

REPORT

CENTER FOR CONSUMER INSIGHT BENCHMARKING 2009

The Consumer's Voice— Can Your Company Hear It?



THE BOSTON CONSULTING GROUP

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Mary Egan

Kate Manfred

Ivan Bascle

Emmanuel Huet

Sharon Marcil

November 2009

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For information or permission to reprint, please contact BCG at:

E-mail: bcg-info@bcg.com

Fax: +1 617 850 3901, attention BCG/Permissions

Mail: BCG/Permissions

The Boston Consulting Group, Inc.

One Beacon Street

Boston, MA 02108

USA



Contents

Executive Summary	4
Hearing the Voice of the Consumer	6
How Much Does Consumer Insight Matter, Especially Now?	8
Consumer-Centric: Only a Buzzword?	9
From Cost Center to Source of Competitive Advantage	11
Many Rewards at the Top	14
Two Sides to Every Story	14
Closing the Gap: A Two-Sided Evolution	16
Improving the Engagement Model	16
Improving Your Insight Team's Performance	20
Getting Started on a Transformation Journey	25
Appendix: The Four Stages of Consumer Insight	27
For Further Reading	29
Note to the Reader	30



Executive Summary

This study was undertaken by The Boston Consulting Group to analyze best practices and gaps in companies' capabilities for market research—or, as many companies now call it, consumer insight. The report findings reflect the results of a comprehensive benchmarking study conducted in the spring of 2009. In all, 40 global companies participated—all industry leaders, each with at least \$1.5 billion in sales, and many with sales exceeding \$10 billion. The study included a detailed data-collection effort, a quantitative survey of more than 800 executives in both line management and the consumer insight function, and nearly 200 qualitative interviews. About 60 percent of the survey respondents were from North America, and the rest were from other regions. The findings outlined here are relevant for a wide variety of consumer-facing industries, including consumer goods, retail, apparel, technology, travel, banking, and insurance.

Executives talk about the importance of deep consumer insight...but struggle to achieve it.

- ◇ In their corporate mission statements and annual reports, almost all of the companies in our benchmarking study talk about understanding and meeting customer needs—and in our survey, a large majority of executives said that market research contributes materially to their financial performance and growth.
- ◇ Still, only 35 percent of executives describe their consumer-insight capabilities as best in class.

Most companies have not yet unlocked the value of consumer insight.

- ◇ We identified four stages of consumer insight capabilities in a continuum that runs from the consumer in-

sight function as an order taker (stage 1) to consumer insight as a source of competitive advantage (stages 3 and 4). Almost 90 percent of the companies in our study follow a more traditional approach to market research and are still at stages 1 or 2.

- ◇ A few leading-edge companies, however, have reached more advanced levels and are working to capture the full potential of consumer insight to create value.

Frustrations exist both among line managers and within consumer insight teams.

- ◇ Line managers often expressed disappointment with the results on consumer insight and were not aligned with insight teams on what constitutes high-quality output. For example, when asked whether consumer insight teams “consistently answer the question ‘so what?’ about the data they provide,” 73 percent of consumer insight staff said yes, but only 34 percent of line managers agreed.
- ◇ Meanwhile, insight teams expressed a different concern about line management: a lack of engagement in the research process. Fewer than half (41 percent) of insight staff thought that the business leaders in their organization would pass a “pop quiz” on important facts about consumers.

Two critical drivers of success are the *engagement model* between line management and the insight function and the *performance of the insight function*.

- ◇ Addressing these two issues in tandem is the only way to close the gap between the potential and the reality of consumer insight.

- ◇ Improving the engagement model involves changes in senior management involvement, the scope of the insight function, and the processes and ways of working around consumer insight.
- ◇ Improving insight performance involves such efforts as upgrading capabilities and talent, enhancing the role of the function, and focusing the team on the right activities and deliverables.

Organization structure alone does not drive a better engagement model.

- ◇ There is a wide variety of organization structures for consumer insight among the companies in our study. Many different structures can be viable.
- ◇ One characteristic of most companies in stages 3 and 4 is that the leader of the insight function holds an executive-level position. In addition, the function is integrated into the business units, and reporting lines both to and from the insight function are strong and effective.

A better engagement model requires a strong connection between line management and the insight function.

- ◇ On average, only 20 to 35 percent of a company's market-research budget is devoted to strategic studies. In addition, many companies do not adequately leverage their consumer insight. More than 70 percent of survey participants said that market research was used to inform new-product development and marketing messages, but less than 40 percent said that it was used for decisions on pricing, promotional activities, or distribution channels.
- ◇ To address this gap, companies in stages 3 and 4 ensure that the insight team has access to senior management and is encouraged to contribute to cross-brand strategic decisions. Insight staff can thus gain a better perspective on critical business issues. At the same time, direct engagement raises the bar for insight team members, requiring their work to yield high impact to the business.

Improving consumer insight is a question not merely of spending more money on research but also of

spending on different types of research and making the most of each study.

- ◇ Only 28 percent of executives currently believe that they spend enough on market research.
- ◇ In looking at research budgets, however, we found no correlation between spending as a percentage of sales and the quality of consumer insight. Rather than spending more, the critical drivers are a better balance of tactical and strategic work and maximizing the value of any spending.
- ◇ Perhaps paradoxically, companies in stages 3 and 4 spend *less* on consumer insight per full-time insight employee. As a result, however, the insight team is not forced to hop from study to study and instead has time to move past process management and more effectively draw out strategic implications through structure and analysis.
- ◇ In addition, these companies tend to make important investments in talent, training, and career development within the insight function.

Some companies have embarked on a transformation journey to modify or enhance consumer insight capabilities.

- ◇ Companies in stages 3 and 4 demonstrate that there is a way to unlock the full potential of this critical function.
- ◇ Success requires changes in behavior and expectations—and not just within the insight function but also on the part of line managers, including CEOs and senior executives.

About the Authors

Mary Egan is a partner and managing director in the New York office of The Boston Consulting Group. **Kate Manfred** is a principal in the firm's Chicago office. **Ivan Bascle** is a partner and managing director in BCG's Munich office. **Emmanuel Huet** is a senior manager in the firm's Paris office and the leader of BCG's Center for Consumer Insight. **Sharon Marcil** is a senior partner and managing director in the firm's Washington office and the leader of BCG's Consumer practice in the Americas. Contact details are provided at the end of the report.



Hearing the Voice of the Consumer

Lossing touch with the customer can drive companies straight out of business. And yet surprisingly few companies turn their market-research efforts into a source of competitive advantage. Although chief executives acknowledge the importance of consumer-centricity, there remains a wide gap between aspiration and reality in most large, consumer-facing companies. Despite efforts to amplify the voice of the consumer, the only thing heard in many boardrooms is a faint echo.

Most consumer-facing companies have staff dedicated to the market research function—or, as many companies have renamed it, *consumer insight*.¹ But name changes notwithstanding, the function continues to be run with an old-world mindset that asks market researchers simply to take orders rather than to act as strategic partners generating game-changing insights. Money is spent on research reports that languish on dusty shelves because the data rarely yield actionable plans. Many companies accumulate such a quantity of research and data that quality is inevitably elusive, each study providing a limited, tactical perspective on the consumer, with little integration or synthesis. The result is a low return on a market research investment that can total hundreds of millions of dollars.

Over the years, we have heard many CEOs and senior executives express real dismay about their companies' consumer insight. As a CEO of a financial services company said, "It *should* pay to know more about our customers, but too often we get a huge data dump without the kind of insight that will drive results." In response to complaints like this, The Boston Consulting Group's Center for Consumer Insight launched a major benchmarking study to determine how consumer insight can be made more effective.

BCG's study was designed to analyze the root causes of gaps in consumer insight and to identify common factors in best-practice consumer-insight organizations. The participants consisted of 40 leading companies (all with revenues greater than \$1.5 billion and many with revenues exceeding \$10 billion) in consumer-facing businesses ranging across the retail, travel, financial services, technology, and consumer goods sectors. We gathered detailed statistics from 35 of the 40 companies, received completed surveys from more than 800 of their global executives, and conducted almost 200 in-depth interviews. (See Exhibit 1.) The survey responses were split almost evenly between the consumer insight function and line management. (See Exhibit 2.)

Our findings indicate that there is a way to unlock the full potential of this critical function. Getting there, however, requires changes in behavior and expectations—and not just within the insight function but on the part of CEOs and senior executives as well. Companies must improve how line management engages with the insight organization, while *concurrently* upgrading that organization's performance. A few companies in the study have progressed all the way to making consumer insight a true source of competitive advantage. Interestingly, the most advanced companies have created such a culture of continuous improvement that they still see ongoing opportunities to realize the full potential of consumer insight for value creation on behalf of the enterprise.

This report describes four stages of consumer insight transformation, backed by data from our benchmarking

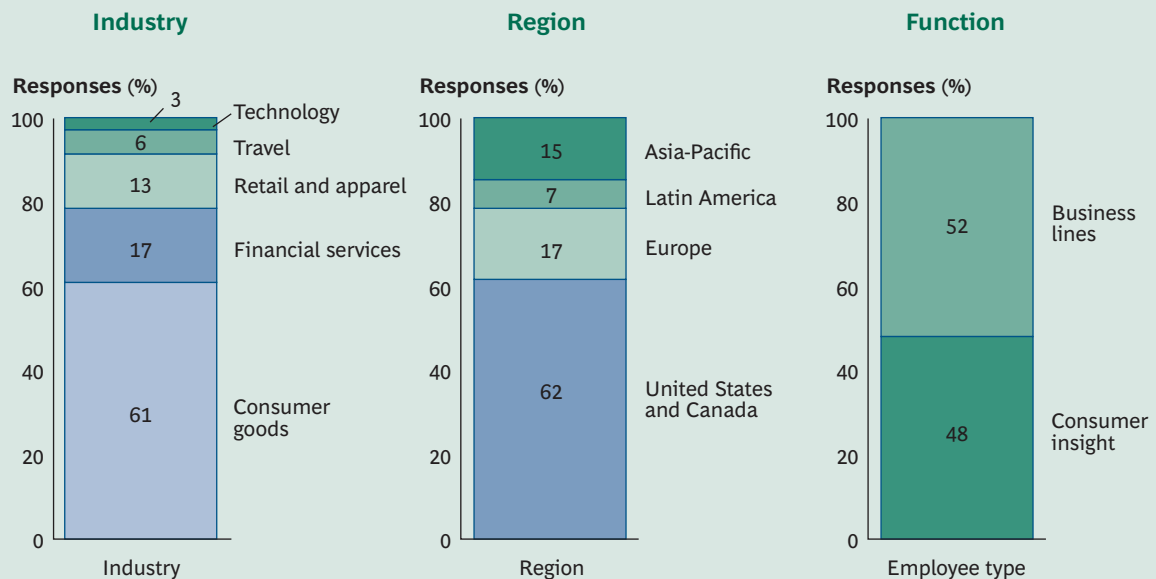
1. For simplicity, we will refer throughout to "consumer" insight. In fact, our report findings encompass market research and all other insights on the end consumer, customer, or shopper, depending on the company.

