STOCKHOLM SCHOOL OF ECONOMICS
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Customer insight
- the marketer's crystal ball

What is good customer insight? A study on marketing managers in Sweden.

ABSTRACT
The main objective with this thesis is to take the first steps into the process of deriving customer insight - a fundamental and to a wide extent unexplored area of the marketing field. The reader is guided through earlier theories and five criteria are presented for what customer insight is. In an experiment on marketing managers in Sweden, hypotheses for what affect the impressions of customer insight are tested. The results show that the impression of customer insight is perceived as better if the insight is based on data derived from observations rather than from asking questions. Furthermore customer insight should give opportunity for proactivity, it should be relevant to the business and it should give new information. It is also shown that internally derived customer insight is perceived as more simple than if derived externally. The thesis ends with suggestions for further research and practical implications.

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1. Introduction

People involved with marketing related issues will sooner or later come into contact with the term *customer insight*. This though is a somewhat unclear and fuzzy term to most of us. Intuitively, most people tend to think of it as something that reveals information about *who the customer is* or what the *true needs and desires* of a customer are - almost like a marketer's crystal ball. This is partly true; because with good customer insight, marketing managers can dissolve the mist of the customer's complex mind and begin to understand the reasons behind certain actions. Thereby the customer insight becomes the key that will unlock the "black box" of the customer's mind. It could be: "*People do not want quarter-inch drills. They want quarter-inch holes".* Because marketing ultimately is about changing the perception of the human mind, the customer understanding becomes for marketers what alchemy was for old time regents - gold.

Even though the term customer insight is frequently used, marketing researchers have poorly reviewed the actual nature of it. In fact, to a wide extent there is a *terra incognita* around customer insight, a white area right in the middle of the marketing theory map. As marketing students, we find this both problematic and interesting. Problematic because a vital component in the marketing field has been showed little academic attention, but at the same time thrilling because it is a field that is to be discovered; phenomena's are to be named and methods constructed. This is the first and foremost ambition of our thesis, to open up the eyes for future research in this the heart of the marketing field - customer insight. We will take the first steps, but we certainly hope that others will follow. It is needed and they will not regret it.

1.1. Background

"Information is not the pathway to enlightenment, happiness or wisdom… In fact, information can get in the way of wisdom unless we leave ourselves sufficient time and energy to reflect on it, make sense of it and integrate into our life"

Hugh Mackay (2008)

Marketing is not what it used to be. Companies today are faced with an increasing and multi-dimensional competition due to globalization, maturity, merging of different markets and technological development (Kumar, Jones, Venkatesan and Leone, 2011). As a result of this competitive environment, the power in the market has shifted from companies to their customers. This shift from *product orientation* to *market-* or *customer orientation* has not only been subject for numerous academic studies during the last decades – it has also had a huge impact for organizational structures, strategies and management within companies (Kohli and Jaworski, 1990; Gebhardt, Carpenter, and Sherry, 2006). In a market environment, where the power lies in the hands of the customer, delivering *superior customer value* becomes the main objective for any company who wants to survive (Felton, 1959; Narver, Stanley and Slater, 1990). So if delivering customer value is of crucial importance for companies – what is customer value?

There are various definitions of the term customer value, but it can shortly be described as the total value a customer dedicates to a particular product or service (Woodruff, 2007). In the old and more product oriented marketplace, it was a much simpler task to sell products and services – the marketer's job was to manage the companies market activities through a good *marketing mix,* illustrated by McCarthy's 4P's (1960). These four P's represented the four different parameters *Product* (dealing with the functional aspects of a product), *Price* (setting the right price by considering customers alternatives in the marketplace), *Place* (the accessibility of certain goods) and *Promotion* (spreading information about the product through mass marketing). However, in a customer-oriented market it is more complicated. In such a market the customer's expectations goes beyond the actual product or service and other issues such as brand image and customer service become important. Customers demand more value for their money. This is a paradox created by the companies themselves. The more value companies give, to more value the customers demand. For that reason companies need to know what their customers' really expect in order to deliver real customer value. The ability to collect, organize and transform customer data into deep customer knowledge and insights then becomes critical (Smith, Wilson and Clark, 2008). Without this customer knowledge one marketing director put it:

> *"We are flying the dark. Not only in dark, but we have no radio, no compass, and no fuel gauge. I don't know about you, but I'm sure I would hate to fly on that plane"*
>
> M. Baskin (2001)

With customer insight, companies have the ability to be *proactive* rather than only *reactive*. It will guide the organization in its strategy development, planning of marketing activities and organizational structure (Baskin and Neil, 2001). If the organization does not truly understand its customers – it will not only waste money on the wrong things; in the long run a lack of customer understanding will threaten the existence of the business itself.

