THE QUALITATIVE EDGE

Silicon Valley
RESEARCH GROUP
FIREHOSE eBook Series

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Chapter One
Quants Rule the World

Introduction

We live in a quantitative world. Quants rule Wall Street. With Big Data, AI and Machine Learning, corporate decisions are increasingly driven by quantitative data.

This eBook seeks to answer the question: Where does qualitative data fit into this new landscape?

- Is it a technology of the past, eclipsed by newer methods? Or does it still have relevance?
- What kind of role can qualitative data play in corporate decision making?
- What are the risks of ignoring qualitative data?
- How can companies best incorporate qualitative data into their increasingly quantitatively driven data models?

At Silicon Valley Research Group, we continue to value the power of qualitative data. And while we are a market research company providing both custom qualitative and quantitative research to companies in the technology sector, the new world of AI and deep learning is not causing us to abandon qualitative methods and data.

In fact, we now embrace this aspect even more, as we have come to realize the critical role qualitative data plays in an increasingly quantitative world. We take the position that relying solely on auto-generated quant data is dangerous and augmentation with qualitative data is valuable insurance against decision making based on erroneous conclusions. And while the quantitative portion of our business has experienced significant growth as expected, we always augment our quantitative research designs with a qualitative phase or component.

Here are the top reasons for doing so...

Correlations vs. Causality

1

While decision makers are comfortable with correlations found in data, causality is often implied in conclusions from quantitative data which can be misleading. Qualitative data helps verify and eliminate erroneous conclusions where causality does not exist. Uncovering or verifying causalities through deeper qualitative engagement provides a clearer understanding behind customer behaviors. And uncovering underlying motivations and emotional triggers for a behavior often become a catalyst for revamping your customer experience, creating new offerings and revenue streams, etc.

Customer Anthropology

2

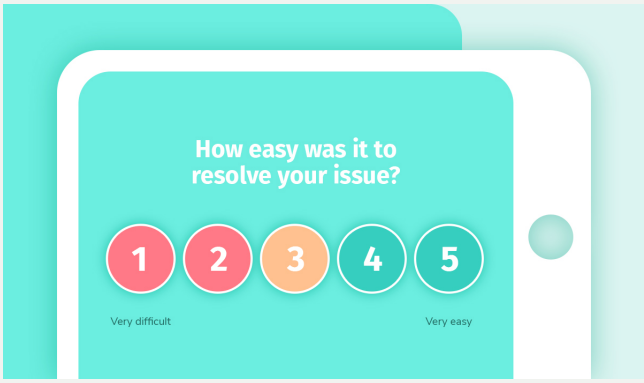
Qualitative data provides a deep lens into the customer journey. Customer anthropology focuses on how customers integrate your products into their lifestyles, habits and practices and provides invaluable insights for product and customer experience design. Quantitative data misses these important components because it focuses solely on the customer's consumption of your products or services. Conclusions from such data can be one-dimensional and miss salient points on customer preferences for design and experience.

Customers don't just buy your product they integrate them into their respective lives and an overreliance on quant data misses this vital component.

White Spaces

3

Qualitative data also performs a vital function in exploring "white space" opportunities not otherwise apparent or previously considered. Starbucks observed a spike in in-store consumption mid-morning driven by young mothers meeting up with babies in strollers, requiring smaller stores with narrow aisles to rearrange furniture to accommodate strollers and create a more satisfying customer experience for this market segment. Quantitative analysis of store receipts and loyalty card usage alone would not have alerted store managers to make physical accommodations to enhance the customer experience at these times.



What Your Customer Effort Score Misses

4

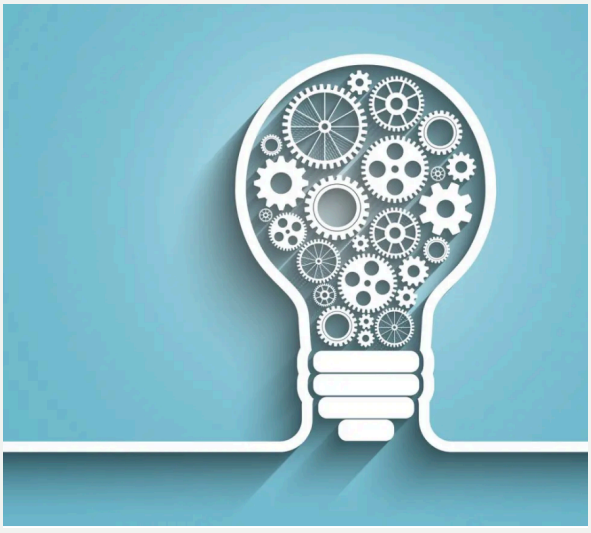
More recently, there has been a trend among companies to capture an additional metric along with NPS (Net Promoter Score). The CES or Customer Effort Score quantitatively measures the level of effort a customer needs to expend to solve problems relating to their consumption of your product or service.