Exhibit 1. There Were Three Elements to the Consumer Insight Study

	Objective	Source
1 Benchmarking data	<p>Quantitative market-research information</p> <ul style="list-style-type: none"> ◇ Organization structure and reporting lines ◇ Staffing levels and experience ◇ Budget processes and spending levels ◇ General business processes and cross-functional engagement 	Data submitted by 35 of the 40 benchmarking companies
2 Surveys	<p>Perspectives about the market research function and its results</p> <ul style="list-style-type: none"> ◇ Opinions of a range of employees ◇ Perceived ROI on research studies ◇ The effect of specific factors on the utility of market research 	Surveys completed by a total of 819 executives from the 40 benchmarking companies
3 Qualitative interviews	<p>Company-specific challenges and strengths, and clarification of findings from the benchmarking data and survey</p> <ul style="list-style-type: none"> ◇ Drivers and nuances of a company's current situation 	Nearly 200 interviews conducted with executives from the 40 benchmarking companies

Source: BCG analysis.

Exhibit 2. Survey Responses Represented Different Industries, Regions, and Functions



Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: Responses are from 819 survey participants (392 from consumer insight staff and 427 from business line staff); percentages may not add to 100 because of rounding.

study. We also share stories from companies embarking on their own transformation journey. And we suggest some steps that business leaders can take to close the gap between aspiration and reality with regard to the consumer insight function. We hope that senior executives will be inspired to examine their own approaches when it comes to consumer insight, to raise their expectations for the function, and to start a transformation journey. At the end of the journey lies real competitive advantage: in-depth insight into consumer behavior that drives profits.

How Much Does Consumer Insight Matter, Especially Now?

Should consumer insight be put aside for higher priorities in these turbulent times? Our answer is *no*. We believe that deeper insight may actually be priority number one for any consumer-facing company—and even more so in a downturn when consumer discontent is amplified.

Companies can coast along in a booming economy with less-than-perfect insight into consumer behavior because a rising tide lifts all boats. When consumers are in a buying mood, they tend to be less discerning about each of their spending choices, creating room for many companies to capture share. When forced to trim their spending, however, consumers will cut all but their favorites.

Many struggling companies have lost “true north”—the sense of what drove their success when times were good. They have no compass to guide them when making difficult choices about where to cut costs and where to increase investment and innovation, especially during the downturn. As we heard recently from the division head of a leading packaged-goods maker in Asia, “The stark reality is that we live and die by the decisions consumers make throughout the world on a daily basis—and we truly do not yet understand their decision process.”

Why is consumer insight so important now? For one thing, companies are fighting for their share of a shrinking consumer wallet. Despite preliminary signs of improvement in the economy, our research on consumer sentiment shows that 62 percent of consumers in the United States and Japan—and 49 percent of consumers in Europe—plan to decrease their discretionary spending in the next 12 months (by as much as 11 to 14 percent).² Even if the recovery materializes, consumers in developed countries might not return to their old ways of

credit-fueled indulgence for a long time, if ever. Only companies with the sharpest focus on understanding consumer value will retain customers and gain share in this environment.

What’s more, companies are being whipsawed by frequent changes in consumer behavior—some driven by the economy, some not; some temporary and others more enduring. Earlier this year, the percentage of consumers in the United States and Europe who planned to spend more time looking for better prices rose by as much as 20 points over just five months.³ And perceptions change: only a few years ago, bottled water was a sign of healthy living, but today it can be a symbol of environmental carelessness and waste. Rapidly evolving technology has left marketers scrambling to catch up with consumers shifting to new social-media sites and mobile devices. Anticipating these changes in real time is beyond the limits of traditional market research.

We have seen many companies frozen in place—or worse, reacting in panic, making broad pricing and promotional moves in the short term that damage their pricing power over the longer term. In contrast, a European packaged-goods company has outperformed its peers during the past year because it proactively developed a range of price points in select categories and adopted a highly dynamic approach to consumer insight during the crisis. Another global packaged-goods maker, facing pressure from retailers to lower prices, exploits superior shopper insight: managers use proprietary data to optimize pricing decisions across brands, SKUs, and regions. They know which items have high loyalty, ready substitutes, or tough competition—allowing them to tailor the depth and frequency of price promotions with a high level of precision to optimize both margins and sales.

From inspiring innovations to testing new pricing strategies, from repositioning brands to exploring a new market, and even from reducing product costs to strengthening the supply chain, there are few business decisions that cannot be better informed by a deeper understanding of consumer behavior. Generating and exploiting superior consumer knowledge is a capability that can yield immense impact.

2. BCG’s Consumer Sentiment Barometer, September 2009 (814 respondents in the United States, 886 respondents in Japan, and a total of 4,993 respondents in France, Germany, Italy, Spain, and the United Kingdom).

3. Ibid.

Yes, some companies can and do achieve excellent financial results for a while without strong consumer-insight capabilities. They generally rely either on a unique individual's (often a company founder's) intuition as a substitute for consumer insight or on flawless execution that makes the most of their assets (such as supply-chain-driven cost advantages, go-to-market advantages, or a legacy market share). In our experience, however, the upward trajectory of these companies eventually flattens out, leaving them vulnerable to competitors that realize how an execution advantage multiplies when combined with a consumer insight advantage.

Consumer-Centric: Only a Buzzword?

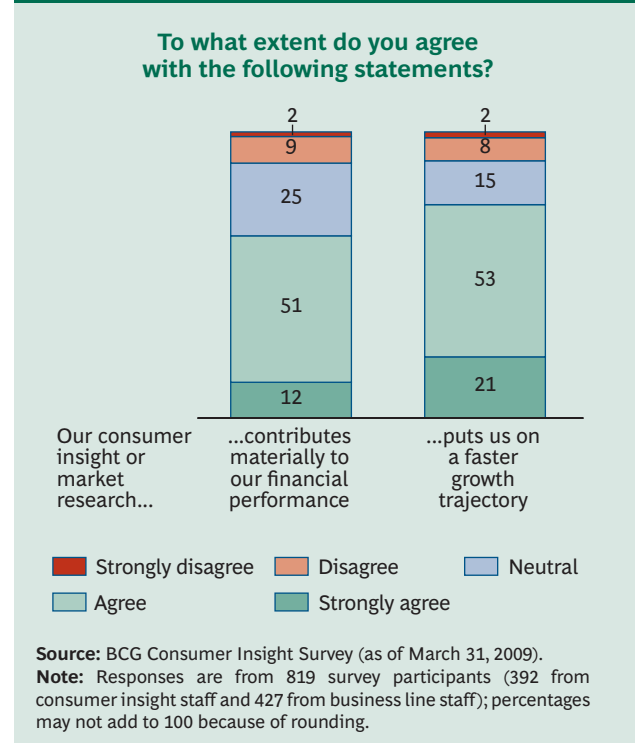
In their mission statements, annual reports, and Web sites, almost all of the companies in our study talk about understanding and meeting customer needs. In our survey, a large majority of executives indicated that market research contributes materially to their financial performance and growth. (See Exhibit 3.)

Yet most companies still face challenges in consumer insight. Only 35 percent of executives described themselves as “best in class” and only 41 percent described their consumer-insight capabilities as “a source of competitive advantage.” (See Exhibit 4.) Only one-third of respondents considered their company to be above average in turning consumer insight into innovative products or services.

The complaints and frustrations are numerous—as reflected in the wide range of responses to our survey question about the challenges to achieving world-class insight. (See Exhibit 5.) We also heard a number of common themes in our interviews:

- ◇ **Data Overload:** “I am so tired of getting reams of data from the research work...I need to know the one or two key learnings that affect my brand, and a high-level recommendation on what I should do next.”
—Brand manager in the travel industry
- ◇ **Lack of Integration:** “Our consumer research does not sufficiently explain why we are performing the way we are relative to our competitors...What I really want is something that tells us our financial performance is X because the consumer thinks and behaves like Y.”
—Marketing vice president in a packaged-goods company

Exhibit 3. Companies Say That Consumer Insight Drives Growth and Financial Performance

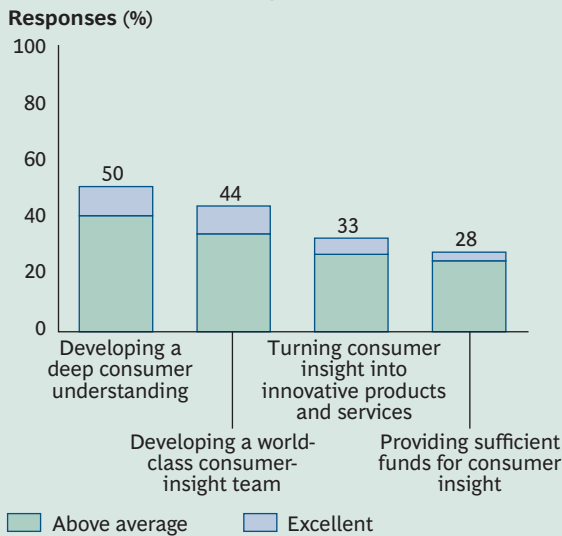


- ◇ **Reactive, Tactical Approaches:** “I would like to see us beyond executional reactions to the marketing department’s questions—I think a truly strong research organization drives learning by finding gaps that no one is currently considering and then investigating them to create a business opportunity.”
—Consumer-insight staff member in a packaged-goods company
- ◇ **Lack of Prioritization:** “We talk about customer preferences, choice, satisfaction, and needs, but those things take a back-seat position to things that we’re more comfortable with, such as profitability; to win, we have to address the consumer head-on.”
—Business-unit leader in the financial services industry

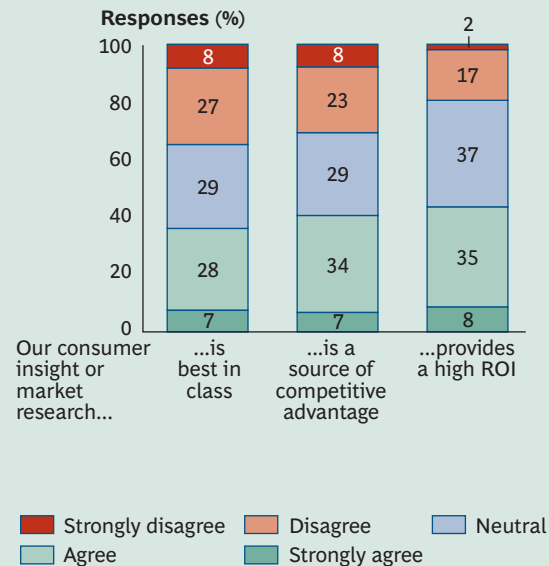
As these comments show, experiences and perceptions in many companies can set up an implicit tradeoff between developing better insight and driving the business—instead of seeing insight as a *critical means* to driving the business.