As the number of commercial messages increases in a competitive market – the audience will be less likely to receive a certain message through the cluttered media environment. Therefore the traditional mass communication, ought to penetrate large audiences with similar messages, is not that effective anymore. Messages are simply not considered as relevant enough and consequently avoided by the audience (Elliot and Speck, 1998). In order to create relevant messages, marketers and other creators of communication need to really understand their audience. It is not only about being better to target specific target groups through multiple channels – it is about creating messages that truly make a difference for the audience. In other words - to design successful communication marketers are dependent on customer insight.

1.2. Area of problem

Today companies often claim that they are customer centric, but in fact most of them are not. They lack a structured process for collecting customer data, analyses and putting it into action. Instead they keep operating as usual and consequently repeat old mistakes and therefore fail to increase the customer value. To understand why this is the case, one must understand that most organizational cultures are adverse to changes, especially when these changes result in giving away power and influence (Bernoff and Li, 2008). Companies have an aversion to let the customer control the wheel. However, the technology development during last few decades has allowed companies to start mapping customer flows in new ways and therefore allowed them to better meet customer expectations. Successful examples are Google, Apple, Ikea, Spotify and Tesco. They all have put the delivery of customer value in the core of their activities and proved the success of being a customer-oriented organization (MacMillan and Selden, 2006).

The steadily growing number of CRM (Customer Relationship Management) and Customer insight agencies, each with their own models and systems for how to put the customer in the center of the business, are examples that point to the fact that companies are trying to be more customer-oriented (MacMillan and Selden, 2006). Organizations want to understand their customers more deeply and thereby let the customers take a more central role in the value creating process.

Customer insight is highly relevant for market communication issues. Numerous articles point to the fact that companies value customer insight as a fundament for creating relevant communication (Baskin and Coburn, 2001). Nevertheless, very few articles discuss how companies in a structured way can learn from their customers in order to generate insights that will guide their communication. According to some researchers this creates a problem – companies state that they work with customer insight, but in fact they do not (Cowan, 2008). Most marketing research is, according to

Cowan, not structured and handled in a way that provides companies with valuable customer insight that will guide market activities. Instead marketing research tends to serve as a talisman for mid-level managers, protecting them from responsibility of their decisions (Baskin and Coburn, 2001). David Ogilvy (1960) described the phenomena in a quite similar way:

"I notice increasing reluctance on the part of marketing executives to use judgment; they are coming to rely too much on research, and they use it as a drunkard uses a lamp post for support, rather than for illumination."

Our intention with this thesis is therefore to illuminate the important and forgotten aspect of customer insight in the communication, and put it where it belongs – at the *core* of every communication process.

1.3. Aim

According to what we have described so far, a conclusion regarding customer insight is that they are one of the keys of success for customer-oriented companies. They have become a highly interesting field of research, not only for us as marketing students, but for all people that in some way are involved with marketing related issues. Because communication is a vital part of every company's market activities and because the term "customer insight" is frequently used, it is a bit worrying that there seems to be little coherence regarding what customer insight really is, how customer insight should be derived and used. With these problems in mind, our first intention is to guide the reader through the previous literature in the field of customer insight in order to give some theoretical framework as a fundament for further discussions. Then, we aim to collect these theories and models into an applicable definition of what customer insight is and also investigate different methods of deriving one. This could be valuable to all people studying or working in the marketing field. The primary objective of this thesis is therefore twofold: first it aims to find some criteria for what customer insight is. Secondly, it aims to see what elements affect the perceived impression of customer insight. Our research questions are:

1. What are the criteria for customer insight?
2. How is the perceived impression of customer insight affected, if it is:
    a. Based on data collected by *observations* or *questions*?
    b. Derived *internally* in the organization or by an *external* part?
    c. Derived by an external part that has been *awarded* for its effectiveness in creating communication?

The reason why we want to address what *ad buyers* consider being good customer insight is because they usually are the ones responsible for decisions regarding communication related issues which, at least in theory, should be based upon customer insight. By answering the first question we hopefully can give indications of what criteria should be met before a company can call something customer insight. The second question will give valuable information to the growing sub-sector within marketing that consists of companies specialized in deriving customer insight. By knowing what variables affect the perceived impression of customer insight, these companies will be able to derive even more relevant customer insight.

