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Turning market research's focus away from the shovel and to the hole

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One of the great frustrations of working in market research is the general lack of importance attached to it. According to Mike Sherman, an independent consultant in the field, most CEOs would much rather discuss high-level strategy with finance, accounting, marketing, operations or human resources managers. Market researchers, on the other hand, are often not even invited to the table.

Speaking at Singapore Management University's (SMU) [Centre for Marketing Excellence](http://www.business.smu.edu.sg/centres/cme/aboutcentre.asp) (<http://www.business.smu.edu.sg/centres/cme/aboutcentre.asp>), Sherman said that while market researchers represent the important "voice of the customer", they lack credibility with senior management. The problem is that "when market researchers do sit at the table, they usually don't say anything interesting, often getting lost in the data and failing to deliver concise, clear thinking". What's more, they are often disconnected with what the decision-makers care about.

Sherman, an alumnus of the Wharton School and Harvard Business School, has had a high-flying career history that includes big brand names like Procter & Gamble, McKinsey & Co. and Synovate. Having experienced 'market research' from both the client, consultant and provider perspectives, he can attest to the fact that there are many misaligned interests and expectations within the field.

"I was doing a training programme in Singapore for both clients and researchers... and I asked (the researchers) a question: *'Do your clients want to dialogue... or do they just want you to do as they say – be an order-taker?'* The researchers said, *'Well, they pretty much want us to shut up and take orders.'* The clients in the room then said, *'No, we want you to open your mouth and talk, but you don't.'*" This, he added, merely represents one trivial example of a wider industry problem.

Jerry McGuire as management guru

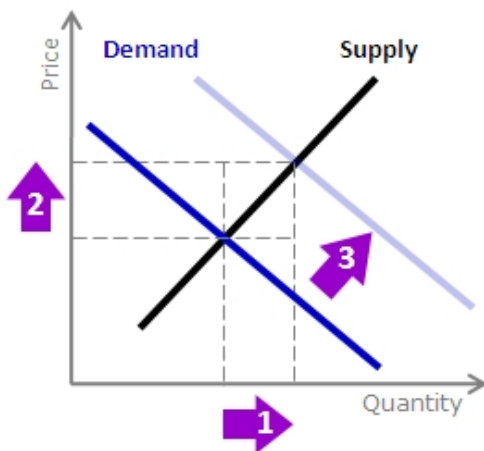
In the 1996 Hollywood movie, *Jerry McGuire*, the lead character, a sports agent, shouts "show me the money" in order to prove to his client that he is worth his salt. Sherman believes that market researchers need to embrace that same spirit – to show clients where "the money" lies and how *that* could guide business strategy.

"Market researchers are very good at dumping data... they can also talk endlessly about the tools and techniques." The big problem is that these sorts of information are not particularly useful at the decision table. Senior management wants to know how they can make more money, and market researchers often neglect to show them how, said Sherman.

The same applies to non-profit and government organisations; market researchers need to speak to their clients' needs, be it growth, outreach, or cash flow. "The question is are you connecting to the criteria that the client wants? Or are you worried about techniques, tools and impurity?" Here, Sherman drew distinctions between 'statistical significance' and 'business significance'. The former, he said, has to do with the [validity](http://en.wikipedia.org/wiki/Validity_%28statistics%29#External_validity) (http://en.wikipedia.org/wiki/Validity_%28statistics%29#External_validity) of a statistical test while the latter is concerned with the ability to impact business decisions, given the limited information.

