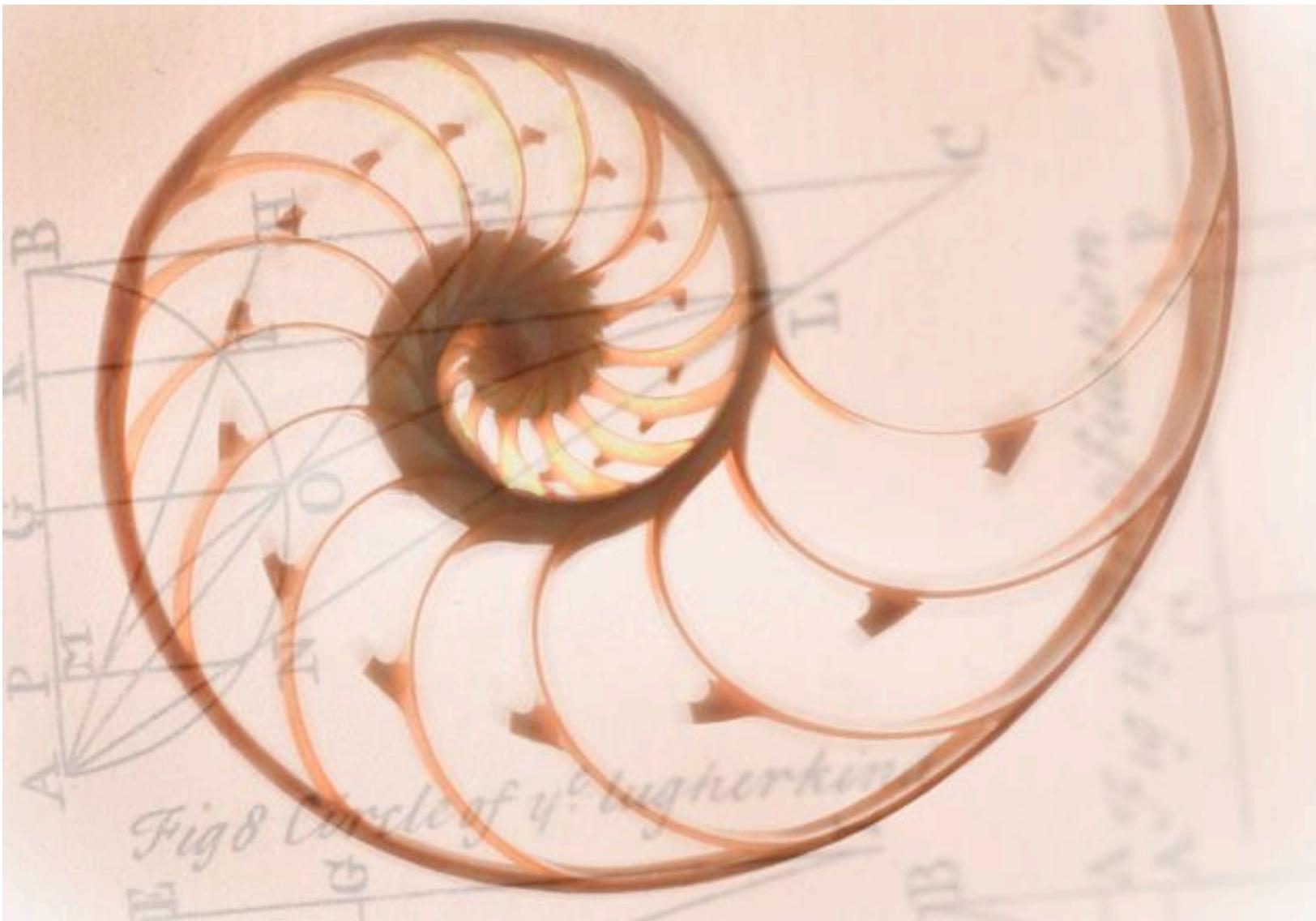


Market Analytics vs. Market Research

Analysis is the Portal to Understanding



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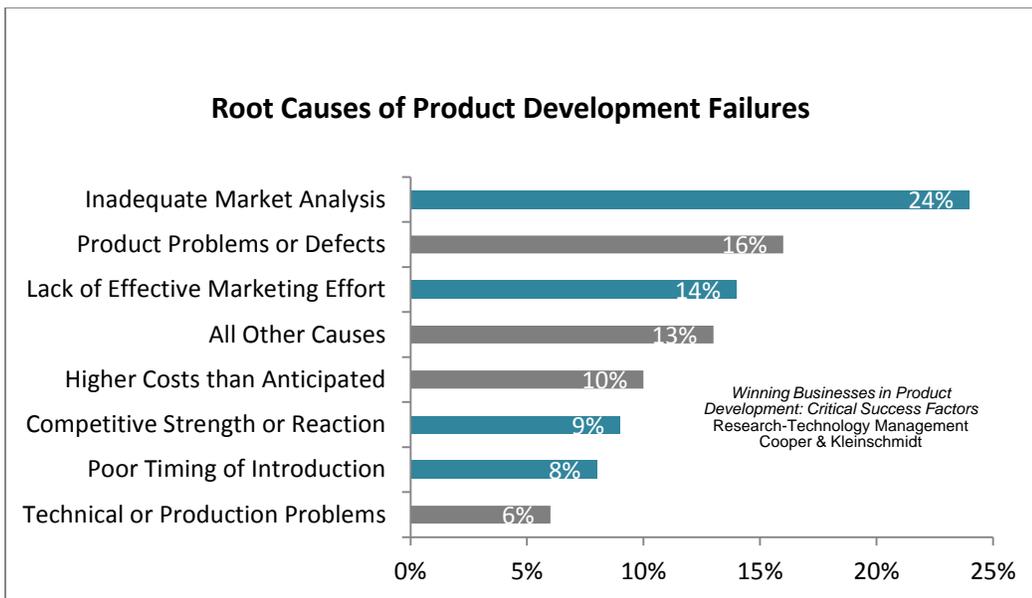
Ron Sullivan is a Senior Partner at Breakthrough Marketing Technology. His past experience working with global companies in Europe and Asia and across the U.S. positions him as an invaluable resource at the front line of business growth. He has worked with clients on innovation, new product development processes, strategy, building new business models, channels, and pricing optimization. He is skilled at leading executive level initiatives across all aspects of your businesses.

During business team meetings aimed at improving growth and earnings, how often have you heard someone suggest doing a market research study? Often, a specific type of survey is suggested, maybe a conjoint or a segmentation, or a satisfaction study. The scope of the study would be consistent with the specific area of discussion—maybe product oriented, or positioning and communications-related, or even route-to-market issues— but increasingly, a pricing study is suggested. After all, an increase in price goes directly to the top line.

By doing the study, you may gain valuable information on the impact of a potential change, but you also may be blindsided by thinking that the market variables you are evaluating are independent with other market variables. For example, doing a pricing study alone does not take into consideration the impact of product design, competitive positioning, segments, promotional channels, or other key elements of your marketing strategy. It also does not provide you with the correlations, or relationships, between all of the marketing elements. You miss the underlying market drivers that define the market characteristics that you must address to grow your business. Even more importantly, it may not effectively address the competitive reaction to making a change in any one or all of the marketing variables.

Doing a pricing study alone does not take into consideration the impact of key elements of your marketing strategy

What you really need is Market Analytics- the capture of all the relevant market data that has been integrated, analyzed, and interpreted specifically to more completely evaluate all your options for growth. Market Analytics not only recognizes the interdependence of the four P's (Product, Promotion, Price and Place), but also models that interdependence in a way that enables you to consider multiple options and the associate risk.