Worth mentioning is that we do not investigate whether a particular customer insight is good *per se* or not. Instead we aim to evaluate what elements good customer insight is based upon.

1.4 Choice of topic

If you have a true understanding of why people do as they do, you are able to take advantage of that knowledge and act *pro*actively rather than only *re*actively. For example in a private context, a deep understanding of why your beloved one acts as he or she does could result in a better relationship with less fuss and more love. In a business context it is not about fuss and love; a deep understanding of your customers could instead be the difference between a profitable business and a firm in bankruptcy. Because when a firm truly understands its customers, it can meet customer needs and demands in a better way and develop its offers accordingly. Without deep customer knowledge - our choice of topic - firms risk to get lost in the dark.

The shift towards more customer-oriented markets does affect firms in a broad sense. The customer understanding must permeate every aspect of the organization, from development of products and services to sales and marketing communication. It must get into the heart of each and every business:

"Marketing covers the whole affair. Marketing is the business seen from the final result's point of view - that is, the customer's eyes. Therefore marketing must be a concern and a responsibility that permeates all aspects of the operation."

Peter F. Drucker (1954)

During our semester at MCXL (Market Communication Extra Large) at the Stockholm School of Economics, we got a glimpse of the great value companies can get from deriving deep customer insight. When solving real business cases, we experienced what good customer insight can do for all kinds of business related problems. It guided decisions from how to develop new products and services to what customer segment to focus on and how to design the communication. This fact, in combination with the rather vague literature covering customer insight, made us realize that there is a need for further investigation in the area. Our teachers, professor Micael Dahlén and assistant professor Henrik Sjödin, encouraged us to dig deeper into this unexplored field. And so we did with great enthusiasm.

1.5. Expected contributions to the marketing field

Since there is lack of coherence about the meaning of customer insight, we want to bring some clarity into the field. Hopefully, this thesis will be valuable reading for academics as well as practitioners that want to learn more about the process of turning customer data into customer insight. By exploring the value of customer insight, our work might also improve the way companies work with this issue.

1.6. Limitations

There are limitations to our study. Since this is the first experimental study conducted on customer insight, we will only test what variables affect the *evaluation* of customer insight – not the actual customer insight *per se*. Because the value of customer insight is likely to be dependent on numerous factors, further studies are needed. This issue will be described and discussed more in detail later on in the thesis.

1.7. Definitions (Key words)

Ad buyer – The person responsible for buying advertisement, for the client.

Client – An organization that is a customer to an advertising agency.

Customer data – All kinds of recorded transactions with customers, explicit or implicit.

Customer information – Customer data organized into patterns that respond to an organization's objectives (segmentation etc).

Customer insight – A new understanding, probably of customer behavior or attitude, as a result of which action may be taken and an enterprise more efficiently conducted (Bullmore, 2005).

Customer knowledge – Customer information put into a relevant pattern.

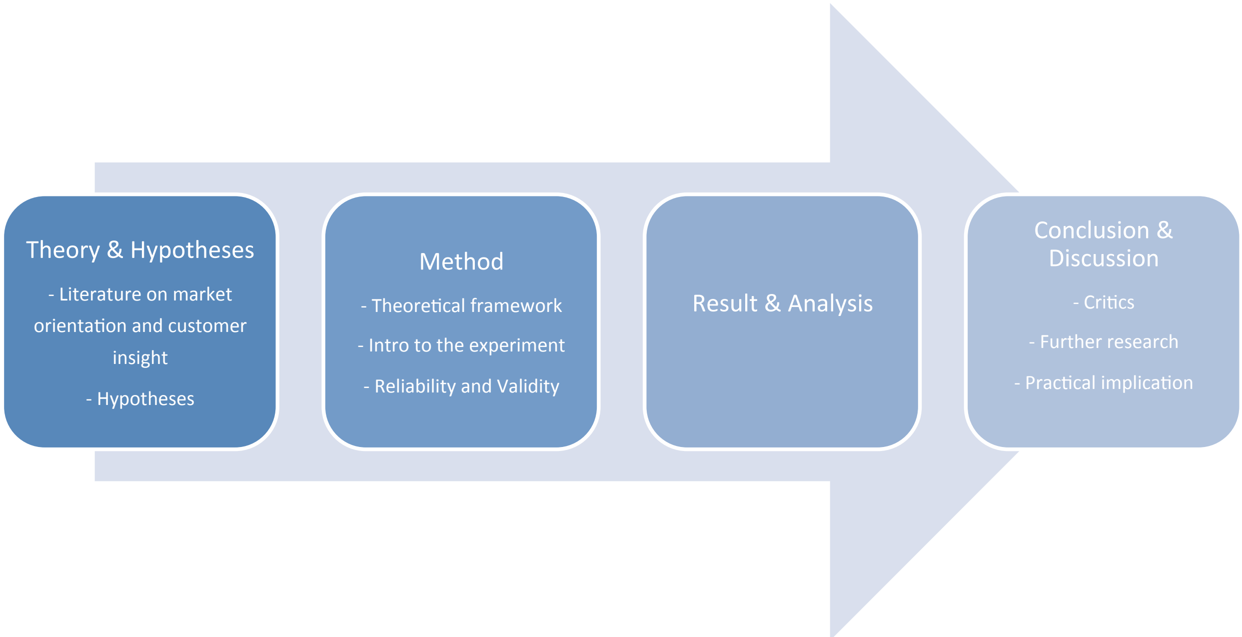
Customer value – The sum of total benefits that a vendor promises a customer in return for the customer's associated payment.