Exhibit 4. Most Respondents Agree That the Consumer Insight Function Needs Improvement

How strong is your company's current performance in each of the following consumer-insight capabilities?



To what extent do you agree with the following statements?

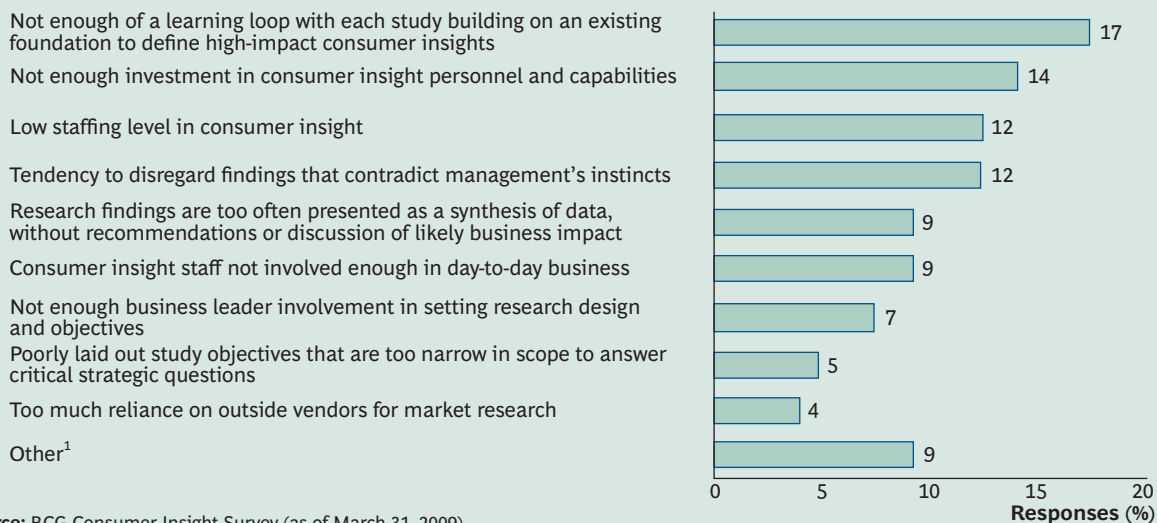


Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: Responses are from 819 survey participants (392 from consumer insight staff and 427 from business line staff); percentages may not add to 100.

Exhibit 5. There Are Many Challenges in Achieving World-Class Consumer Insight

What are the primary challenges that your organization faces in achieving world-class consumer insight?



Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: There were a total of 819 responses (392 from consumer insight staff and 427 from business line staff); responses here are from the 90 percent of survey participants who believe that their company faces challenges in achieving world-class consumer insight.

¹Includes responses such as "small sample sizes" and "insufficient reliance on vendors for market research."



From Cost Center to Source of Competitive Advantage

Our study identified four main stages of consumer insight along a continuum that runs from the consumer insight function in an order-taking role to consumer insight as a source of competitive advantage. (See Exhibit 6.) In stage 1, for example, traditional market researchers have a limited role, mainly responding to specific requests for data or market analysis. In stages 3 and 4, by contrast, the company has evolved into a strategic insight organization. (The Appendix provides a more detailed description of the various stages.)

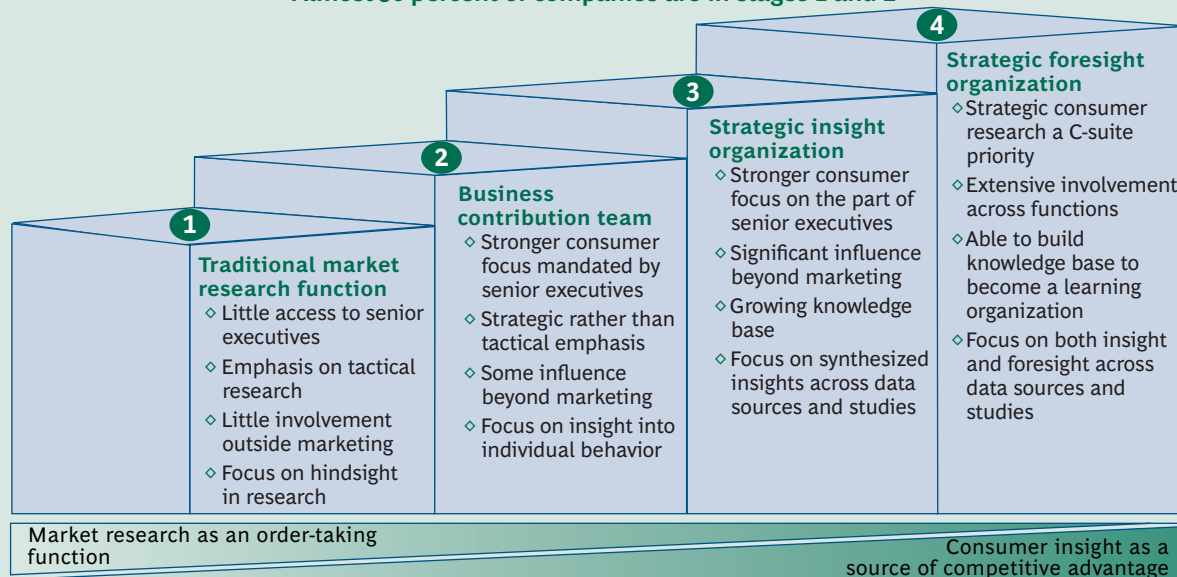
- ◇ *Stage 1: Traditional Market Research Function.* At companies still in this stage, consumer insight teams have little access to senior executives. Only the marketing function tends to engage actively with consumer insight staff, while other functions—such as product development or sales—do not. The mix of market research is highly skewed toward tactical work, such as focus-group testing of proposed advertising copy. The insight team in stage 1 typically works as a service provider to the business, interacting in a project-driven fashion to produce data and respond to requests from line managers for custom research, taking leadership only on standard annual research such as brand tracking. The limitations of stage 1 are evidenced by a comment from a CEO who referred to the insight team as “the sample-size police in the back room...focused on which research is and is not valid rather than providing meaningful business advice.”
- ◇ *Stage 2: Business Contribution Team.* In stage 2 companies, senior executives project an expectation of a stronger consumer focus, and the consumer insight team has greater access to the business units and senior leaders. The mix of research studies is therefore

likely to be more strategic—for example, finding “white space” for product line extensions. The research output is not only data but also a set of business recommendations. However, the focus is still on producing individual research studies. And these are often developed and analyzed in isolation from other strategic foundations—such as an understanding of profit drivers and knowledge about what underlies competitors’ success—which limits their impact and potential. The insight team meets with line management mainly in a transactional mode on specific research studies.

- ◇ *Stage 3: Strategic Insight Organization.* Senior executives in stage 3 companies also believe that consumer insight should guide major decisions. At these companies, however, engagement in consumer insight crosses functional lines to ensure that not only sales and marketing decisions but also R&D, supply chain, distribution, real estate, and technology decisions reflect the end consumer. Stage 3 organizations develop synthesized, business-unit-specific recommendations that leverage multiple sources of data, including—but not limited to—consumer insight. The insight function tends to enjoy greater autonomy, budget authority, and influence over its research agenda. In addition, stage 3 organizations have a very different approach to professional development for the insight function. Consumer insight staff are hired, trained, and rotated into a high-performing team that includes a diversity of career backgrounds. Their managers value critical thinking and business judgment as much as they do technical research skills. They are integrated into the day-to-day fabric of the line management meetings rather than limited to episodic, study-focused interactions. Outside the insight function, the CEO has made

Exhibit 6. The Insight Function Is Poised for Transformation from a Cost Center to a Source of Competitive Advantage

Almost 90 percent of companies are in stages 1 and 2



Sources: BCG Consumer Insight Benchmarking (May 2009); press searches; company Web sites; analyst reports; BCG analysis.

strategic research a priority, as reflected in budgets, engagement levels, and the visibility of research results across functional lines. Translating detailed knowledge about the consumer into business implications, the consumer insight team and line management come together to form a learning organization with a growing knowledge base that brings them closer each year to the minds and hearts of their targets.

- ◇ *Stage 4: Strategic Foresight Organization.* Still only an aspiration for most companies, stage 4 requires embracing stage 3 characteristics and going a step further—by applying stage 3 approaches not just within each business unit but also across the broader corporate portfolio. The consumer insight function will have a corporatewide mandate that extends across business units and influences cross-firm decisions, such as acquisitions, prioritization of brands and markets, and resource allocation. And a synthesis of insight sources will be used not just for near-term decisions but also for foresight and prediction, to anticipate and leapfrog competitors on all fronts.

Almost 90 percent of the benchmarked companies in our study are still at stages 1 or 2 and follow a more tradi-

tional approach to market research. However, a few leading-edge companies have reached more advanced levels, consistently operating in stage 3 and occasionally rising to stage 4. And quite a number of companies demonstrated a mix of stage 3 or 4 features and stage 1 or 2 features—with, in some cases, significant plans for upgrading their capabilities. (To see where your company lies along the journey to true insight advantage, see the sidebar “Insight Quiz.”)

Importantly, the stages do not represent an assessment of the insight team’s performance but rather an articulation of the expectations for the role of the insight function as manifested from day to day in the business. Within each stage, there are companies that perform better or worse relative to these expectations. For example, data accuracy is not a given at all stage 1 companies—the quality of data varies among companies. Likewise, some stage 1 insight functions that deliver accurate data and timely projects are perceived as high performing by line managers with a traditional set of expectations for the function. Achieving greatness, however, involves raising the aspirations for and expectations of the insight function and ensuring that these aspirations and expectations are understood by both line management and the insight team.

Insight Quiz

The following questions can help determine where a company lies on the consumer insight continuum. (For a detailed diagnosis, managers may wish to participate in the full benchmarking exercise.)