Poor understanding of the market drives product development failures

An effective Market Analytics effort requires the market team to

1. **Know what you need.** This step is often taken for granted given the team ongoing discussions; however, it is critical to understand what the Analytics is to be used for to identify what is needed. Based on “what it takes to win,” develop strategy options and challenges that need to be addressed¹. From this work, the team can easily describe what they needed to know to transform hypotheses into market strategy.
2. **Know what information to capture.** Here, it is best to start with a blank slate. With the strategic objectives in mind, compile a list of issues. These include competitive positioning, importance of the factors impacting the buying decision, key outcomes, pricing, customer attitudes, and issues. Some of these elements should already be known, but some may still be hidden.
3. **Design your knowledge capture approach.** The three critical steps here are
 - ➔ Think *outcomes*, or what the specifiers in the market may want to happen as a result of an interaction with you. They buy products and services to help them get their jobs done.
 - ➔ Do a qualitative market assessment to identify the hidden elements and validate the list of potential outcomes

¹ We use an interesting method called “Future Business History™,” where the team identifies a hypothesis future state and then creates a history (key events) that led them there, and defines the challenges they need to address

is correct. The key here is to discover what specifiers value and the criteria they use to measure supplier performance.

- ➔ Design your quantitative market study in a way that can both measure the market and test concepts. A good quantitative design employs exercises in which the respondent is asked to make choices on what is important to them and identifies the difficulty a respondent is having in achieving their most important outcomes. The design should capture the respondents' beliefs and attitudes about the primary topic, competitive behavior, and willingness to act as desired.

4. **Compile the learnings and get the complete story.** A well-designed Market Analytics study should provide you with the information to prescribe your actions for success². Using causal data in a concept test or pricing exercise lets you learn what will motivated the market to respond in a specific way. Market Analytics causes the team to take action. If you do this, then you will get that.

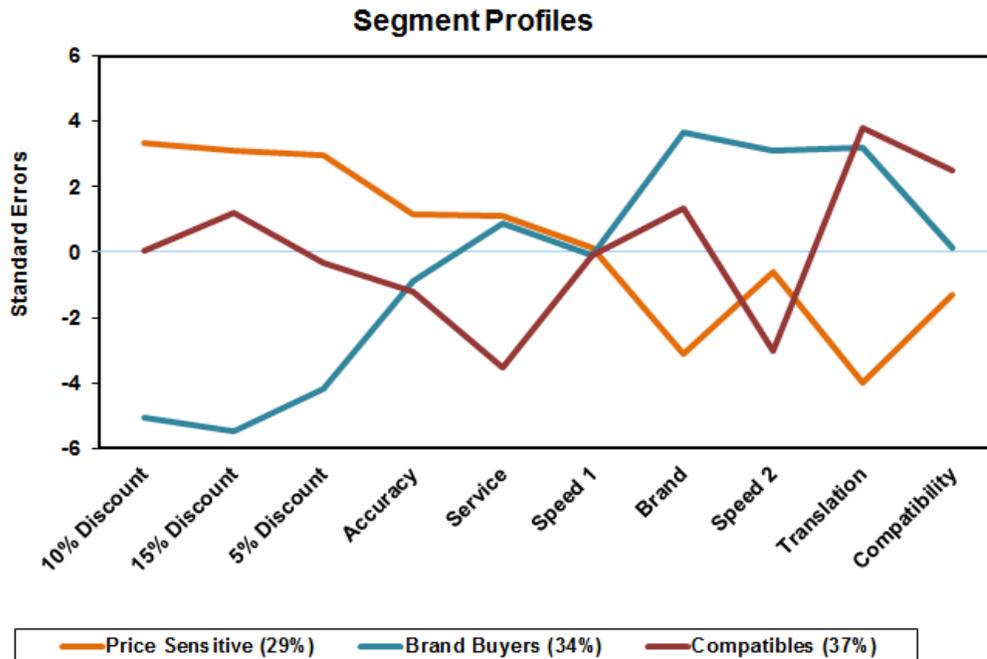
Without providing actionable implications, Market Analytics is almost useless. One company complained so much about the quality of their quantitative market research that they stopped doing surveys altogether. In their words, "Nothing was actionable." But, they needed insight into the market. So, they took a different approach. Building on qualitative learnings, they designed and executed a Market Analytics study. The shift from market research to Market Analytics delivered intelligence. It became the compass pointer to the actions that would deliver the product their customers paid for.

