Voice of the Customer: Customers have more information and are more cautious than ever

Customers are more informed, more comfortable evaluating options on their own, and are less dependent than ever on traditional sources of information. Buyers are responding to higher global economic uncertainty with more careful purchasing decisions. Customers want to be a collaborative part of solution development. Voice of the Customer practices are adapting to meet these challenges, and organizations that master the best practices will enjoy the most success.

The trend of increased access to information

Thanks to the Internet and the valuable information it provides, customers are more informed on potential products, services, solutions, and risks. As a result, buyers are more knowledgeable and empowered than ever before. Whether the customer is a consumer or a business, customers evaluate options internally more than ever, before reaching out to the market place. Recent research shows that today's buyers can be between 65-90% of the way through the buying process before they reach out to vendors. Customers are now less dependent on traditional sources of information – salespeople.
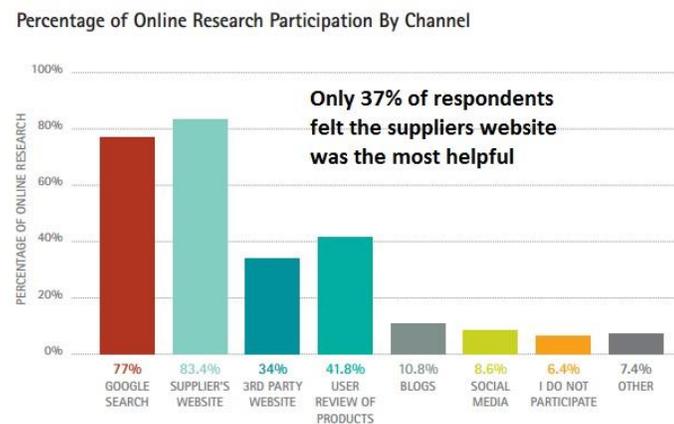

Figure 1 Accenture 2014 State of B2B Procurement Study

The trend of cautious buying

The recent global economic uncertainties and recent recessions have made it difficult for customers to predict when and if "good times" will return. Recent research indicates about half of forecasted opportunities are failing to close. The return-on-investment and total life-cycle cost hurdles are more challenging in today's environment. The risks and consequences of a poor purchase are now better known, and individuals and the companies they represent are now more risk-averse. In order to spread the risks and get more buy-in, buyers involve more people than ever and often form buying committees. If today's buyers aren't convinced about the results and value of the purchase, they may simply choose to avoid the purchase. Buyers are comparison shoppers not only of solutions, but also the people behind them.

The trend of solution collaboration

Product and services are more connected than ever in all industries, whether the smart grid in energy, or the intelligent systems and automation in transportation, or patient-centered interoperable information exchanges in health care. Better-informed customers want to be part of the solution, as they are more discerning and have good solution ideas. This can include voicing their needs, wants and concerns, suggesting ideas or combinations of products, or becoming a voice in guiding the development.   Buyers want an optimum result, and the best method to achieve this is usually a collaborative method with buyers and sellers, as equals, determining solutions together.

Voice of the Customer (VoC) efforts are most effective when integrated with market and product strategy

The most successful systems solutions are part of a product and marketing strategy tailored to today's informed customers, globalization, and competition. For example, parts of the system may be:

- standardized with the competition to enable lower integration costs and increase interoperability
- differentiated according to the customer values, vs. the competition, and according to the developer's strengths and strategy
- developed in collaboration with partners and customers
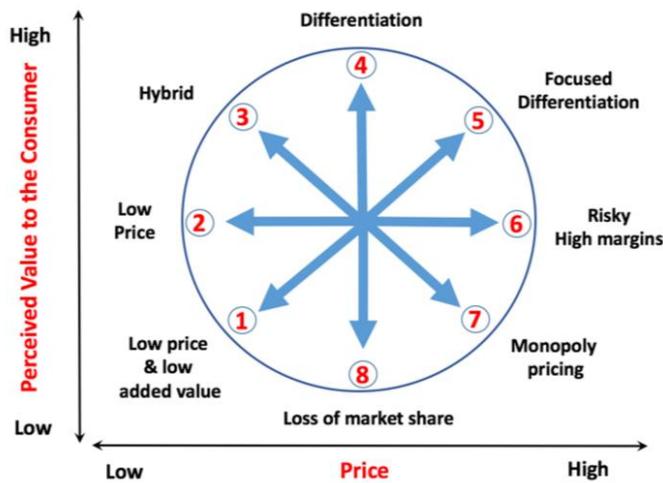- developed according to different cost reduction strategies and pricing strategies