- How involved are senior managers in consumer insight?
 - Largely uninvolved
 - Call on the insight team for input to some business issues
 - Incorporate insight into the overall strategic agenda for each brand or business unit
 - Use consumer and customer needs to help set the corporate agenda across business units, brands, and regions
- What is the scope of consumer insight work?
 - Validating new-product development and advertising copy only
 - Assessing purchase drivers, shopper insight, and marketing mix, plus “a”
 - Guiding strategies for growth, pricing, and promotion, plus “a” and “b”
 - All of the above, plus driving businesswide corporate-strategy decisions and M&A
- What level of resources does the consumer insight function have?
 - Limited budget and head count
 - Adequate budget and head count
 - Adequate budget and head count, but with higher talent levels and an appropriate level of budget that enables meaningful strategic engagement (versus process or project management)
 - Optimal budget and head count; universally high performance levels
- How would you describe the “look and feel” of the consumer insight process?
 - Ad hoc processes, with market research usually brought in at the tail end of initiatives
 - More defined processes and roles, with market research beginning to help shape initiatives
 - Clear ownership of all pieces of research, with market research always involved in shaping initiatives at the front end, often scoping new research needs and having an ongoing, synthesized knowledge base
 - Clear end-to-end ownership of the market research agenda, with market research driving, catalyzing, and suggesting many business initiatives
- What is the desired profile when hiring and developing consumer insight staff?
 - Technical research skills sought in hiring and research skills developed
 - Both technical skills and broader business skills sought and developed over time
 - Deep technical skills sought from most staff members; conceptual, analytic, and strategic capabilities highly valued (sought in hiring and developed with training)
 - Conceptual, analytic, business, communication, and leadership skills highly valued (sought in hiring and in professional development)
- What are the deliverables for consumer insight?
 - Findings from each specific research study
 - Actionable business recommendations from each study that have traction with the business
 - Integrated findings that leverage consumer insight built over time—and that also incorporate and reflect an economic understanding of the business drivers, the competitive landscape, and why players perform as they do
 - An integrated, forward-looking corporate strategy—including insight, economics, competitive landscaping, megatrends, and scenarios
- How does the company define the role of the consumer insight team?
 - Providing data and findings; being responsive to custom research requests; ensuring accuracy of results
 - Providing data, findings, and insight—the “so what?” from findings
 - Driving results through business insight (economic drivers, issues, and trends)
 - Creating competitive advantage and improving corporate return on investment

A majority of “a” answers indicates a traditional market-research function (stage 1); a majority of “b” answers indicates a business contribution team (stage 2); a majority of “c” answers indicates a strategic insight organization (stage 3); and a majority of “d” answers indicates a strategic foresight organization (stage 4).

Many Rewards at the Top

In our experience, there are many benefits for companies that reach or exceed stage 3. One very visible impact is seen in *marketing effectiveness*. Companies above stage 2 are better equipped to develop breakthrough communication strategies grounded in true consumer and shopper needs. Leveraging consumer data gives them better pricing and promotion capability. For consumer goods companies, a compelling perspective on shopper insight can translate into strategic partnerships with top retail customers. Stage 3 and 4 consumer-goods companies leverage their superior shopper insight to win “category captain” status without overinvesting in promotional funding with retailers. As a result, resources are freed up to be spent on marketing more directly to consumers.

In addition, stage 3 and 4 companies benefit from *better innovation*. When innovation is grounded in true insight into unmet consumer needs, it has a much higher impact—and new-product introductions will have lower failure rates. This translates into less risk for the company and a much higher return on innovation spending.

Finally, stage 3 and 4 companies see steady *market share gains* over the long term. Deep consumer knowledge helps these companies both to fully understand the drivers of consumer awareness, initial trial, and repeat purchase and to address the critical mysteries of their business: Why are customers more loyal to the competition? Why do they pay more for other offerings? Why isn’t traffic growing? Why do some competitors perform better than others? Whatever their business trajectory, these companies establish a direct connection between consumer sentiment and financial performance—the essence of insight—to capture more than their fair share of wallet from within their core consumer segment.

Taken together, these tangible benefits add up to the ultimate reward—a better *return on investment*. Procter & Gamble’s 2009 annual report describes how the consumer giant thinks about its investment in consumer insight: “No company in the world has invested more in consumer and market research than P&G. We interact with more than five million consumers each year in nearly 60 countries around the world. We conduct over

15,000 research studies every year. We invest more than \$350 million a year in consumer understanding.” With many companies similarly spending tens of millions of dollars each year on research, and with entire departments dedicated to consumer insight, senior management has a strong interest in ensuring that this money and effort do not go to waste.

Two Sides to Every Story

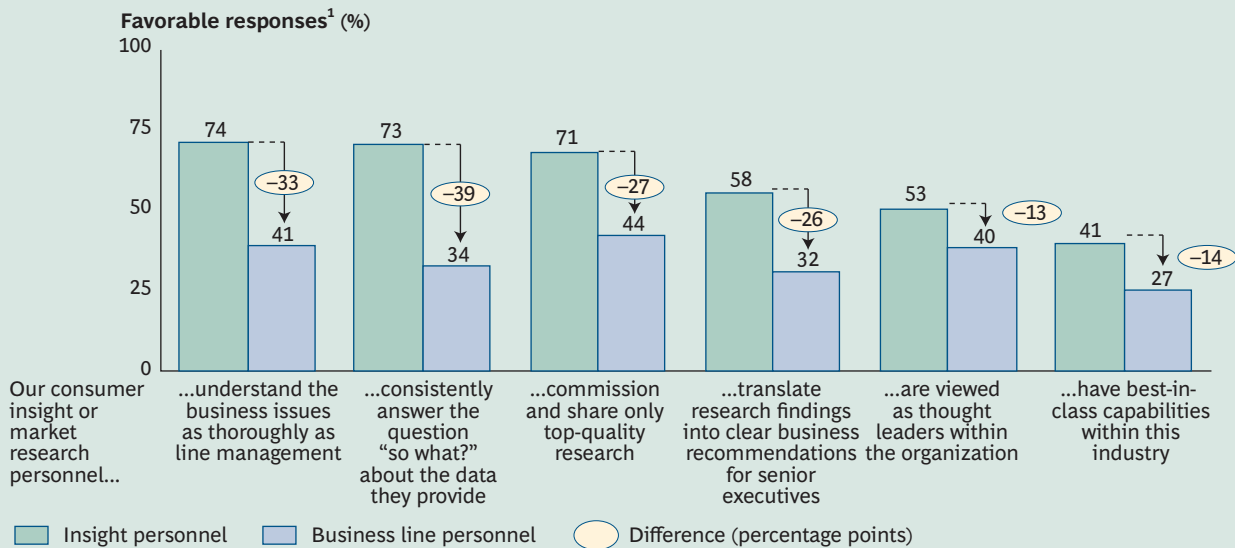
Describing the four stages of consumer insight is easy. Getting from one stage to another, however, is not. We listened closely to our respondents’ stories—some of success, some of struggle—to help companies understand what needs to change in order to make consumer insight a source of competitive advantage.

Our research revealed that insight staff and line managers share a high level of frustration about the current situation. This frustration manifested itself differently, however, in how the two groups perceived the current situation and in what they saw as the root causes of the gap between current performance and the potential to unlock the full value of insight.

Business leaders tended to blame the gap on the insight team’s performance. For example, when asked whether consumer insight teams “consistently answer the question ‘so what?’ about the data they provide,” our survey respondents showed a stark divide: 73 percent of insight staff said yes, but only 34 percent of the business staff agreed. (See Exhibit 7.) Similarly, while 71 percent of insight staff said that they commission only top-quality research, less than half (44 percent) of their business partners felt the same way. Notably, this perception gap narrows as companies migrate beyond stage 2.

Meanwhile, on the consumer insight side, we heard a different concern about the business unit teams: their lack of engagement in the research process. Only about one-third of insight staff felt that business sponsors were sufficiently involved in determining the scope and objectives of research studies. (See Exhibit 8.) Fewer than half (41 percent) thought that business leaders would pass a “pop quiz” on important facts about consumers. In our conversations, insight executives described feeling like second-class citizens. According to one senior vice president of global insights, “We could have avoided some major misses if the business development team had come and asked

Exhibit 7. Line Management Perceives a “Capability Gap” in the Insight Function



Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: Responses are from 819 survey participants (392 from consumer insight staff and 427 from business line staff).

¹Percentage of “strongly agree” or “agree” responses to the statement provided.

us for our feedback on the consumer perception and brand strength of different [acquisition] targets.” Below stages 3 and 4, consumer insight suffers from the curse of low expectations from line management.

So the business leaders’ side of the story goes something like this: “We know there is a gap in consumer insight, but only because the insight team doesn’t understand the business and therefore does not tell us anything meaningful. The fact that ‘our average user is 42 years old’ just isn’t helpful at all.” Meanwhile, the insight leader tells a different story: “We know there is a gap in consumer insight, but that is because the business leaders don’t invite us to meetings, so we are not intimate enough with the business to craft the best research or to ensure that our findings are properly leveraged.”

As usual, both perspectives on the situation have merit. And most important, the future direction lies in realizing that the two sides are tightly linked and that the issues they raise need to be addressed simultaneously.

Exhibit 8. The Insight Team Perceives an “Engagement Gap” Within Line Management



Source: BCG Consumer Insight Survey (as of March 31, 2009).



Closing the Gap

A Two-Sided Evolution

The gap in perception between business and insight personnel illustrates two important drivers of success: the *engagement model* between line management and the insight function and the *performance of the insight function*. Addressing these two issues jointly is the only way to close the gap between the current reality of consumer insight and its potential. (See Exhibit 9.)

Ultimately, the insight team will need people who *can* and *will* reinvent the role of consumer insight—and thus raise the level of strategic input and output. For managers of the insight staff, it is time to upgrade. Rather than simply valuing technical skills, they must broaden their recruiting criteria and seek a greater diversity of backgrounds to shape the ability to translate data into strategic implications. They must also raise expectations about what constitutes success—integrated work that reflects a holistic understanding of the business and has meaningful financial impact.

The head of consumer strategy at a packaged-goods company summarized some of the challenges as follows: “We have for far too long had insight staff sitting in the back seat of the car criticizing the journey. In fact, they need to be in the front seat where they can see the road and help the driver reach the destination. But the same skills that made them good passengers don’t translate to being good drivers or navigators.”

At the same time, if the insight team is ready to participate in the conversation, they should be given a seat at the table. Greater involvement with the business should enhance their output and also give their insight and recommendations ample chance to be applied. Line managers need to have the right vision regarding the insight team’s role and

to develop a partnership approach. They must become more receptive to the insight team’s findings (even the ones they don’t want to hear). And they must include research data more broadly as an input to strategy, innovation, acquisitions, and other high-level decisions.

