

MARKETING

Have Focus Groups Reached the Tipping Point?

With so many ways to gather customer insight, the traditional focus group is well...out of focus.



Not many marketing pundits get ahead of the curve or attract more attention than Malcolm Gladwell. With more than one million copies of *The Tipping Point* in print, another best seller with *Blink*, and one of the most popular blogs (Gladwell.com) on the Internet, Gladwell defines “influencer.” So when he trashed the concept of focus groups at an *Adweek* magazine seminar in April, saying that “the thing that’s driving all this focus-group and market-research data is the desire of people with the management power to make every decision as methodical and thought out and certain as possible,” the concept of focus groups became a target for poisonous op-ed writers, making the practice generally suspect.

Look at the whole practice and it’s easy to see why. Companies gather a group of random people in a room with a moderator and ask them predetermined questions about products or advertising. But why continue to do so when you can use experiential marketing or Internet surveys? And why sit on the dark side of a two-way mirror (which focus group observers do) to watch this, when companies should be interacting with real customers in real life?

“These are reasonable questions,” says Peter Houlahan, CEO of Focus Vision. “What I see is a slight increase in the use of focus groups, although in a different form. They involve more specific groups of customers and the groups themselves have been taken out of their geographical limitations. They’re actually now more of an intersection with experiential marketing.”

The reexamination of focus groups has been driven by the acceleration of online surveys and experiential marketing as effective and cost-efficient methods of gathering customer intelligence. But focus groups aren’t going anywhere. Industry sources say they actually increased their usage in 2005. The European Society for Market Research (ESOMAR) estimates that 490,000 focus groups and similar face-to-face customer intelligence gathering sessions were conducted worldwide in 2004 for a spend of \$3.2 billion. The survey reports that 75 percent of the spend was for one-time, central-location focus groups. The remaining 25 percent went to geographically dispersed sessions, which are largely conducted through moderator-led interviews. Focus Vision puts the amount of qualitative interviews done via the Internet at 2 percent of the entire business.

The key to the “focus groups versus Internet survey” debate is the age-old disagreement over qualitative versus quantitative research.

For example, a hotel chain can survey its most frequent customers and determine that they like early check-in times, but that won’t show the absolute disgust those guests may have showed when asked personally about that last time they couldn’t check in because they arrived before noon. Both research methods and the results gleaned from them are important. And the biggest problems with focus groups are being addressed to make them more useful, efficient, and customer-centric.

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Technology is available to help. Take geography, for example. If a focus group is held in New York City and the marketing team works in Chicago, this limits the number of account team members who can watch the group. And the customer information is influenced by the region in which the focus group is conducted. Companies like Focus Vision are addressing that by using Web cams and digital editing to host “Web focus groups.” Not only does this increase the amount of marketing personnel who can watch, it opens quantitative research to anyone in the organization. The relevance to IT, operations, and even contact center personnel is no longer interpreted by the marketing team only.

“I would say geography is an important issue and one that is breaking down here,” says Tiffany Graeff, research director for ad agency Saatchi & Saatchi. “We’re working on collecting qualitative data from different sources. We might combine different focus group results from across the country with

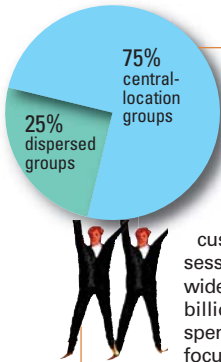
A Venn diagram with four overlapping circles. The top circle is orange and labeled "Very Satisfied". The bottom-left circle is blue and labeled "Definitely Would Continue Doing Business". The bottom-right circle is green and labeled "Definitely Would Recommend". The central intersection of all four circles is yellow and labeled "Secure Customers". Below the diagram is an illustration of five stylized human figures standing together with their arms raised.

Focus on Customer Security

According to a report from Burke Market Research, qualitative research methods such as focus groups can help determine how customers fit into the above “secure customer index.” If customers state their intention to recommend, stay loyal, and maintain current satisfaction levels they reach “secure” status.

‘man on the street’ interviews and actual in-home interviews. Qualitative intelligence still has a place. It adds a rich understanding of customer needs.”