CRM (Customer Relationship Management) – A widely implemented strategy for managing a company's interactions with customers, clients and sales prospects.

1.8. Organization of the rest of the thesis

So far, we have described why we consider our chosen subject to be important for further investigation, and what we aim to contribute within the field of marketing. Now we will present our study more in detail, our method, experimental design and initial hypotheses. We then continue with our results and analysis and the thesis will end with a discussion regarding; our results, criticism to the study, suggestions for further research and fields for practical implications.

Fig 1; Organization of rest of thesis



2. Theory

We start this section by looking at literature regarding market orientation. We start there because the shift towards market orientation has greatly affected organizations. The customer has got a more central role in the value creation process and therefore there is a need for deep customer knowledge, customer insight. We continue by reviewing the literature regarding how to derive customer insight and by presenting our first three hypotheses. In the following section we describe what customer insight is and sort the literature into five piles, based on our five lowest common denominators ("the five criteria"). In connection to each criterion, we will also present an additional hypothesis. The theory section will end with a summary of our hypotheses.

2.1. Market orientation

A new market progresses through a sequence of stages; from introduction to growth, maturity and decline. As a market grows and becomes mature, more companies are coming into it to offer its products and services with an increased competition as a result. With this increased competition, the need for a deep customer understanding also increases. Suddenly organizations must ask themselves why customers choose their offer over its competitors? In what way the firm can stay unique in its offer? There is a growing need for organizations to understand their customers, there is a need for firms to be *market oriented* and to derive *customer insight.*

The concept of market orientation implies both responsive market orientation, which addresses the expressed needs of customers, and proactive market orientation, which addresses the latent needs of customers – that is, opportunities for customer value creation of which the customer is *unaware* (Day, 1994). Most of the studies regarding market orientation to date has consisted virtually entirely of behaviors related to satisfying customer's expressed needs rather than satisfying their latent needs. A business that solely relies on customer's expressed needs to develop new products creates no new insights into value adding opportunities for the customer, and thereby creates little or no customer dependence and foundation for customer loyalty (MacLachlan, Narver and Slater, 2004).

2.1.1. Market orientation - The only valid definition of business purpose

The earliest proponent of the marketing concept was Peter Drucker (1954), who argued that "creating a satisfied customer" was the only valid definition of business purpose. Since then, managers have been exhorted to "stay close to the customer", "put the customer at the top of the organizational chart", and define the "purpose of a business as the creation and retention of satisfied customers" (Day, 1994). The concept of market orientation was one of the first strategic frameworks that provided firms with a way to create a sustainable competitive advantage (Kumar, Jones, Venkatesan and Leone, 2011).

The literature suggests that the market orientation's primary objective is to deliver customer value, based on knowledge derived from customer and competitor analyses and the process by which it is gained and disseminated through the organization (e.g., Felton, 1959; Narver and Slater, 1990). The superior skill in understanding and satisfying customers enables a market-oriented firm to *identify and develop capabilities* that are necessary for a long-term performance (Day, 1990). To sum up, the principal features of market orientation consist of:

- A set of beliefs that puts the *customer's interest first* (Deshpandé, Farley and Webster, 1993)
- The ability of organizations to *generate, disseminate, and use* superior information about customers and competitors (Kohli and Jaworski, 1990), and
- The *coordination of internal resources* to create superior customer value (Narver and Slater, 1990; Shapiro, 1988b).