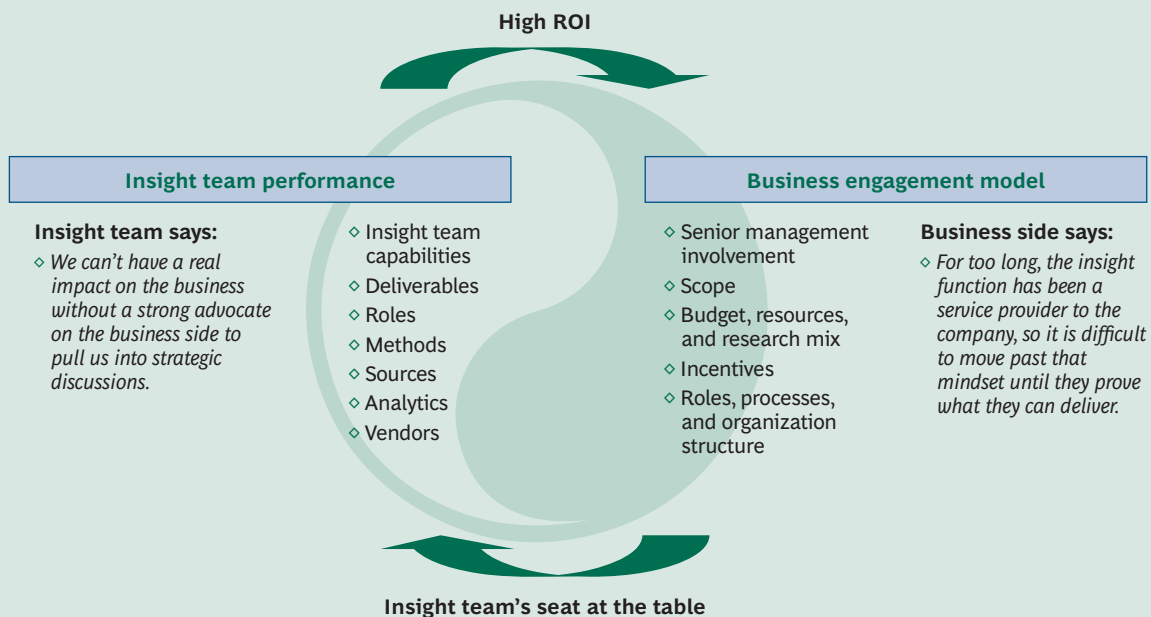
Improving the Engagement Model

The engagement model reflects the strength and quality of the functional connections between the line managers and the individuals dedicated to the insight function. Our research debunked the myth that the organization structure drives the engagement model. With a few exceptions, many different organization structures can work effectively provided that they incorporate certain principles.

The Myth: Organization Structure “Makes or Breaks” the Engagement Model. Many of our study participants, frustrated by the ineffective functional connections between line management and the insight teams in their companies today, believed that the organization structure was the pivotal issue. In fact, we found that a wide variety of structures can yield strong value and competitive advantage from consumer insight. Each structure has strengths and weaknesses when it comes to supporting the optimal engagement model. (See Exhibit 10.) Best-practice companies developed work-arounds to compensate for any structural weaknesses.

Most companies follow a matrix model in which an individual in an insight function has dual reporting lines to both a line manager on the business side and a functional insight leader. We found that whether the dominant (or “solid”) reporting line was to insight leaders or business line managers was not a driver of effectiveness; there are effective organizations with both approaches. We also

Exhibit 9. Transformation of the Consumer Insight Function Requires Change in Two Dimensions



Sources: BCG Consumer Insight Benchmarking (May 2009); BCG analysis.

Exhibit 10. There Is No "Best" Organization Model for Consumer Insight

	Consumer insight team housed within business units			Central consumer insight team	
	Reports to marketing within unit	Reports to business unit president	Matrix mode	Reports to central marketing	Reports to CEO or VP of strategy
Companies using model	6	3	3	17	6
Offers access to senior management that informs cross-brand, strategic decisions	●	●	●	●	●
Moves beyond the scope of marketing	●	●	●	●	●
Prioritizes strategic research and provides a basis for rejecting certain projects	●	●	●	●	●
Strongly embeds the insight function within the business entity	●	●	●	●	●

Source: BCG Consumer Insight Benchmarking (May 2009).

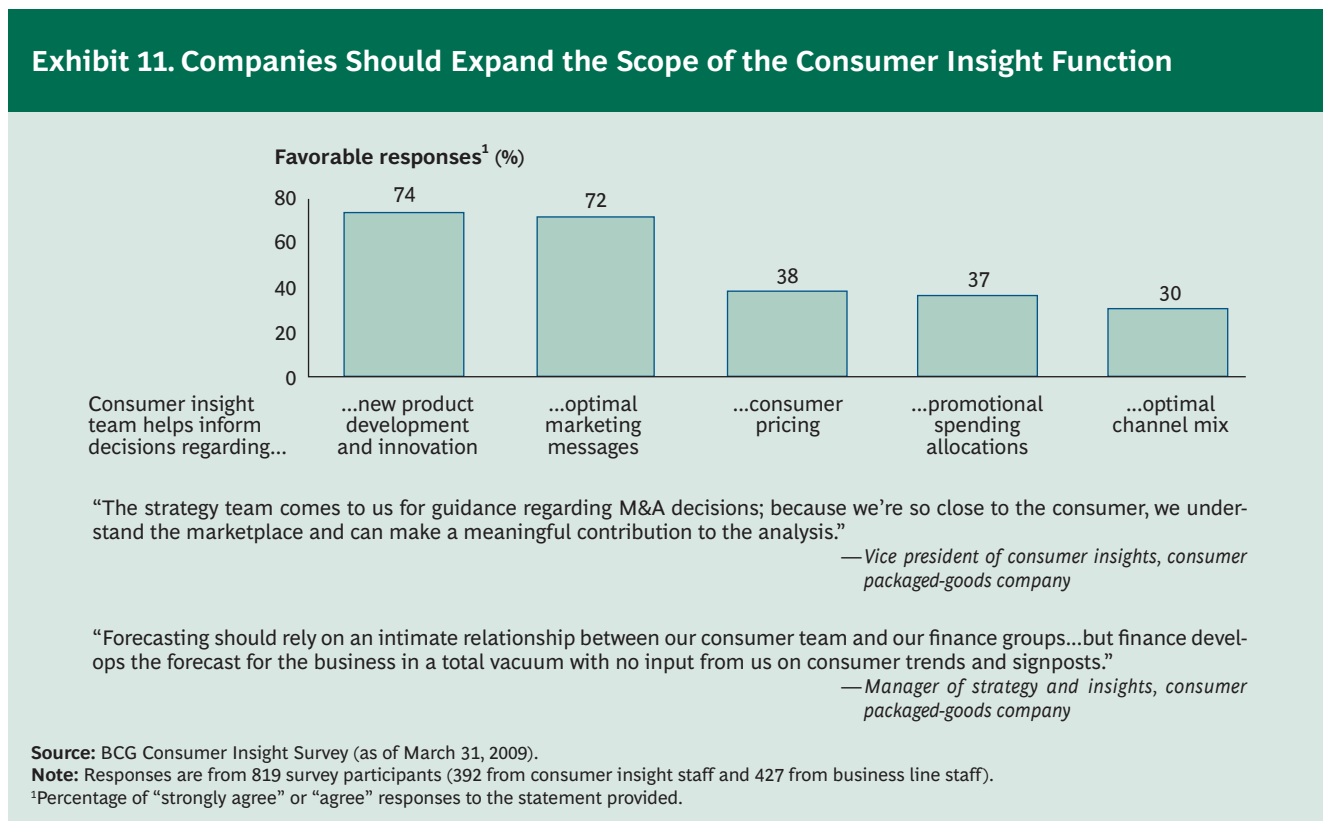
found that whether the insight function ultimately reports to marketing, business development, strategy, or a business unit was not a deciding factor in the insight team’s effectiveness.

The one model that we found ineffective (and that was also preventing some organizations from moving past stage 1) had insight staff reporting directly to the business unit while reporting to a central insight leader on an informal, dotted-line basis that was “so dotted as to be almost invisible,” as one participant put it. In this model, junior insight personnel lack appropriate coaching and development support on insight skills. They also have no objective functional hierarchy for resolving any roadblocks in translating consumer insight into improved business performance.

One characteristic of most companies in stages 3 and 4 is that the leader of the insight function holds an executive-level position. This enables the insight team both to engage holistically in the business (and, in stage 4, across the entire portfolio of businesses) and to represent the voice of the consumer in critical strategy conversations about the future direction of the company.

The Reality: Four Key Tenets for Improving the Engagement Model. What can managers do to improve functional connections and engagement between line managers and the insight team? Our benchmarking analysis suggests four key tenets.

- ◇ *Ensure an appropriate interface with senior executives.* The insight team must have access to senior management and should be encouraged to contribute to cross-brand strategic decisions. At one financial-services company, the chief executive kept the insight team focused: “The CEO wants us to fully research only what matters to consumers and not waste time on issues that the consumer just does not care about.” At the same time, direct engagement raises the bar for insight team members, requiring their work to go beyond basic tactical implications and yield high impact to the business.
- ◇ *Move beyond a narrow marketing scope.* Many companies do not leverage consumer insight for all its potential applications. More than 70 percent of our survey respondents said that market research was used to inform new-product development and marketing messages. (See Exhibit 11.) By contrast, less than 40 per-



cent said that it was used for decisions on pricing, promotional activities, or distribution channels. Companies moving from stage 3 to stage 4 have gone a step further—taking insight from a business-unit-level lens to a broader corporate perspective.

- ◇ *Prioritize strategic work and exercise the ability to say “no” to some projects.* The vast majority of market research budgets are devoted to tactical studies with a backward-looking, short-term focus (such as syndicated sales tracking or consumer panel testing on small changes to advertising copy) or to purchasing reams of data (only a fraction of which is leveraged to drive business decisions). While the involvement of senior executives is important, it can have unintended consequences if their directives are not balanced by overall insight priorities. A director of consumer insight in a consumer goods company told us, “Senior leaders ask about research, but in such a way that it can hold us back as a function. For example, when our CEO asked whether we had researched the color in the corner or the size of the logo on the packaging, it led the team to believe that every decision required its own research, completely skewing our research mix to the tactical

side and overwhelming our insight team.” In fact, a majority of respondents agreed that they spend most of their time and effort in the insight function on decisions with near-term impact. Budgets reflect this reality. Only 20 to 35 percent of research budgets are devoted to strategic work such as brand positioning, deep-dive qualitative research in the field, or customer segmentation. (See Exhibit 12.)

- ◇ *Strongly embed the insight team in the business unit.* Several of the companies in our study have close links between the business units and the insight function—whether driven by organization structure or created through role definition and processes. Removing the insight staff from an isolated silo greatly increases their ability to remain abreast of key business-unit issues, conduct research that effectively addresses those issues, and provide actionable recommendations. Insight teams in stages 3 and 4 are ongoing partners with each business unit, regularly participating in meetings and discussions across a wide range of topics rather than simply interacting on a study-by-study basis to establish objectives and scope and then present findings when completed.

Exhibit 12. Most Research Today Is Tactical Rather Than Strategic

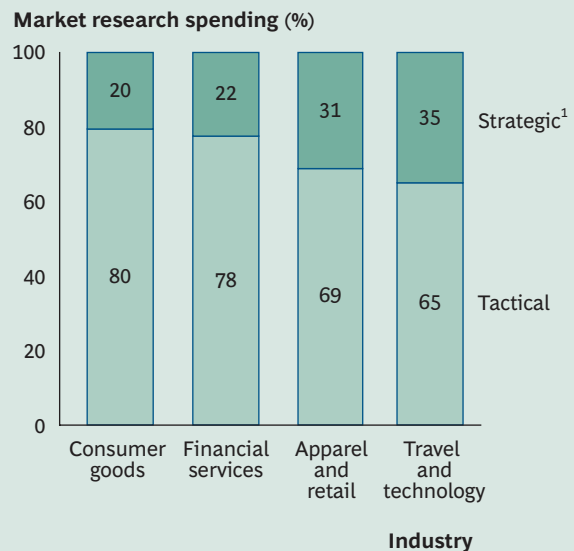
We spend the majority of consumer insight time and effort on decisions with near-term impact

59

We focus too much on studies to answer specific tactical questions and not enough time studying strategic questions

40

Favorable responses (“strongly agree” or “agree”) from consumer insight staff only (%)



Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: Responses are from 819 survey participants (392 from consumer insight staff and 427 from business line staff).

