to what degree an individual service attribute affects our overall satisfaction with an organization’s products or service.

A straightforward but very effective method for assessing how service attributes are impacting overall satisfaction is to apply regression analysis to customer satisfaction data. Without getting into the technical details of how it works, what regression analysis does is rank and weight the various attributes being measured. By using this type of analysis we can determine which attributes are critical and which are less so in driving customer satisfaction. The practical application of this type of analysis is that the organization gets a clear picture of which product or service factors are most important and thus can proceed to efficiently allocate organizational resources among these factors. (The factors we’re talking about are things like response time, resolving problems quickly, product return policy, product reliability, and usability and performance of various features of the product). This type of approach and analysis can be very powerful because it provides the type of information decision makers need to maximize both customer satisfaction *and* the organization’s use of its resources. By identifying and ranking by relative strength of the key product and service factors that drive customer satisfaction, your organization can prioritize its training and resources to focus on those that are most important. This saves a great deal of money, both in up front training expenditures and in long term customer acquisition expenditures.

Research Methodologies:

- Conduct focus groups to gain understanding of key satisfaction and loyalty drivers, and to develop a list for measuring in subsequent quantitative research
- Survey research of customers and regression analysis in order to determine the top satisfaction and loyalty drivers

Frequency: Initial benchmark survey, then re-measure importance of satisfaction and loyalty drivers every 2-3 years.

Product Development - Innovating

Question 6: “How well are we doing in product improvement and new product development – are we staying ahead of our competitors, and is it helping us maintain growth and increase market share with new and/or improved product offerings?”

Organizations can't be static; they have to be continuously and deeply tuned in to the marketplace, on top of or leading technical advances in the industry, and understanding fully their customers' needs and desires (including those that their customers may not even be aware of yet). Organizations need to stay relevant and, optimally, be seen as innovative in order to maintain and/or optimize positioning. When an organization is perceived as a leader in product/service advances, it can charge premium prices. Conversely, if an organization appears to be lagging in technical advances, it is often viewed as a has-been and not relevant, and thus loses a great deal of positive brand esteem and pricing power.

In order to stay tuned in to the market and to customers, organizations need to be regularly asking their current and prospective customers what they want, both for improving current products as well as for testing new types of products.

Product advancement and new product development entails a mix of the organization's own ideas and insights and the viewpoint of the customer. Research can help a great deal in this area. Instead of relying solely on your engineers' and technologists' hunches, research adds the eye of the customer to the decision mix. With this combination of both internal ideas and external feedback, organizations increase their chances of developing successful products.

Research Methodologies:

- Expert panels
- Focus groups
- Usability testing
- Ideation groups
- Ethnography/diary studies

Frequency: Depends on the industry, but in fast-growth and/or competitive industries, more or less continuously

Conclusion

When you boil it down, market research is simply the gathering and analyzing information for the purposes of making better business decisions. When you gather and analyze information on a regular basis, particularly in the key areas of branding, customer satisfaction and product development as outlined in this article, the better off your organization will be. We have seen first-hand the great benefits that accrue to organizations which gather feedback from current and prospective customers on a regular and systematic basis. We've always viewed the work we do as market researchers as one of highest ROI activities that an organization can undertake, and this ROI is even higher with ongoing, systematic research in key operational areas. For fractions of a penny on the dollar spent on advertising and branding, customer acquisition and retention, and product

development, organizations can conduct the research needed to “out-brand” the competition, keep customers happy and loyal, and develop products that keep them ahead of the competition and allow for premium pricing. Using regular, systematic research to excel in these key operational areas can set up your organization for sustainable success and long-term leadership in your market.