Figure 2: Bowman's Strategy Clock

VoC activities, questions, workshops, and participants can be tailored for each segment strategy and each part of the value chain.

For example, a VoC effort around standardization can collect many customers and competitors together to agree on standard interfaces (like the USB port on your notebook). A VoC effort focused on differentiation based on what the customer

values can be done in a one-on-one customer engagement, as that customer insight can allow for competitive advantage. A VoC effort that investigates changes in partnering and vertical integration may be targeted at the customer of the traditional customer or, in other words, at the customer one further level up in the system-of-systems.

Voice of the Customer efforts are much more effective when adapted to the new buyer's approach

Traditional VoC efforts have usually been done by marketing departments, which have used standard approaches of market research, such as surveys, focus groups, interviews, customer meetings, or requirements elicitation, all focused on the traditional economic buyer. Sales teams and product development teams are part of these efforts, to varying degrees. However, the new buyer world has made traditional VoC approaches less clear and effective.

It used to be clearer who the "Customer" was – often the economic buyer with most direct responsibility for using or implementing the new system. For example, for a new IT system, the department head for IT would be the right person for a VoC interview or survey. In the new buyer world, there are now many more stakeholders in any purchase, such as operations, purchasing, strategy, engineering, and their voices are also important to capture as part of the VoC engagement.

The channels to getting customer information used to be clearer, again, because of the traditional focus on the economic buyer, and direct channels to this person could be employed, such as an interview request. In the new buyer world, customers are more knowledgeable, more diverse, and are investigating their own needs. For example, key stakeholders in the purchasing decision (and not

necessarily the economic buyer) may review products and services on social media communities, blogs, or technical industry forums, and these channels are often not monitored by marketing departments. Additionally, traditional customer processes to provide feedback are not as effective as the new channels. For example, if a customer wanted to complain, s/he would have to call a phone number, wait in a queue for a long time, and then provide feedback – or more likely not bother at all! In the new buyer world, it is quick to snap a photo with your smartphone and tweet or post it with a short comment to an online community like Facebook.
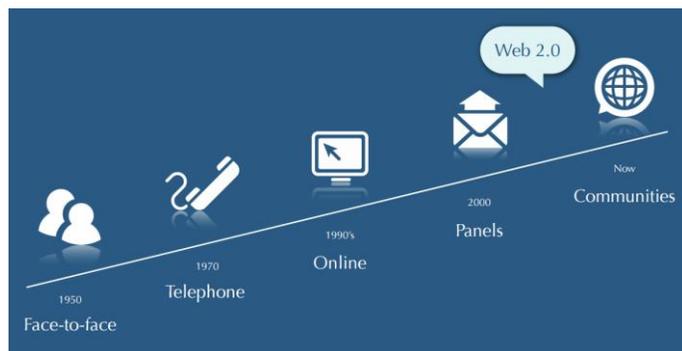
The kinds of engagements to get customer information also used to be clearer. An interview, focus group, or survey with the traditional economic buyer has mature practices. In the new buyer world, customer stakeholders may use social web communities such as industry forums or LinkedIn communities to talk to their peers, who understand their challenges and who can exchange useful ideas. In this case the customer is having a useful *conversation* about their needs, and not necessarily with the seller. And, if the seller used traditional methods of broadcast marketing techniques in these forums, they would risk losing social capital and turning off the customer. Instead, a more successful approach is for the seller to connect and converse with early-stage buyers, demonstrate credibility and value of a personal brand, and influence buyers' understanding about potential

solutions to problems or potential opportunities for improved results.