¹Strategic research includes quantitative studies (attitude and usage, pricing and promotion studies, market structure, and brand positioning), qualitative studies (ethnography, in-house test facilities, in-facility focus groups, and one-on-ones), and shopper insight studies.

We spoke to several companies that are working on improving the engagement model. One company described an important change to their product-development process whereby managers now engage the consumer insight staff at much earlier stages: “Today, the insight business leader is at the front of the innovation process, helping define the business opportunity and subsequent innovation and acquisition platforms. Five years ago, we defined the business opportunity, conducted a market assessment, developed concepts—and only *then* went to the insight team for testing of the concept. We would never do that now.” Another company has recently decided to rethink its insight organization to better balance deep business-unit ties with cross-firm impact. (See the sidebar “The Organization Model Is No Silver Bullet.”)

Improving Your Insight Team’s Performance

Our research also debunked the myth that what drives insight performance is the amount of insight spending as a percentage of company or brand sales. We found that a more meaningful differentiator is the amount of spending on market research studies per full-time employee (FTE) in the insight function—and that spending per insight FTE actually *declined* as companies moved across the continuum from stage 1 to stage 4. Below we explore some of the reasons for that finding. We also detail some key characteristics of insight talent and the scope of research that helped to differentiate companies across the continuum.

Spending and Resource Levels. Although companies spend many millions of dollars on consumer insight, these expenditures still amount to only a small percentage of sales. Inadequate funding surfaced in many of our interviews as an obstacle to success: only 28 percent of executives currently believe that they spend enough on market research. (See Exhibit 13.) However, we found no correlation across companies between spending as a percentage of sales and the stage of the insight function.

The answer is to make better use of available dollars—shifting to a better balance of tactical and strategic work or reallocating money to new areas of research. The cost of additional research is not always indicative of its value; for example, tactical industry-panel data may be expensive but unavoidable, while an exploratory qualita-

The Organization Model Is No Silver Bullet

Years ago, during a major reorganization effort, a *Fortune* 500 company reoriented its insight staff to focus almost exclusively on the business units. Each business unit was assigned a very senior insight leader, who reported on a direct basis to the business unit president and on a dotted-line basis into the central consumer-insight function. This structure enabled the insight leaders to elevate the visibility of their insight teams, forge close relationships with their business-unit partners, and even recraft the consumer insight role. In this new role, the insight team did more synthesis across studies and developed recommendations that drove the financial performance of their business units.

But senior management soon realized that each business unit was building similar capabilities in forecasting, analytics, shopper insight, and so forth. In other words, the units were not capturing any companywide scale benefits. Also, the impact of each insight team was limited to its own business unit; the teams were not structured to drive corporatewide decisions.

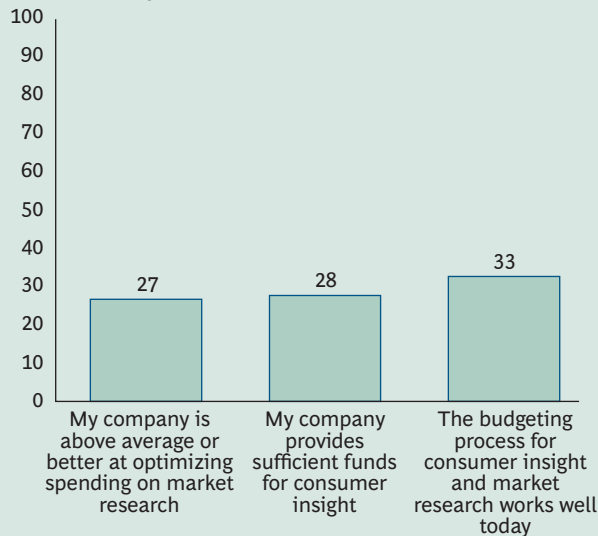
As a result, the company is currently transforming its organization once again. They are strengthening the central insight function and developing pillars of expertise that can support both the business units *and* corporatewide strategy. This second wave of change has three goals: simplify the insight function by clarifying what the insight teams do and don’t do, capture scale benefits across the business units, and incorporate more of the stage 4 “strategic foresight” behavior that can drive decisions across the full range of a company’s brands and business units.

tive-interview series may be relatively cheap and an easy add-on. Improving the research allocation, however, will require a hard look at the budgeting process, which only one-third of respondents said works well today.

Interestingly, we found that spending per insight FTE declines as companies move from stage 1 to stage 4, suggesting that the engagement model is improved by more

Exhibit 13. There Is a Clear Opportunity to Improve the Budget Process

Favorable responses¹ (%)



Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: Responses are from 819 survey participants (392 from consumer insight staff and 427 from business line staff).

¹Percentage of “strongly agree” or “agree” responses to the statement provided.

- 50 We often dynamically reallocate the consumer insight and market research budget in a given fiscal year to reflect the latest business needs
- 47 Business units or product categories with the most upside are allocated the most research resources (personnel and/or dollars)
- 53 Our budget process could be improved if we more actively coordinated consumer insight and market research spending levels across departments
- 64 The budget for consumer insight and market research is generally last year’s budget plus or minus a small percent
- 36 The budget for consumer insight and market research is one of the first to be cut if the business is not meeting its financial objectives for the year
- Favorable responses (“strongly agree” or “agree”) from consumer insight staff only (%)

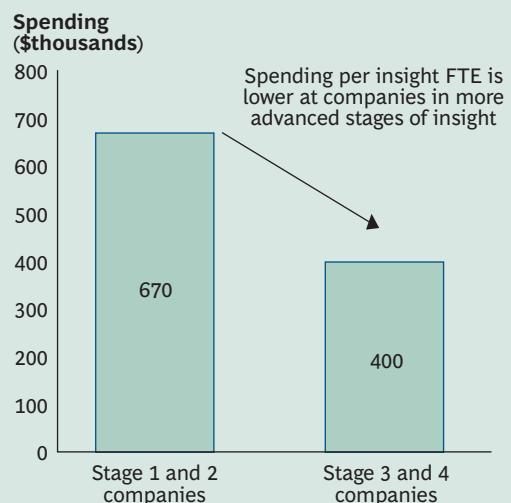
focused spending on research and a greater corresponding investment in talent. (See Exhibit 14.) Because of relatively higher spending per insight FTE at companies in stages 1 and 2, the insight team is forced to hop from study to study and to focus on process management rather than drawing out strategic implications. It also results in one-off, study-driven interactions between insight teams and line managers rather than an ongoing partnership.

Investment in People. Giving the insight team a seat at the table—through a better engagement model—both requires and enables them to rise to the occasion. This means upgrading the performance of the insight organization by addressing such issues as hiring and talent, career paths, and training.

Hiring and Talent. Rather than a bigger research-study budget, a better place to invest is in robust insight-team staffing. Companies in stages 3 and 4 spend more on people who can prioritize, direct, analyze, synthesize, and translate research into business impact and implications, rather than spending more money just to get more reams of data. Only 38 percent of business executives currently

Exhibit 14. Companies in Stages 3 and 4 Spend Less on Research per Employee

Market research spending per full-time employee in the insight function



Source: BCG Consumer Insight Benchmarking (May 2009).

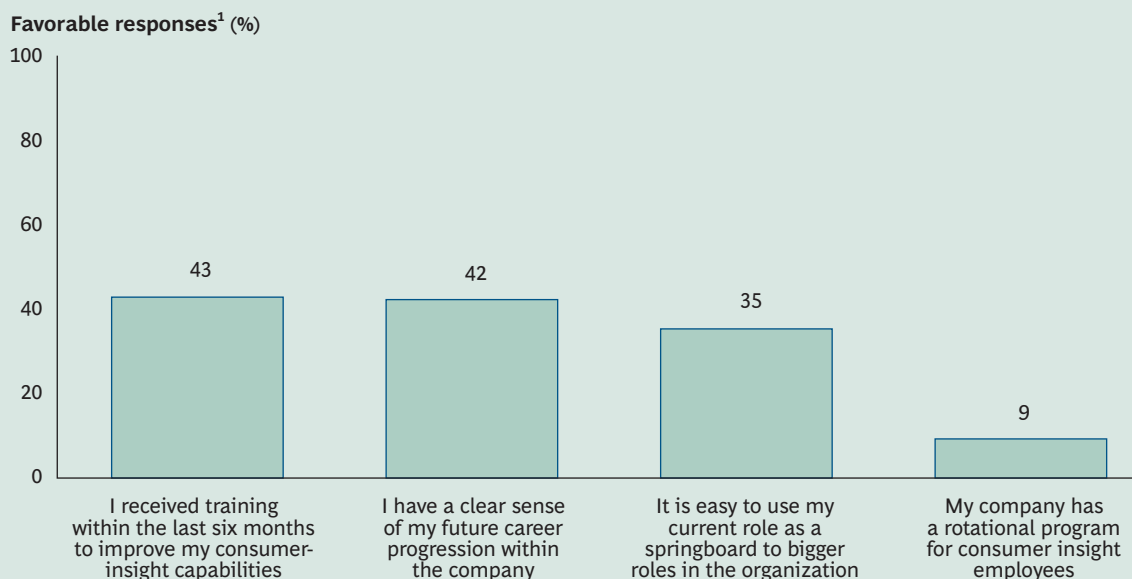
agree that their company does a good job recruiting talented insight personnel. Traditionally, this function has hired mainly experts in statistical methods and research techniques, but the rules are changing as the role of the team expands. In fact, there is no single profile needed within the consumer insight function; today the best approach is a mix of generalists and technical specialists. One head of analytics told us, “I’ve staffed my team with psychologists, anthropologists, statisticians, finance people, and people from market research houses on the premise that you can’t have only one type of thinker to untangle today’s complex issues.” It is equally important to set a high bar for strategic business acumen, leadership, and communication skills. “For too long, we have perpetuated the myth that only a market research specialist can do this job...and we end up with statisticians rather than business-minded people who can understand and address implications,” explained a senior vice president of insights. Having enough people—and even more important, the *right* people—ensures that the insight team is optimized to deliver a full consumer understanding.

Career Paths. One of the challenges faced by the insight function in attracting and retaining a broad and deep

pool of talent is the overall engagement model and the attendant career path. Companies with high-performing insight functions make it easier for individuals to transfer between the insight function and line management roles. For example, the new CEO of Seventh Generation, Chuck Maniscalco, and the current CEO of Kraft Foods, Irene Rosenfeld, both began their careers in consumer insight before advancing to division leadership roles and ultimately to the top. This fluidity of movement not only enhances company effectiveness across functions but also sends a strong signal to potential recruits that there is not a “glass ceiling” for the insight team.