Of course, statisticians will insist that business decisions must be based on statistical significance because one could try to replicate an incidence of success and fail. However, why be absolutist when everyone – including the client – knows that information is historical and can never be perfect, he asked. Why not, instead, address those areas that will point the client to his or her specific business objectives? Using a basic supply and demand curve, Sherman suggests four ways by which market researchers may link their project objectives to profits (i.e. showing the money!):

Graph: Ways to "show the money"



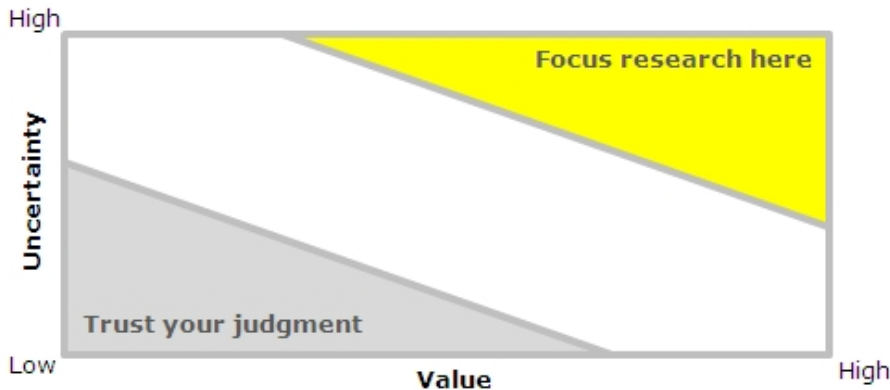
1. Increase Share (sell more at the same price)
2. Capture surplus (sell at a higher price)
3. Grow the market (move demand curve to the right)
4. Reduce cost (move supply curve to the right)

So if a client, for example, wishes to test a new product, a shrewd market researcher will ask if the product is aimed at growing share, expanding demand, etc. "Depending on what the client is thinking about, I'd do different research," said Sherman. "If you can't link back, in one way or another, to one of these (four profit growth areas), you'll end up with research that doesn't have strategic business value."

Doubt comes at a premium

Too often the potential for impact is limited. Managers, based on experience and other sources of data, are quite certain about the outcome of the research. Worse, the research does not address key issue and there is little opportunity to "show me the money". This is represented by the grey area in the figure below, where likely the best outcome is to use judgement and avoid unproductive research effort and expense.

Figure: Selling research; focus on uncertainty



Conversely, Sherman advised that market researchers should always aim for the yellow zone – where the client is genuinely uncertain of what action to take and the stakes are high.

Research work in the yellow zone will almost always be less precise and accurate than research in the grey zone. However, the yellow zone is where a business-oriented market researcher will thrive. "I can be vaguely right (in the yellow zone), but by providing management with information that helps them make a more confident, important decision... this is where the client will be willing to pay a premium."

To illustrate, he recalled an instance where he was tasked to hire a marketing research agency for a multimillion dollar project. The study was to guide the purchase and development of a property. The big decision had to be made within eight weeks and the boss' uncertainty about the deal was "very high" as it was a new type of project

for them.

Sherman wrote a brief and sent it to several large market research agencies. One by one, they wrote back to say that the project would take almost three times longer than the brief had required. "(The client) doesn't want the 20-26 week answer; that would be useless. He wants the eight-week answer!" he exclaimed. "It's okay to cut some corners. We should discuss which corners to cut... He knows you're not going to get him absolute precision, which, by the way, even after 26 weeks, you still won't be able to get."

So the uncertainty was high, and the value of the project was also high (i.e. yellow zone) but interestingly enough, most industry players showed themselves to be unable to respond in a way that addressed the client's needs. In the end, the agency that got the job was the one that said, "*Let's see what we can do in eight weeks*". The ones that insisted on 'perfection' (i.e. via a 20-26 week timeline) – even though it's *not* perfection – didn't."

'Agatha Christie' mysteries

When presenting findings and recommendations, many market researchers believe that it is important to take clients along "the story", so as to provide a richer understanding of what led the researchers to their conclusions. "Sorry, I think that's BS," Sherman remarked. One of the biggest complaints against market researchers is their inability to get to the point.

He shared a story of how he was once handed a 700-page report by an agency, who, when told to provide an executive summary, came back with a 300-page document. He lamented too, that senior executive clients often complain to him about lengthy market research reports that contain loads of data but provide no answers.