The measurement is typically taken following your customer's contact with your company's customer service and support personnel by asking a simple survey question. However, the survey score fails to capture or comprehend the private struggles customers have with your product, such as frustrations opening your packaging, onboarding with your product, etc. Here again, qualitative data comes to the rescue to complete the picture.

Emotions & Unarticulated Needs

5

Observational qualitative data gathering enables companies to hear what customers are often unable to verbally express; emotional attachments or conflicts with aspects of your product, unarticulated needs, workarounds they engage in while using your product, till a competitor comes around with an improved design that solves the need for the workaround! As Theodore Levitt famously said in his classic *Harvard Business Review* article, "people don't want a 1.4-inch drill, they want a 1.4-inch hole".



Product Development & Boardroom Impact

6

Qualitative methods are more effective at gathering customer needs, pain points and aspiration at the start of the product development cycles than most quantitative methods. While quantitative data may have been responsible for the initial identification of the gap or need for the product development, qualitative methods, such as focus groups or in-home and in-workplace ethnographies are best suited for translating these needs into product concepts that meet the customer need.

While qualitative data does not have the "cool factor" of spreadsheets and Tableau style dramatic data visualizations, it can be very impactful in the boardroom in presentations to executive decision makers. Independently obtained customer quotes and verbatims from qualitative research provide important color and context that executives seldom experience first-hand.

Chapter Two

Beyond the Spreadsheet

One concerning trend we have found with market research practitioners recently is the tendency to "quantify" qualitative data by creating spreadsheets, tables and graphs.

The paradox of qual and quant data

One concerning trend we have found with market research practices recently is the tendency to "quantify" qualitative data by creating spreadsheets, tables and graphs.

Clients justify this as an effort to get make the data more consumable and impactful to their internal teams. Research vendors, in turn, claim to be giving their clients what they want. Market research vendors also tout new "innovations" that combine both qualitative and quantitative data collection techniques, into some form of hybrid offering, invariably sacrificing some qualitative depth and some quantitative sampling error to create a hybrid solution that is best of none.

There is a better way!

We have learned to live with dichotomies and paradoxes in many other areas of life. Physicists embracing both the wave and particle theories of light is one example. Can we then not live with the paradox of qual and quant data in our customer insights world?

Here are some guidelines for companies dealing with this quandary:

1

COMBINE QUALITATIVE AND QUANTITATIVE DATA INTO A "TRUST BUT VERIFY" PROCESS
Use quantitative techniques to generate, collect and analyze large data sets with small margins of error, then layer that with a smaller qualitative phase to verify the findings and for open ended exploration to go beyond the comfort zone of the quantitative data in your spreadsheets and charts.

2

APPLY DEEP LEARNING TO YOUR QUALITATIVE METHODS
Deep learning or hierarchical learning is an offshoot of machine learning used to mine big data for customer insights. The same approach can be used for qualitative group or individual interviews. Since quantitative data collection has become easier and more cost effective to obtain in recent years, your qualitative agenda or discussion guide can skip a lot of questions (by moving these into the quantitative component) and dive deeper into customer needs and motivations. We discussed this technique further in our blog post titled "*The 'UnFocus' Focus Group"*.

3

ENGAGE INTERNAL STAKEHOLDERS FIRST-HAND AND EARLY
As mentioned above, one reason why companies quantify qual data is to make it more consumable for internal stakeholders who are increasingly becoming more quantitatively driven in an era of big data and more skeptical of data that isn't quantified. There is an alternative, as practiced by Intel who ranked number 3 on last year's *Management Top 250.* According to their Chief Strategy Officer, Intel engages technical personnel in early client meetings along with their sales reps to provide the former with firsthand exposure to customer challenges and unarticulated needs. Providing live and in-person exposure versus merely sharing qualitative data reports goes a long way towards creating a culture that appreciates the value of qualitative insights.

4

PRACTICE CUSTOMER ANTHROPOLOGY
In-home and office on-site visits are an invaluable tool for companies to further their learning about customer behaviors and unmet needs and for verifying product designers' assumptions about how customers use their products. As the Gillette brand mangers found by watching men shave at home, the average shave involves 100 strokes versus the 30 reported in surveys.