Technology may help overcome the geography challenge, but it still puts people in a room, away from the actual customer experience. Current thinking and practice says that marketing departments, as well as other areas of a company, should be on the street, in the stores, and on-site to gain customer knowledge. A focus group is technically one step removed. The answer is to combine focus groups with on-the-street knowledge. One way to do so is to go “with” customers when they shop. Companies like market research firm Actionspeak are equipping researchers with hidden “wearable” video devices to show marketers how their customers act in retail locations.

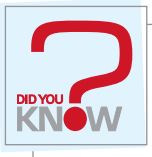


Worldwide Focus

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Because it provides a type of face-to-face customer experience, the focus group is not likely to lose popularity. “It is the interaction between the different types of people, in their various roles, which brings out the most useful information,” says George Silverman, CEO of Market Navigation. “A marketer needs to hear where there is consensus among these different types of people, and where there is a diversity of experience and opinion.”

 John Gaffney



Lester Wunderman coined the term, “direct marketing” in the 1970’s after pioneering direct marketing techniques with brands such as American Express and Columbia Records.

Collecting (and Cashing in on)

Data collected in the contact center can fuel decision-making in sales, marketing, pricing, and supply chain management.

The worst thing you can do in a call center is collect information from customers and then fail to take action,” says Guillermo Cosío, managing partner and head of integrated calling services for EBPartners in Mexico City.

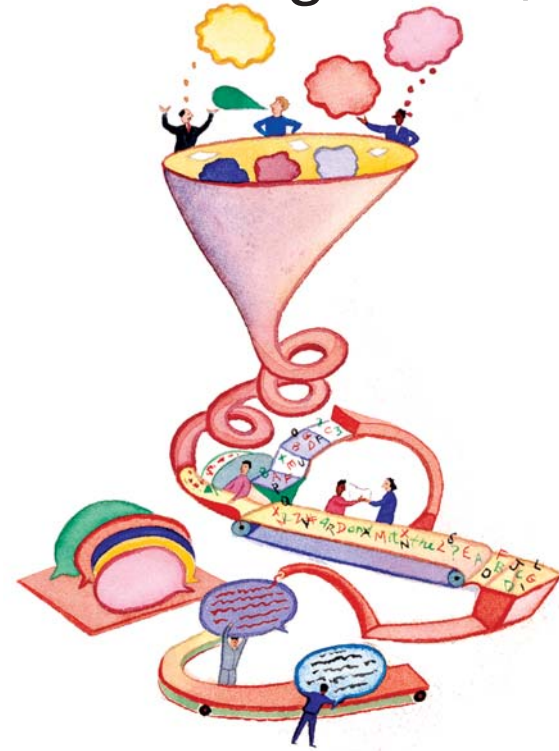
In fact, data analysis and sharing the results with the right employees separates organizations with extraordinary customer data management capabilities from the rest of the pack.

A May 2006 Aberdeen Group study indicates that companies with “best-in-class” customer data management practices and those with run-of-the-mill customer data management capabilities view the challenges associated with the process similarly—with one notable exception: Best-in-class companies view the “establishment of customer-analysis processes, such as profiling, segmentation, and acquisition/retention modeling,” as more important than do their competitors.

Many of those processes begin with the contact center agent. Although companies collect different customer data in their contact centers, most agents access that data by answering two important questions, “Why did the customer call?” and “What product or service did he call about?” More important, agents then follow a process to get that information to coworkers in such areas as marketing, sales, and product development so they can take action on the findings from the information.

ServTek, the service division of manufacturer Milacron, simplified the information-sharing process by having agents input relevant data in its Cincom Synchrony system. ServTek started slowly, going with just the first question: “Why did the customer call?” By generating a report of the answers to that question, executives discovered that 18 percent to 20 percent of customer calls involved the questions, “When did my order ship?” and “What is my tracking number?”

As a result, ServTek began sending out advanced shipping notices to customers who



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had ordered parts related to Milacron’s machinery and industrial fluids products. The automated alerts, which are sent via email or fax depending on customer preference, go out daily. “Making that change was like adding another person to the call center,” says Steve Hayden, manager of Milacron’s ServTek division. Twenty percent of the calls to the contact center stopped immediately and customer satisfaction improved, he adds.