Voice of the Customer practices require increasing sophistication in elicitation with the new buyer approach

It isn't easy to have effective VoC practices in general, and with the influx of new informed stakeholders, elicitation has become even more challenging. One of the challenges with VoC is that simply asking the customers what they want does not always develop the desired information. Customers may have unarticulated needs, or they may state certain preferences but then when it comes to actual buying, they may reveal other preferences. Customers may state their needs in terms of an existing solution, but not necessarily what is driving their needs. Elicitation is a set of techniques used to discreetly gather information, and is more like sleuthing, or archeology, than simple gathering.

VoC best practices should now cover all the new stakeholders in today's buying or development process. From a stakeholder perspective, this may include users, support staff from adjacent or supporting systems, staff responsible for technology and product roadmapping, staff from purchasing and supply chain, or enhanced engagement with the product developers. Each type of stakeholder comes from a different discipline or domain, and each is best served by a tailored approach that can

be effective from their perspective. This requires more VoC practice sophistication in the kinds of questions, the types of forums, methods, and the kinds of information targeted.

Product developers are also having greater challenges in making sure their product or system is suitable for all new requirements and more complex interactions of systems-of-systems. For example, new regulatory requirements, new life-cycle requirements (such as recycling or disposal), or new security or interoperability requirements from connected systems-of-systems are often new requirements as compared to prior products and systems. As our products and systems get more connected to higher level systems-of-systems, like the smart grid, intelligent transportation systems, or more software-intensive systems, additional VoC requirements need to be elicited.

The increasing value of good Voice of the Customer practices

With the increase in customer information, numbers of stakeholders, and product development complexity, modern VoC practices are adding more value than ever before. Without a good understanding of the customer needs, wants, and requirements, the entire product or solution can be compromised or sub-optimal. VoC practices are often critical parts of a collaborative sales engagement, or part of a collaboratively developed solution, so the VoC engagement can be a critical part of the customer wanting to do business with you. An effective and modern set of VoC practices is one of the highest leverage activities in any product, marketing, and sales effort.

Voice of the Customer practice situation in most industries

Many organizations that have VoC programs have found they are not as effective as desired. We find the main reasons are that:

- These organizations are not adapting quickly enough to the new environment
- The best VoC programs address the multi-functional nature of the customer stakeholder buying committee, but that requires strong internal functional engagement, such as between marketing, strategy, and product development. Most VoC programs are led by the marketing departments, and it is not easy for marketing to pull on the necessary efforts from strategy or product development
- VoC programs are often not integrated strongly enough with the product and marketing strategy. Instead, many VoC programs are heavier on information gathering efforts, and short on focused activities that can drive the necessary insights to underpin, support, and shape the product and marketing strategy.

When the VoC efforts are not as effective as they should be, many downstream issues take place. This includes unsatisfied customers, misaligned strategy, wasted effort, missed requirements, solutions that aren't as competitive as they need to be, and forecasted opportunities that fail to close.

Voice of the Customer practice enhancement

VoC practices can be enhanced by improving the overall capability within the organization. VoC best practices are complex and cross-functional, and an enhancement program requires experience with all necessary functions, such as marketing, sales, strategy, and product development. A holistic approach to designing and implementing the improvement is needed. The VoC program has to be strongly integrated with the product and marketing strategy.

Once the structure, high level process, and strategy are in place, the working-level elicitation techniques, channels, and competencies can be

improved where necessary with front-line staff. This includes soft-skill development, question structuring, and tailoring of different elicitation methods such as workshops, interviews, prototyping, or document reviews.

SysEne recommends that today's developments require VoC practices that are adapted to better informed buyers, more stakeholders, greater risk aversion, more complex product requirements, higher complexity, systems-of-systems, a more global environment, higher expectations, and increasing amounts of software. To learn more about our VoC practice enhancement services, please visit

http://www.sysene.com/capabilities/VoC