5

RECEIVE POSTCARDS FROM THE EDGE
No connection to the 90's Meryl Streep movie, but marketers and market researchers frequently draw artificial boundaries on their topics of investigation for qualitative research. For example: "We are investigating how you use email at work" versus "how you communicate with others" or "how you use your microwave to heat food versus "how you solve the problem of feeding yourself and/or your family when pressed for time". At the edge of your question lie unexplored and potentially unexploited opportunities for extensibility of your core product!

Chapter Three

Innovating at the Edge of Customer Experience

In this final chapter, we explore the value of qualitative data in creating innovation, illustrated by a case study from our research work.

Be open to disruptive breakthrough ideas

There are key differences in how quantitative and qualitative data are processed and compiled for consumption, which in turn affect how they are used within organizations:

In quantitative data collection and analysis, the innovation resides within the data points on the spreadsheet. The data is neatly laid out in rows, columns, and worksheets and there is a comfort level with consuming and acting on the data. But if you look at the edge, you there is nothing there.

By contrast, there is a lot at the edge in qualitative data. Let me explain. In our data driven world, we are conditioned to quantify. We look at data and our ingrained habit is to look for patterns; we want to classify, to compile, to chart. And some of us do this with qualitative data too, often ignoring details such as sample size. We also want to get best of both worlds by doing a large as possible qualitative effort, often a waste of time and resources. Good qualitative is not contingent on sample size. Done right, it can be very time and cost effective.

Avoid at all costs the tendency to classify and chart qualitative data. View it as a separate track from your quantitative track and be open to disruptive new breakthrough ideas that emerge even if they can't be quantified at first.

STUDY

An example from our client work from a few years ago will illustrate. A casual games company that was floundering in their crowded market space commissioned us to conduct qualitative research (focus groups and in-depth one-on-one interviews) with casual gamers to elicit ideas for innovation to enable them to break away from increasing commoditization in their space.

We completed the research and analyzed the data. In addition to the usual analysis and reporting, we exercised our peripheral vision and looked for unarticulated needs and breakthroughs at the edge of our data. We found that two participants, out of a total of about 60 people whose input we had obtained, expressed an unusual reason for playing casual games.

One was recovering from traumatic brain injury (TBI) from a recent automobile accident and the other wanted to maintain their brain agility as they aged. These were not the motivations of the other 58 or so participants.

We presented these tangential findings to the company's leadership team under a section titled Peripheral Vision. We recommended our client investigate this as an area of possible breakthrough innovation. The idea was rejected because it was based on two respondents only (i.e., it was from the edge of our sampling frame). Both participants were older than their cohort of typical casual gamers and the client's leadership team surmised that the idea would not scale well to their younger counterparts. The upshot? Another company, Lumosity, launched that very concept and is now a successful business with over 60 million paying users worldwide today (average MRR, or monthly recurring revenue, of approx. $10 per user per month!). And there is no telling how acting on our insight from the edge would have helped our casual gaming client break out of their commodity trap and create a new revenue stream.

Next Actions:

Here are questions to consider before you design your next market research or customer insights initiative:

1. What strategic insights are at the edge of your spreadsheet?
2. Does your customer feedback process enable you to trap these?
3. Are you customer insights processes strictly quantitatively driven or do they facilitate customer dialogue?
4. Do you have a mechanism for trapping your customers' unarticulated needs?
5. Is your management open to exploring ideas that are not derived from quantitative data?

About the author

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Alan Nazarelli is Founder and CEO of Silicon Valley Research Group Inc, a global technology market research and strategy development firm with offices in San Jose, CA and Seattle, WA. The company focuses on the needs of technology clients providing them with timely and actionable intelligence on most effective ways to reach and be successful with their customers.

Al is the author of several white papers and articles on technology marketing and is an invited speaker at conferences and technology events in the US and abroad. Most recently, Al was a keynote speaker on Customer Intelligent Product Design at the IDSA (Industrial Design Society of America) Conference in San Jose, CA. He has been frequently quoted on technology topics ranging from trends in cloud computing to mobile devices in a variety of publications including PC World, eWeek, Dow Jones Market Watch, Time Magazine and San Jose Mercury News.

Prior to launching Silicon Valley Research Group, which this year celebrates its 20th anniversary, Al held Sales & Marketing and Management positions at GTE Corporation and NEC Electronics. Alan started his marketing career at McCann Erikson Worldwide where he gained significant foundational experience in marketing and branding. He holds an MBA from the University of Oregon with a concentration in Marketing.

Please join Al Nazarelli on LinkedIn

Contact us

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