EBPartners also takes a proactive approach. The consulting and call center outsourcing firm engages its service agents to gather information from its clients’ customers when results don’t meet expectations. For example, when it conducted a marketing campaign for a new credit card from its client Grupo Financiero IXE, a Mexican financial services company, prospective customers who expressed an interest in the card during the telemarketing effort were not ultimately signing up. So EBPartners’ service agents followed up with those prospects and learned that they liked the

Customer Information



card's features and terms, but did not complete the sign-up form because it took too much time and required too much information. EBPartners relayed that information to Grupo Financiero IXE, which subsequently streamlined the credit card sign-up process, Cosío says.


At Milacron's ServTek contact center, agents also collect information vital to improving the sales process. The agents provide price quotes on parts to customers. The quotes are entered into the Synchrony system, according to their product segment (hydraulics, for example).

On a monthly basis Hayden and his team receive a report that compares product

segment sales to product segment quotes. Any sizeable gaps between the number of quotes customers request for specific products and products actually sold indicate to Hayden that there may be a problem in pricing or inventory. For example, if the total amount of hydraulics parts quoted in a given month is \$1 million, but sales of hydraulics parts that month totaled less than \$500,000, the division examines its inventory of hydraulics parts.

If availability is not an issue, the division focuses on price. In some cases it has contracted with a market analysis firm to determine how its prices compare to competitors'

prices. On the other hand, if the dollar amount of price quotes and actual sales for a given product segment is nearly identical, it's a sign of favorable pricing, which is relayed to the sales force as marketing grist.

Any problems they find are dealt with swiftly. The solutions can affect sales and marketing efforts, pricing strategies, and relationships with suppliers. The changes stem from the daily conversations contact center agents have with customers. "It all starts with interaction with the customer," Hayden says. "What do they want when they call and how are we satisfying their needs?"  Eric Krell

CUSTOMER SERVICE

Coaches or Time Cops?

It is possible for contact center managers to balance agent efficiency and customer experience quality.



It is a conceit of the business of customer support that numbers are indispensable. But has so much emphasis been placed on numbers in the contact center that organizations are losing sight of the customer experience, going so far as to turn their managers into little more than statistical enforcers?

"[When] agents are only measured on average handle time, coaching just does not occur," says Debbie Qaqish, vice president of marketing for contact center solution developer Knowlagent. "These managers believe in the power of coaching, but they don't know how to make it happen and then measure the impact of it happening."

There are myriad tools to support experience-based coaching, but their ROI isn't as clear as those that measure such activities as average handle time. "Technology has given us the ability to truly know what we're doing from a quality standpoint. We can have the system go out and capture the interaction, we can have a

"When we can measure talk time down to one tenth of a second, it's hard to...look beyond the cold numbers into the quality of the customer experience."

quality expert listen to that and see exactly what the agent is doing on the screen," says Bob Furniss, president of contact center consultancy Touchpoint Associates. "But when we can measure talk time down to one tenth of a second, it's hard to break that expectation and look beyond the cold numbers into the quality of the customer experience."

Some companies are making a concerted effort. "When we decided to purchase Witness Systems [for quality monitoring], with that came the commitment to set aside time to ensure that quality was our chief concern," says Scott Evenson, director of customer care operations at telecommunications provider Knology. "We

schedule agents for time off the phone, with a coach, to talk about why they have been scored in different ways and what areas of opportunity they

have to do it right the next time."

Knology uses quality scoring not only to gauge hard and fast operational performance goals, but to review and, when necessary, correct agent approaches to the customer, including the use of technical jargon, the friendliness of the call, and the agent's dedication to first-call resolution. Coaches use the agents' off-hook time to review those customer experience elements. And Knology has made those coaching improvements without losing sight of core operational metrics: The company's average speed to answer has dropped markedly over recent months.

The customer experience coaching approach works for Knology because both coaches and

Who's Minding the Data?

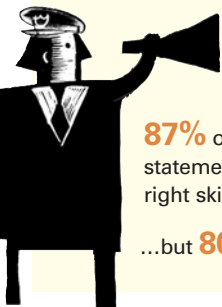
Data governance is as much an organizational issue as a technological one.

agents are held accountable for the results—results that managers measure by the numbers, just like answer speed. “Our agents have six to eight quality monitoring [sessions] per month and a score with each, and we have that roll up for each coach, [who] has a quality score at the end of each month. Those ranges are within 8 percent, but there is a difference and it stands out,” Evenson says.