Training. There is room to enhance capabilities among existing staff simply through professional development. Less than half of consumer insight staff in our survey had received any training in the past six months to improve their skills, and almost none were given access to a rotational program that might help broaden their business understanding by working in various areas of the company. (See Exhibit 15.) Companies must go beyond upgrading market research skills and focus on fostering integrated thinking, pattern recognition, and leadership to create an insight team capable of partnering at the

Exhibit 15. Insight Teams Need More Professional Development



Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: Responses are from 392 consumer insight staff.

¹Percentage of “strongly agree” or “agree” responses to the statement provided.

highest levels of the organization. “Consumer insight can and should be accountable and responsible for taking an objective look at the strategic landscape, which is why we are working to continually enhance our capabilities, particularly in strategic thinking and being thought leaders. Our goal is to move the organization through informed logic that begins with framing the problem and vetting alternatives,” said Bob Woodard, vice president of global consumer and customer insights at Campbell Soup Company. In fact, one company in our study has just launched a new training program for consumer insight staff that is designed to instill strategic and business-analysis skills similar to those taught in MBA programs.

Deliverables. Companies in stages 1 and 2 are missing some critical elements in their consumer knowledge base. (See Exhibit 16.) This is in part because their insight studies often fail to leverage and build on preexisting data. Rather than reinventing the wheel, more advanced companies reconcile all data across studies and develop a scalable analytics capability to mine existing data and ensure that they are getting a common read on their consumer understanding. As a result, each new study is de-

signed to address a previously identified strategic gap. These companies also use a broader array of tools, such as loyalty card data or customer-relationship-management databases, in addition to traditional surveys—and they are more apt to leverage new technologies and learn from online communities.

Not only do companies in stages 3 and 4 upgrade their insight staff and leverage a much broader array of sources, they also tend to integrate consumer insight into a more comprehensive assessment of the business. They synthesize the results from multiple inputs—from in-home interviews and competitive landscaping to profit drivers and current financial performance—and make insight relevant by “connecting the dots,” using consumer data to explain the financial performance of their own brands and their competitors’ brands. (See the sidebar “Integrated Insight Approaches Lead to Global Advantage.”)

Perhaps most important, they have a different view of their role, understanding that optimizing the insight function requires not simply reporters of data but rather integrators, business advisors, thought partners, transla-

Exhibit 16. Companies Are Not Exploiting All Elements of Consumer Understanding

We know how consumers feel about the quality of our key products compared with our competitors’ products¹

We have a large-scale, foundational, strategic consumer segmentation that we revisit every three to five years¹

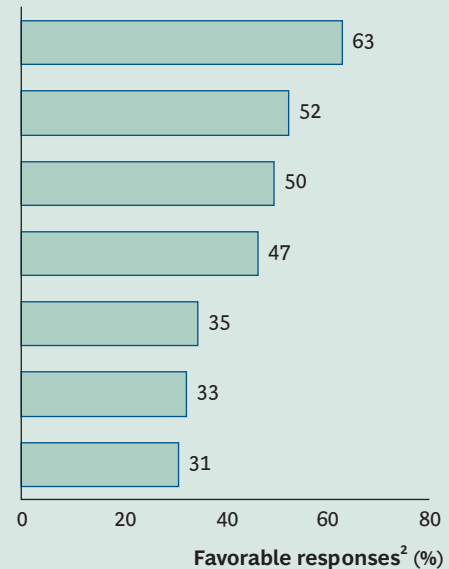
We have a good understanding of the key drivers of consumer satisfaction by consumer segment in each product category¹

We have a fact-based understanding of what drives our current market share positions: who is buying versus who is not buying and why¹

We have good time-series data on how consumer needs and behavior and our positioning change over time¹

Our financial forecasts include assumptions that come from consumer insight (such as consumer awareness and trial and repeat rates)

My company is above average or better at having widespread institutional knowledge of our consumers: who buys and who doesn’t and why



Source: BCG Consumer Insight Survey (as of March 31, 2009).

Note: Responses are from 819 survey participants (392 from consumer insight staff and 427 from business line staff).

¹Responses are from 392 consumer insight staff only.

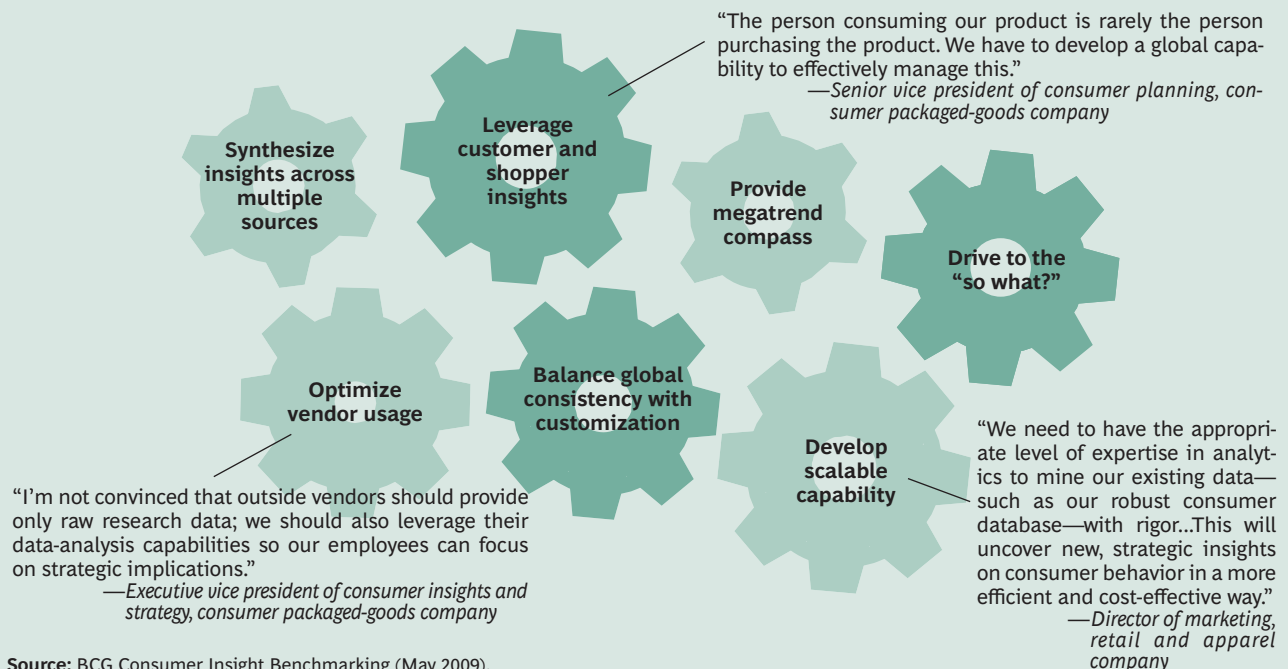
²Percentage of “strongly agree” or “agree” responses to the statement provided.

Integrated Insight Approaches Lead to Global Advantage

When a global consumer company decided to accelerate its business investments in China, it anchored the new strategy in a broader approach to consumer insight. Traditional usage testing showed that competing products were much less effective at delivering functional benefits. And yet these products were somehow winning with consumers. To understand why, the company undertook a concerted effort to synthesize multiple insight sources: competitive patterning, in-home deep-dive interviews, trend analysis, and traditional quantitative research. It turned out that consumers perceived the competing products to have a “ladder”—a logical connection between technical ingredients and claimed functional benefits—that was more consistent with the local mindset and prevailing beliefs about the benefits of different ingredients. Armed with a new, holistic understanding of local consumer decision-making, the company was able to adapt its future innovations more successfully.

tors, and trend spotters. (See Exhibit 17.) As a result, they have an ever-expanding approach to an integrated consumer and business understanding. As Paul Ballew, senior vice president of customer insights and analytics at the financial services company Nationwide, observed, “Traditional market research has to be a complementary tool, not the dominant tool; more is required from observational and analytical tools to take an intimate look at consumers and drive actionable results for the company.”

Exhibit 17. Multiple Facets Must Work in Tandem to Optimize the Insight Function





Getting Started on a Transformation Journey

With so many interlocking parts, making the insight function a source of competitive advantage doesn't happen at the push of a button. This transformation journey takes place over a period of a few years and is best tackled in discrete phases. Over time, a virtuous circle is created: progressive improvements in insight performance yield an escalating demand for insight engagement with the line managers.

The first step is to organize a cross-functional team—a steering committee—with members from both the business and insight sides. This team will develop an objective understanding of the current state of the consumer insight function across business units and regions. Some critical areas to address include the following:

- ◇ A review of structure, roles, decision rights, and processes
- ◇ Data collection on the current allocation of resources and spending
- ◇ A competency assessment of hiring criteria, development, and performance to determine what percentage of insight studies are meeting the criteria for stages 1 through 4

The team may then embark on internal interviews and surveys. Which internal processes work well—and why? Which studies and market data provide value—and why? What are the talent and competency gaps—and how do we address them?

Senior leadership and the relevant stakeholders can then align around the desired medium-term (one to two years)

and long-term (three or more years) goals for consumer insight. They must clearly define the desired end state as well as how to measure progress. Recommendations should cover both the engagement model (incentives, budgeting, scope of research, resources, mandates, functional connections, and organization structure) and insight performance (competencies, roles, deliverables, and performance and assessment metrics). This road map for the path forward can then be piloted and rolled out—perhaps starting with just one product category or region in the case of large-scale, global companies.

On the basis of conversations with companies that are already on the transformation journey and with others that are embarking on a change program, our study identified six success factors.

Establish co-ownership with business lines. An insight transformation effort driven and focused solely within the insight team is doomed to partial success at best. The effort must be seen as a critical business initiative that will ultimately make the company itself more competitive. Companies must therefore place senior business leaders—both advocates and skeptics—on the steering committee. One participant told us, “An integral piece of the transformation was educating others about what the insight organization was expected to deliver. People take direction from the top, so when senior management said to engage the consumer, people listened.”

Expect that success takes time. The transformation effort is a distance event, not a sprint. If it were just a question of spending more money, results might be quicker. But an upgrade of capabilities requires changes in talent, processes, and roles that by their very nature take time. Of course, steady progress is easier to track with clear

metrics, such as surveys of employee satisfaction, morale, and capabilities, or the number of new-product innovations that have been shaped by the insight team.

Commit to make talent changes. The best-performing companies in our study were so energized about upgrading their performance that they were willing to reevaluate their entire talent process. This is a big shift in culture: how you hire, what skills you look for, how you train and develop your team, whom you promote, and whom you retain. Unfortunately, in the face of tough personnel decisions, it is easy for companies to lose their resolve. Those that act without delay are most likely to succeed.