When trying to show the benefits o being a market oriented firm, a group of researchers did a study over a nine year period, 1996 – 2005, of market orientation in companies. Estimates between the research years shows that market orientation had a positive effect on business performance in both the long and short term (Kumar, Jones, Venkatesan and Leone, 2011). The study also showed that the sustained advantage in business performance from having a market orientation was greater for firms that hade been early to develop a market oriented organization than firms that were late to adopt. What this study shows is that market oriented firms focus more efforts on customer retention rather than customer acquisition (Kumar, Jones, Venkatesan and Leone, 2011).

It takes time to provide returns from adopting an organization towards being more market oriented. The customer's voice needs to get into every aspect of the firm's activities, and it requires that the customer knowledge is shared and disseminated through every aspect of the organization (Kumar, Jones, Venkatesan and Leone, 2011).

2.1.2. Alternative definitions of business purpose

The *competitive forces* approach (Porter, 1980) and the related *entry deterrence* approach (Ghemawat, 1990) show a somewhat other definition of businesses purposes than creating satisfied customers (Teece, Pisano, and Shuen, 1991). These approaches put more emphasis on the intensity of competition in the industry and market segments as determinants for the profit potential. According to these approaches, the aim for a firm is to find a position in an attractive market that it can defend against its competitors (Day, 1994).

2.2. Customer insight

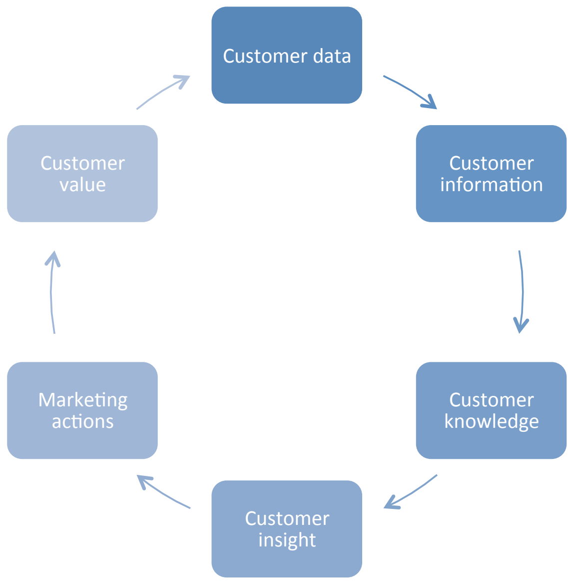
Now that we have explained how customer insight are linked to the view of market orientation, we will progress by reviewing the literature regarding what skills and resources that are needed to derive customer insight, some criterion of what it actually is and how it can be used. The theoretical framework in this section is mainly based upon previous research concerning client-agency relationship, but is also reviewing theories from other disciplines and learning from interviews that was part of our pre-study.

What kind of assets and skills are needed to actually reach an understanding of the customers? The following section aims to answer this by reviewing earlier research and theories from various disciplines. In this section we will present our "three element model" that combines these different theories. According to us, these three elements can be seen as the necessary building blocks in the creation of customer insight. Based in these theories we will deductively construct our hypotheses, which later are to be tested in our experiment.

2.2.1. Data-to-value cycle

As stated earlier, the term customer insight is widely fragmented and used by academics and practitioners in numerous academic domains. This does not only make it hard to find a common definition of what customer insight is. It also leads to different suggestions of how customer insight is created (Smith, Wilson, Clarke, 2006). In their article, *Creating and using customer insight: 12 rules of best practice,* Smith, Wilson and Clark have gathered different theories of how customer insight is derived and used. This work results in an iterative-linear process called the "data-to-value" cycle. The model is quite schematic, but serves as a good first step when trying to describe how to create customer insight. This cycle consists of six steps (*Customer data, Customer information, Customer Knowledge, Customer Insight, Marketing Actions* and *Customer Value*), shown in the figure below:

Fig 2 - The data-to-value cycle



The process begins with collection of *customer data*. Data can be any kind of recorded transactions or interactions between a company and its customers, quantitatively or qualitatively, explicitly or implicitly. When the data is organized into patterns (i.e. customer segmentation) it is transferred into *customer information*. However, this information is of little value to the company unless it is analyzed and synthesized into a context that is relevant for a firm's objectives and strategies. If this is done, the customer information is transferred into *customer knowledge.* Knowledge can broadly be categorized into three types (Zack, 1999): *declarative* (knowing what something is), *process* (knowing how something is done) or *casual* (knowing why something happens).