Still, many call centers stand by their operational numbers and devote the lion's share of coaching time to them. “There's a lot of discussion out there...but the bulk of [companies] are still wrapped up in internal measures of efficiency,” says Maggie Klenke, partner with consulting outfit The Call Center School.

Supervisors and Executives Disagree

Knowlagent recently conducted a survey of more than 50 call center supervisors and their managers, the results of which are published in the paper “Why Aren't They Coaching in the Call Center?” Some of the findings include...




71% of respondents disagreed with the statement “I have sufficient time to coach each day.”

87% of coaches agreed with the statement “Supervisors have all the right skills to be an effective coach”

...but **80%** of executives disagreed.

The problem may run deeper than measurement. A recent survey conducted by Knowlagent found that contact center supervisors and their firms' top executives have opposing views of the requirements of coaching (see above). Without bringing expectations closer in line, it may be difficult to make a dramatic shift in coaching priorities. Touchpoint's Furniss suggests that companies take a close look at how well their internal agent scoring maps to post-call customer survey responses. “If our score was only an 85 but the customer gave the agent a [perfect score], ask if maybe our 85 isn't right, because the most important part is what the customer said,” he says.

Adding to the confusion is that other enterprise business units like marketing and product development are vying for agent coaching time to share the benefits. “The demands [on coaches] make a lot of sense, but many of them are coming from outside the call center,” Klenke says. “Those departments benefiting from that information need to help fund the process.”  Jason Compton

mention *data governance* to most marketers or sales professionals and it's likely their eyes will glaze over within seconds. Part of the problem may be sheer ignorance of what it is and why it's important.

There are signs that this is about to change, however. Fueled by a stern regulatory atmosphere and a growing sense of urgency to efficiently use mountains of collected data, organizations have for the first time started to prioritize the data-governance process.

“People have known for a while the problems on the business side are directly related to the data they're using,” says Sarah Kohler, product manager at Harte-Hanks' Trillium Software arm. “What you're seeing now is a conscious effort to get everybody on the same page so that they can do [data governance] right.”

Adds Colin Shearer, senior vice president for marketing strategy at SPSS, “A few years ago the organizational priority for everybody was getting the systems where you collect information up and running. Data governance was a secondary consideration—if you didn't have all

the details sorted out it wasn't the end of the world. That's changed fast.”

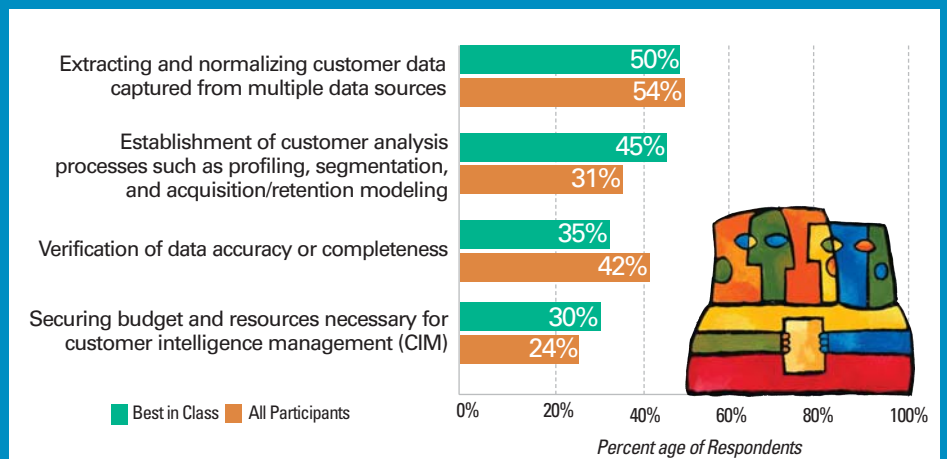
A report released by The Data Warehousing Institute (TDWI) in late April paints a mixed portrait of the state of data governance. The report summarizes the findings of a survey of 750 business intelligence and data warehousing professionals. On one hand, the

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survey found a significant jump in the number of organizations either planning or in the midst of a data quality program. Seventy-three percent of respondents said that the percentage of their budgets allotted to data quality initiatives and related issues has either increased or remained stable. Compared with a similar survey conducted in 2001, half of the companies are missing a data quality plan.

