



Why Companies Can't Get It Right: Failing to Profitably Predict Customer Needs

The landscape is littered with them, the news is full of them, and your next-door neighbor used to work for one of them: these are companies who couldn't seem to figure out how to listen to their customers and if they did, they didn't figure out how to profitably predict customer needs. Although the dot com failures are everyone's favorite, many of the problems they faced are not unique to the Internet bubble—not even the mammoth household names such as HP, DEC, and Compaq are immune.

There are symptoms, and there are some relatively easy solutions, a few of which are discussed here.

1. Symptoms of the Problem

There are a number of symptoms surrounding the failure to listen to customers' pain and accurately solve it. Some of the more common include great products without sales, huge product launches followed by lackluster sales, products that never meet sales forecasts, and intense friction between the marketing and development organizations.

1.1. *How often have you seen a great product idea—only nobody buys it?*

The most cited example is AT&T's PicturePhone introduced at the 1964 World's Fair. The PicturePhone was great technology in the lab, but its designers didn't consider customer usage. By this time, the telephone had migrated from the living room to the kitchen and even into the bedroom. Customers did not want to be seen in their bedroom. Customers felt the PicturePhone was overly invasive. AT&T Researchers had a great idea—but one that was conceived in isolation and didn't consider how consumers were going to use the product.

1.2. *How much money do you spend on a product launch—only to find that sales are lackluster at best?*

A reasonably broad-scope product launch can run anywhere from \$250k to a couple of million dollars. Can you afford to guess on the outcome of this investment?

The latest to tumble is the Ricochet wireless modem that debuted in 1995. The company offered a very pricey wireless modem (about \$300) for notebook carriers and charged \$80/month for unlimited wireless access from anywhere (except outside the 15 cities they had network coverage). The idea sounds great, except for a few problems: customers wanted true mobility (nationwide), lighter weight, and faster data transfer rates (greater than 28.8k). Another glaring issue is the habits of the notebook users. They aren't likely to be working on a park bench in the city or in the donut shop, and so don't necessarily need wireless coverage everywhere. If they are in these places, they aren't going to be excited about waiting forever for Windows to load. As one analyst mentioned, "If they need instant access to information, they want instant access [1]"



Early 3rd party research indicated that wireless was THE wave of the future, but recent information indicates that people just aren't buying [2]. Contrary to Metricom's belief, most people just don't feel they need complete wireless access and aren't willing to pay a premium for the service.

Research in Motion (RIM) did much better with their wireless email devices like the Blackberry—they discovered that people wanted regular email access and delivered just the right product—and not an over engineered one. RIM is now the favorite of executives and geeks alike as evidenced by the sheer number of people observed in an airport wearing the RIM devices on their belt next to their cell phones.

1.3. What if your sales don't meet the forecast? Is it the forecast or the product?

AT&T's PicturePhone (one of the world's first video telephones) was forecast in 1969 to sell 1 million units by 1980 and reach \$1billion in revenue. It doesn't look like it made it.

One product I worked on had been forecast to bring in more than ½ of the annual revenue of a small high-tech company. Born as an executive's brainchild it brought in less than 5% of forecast. While the investment community applauded this executive's foresight, customers didn't quite know how it was going to help them.

1.4. Extreme Marketing vs. Development Friction

Too often in companies lacking proper customer direction the marketing and development organizations are each trying to beat each other over the head with their opinions and looking for ways to point their fingers at each other when the other's opinion fails to be proven out.

Many companies are in the same position as one division of a large company I worked in that was crippled because they spent more time fighting amongst themselves rather than for their customers' needs.

Without customer direction, decisions are made based on unsubstantiated opinions and are invariably wrong.

2. What is the Problem and Why Do We Have It?

The common theme throughout these examples is that of a disregard for the needs of the customer, either through pride or ignorance. The bottom line is that no matter the reason, the lack of clear understanding of customers' pain and the inability to provide profitable and effective solutions to immediate and future pain can guarantee mediocre results and may even prove fatal.

2.1. Claim to be customer-focused, yet goals don't solve customer pain

A number of years ago People Express started out to be a no-frills regional airline, much like Southwest Airlines in Texas. Soon the president, Don Burr, a Harvard graduate, unexpectedly purchased a fleet of airplanes, expanded the region they served, and began to



spend more time trying to obtain publicity and recognition than run the airline which led to the crash of People Express. In the end, the president got his wish to become the object of a case study—but as an example of poor managerial practices. Southwest Airlines, on the other hand, did exactly what the customer wanted and the PR and fame came as a result.