If this knowledge - regardless if it is declarative, process or casual – matches the criteria of a competitive advantage, Zack regards the knowledge as customer insight. According to him, there are four criteria for customer insight:

1. It is *valuable* (i.e. can it be used to guide decisions)
2. It is *rare* (i.e. it is not common held by competitors)
3. It is *inimitable* (i.e. it is difficult and costly for others to acquire)
4. The organization is *capable of acting* upon the information.

The criteria for customer insight suggested by Zack does not completely match our five criteria which will be presented later in this section. Zack's first criterion, customer insight should be *valuable*, does not contradict to any of our five criteria, but it could be criticized because it does not define the more important question of *why* the customer insight is of value for a company (Interview with Henrik Callerstrand, 2011).

The second and third of Zack's criteria state that customer insight should be *Rare* and *Inimitable*. Customer insight is often specific to an organization and its customers and therefore becomes *Rare.* The fact that other companies in the market might have obtained the same customer insight does not by definition mean that it is not customer insight. We would rather argue that our criterion number 4 *"New information"* is more relevant in this case. Zack's last criterion, the organization is *capable of acting* upon the information, reflects our identified criteria of *predictability* (Interview with Henrik Callerstrand, 2011).

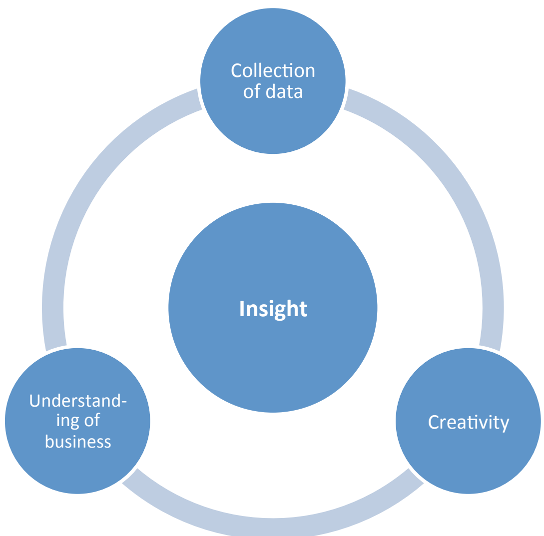
Despite this critic of Zack's criteria, his "data-to-value" model is a pedagogic way of explaining the process for how customer insight are derived and used.

It is important to stress that the purpose of the whole data-to-value cycle is to increase customer value. The customer insight has no value *per se,* instead it is the market activities, based upon the customer insight, that should increase customer value. However, without good insights – companies will not be able to be accurate in their market activities and therefore fail to increase customer value.

2.2.2. Required skills and resources for deriving customer insight

In this section we will present three elementary skills for creating customer insight, based upon what we have identified from interviews and previous literature. We have named these three skills accordingly; "Understanding of the business", "Creativity" and "Collection of Data".

Fig 3 - Elements of deriving customer insight



2.2.2.1 Understanding of the business

For every marketer or researcher who wishes to derive customer insight, it is necessary to have a deep understanding about the specific organization (internal knowledge), its market (external knowledge) and the link between the two (Gupta and Govindarajan, 2004). Internal knowledge is referring to all the activities and exchanges that take place within a firm's different divisions (e.g. procurement, marketing, manufacturing etc.) and how they affect the customer value. The external knowledge is referring to the knowledge about other competing actors, their activities and general understanding of the market. To control if this knowledge is obtained, Gupta and Govindarajan suggest that a marketer should be able to answer the following three questions: *Who is my target customer? What value do I want to deliver to these customers? How will I create this customer value?*

By looking at the own organization's activities through a customer's perspective and asking these questions, it is possible to learn how different activities within the firm adds customer value and by understanding the external market it can estimate the customer value in comparison to other companies. Without knowing this, companies will never be able to design competitive organizations and market activities that will increase the customer's perceived value (MacMillian and Selden, 2006).

This is also evident from other sources where i.e. researchers have studied the relationship between clients and agencies. The conclusion from these articles is that the ability for agencies to understand the client's business is one of the most important factors when clients are to choose agency. Likewise, lack of such understanding is an important reason why client-agency relationships are terminated (Wackman, Salmon and Salmon, 1987). One explanation is that clients feel dissatisfied with market activities (e.g. communication and advertising) if the responsible agency has not spent enough time and resources to understand their business. Marketing activities, without a true understanding of the present value offering, are highly unlikely to successfully improve it.