Data Management Challenges Most Companies

According to the report “Customer Data Management: Gaining a 360-Degree View of Your Customer,” managing customer data is still a challenge. Top challenges include:





Data Quality Sore Spots

A survey of 750 business intelligence and data warehouse professionals conducted in April by The Data Warehousing Institute reports some noteworthy corporate data quality findings.

- Nearly **50%** of respondents believe their organization's data is "worse than everyone thinks."
- **53%** of respondents' companies have suffered losses, problems, or costs due to poor data quality.
- **75%** cited "inconsistent data definition" and "data entry" as trouble spots.

On the other hand, slightly less than 50 percent of respondents said their company's data is "worse than everyone thinks." Seventy-five percent pointed to "data entry" and "inconsistent data definitions" as the primary sources of data quality issues, while 53 percent—up 9 percent from 2001—noted that their companies have experienced costs or other problems related to substandard data quality.

"Regulatory compliance has given everybody a swift kick in the pants, but data governance is still a work in progress at most companies," says Philip Russom, TDWI's senior manager of research and services and author of the report.

When asked about best practices for data governance, data quality pundits agree on one key point: Data governance is as much an organizational issue as a technological one. "Users of the data are generally not technologists," says Lance Miller, director of services

marketing at Teradata. "You need the people who are working with [data] every day to tell you what's going to work best for them."

Along those lines, company-wide buy-in remains crucial. "I spoke with one company that attempted data governance and failed," Russom recalls. "Looking back, they realized that they didn't do any consensus-building before starting the process. They didn't assure line-of-business managers, who are sometimes compensated on revenue or service levels, that they wouldn't be responsible if they didn't make their numbers—that they wouldn't be punished, in effect, for facilitating the change that will eventually help productivity."

Not surprisingly, experts note that without C-level support, any such initiative is doomed to fail. If an executive doesn't actively drive the process, not to mention vest the governance body with a clear mandate and authority to drive change, the project is likely to devolve into a purely theoretical exercise. Likely leaders for any such project include a company's CIO, CTO, or CFO (especially among financial services firms).

Where pundits disagree somewhat is on the composition of the data-governance team. All believe that IT must be well-represented, but some question which other company units should participate. Trillium's Kohler, for one, recommends including human resources in the process. "Sometimes there's a need to change people's job descriptions to include an element of data stewardship that wasn't there before," she notes.

As for data governance serving as a driver of business success, most pundits are taking a wait-and-see approach. In the months ahead, however, look for companies to institutionalize the data-governance process. "The center-of-excellence model is a good approach," TDWI's Russom says. "You centralize the IT effort and provide it as a shared service for the entire organization."

☀ *Larry Dobrow*

BT Creates a Data Quality Center of Excellence

When global telecom behemoth BT first realized it had issues with data governance, the company slid into read-and-react mode. Rather than setting up comprehensive rules, its data steward attacked the problems as they arose, employing a host of uncoordinated approaches and tools.

Not surprisingly, resounding successes were few. So, backed by top management, BT's IT team started from scratch, embarking upon one of the more comprehensive data quality revamps in recent memory. The team solicited suggestions from the firm's marketing and sales arms (among others) and stressed the importance of a single, unified approach. For the nonbelievers, IT even underwrote a handful of projects designed to showcase the potential impact of smarter company-wide data management.

After undertaking an audit of the company's processes, BT established a data quality center of excellence (COE), a 50-strong entity funded by unifying the budgets from past data initiatives. The COE worked to identify, and in many cases mandate, standard methodologies for data projects, as well as standardized metrics to measure every such effort.

BT also stocked a data quality management forum with individuals from most of the company's wide-ranging business units. The BT forum's job, in a few words, is to ensure that data quality projects are both highly prioritized and given enough resources to succeed. The company now closely monitors data-related activities and regularly trumpets the sanctity-of-data message.

The results? Productivity gains aplenty, not to mention reduced revenue losses from billing inaccuracies in BT's Global Services business group. According to Gartner analyst Ted Friedman, north of \$800 million in "quantified benefits" can be directly traced to the company's data-governance overhaul.

If you have a **Hot Topic** to share, contact Mila D'Antonio at mila.dantonio@1to1.com



The first recorded description of social interactions that could be enabled through networking was a series of memos written by J.C.R. Licklider of MIT in August 1962 discussing his Galactic Network concept. He envisioned a globally interconnected set of computers through which everyone could access data and programs from any site. The concept was very much like the Internet of today.