"I've had a lot of discussions with my colleagues who say, 'No, you have to tell them the whole story; get them involved; carry them along.'" While there may be a small percentage of clients who may like that approach, Sherman said that most clients, especially senior managers, would rather have a researcher who goes: *'Here's my answer. Let me show you the evidence, and then let's have a discussion'*.

"What's all too common are the Agatha Christie reports... that is, when you're writing a whodunit, you wait till the last page to tell me who did it. It'll ruin the story if you tell me on page one. But when you're writing a business report, tell me on page one what's your answer, and then let's discuss."

This general inability to be forthcoming shows up in verbal communications as well. All too often, agency executives do not engage with clients regularly, choosing instead to save it for 'the big reveal'. Sherman's recommendation here is to always store 30 seconds worth of ideas for short "elevator chats": *'Here's our current answer to your business opportunity. Here's what we've found that supports that. Here's what we need to do to strengthen that.'*

Give hypotheses, he stressed, even when there are not yet facts to back them up because "client's like that" – a little tip he had picked up at McKinsey, he admitted. Also essential, is the ability to give information that caters to the client because "clients want syntheses, not summaries". 'Synthesis' is about framing information for the audience whereas 'summary' involves the restating and simplifying of facts.

He cited an example from a [book \(http://www.amazon.com/Made-Stick-Ideas-Survive-Others/dp/1400064287/ref=sr_1_1?ie=UTF8&qid=1298257774&sr=8-1\)](http://www.amazon.com/Made-Stick-Ideas-Survive-Others/dp/1400064287/ref=sr_1_1?ie=UTF8&qid=1298257774&sr=8-1) he had once read. "There's a school, and you're writing a headline for the school paper. The principal is going to the state capital tomorrow. He's going to accept an award for outstanding teaching for the school... and all the teachers are going with him. Now write the headline."

People would come up with titles like *'School wins award'*, *'Principal goes to state capital'*, or *'Outstanding teaching awarded'*. These are all summaries of the story, Sherman said. The synthesis: *'No school tomorrow!'* "The principal and the teachers are all gone, and that's the meaning that you're telling; the implication that's most relevant to the audience – the students."

Focus on the hole

It is easy to get caught up with tools and methodologies. Though essential in the market research world, these skills alone are inadequate for the business environment. Sherman opined that too many people aim to be "the foremost expert on branding analysis in a world where there are too many brand research experts". What they should really be aiming for, is to be able to give practical advice on decisions that CEOs and CMOs will care about.

Having worked in Asia for the past 14 years, Sherman is of the view that people in this part of the world do not ask enough questions – and because of that, they may not understand, much less appreciate, the work that they do. There are cultural factors at play too, of course. Inquisitiveness may be perceived as distrusting or disrespecting authority.


Still, asking the right questions can, every now and then, lead to breakthroughs. "Sometimes, you'll have to shut up and do the work and learn along the way; but sometimes, your manager (or client) will say, *'You know, that's a good question. I should know the answer to that, but I don't.'*" These questions should be focused on demystifying


business problems and needs, Sherman emphasised, and not so much on tools and techniques.

Technicians are masters of techniques. But it is when one understands the problems, on top of the tools, that one becomes the problem solver. Paraphrasing [Ted Levitt \(http://en.wikipedia.org/wiki/Theodore_Levitt\)](http://en.wikipedia.org/wiki/Theodore_Levitt) of Harvard, he said, "No one ever buys a shovel. What they're buying is a hole. The shovel is just the tool to create the hole: and 'market research' is a shovel... So don't talk to me about the shovel. Focus on what the client is looking for, and then ask the right questions so that the shovel can dig the right hole."

It is easy to get lost in methods, especially if they are new, fancy and fun – "but I'm not selling research. I sell solutions," Sherman stated. Good salespeople may sell fancy shovels, but what would be the use of that if it digs the wrong hole or digs it in the wrong place?

Ultimately, market research is about listening to customers, and then figuring out what they're saying. Tools and techniques have their place, he said, "but if you don't think about why you're using something and what you're trying to do... you'll end up with a pile of useless dirt."

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