Generate CEO-level buy-in and sponsorship. As always, the person with the greatest power to overcome traditional silos sits right at the top. “There is support from the CEO down, and research is very highly regarded,” says David Overton, vice president of business unit strategy at J.C. Penney, who adds, “The recommendations are very quickly put into play.”

Make changes visible. Small moves can have a disproportionate impact if they are carefully chosen. For example, shifting one executive from the insight team to a business unit, or vice versa, symbolizes equal standing across functions; giving the consumer insight team even a small slice of the research budget signals accountability for results; and having the chief executive at qualitative interviews trumpets a new emphasis on insight. One respondent explained, “Our CEO insists on doing in-homes with consumers whenever he travels. He then asks follow-up questions about what he observed and thereby models how dedicated we should all be to listening to our customers.”

Learn as you go. We’ve provided many examples of upgrading capabilities, but copying best practices is not always simple. What works for others may not work for your business—so take one step at a time and test as you go. Trying out new approaches in pilot programs can build success stories that go beyond experience to create buy-in and conversion. For example, you might ask the consumer insight team to create a new innovation platform for a product category, or you might pick the next strategic-planning cycle to experiment with trend forecasting. After the initial change, conduct a hindsight review and adjust accordingly before rolling the change out. Role descriptions and metrics will shift as the pilot evolves and the new engagement model is implemented.

Companies that have engaged in transformation find the rewards compelling. Joan Lewis, global consumer and market knowledge officer for Procter & Gamble, says, “We are seeing more direct impact on our company’s business results than ever before from the contributions of our consumer and market knowledge group. We’ve transformed the leadership and impact of our function by bringing together consumer attitudes, market understanding, scenarios, and personal consumer insight in a unique, integrated point of view. By aiming at both excellence in our discipline *and* commercial effectiveness, we are driving smarter business choices and seeing increased demand for our people and capabilities.”

Many business leaders will recognize themselves in the stories of companies that are struggling today to close the consumer insight gap. But only those leaders who take the initiative and act in a broad, decisive, and transformative way will address the full scope of the challenge. These companies will find themselves many steps ahead of their competition—close enough not just to hear but even to anticipate the voice of the consumer.

Appendix

The Four Stages of Consumer Insight

Certain critical elements drive advancement across the four stages of consumer insight. To develop the optimal engagement model, key elements include the level of senior management involvement, the scope of consumer

insight work, accountability of both the insight team and business partners for results (driven by incentives and budgetary authority), and the effectiveness of core processes. (See Exhibit 1.)

Exhibit 1. The Four Stages of the Consumer Insight Engagement Model

	1 Traditional market research function	2 Business contribution team	3 Strategic insight organization	4 Strategic foresight organization
Senior management involvement	◇ Senior management is largely uninvolved in consumer questions and discussions	◇ Senior management seeks consumer insight for some business issues	◇ Senior management incorporates consumer insight into overall strategic agenda	◇ Senior management uses consumer and customer insight to help set corporate agenda
Scope	◇ Validation of new product development ◇ Advertising copy	◇ Purchase drivers, unmet consumer needs, lapsing drivers ◇ Shopper insights ◇ Marketing-mix modeling	◇ Pricing and promotion by brand, channel, or time ◇ Growth strategy; business strategy	◇ Portfolio strategy ◇ M&A
Budgetary authority	◇ No control over any budget	◇ Some discretionary funds	◇ Dedicated budget and the authority to say no to project requests	◇ Dedicated budget and input into business unit budget process
Incentives	◇ Staff paid on a salary basis; evaluated by market research managers	◇ Some performance pay; evaluated by line management and market research managers	◇ Incentive pay based on overall business performance and line feedback	◇ Incentive pay based on overall business performance and line feedback
Resources	◇ Limited budget and head count	◇ Budget and head count adequate	◇ Budget and head count sufficient but with higher talent levels	◇ May have increased resources ◇ High performance profile
Processes	◇ Ad hoc processes and handoffs ◇ Market research brought in at tail end of initiatives	◇ Market research beginning to help shape initiatives ◇ All participants are clear on the role of the market research or insight team	◇ Market research is involved in shaping initiatives (at the front end) ◇ Clear ownership of all pieces of research	◇ Market research helps drive the initiatives (and catalyzes or suggests many initiatives) ◇ Clear end-to-end ownership of the research agenda
Organization structure	◇ Market research reports to marketing	◇ Market research reports to marketing with cross-functional, dotted-line report to business units	◇ Market research reports to strategy or head of business unit	◇ Head of insight is a member of the executive team

Sources: BCG Consumer Insight Benchmarking (May 2009); BCG analysis.

To improve the performance of the insight function itself, key elements include the role and perception of the insight team, the focus on people investments such as hiring and training, and the methods, sources, and

deliverables used to deliver high-quality insight. (See Exhibit 2.) The benchmarking revealed very specific and granular descriptions of what it takes to move from one stage to another in each dimension.

Exhibit 2. The Four Stages of Consumer Insight Performance

	① Traditional market research function	② Business contribution team	③ Strategic insight organization	④ Strategic foresight organization
Hiring	◇ Hire for technical skills	◇ Hire for technical skills and business skills	◇ Hire a mix of people, some without deep technical skills (conceptual, analytic, and strategic capabilities are crucial)	◇ Hire for conceptual, analytical, business, communication, and leadership skills
Training	◇ Market research methodology and tools	◇ Mix of methodology and tools coupled with business skills and experience	◇ Integrated thinking, pattern recognition, and communication	◇ Integrated thinking with focus on leadership and communication
Career path	◇ Limited progression within market research	◇ Progression within market research	◇ Progression into other functions or senior roles within market research—and beyond	◇ Progression into general management
Deliverables	◇ Findings from each study	◇ Business recommendations from each study	◇ Integrated strategy (insights, economics, and competitive advantage)	◇ Integrated, forward-looking corporate strategy (megatrends and scenarios)
Role	◇ Respond to requests for custom research ◇ Take lead on standard research (such as brand tracking) ◇ Provide data; ensure accuracy	◇ Provide insight from the data and findings—the “so what?”	◇ Drive results for the business units ◇ Develop business knowledge—economic drivers, issues, and trends	◇ Create competitive advantage ◇ Drive results that improve overall corporate ROI
Way of working	◇ Project driven	◇ Business driven	◇ Results driven—high ROI on insight efforts	◇ Future driven—ability to foretell trends and business moves
Perception	◇ Service provider	◇ Thought partner	◇ Trusted advisor with a seat at the table	◇ Corporate leader
Mix	◇ Tactical work	◇ Prioritization of strategic work	◇ Prioritization of strategic work	◇ Primarily strategic work
Methods	◇ Traditional surveys, focus groups, and techniques	◇ Traditional and innovative mix, including ethnography and social media	◇ Traditional and innovative mix, expanding beyond the consumer to economic data and trend work	◇ Traditional and innovative mix, expanding beyond the consumer to economic data and trend work
Sources	◇ Each study treated as a standalone project	◇ Studies build upon each other	◇ Knowledge-capture system spans past research studies	◇ Full suite of shopper insight tools
External research vendors	◇ Vendors deliver findings following execution of requested studies	◇ Vendors are given an intimate view of the business to provide context for their findings	◇ Some vendors complete the majority of tactical work; others are leveraged for specific expertise or innovative methodologies	◇ Some vendors complete tactical work; others are embedded in the business, providing access to innovative, forward-looking tools

Sources: BCG Consumer Insight Benchmarking (May 2009); BCG analysis.



For Further Reading

The Boston Consulting Group publishes other reports and articles related to consumer insight that may be of interest to senior executives. Some recent examples are listed here.

Women Want More: How to Capture More Than Your Fair Share of the Female Economy

BCG Opportunities for Action in Consumer, August 2009

Winning Consumers Through the Downturn: 2009 BCG Global Report on Consumer Sentiment

A report by The Boston Consulting Group, April 2009

Capturing the Green Advantage for Consumer Companies

A report by The Boston Consulting Group, January 2009

Trading Up and Down Around the World

A report by The Boston Consulting Group, September 2008

Customer Segmentation: A Call to Action

A Focus by The Boston Consulting Group, July 2008

Driving the Bottom Line from the Front Line

A report by The Boston Consulting Group and the Chief Marketing Officer (CMO) Council, June 2008



Note to the Reader

Acknowledgments

First and foremost, we would like to thank the companies that participated in our research and benchmarking efforts.

Consumer Goods

Abbott Nutrition
Bacardi
Campbell Soup Company
Church & Dwight
The Clorox Company
Colgate-Palmolive
Dairy Farmers
Danone
Diageo
Energizer
Georgia-Pacific
Johnson & Johnson
Kimberly-Clark
National Foods
Nestlé
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Procter & Gamble
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Retail and Apparel

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New Balance
Ross Stores
VF Corp.

Technology

Microsoft
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Travel

American Airlines
Intercontinental Hotels Group
JetBlue Airways
Starwood Hotels & Resorts

Within BCG, our special thanks go to Colleen Donovan, who anchored the benchmark study work. We also thank Megan Findley for her writing support, Sally Seymour for her editorial direction, and the editorial and production team, including Barry Adler, Katherine Andrews, Kim Friedman, and Janice Willett.

Finally, this report would not have been possible without the partnership and support of Patrick Ducasse, leader of BCG's Consumer practice, and Miki Tsusaka, leader of BCG's Marketing and Sales practice.

For Further Contact

If you would like to discuss your consumer insight capabilities with The Boston Consulting Group—or to participate in the benchmarking study to access detailed data comparisons—please contact one of the following authors or leaders and advisors of our global Center for Consumer Insight:

Patrick Ducasse

BCG Paris
+33 1 40 17 10 10
ducasse.patrick@bcg.com

Miki Tsusaka

BCG Tokyo
+81 3 5211 0300
tsusaka.miki@bcg.com

Christine Barton

BCG Dallas
+1 214 849 1500
barton.christine@bcg.com

Ivan Bascle

BCG Munich
+49 89 231 740
bascle.ivan@bcg.com

Mary Egan

BCG New York
+1 212 446 2800
egan.mary@bcg.com

Jean-Manuel Izaret
BCG San Francisco
+1 415 732 8000
izaret.jeanmanuel@bcg.com

Emmanuel Huet
BCG Paris
+33 1 40 17 10 10
huet.emmanuel@bcg.com

Stephen Kremser
BCG Los Angeles
+1 213 625 2772
kremser.stephen@bcg.com

Kate Manfred
BCG Chicago
+1 312 993 3300
manfred.kate@bcg.com

Carol Liao
BCG Hong Kong
+852 2506 2111
liao.carol@bcg.com

Sharon Marcil
BCG Washington
+1 301 664 7400
marcil.sharon@bcg.com

Antonella Mei-Pochtler
BCG Vienna
+43 1 537 56 80
mei-pochtler.antonella@bcg.com

Stuart Quickenden
BCG London
+44 207 753 5353
quickenden.stuart@bcg.com

Bernd Ziegler
BCG Munich
+49 89 231 740
ziegler.bernd@bcg.com

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