Based upon what is described above, we have reason to believe that marketing managers will perceive the impression of customer insight as better, if the customer insight is derived internally rather than by an external part, since the own organization have a better chance to understand the core business.

In relation to this discussion regarding internally or externally derived customer insight, we take it a step further after reading Dowling´s (1994) article. According to him, "Good track record in creative awards" is number 20 among important variables in the final selection of a new advertising agency. In the same time marketing magazines write a lot about competitions for agencies and awarded agencies. What we can see is a difference regarding what bureaus and clients perceive to be important in the selection process of an agency. Therefore we want to see if the impression of customer insight will be considered as better, if the customer insight is derived by an external part that has been awarded for its ability to create effective communication.

2.2.2.2 Creativity

The second skill that we have identified for successfully deriving customer insight is creativity. David Cowan (2008) deals with this aspect in his article *Creating Customer Insight,* where he criticizes market researchers to be obsessed with collecting market data. His opinion is that researchers are making marketing research primarily because it is what the management is paying for – not because they strive for deep customer insight. If they did, Cowan argues, they would have the key to most of the company's business problem. To achieve such insights, Cowan suggest that researchers should act more like detectives entering a crime scene. When they are facing a business problem they must avoid their instinct to conduct yet another market survey and instead try to extract insights from existing data, no matter if it is quantitative or qualitative. By asking the right questions and by opening up their minds for creative problem solving, market researchers are much more likely to derive accurate and true customer insight. The creation of customer insight is like solving a puzzle, where the skill is not primarily to collect information, but to put it together in a creative and meaningful way. The problem is that organizations, most of the time, do not understand the importance of this creativity and instead counteract it. Zaltman and Zaltman (2008) explain this phenomenon in following quota:

"Institutionalized sense-making frameworks reward efficiency, not innovation. Innovation is disruptive and a natural enemy of efficiency, stability and predictability"[…]*"We do not have deep customer insight just because managers consume the products and watch the focus group, they think they understand the consumers. They do not. When I push them to explain a consumer insight that excites them, they often cannot. They have not thought deeply about it. If it did not upset me so much, I might feel sorry for them."*

Zaltman and Zaltman (2008)

In their book *Marketing Methaphoria: What Deep Metaphors reveal about the customers mind* (2008), Zaltman and Zaltman have interviewed several executives from large entities about how they reach understanding of their customers. Their findings are quite disappointing. Most executives mentioned several factors that contribute to deep deficits: outdated marketing knowledge, little managerial support, reward system that benefit short-term thinking and organizations that are scared of change. As a consequence – companies gather all kinds of data, but fail to draw relevant conclusions from it. Zaltman and Zaltman mention one executive who launched a program that offered some managers more time to think and decrypt data. The result? Not a single person chose to participate and the manager became increasingly aware of a problem:

"Everyone knew, despite what senior management said, the company punished failure by overlooking risk takers for promotion or refusing their budget increases."

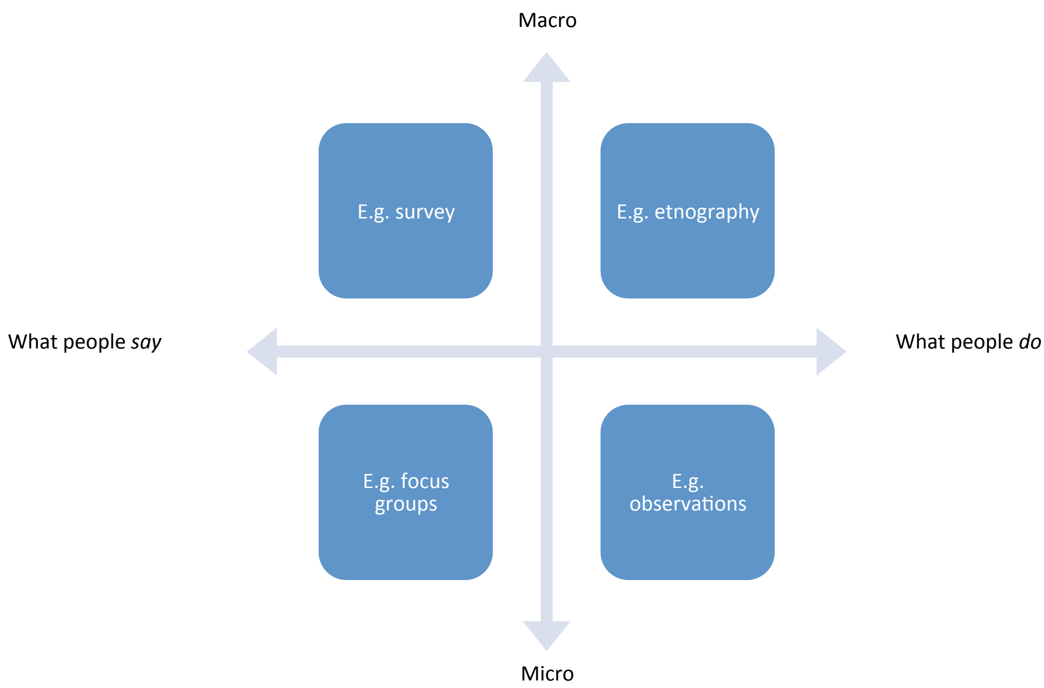
Zaltman and Zaltman's conclusion is that organizations fail to gain customer insight, not because they are particularly bad at gathering market data (in fact they often have piles of it), but because employees have no incentives to use the data to derive new customer insight.