More recently, many dot com debacles resulted from similar misfocused goals. One VC actually admitted to asking her mother and nanny to review and decide on ads for a leading Internet jeweler. Executives and others have been more often focused on Wall Street than on their customers.

2.2. *Marketers and Executives Don't Leave The Building*

I often joke about the Bell Labs Attitude: “We know what the customer wants—we told them so!” This attitude will invariably lead to failed products, particularly in industries where customers have multiple sources from whom to buy. While companies often know how to solve problems better than customers, they must be solving an actual customer problem rather than what they think is a customer’s problem.

As one consultant aptly put it, “Your opinion, though interesting, is irrelevant.”

Without customer input, one’s own opinion is based on a hardly significant sample size of one.

2.3. *They Leave To Tell Their Own Story*

While the adage is true that nobody else will toot your horn for you, unfortunately too many people leave the building prematurely to tell their own story before they’ve listened to customers needs.

While working for a major semiconductor manufacturer I witnessed what was supposed to be an exploratory, fact-finding meeting with a Fortune 50 prospective client. The semiconductor executive leading the meeting began by saying “We’ll dispense with introductions as we have a presentation we’d like to give you.” He then proceeded to tell the prospect about his product for the next 2 hours. When he asked what the next steps were, the prospect replied, “We would like to have you come out here and ***listen to us and our needs.***”

If marketers and executives are too busy telling their own story, customers will find someone else willing to listen.

2.4. *Pervasive from the top to the bottom*

It is unfortunate that this lack of emphasis on customer sensing is pervasive throughout the organization, from management to sales, marketing, engineering and other divisions.

2.4.1. Management

Entrepreneurs and top management are their own best evangelists extolling the benefits of their technology, sometimes to the exclusion of the market, industry, and customers.



A recent review of “Startup.com”, a documentary about the rise and fall of an electronic government services provider govWorks, noted “Also telling is that the word “customer” never comes up. These guys were all about cutting deals and getting funding.” [3]

An executive I observed in one startup was primarily interested in VCs and the IPO market and focused on the customers to the extent that he could extract money from them to warrant attempting an IPO. This company retracted violently as it retrenched after firing the CEO.

2.4.2. Sales

A mentor once told me of his father’s experience in the garment industry of the 1930’s where management was afraid of the sales people because sales knew all there was to know about the customer—and could take the customer with them if they ever changed jobs. The job of salespeople seems to have changed somewhat in that they are more focused on shorter-term revenue-producing activities rather than a deep and long-lasting relationship built around understanding and satisfying customer needs. In some cases, I have witnessed salespeople who are so busy looking for new business they forget to nurture existing business.

2.4.3. Marketing

Some marketers think that intuition and gut feel is sufficient to predict customer needs. Feel free to tell them they’re too full of themselves. While intuition may be helpful, such is at best a sample size of one. Companies cannot afford to bet their products on one-person focus groups. Even the best marketers are severely limited without correct data.

2.4.4. Engineering

Engineering loves the challenge of the uncharted, the elegance of the solution, and the opportunity to dial in the latest technology—I know—I’ve been one of them. To their credit, they are superb problem solvers. The good ones just need to be given the right problems and proof positive they are helping satisfy customer needs to ensure the success of the product.

3. How do we correct this problem?

Regardless of the reason for the lack of present customer focus, to be successful, all within a company must be prepared with the motivation, skills, tools, and processes to effectively gather, interpret, and act upon customer feedback to predict customer pain and profitably counter it with effective solutions.

3.1. Remember what customers buy:

An acquaintance once told me “Customers do not buy technology, they do not buy products, and they do not buy features. Customers only pay money to make PROBLEMS go away.”

I was dismayed to find one company’s marketing collateral they spent months developing wasn’t even used by the sales people, as the collateral didn’t speak to the real problems that were keeping the customers up at night.



Remembering that customers will only pay money to alleviate their pain is the first and foremost step towards success in understanding and predicting customer needs.

3.2. Hire the Right People and Train the Rest

Ensuring that employees have the right mindset is very important in ensuring customer pain is solved profitably. This involves selecting the right people and providing training for all employees to ensure they have the skills and tools at hand.

How do you tell if new employees are customer focused? Some of the better interview questions include “What are you the most passionate about?” or “In previous jobs, how have you determined what products to build and what features to add?” or “How do you propose to determine the right thing to do in this job?”

