questback

Developing Winning Concepts
for the Experience Economy



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Introduction

How do you develop successful products and services for the experience economy? The answer is as close as your nearest Starbucks. The next time you're there sipping a latte, look around you and take note of the music playing, the aroma of the fresh-brewed coffee, and the patrons conversing on comfortable couches or clicking away at their Macs. Your $5 buys you a lot more than just a cup of coffee. It pays for a beverage indulging experience.

Starbucks shows how the consumer purchase landscape has evolved since the mid-20th century from the desire to buy low value, commoditized goods and services like coffee into very differentiated, high-value brand experiences *(see Figure 1)*.

Consumers still crave products but they also want the opportunity to have satisfying experiences with brands that leave lasting impressions and the desire to repurchase. The buying process is now more social, collaborative, and interactive. Coffee drinkers, therefore, are willing to pay more for Starbucks coffee because of store ambiance, the customized service and the prestige of drinking Starbucks.

The evolution of the coffee buying process into the Starbucks model also heralds the new Age of the Customer, when consumers know more, share more, and speak more about your brand through social media and other communication channels. Customer experience is the single greatest predictor of whether they will return — or defect to a competitor. Creating superior and consistent brand experiences is the best way to business success – and it starts at the beginning of the customer journey.

The early stages of the customer journey – becoming aware of and gathering knowledge about your brand – are when consumers gather vital information before they decide to buy *(see Figure 2)*. Companies that conduct research around their product and service ideas before going to market stand a much better chance of succeeding in the Age of the Customer. Success is tied to understanding how potential buyers will experience your brands in the marketplace.

The Three Research Methods for Developing Winning Concepts

Three research methodologies – Concept Testing, Conjoint Analysis, and Means-End Theory -- show marketers how to best develop concepts that will thrive in the experience economy. Successful brands relate these research techniques to how customers and prospects ultimately will experience their product or service. It's all about putting yourself in the customer's shoes and walking a little with them on their journey with your brand.

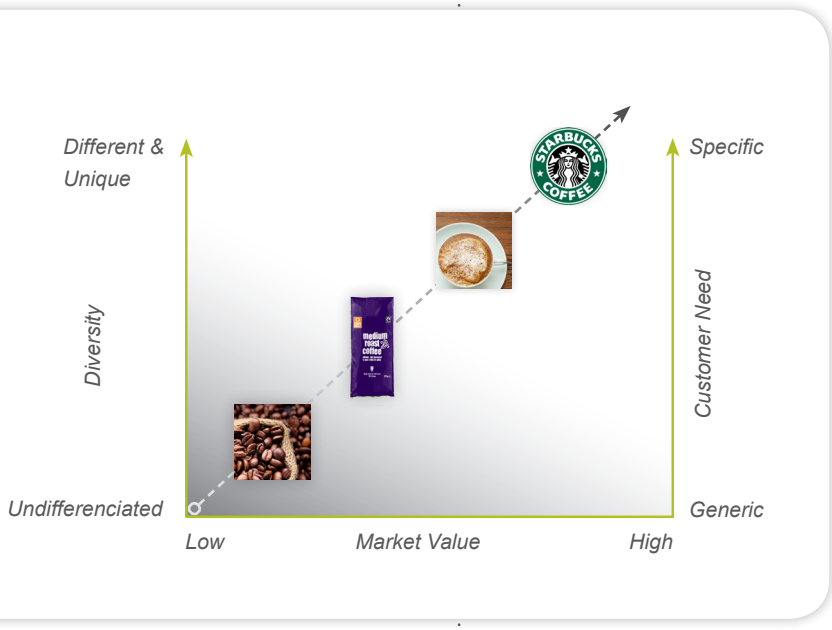


Figure 1. The Progression of Economies and the Value of Goods and Services

Concept development is a process used for a wide range of product, branding, and advertising efforts, including creating new products, identifying new market opportunities, and developing effective advertising and promotional messages. At its core, concept development is the process of transforming thoughts and emotions a customer has about brands and how he or she experiences a product, service, or idea into tangible things that drive sales.

Concept testing is a tried and true research tool for assessing the market viability of a new product idea before it is developed. A product concept is an elaborated version of the initial product prototype, expressed in meaningful consumer terms. A concept can be conveyed using a combination of words, videos, photos, and pictures.

Developing winning concepts that thrive in the experience economy involves leveraging an online community of consumers who provide raw, unsolicited feedback about your ideas.

The community serves as a meeting ground for potential customers to look at your pictures, videos, or statements related to your concept – and the feedback they give will determine whether the concept will win.

After all, qualitative research is often the first step in concept development, rather than more formal quantitative surveys which come later during the product development process. Among the most familiar qualitative methods are focus groups and in-depth interviews conducted by moderators using discussion guides listing topic areas and open ended questions to present to respondents.