5. **Provide multiple perceptions of the marketplace.** The market consists of different groups of customers, which can be referred to as segments. These segments be defined around their differences in attitudes, price sensitivity, and benefits derived from product features that can be sliced by key market drivers, such as outcome performance, attitudes, and feature benefits, as well as slicing by key demographic and sales factors. By segmenting on behavioral factors like price sensitivity, you can both identify multiple value propositions and select groups to target that are

A well-designed Market Analytics study should provide you with "causal" or prescriptive views of the market

² Key statistical methods such as correlations, regressions, factor analysis, and clustering can very useful here.

the best fit with your capability to deliver value. Analysis by segment can also tell you how you fare against competition within each group.



In one example, a company found that with two of the three identified segments, they could deliver distinctive value propositions to each better than their competitors could. Once discovered, they then found a way to engage each of these two segments, uniquely modifying all elements of their marketing mix including pricing selectively to each, and also differently than to the non-targeted segments.

- Develop and test compelling alternatives.** Effective Market Analytics generates the insights to build alternate strategies. Your team should have some hypotheses about alternatives before embarking on a Market Analytics study. Those alternatives should be tested in the qualitative phase, then designed into the quantitative study. In compiling the learnings and gaining the multiple perceptions, you can generate analytics on each alternative and conduct risk assessments.

In one example, a company found a potential new opportunity, a Blue Ocean³, that was beyond the original scope of their Market Analytics. They went back to the marketplace to test the resulting value proposition with potential early adopters for a new strategy. The outcome that drove them to reevaluate was "We want our supplier to 'take charge' of the whole transaction." Originally, they

³ [Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant by W. Chan Kim & Renee Mauborgne](#)

were reluctant to include that outcome. Once explored further, they were able to validate the outcome and create a value proposition that they could deliver against. This increased their bottom line through economies of scale.

A Market Analytics study incorporates a comprehensive assessment and analysis of the critical components of how your business interacts within a defined market. Obviously, the study design is dependent upon the nature of your market and competitive environment. However, for most business to business markets, the Market Analytics study answers most all of these questions⁴:

- How important are our product attributes to the market and how do the major competitors (including us) perform against those attributes?
- What benefits (outcomes) do the specifying customers in the market want to achieve and how do they perceive their primary suppliers perform relative to those outcomes?
- What new features would provide us with a *Blue Ocean*⁵ of opportunity?
- How can we distinguish between what customers say is important vs. how they are likely to behave?
- How do these attributes and outcomes vary by different segments of the market, or what segments are derived from different responses to attribute and outcome importance questions?
- How will price changes impact competitive share, and how does that differ among the defined segments based on attribute and outcome importance?
- What is the right balance between price and share that maximizes our profits?
- How would customers value a new product concept that we are considering bringing to the market, and what would they be willing to pay for the concept?

⁴ Breakthrough Tools - Breakthrough Toolkit™

⁵ Breakthrough Insights - Blue Ocean Strategy & the Breakthrough Toolkit™

- ▶ How would customers value some new offering features we may bring to market, and how does that value differ across the customers?
- ▶ How do customers perceive our brand vs. competitive brands⁶?
- ▶ What are the underlying structural components and attitudes of the market which define where we need to focus for future growth?

With these answers, you are ready to succeed with your product launch.

⁶ Breakthrough Insights - Brand Attributes Perception