As previously mentioned there are a couple of key skills and techniques that employees need to have to be effective, the most important of which is interviewing and knowledge elicitation, followed by processes to distill this feedback into practical product requirements

Just like you wouldn't necessarily read “Surgery for Dummies™”, you shouldn't throw yourselves at customers without first equipping yourself and your team with the proper skills and information processing methodologies. Most critical is training in customer interviewing skills. This training can help you understand how to ask the right questions, leading the interviewee through a process of discovery they sometimes don't recognize is taking place and providing you with the information you need to uncover the root cause of the pain they are feeling.

How do you make sense of the hours of recordings, the pages of notes, and the wealth of information you've just collected? There are a number of methodologies including affinity mapping, KJs, and others.

Once you have discovered the root causes of the customer pain, you still have the challenge of converting these into practical requirements that engineering can use to produce products that exactly match the projected needs of the customer.

You may find that the easiest way to get started is to retain the services of an expert in the field to help provide the training and insight necessary to start the ball rolling. It is also helpful to have an objective, 3rd party view that cuts across political boundaries, personal objectives and individual biases is also critical at this stage. Retaining a respected outsider also lends credibility in early stages when change of this sort comes under the most scrutiny and pressure.

3.3. Kick Them Out of the Office

One enlightened manager established his “Product Marketing Mantra” that included the following statement: “The market is NOT located at <insert your address here>. Stated differently, there are a total of ZERO customers or prospective customers in this building.” If people aren't leaving the office, odds are very high that they are not visiting customers and by definition, not obtaining insights into customer pain and how to profitably alleviate it.



The cost of moving to the streets is well worth it. Ignore for a moment that a number of customers may be local and that many customers can be interviewed over the phone. If your travel and entertainment expenditures increased 10 fold, yet you brought in 4-5 guaranteed sales as a result of your efforts, what would be your ROI?

3.4. Contact Reports

Everyone with any contact with the customer, from the executives to the product managers and engineers should be filling out contact reports and sharing them within the company. This can be done in the form of Word documents circulated via email, email, or call logs managed within the contact or customer management software in use (i.e. products such as those by Siebel, MarketSoft, Pivotal, Symantec, etc.).

Contact reports should include the contact date, company, contacts in attendance from both companies, top 3-5 key, burning issues that came out of the meeting, and finally, next steps and action items, if any. A summary of other key points may be included as well. The key issues and next steps should take less than a page (as most people don't have the requisite attention span to read beyond one page).

Even salespeople should do contact reports. Salespeople hate it, but it must be mandatory. Perhaps it may be advantageous to tie a certain portion of a salesperson's compensation to their successful knowledge transfer to the rest of the organization.

These contact reports should be sent to anyone who needs the information therein to do their jobs, including the executive team, marketing, services, and even key engineering staff. Archives should also be created for future reference and especially for new employee training.

Depending on the legal sensitivities within your company, you may have to be somewhat careful about the confidentiality agreements but should balance this concern with employee's need to have information at their fingertips in order to do their jobs.

I have a simple, concise customer contact report template available for download at my website, www.PredictiveConsulting.com.

Only in this manner can everyone know the history associated with each prospect and customer.

3.5. Compensate for Customer-Centric Work

Incentives should be put in place to reward desirable behavior, particularly when it involves additional work. In this case, employees should be compensated for doing something that helps them and especially the company to understand their customers better. As an example, employees can have a portion of their bonus tied to customer interviews, prospects identified and screened, contact reports generated, surveys completed, etc.

4. Summary

In this time of extreme competition and never-satisfied satisfied customers, it is critical that companies eradicate the attitude of "We know what our customers want—we told them so!" Companies must set aside their pride in their own accomplishments and find out what pain



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the customers are feeling and what it would take to profitably solve this pain. In so doing, the company can realize increased sales effectiveness; create more clearly defined and successful customer centric products, the demand for which is accurately predicted for 2-3 years into the future and increase revenue and profits over the long term.



5. References

- [1] A. Seybold, "Silicon Insights: The Death of Ricochet," vol. 2001: ABCNEWS.com, 2001.
- [2] "Wireless: Who Wants It?," vol. 2001: The Industry Standard Magazine, 2000.
- [3] K. Magill, "See This Flick," in *iMarketing News*, vol. 3, 2001, pp. 22.