Figure 2. The Customer Journey (the Path to Brand Advocacy)

Concept testing in the experience economy, however, requires newer, Web-based environments for qualitative research that allow for much better engagement of a larger base of respondents than found in traditional in-person focus groups. Feedback from online communities uncovers more realistic insights into how people will actually consider, adopt and experience your new ideas and products. Online consumer communities simply afford a highly scalable, flexible, and interactive research platform where you can present concepts in a meaningful way.

Online communities unite your target audience respondents into an exclusive and controlled research social network for a period of one to three months. Once the recruitment screening requirements are determined, study participants are exposed to product and brand stimuli and open-ended questions about your concepts and how they might interact with them in the real world. The participants can interact with other respondents and engage in conversations about the concept.

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Market research online communities have advantages for concept testing in the early stages of the customer lifecycle:

- **Speed:** You can quickly revise your concepts and re-post them to the community for review
- **Scope:** Unlike a focus group, your online community can accommodate several hundred participants for concept review
- **Depth:** You can create subgroups of online participants based on where they live, their gender, education, and other demographic information. Then you can probe more deeply about your concepts and see how the groups differ among one another
- **Breadth**: You can cover off on a wide range of topics in one place
- **Real-word recruiting**: You can invite online community members to participate in use tests of your concepts in their homes to see how they experience it in the real world

Leveraging online communities for concept testing reveals if your product claims are believable among the target audience and explores where and how often the product or service will actually be used in the marketplace. You also can test the key product or service attributes and purchase motivators to see how they would fare against your competitors.

The quality of your concept test insights are often a reflection of the sample of respondents you choose. You may feel the need to predict the potential product sales by first choosing a randomized sample that is representative of the total adult population. But a random sample rarely provides sufficient data from which to forecast potential buyers. For instance if you test a concept monadically among 200 randomly selected adults, and the concept appeals to 10% of the respondents, then the forecast for that concept will be partially based on just 20 respondents -- a very risky foundation for forecasting the total market.

Conjoint Analysis Reveals Optimal Concept Attributes

Conjoint analysis is a more statistically grounded methodology for testing winning concepts. Conjoint analysis is used to study the factors that influence purchasing decisions. Products and services possess attributes such as price, color, hours of operation, materials, and size. Through an online panel of respondents, you can survey potential buyers about their preferences for hypothetical products defined by combinations of the product or service attributes. A numerical part-worth utility value is computed for each level of each attribute. Large part-worth utilities are assigned to the most preferred levels, and small part-worth utilities are assigned to the least preferred levels. The attributes with the largest part-worth utility range are considered the most important in predicting preference.

Conjoint provides highly cost-efficient information on new concepts helps reduce the risks of making a bad product decision by addressing many "what if" questions around your concept. Adapting conjoint analysis to concept tests for the experience economy, however, requires creating a survey that poses questions about how customers will use the product or service.
Conjoint analysis seeks to measure and quantify customers' values associated with their brand experiences.

The main principle of conjoint analysis is to break a product or service down into parts, then to test combinations of these parts to look at what customers prefer. It is important to appropriately design the study and use statistical analysis to work out the value of each part in driving the customer's decision. Getting the product 'right' involves many variables. A computer manufacturer might have hundreds of variables associated with how a consumer will experience its new line of laptops. Conjoint will uncover the right mix of variation that consumers prefer most (see Figure 3).

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If we know how an individual values different experiences, we can predict which of a set of available alternatives he will buy. Instead of forcing consumers to think separately about individual attributes, conjoint asks the consumer panelist to judge products in total. We then use mathematical analysis to uncover the value system and the combination of product attributes and experiences that consumers most prefer.

Conjoint uncovers the key "buying factors" that are most important to potential customers and reveals what customers value most in the product or service experience. For example, how important is "customer service responsiveness?" Is one hour too long, or ten minutes too quick? Conjoint requires a much more robust sample size than typical concept testing methods, which are more qualitative in nature. As such, you should develop your conjoint testing from a panel of potential buyers. Conjoint analysis is, at its essence, all about features and trade-offs. With conjoint analysis, you:

1. Ask questions that force respondents to make trade-offs among features
2. Determine the value they place on each feature based on the trade-offs they make
3. Simulate how the market reacts to various feature trade-offs you are considering

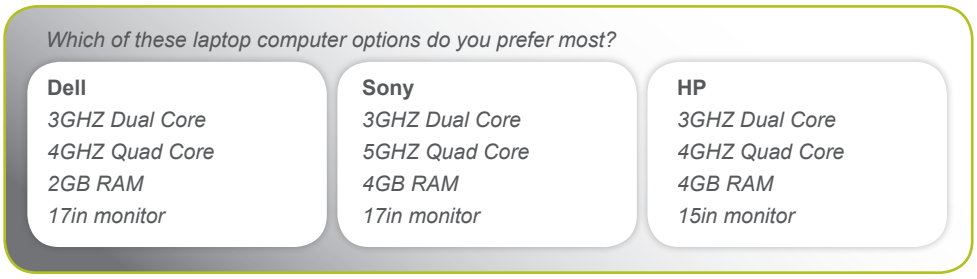


Figure 3. Example of Conjoint Survey Question for Laptop Computer Concepts

Those unfamiliar with conjoint analysis testing should work with a research strategist to develop the questionnaire, then pretest the survey and data collection activity. The research expert should help you process the data to derive the individual respondent level estimates of the attributes most worthy and valuable in the concept. You might deploy specialized conjoint data processing software that can build a "choice simulator" using a set of product configurations that represent feasible competitive offerings.

With any new idea, we're all interested in why consumers will ultimately buy our products and services and how they will enjoy experiencing them. Means-end Theory is a research approach to understand these intimate customer values attached to concepts that can win in the experience economy. The theory suggests that the way consumers relate to products can be represented by a hierarchical model of three interconnected levels -- product attributes (A), consequences of use (C) and personal values (V) – that form a means-to-end chain. For example, the attribute taste can lead to a consequence of calorie consumption, which can also lead to the value good health.

The most commonly used method to achieve means-end chains is laddering -- an in-depth, individual interview, used to develop an understanding of how consumers translate product or service attributes into meaningful associations with themselves. Interviews are typically achieved via an online panel of potential buyers. Respondents answer a series of questions related to the concept attributes, such as "Why is this important to you?" Each question helps identify connections between attributes, consequences and values to understand the consumers' knowledge of a product or brand and how these connections will influence decisions regarding choice, purchase, and experience.

The construction of an A-C-V sequence – the ladder -- identifies the consumer perception of how these three levels relate. The method identifies ladders from each respondent, quantifying the elements and their relationships, to build these connections graphically for each panel sample. It allows for an interpretation of the values of a group of consumers and which connections are the strongest and, therefore, most important.



One way to understand a means-end framework is to think of consumer decision-making as a problem-solving process. In making decisions consumers select a course of action (a means) to reach an objective (an end). For example, if you were developing a new service for the Post Office around the concept of "on-time delivery," that would be perceived as an "end" to a consumer that is achieved through "reliable" service – the means to the end.

By building an online panel, you routinely tap into the attributes, consequences, and values of your participants to develop a means-end framework that arranges means and ends into a network of attributes, physical and emotional consequences, and values. Consider, for example, a consumer that says an important distinction between express delivery services is that one service has the attribute "online tracking" and another service does not. The researcher would then "ladder" the key distinction by asking, "Why is having online tracking important?" The respondent replies with the consequence, "I don't want to lose my valuables," until finally the value of "peace of mind" is revealed. The laddering interview process shows the link between attributes, consequences, and values used by respondents to justify their beliefs and experience preferences.

After administering laddering interviews, researchers analyze and interpret the data by converting the survey verbatims in separate phrases until they can create a "Hierarchical Value Map" that shows the key relationships among all of the stated means-end chains.

Combine Enterprise Feedback Management Software with Research Expertise

If conducted correctly, the three research approaches – Concept Testing, Conjoint Analysis, and Means-End Theory – will provide valuable insights about your concepts and their potential to succeed in the experience economy. The common thread among the three is the need to pose questions among consumers through an online community, panel or both. Conducting research about the long-term sustainability of new product or service ideas fosters the growth of a stable and viable customer experience management strategy. Forrester Research reports that "more than two-thirds of customer experience leaders … say that their firms aim to differentiate based on customer experience." But few understand how to develop the appropriate customer-focused business strategy. Advanced analytical approaches applied to the data derived from the research can identify areas for customer experience improvements and build sophisticated customer acquisition and retention programs. By leveraging online communities, forums, and panels to conduct these research methods you will own the data and be able to dip into the panel from time to time to revise and re-test your concepts.

QuestBack provides the technology to host online panels and communities and create the research questionnaires, either through a Web browser or mobile device. A high level of automation, as offered by QuestBack's Enterprise Feedback Suite, ensures that the survey is cost effective and the results are comparable.

QuestBack also has the research expertise to help businesses deploy the appropriate methodologies for optimal insight development. The research data collected integrates with a company's other internal databases, such as CRM, to create a robust, highly-efficient repository of customer information. In this way, the company gathers reliable data for trend comparisons, benchmarking, and other analytics. A powerful enterprise feedback management system, coupled with the research science, is why working with QuestBack ensures you'll create profitable, winning concepts that create memorable experiences among customers and prospects.



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QuestBack enables organizations to gain actionable insights and build stronger relationships with customers and employees, through leading feedback and engagement solutions.