2.2.2.3. Collection of customer data

To make it clear, the work to derive customer insight is not about guessing. As previously shown, good customer insight is the result of a structured process in which an organization needs to dedicate specific skills and resources (Smith, Wilson, Clarke, 2006; MacMillian and Selden, 2006). Our last identified skill for deriving customer insight is the collection of customer data. Without a reliable source of information, the customer insight rests on a weak foundation (Baskin& Coburn, 2001, Wills and Williams, 2004) and the deriving of it becomes a matter of guessing. The literature does not suggest any method of best practice to find reliable data, but researchers suggest that different types of customer data can fulfill different needs, all depending on the situation and the types of question the customer data is supposed to answer. However, some general distinctions can be made. To structure the presentation of different ways to obtain customer data, we have constructed a matrix:

2.2.3. Data collection model

Fig 4 – Data collection model



On the horizontal axis, we have put the two mutually exclusive parameters of customer data that is based upon "What people *say* - What people *do*". On the vertical axis we have placed the perspective of "Micro - Macro", which simply reflects the size of the sample examined. The reason behind the parameters on the horizontal axis is that there is a debate regarding what data that is best, data based on *questions* (what people say) or *observations* (what people do). This debate is not in any sense new, in fact the theory of self-discrepancy has been well covered in both social- and psychological literature. The famous psychologist Higgins (1987) established the terms of *Actual Self* (who you currently are), *Ideal Self* (who you would like to be) and *Ought Self* (who you think you should be) to describe this phenomenon. His research showed that there are differences, to varying degree, of how people perceive themselves and who they actually are. The implications of this theory for marketers and researchers, striving to derive customer insight, are obvious. If customer data is based upon what people say, there is always a risk that this does not correlate with their actual actions. Google's European marketing director, Dan Cobley, explained this phenomenon in a quite explicit way (TED, 2010):

"If you look for people in survey's how claim to regularly look at porn on the web, they are very few. Yet at Google we know that it is the number one "searched for" category. [...] So as

marketer, try to measure what people actually do, rather than what they say they will do or anticipate they will do."

As this illustrates, there might be a discrepancy between what people *say they do* and *what they actually do*. On the other hand, it might be hard to reach understanding of people only by observing their actions and asking questions. In many situations it will be necessary to understand more complex behavior and thoughts. Most researchers suggest that an insight is more likely to arise when different types of data are translated into information (Smith, Wilson, Clarke, 2006). However, based on this information we have reason to believe that the impression of customer insight will be considered as better, if the customer insight is based on data that is derived from observations rather than asked questions.

On the vertical axis we have put "Micro - Macro" to illustrate that market research can be done on various sample sizes. The most obvious reason for this scale is that there is an ongoing debate in social studies whether quantitative studies or qualitative studies are to prefer. Advocates of quantitative research argues that it offers *fine differences between people*, *consistent device* and that it *provides the basis for more precise estimates of the degree of relationship between concepts*, something that qualitative (and studies based on smaller samples) does not (Bryman and Bell, 2007). Their most common criticism of qualitative studies is that it is *too subjective*, *difficult to replicate*, has *problem of generalization* and often *lacks transparency*.

On the other hand, people in favor of qualitative studies argues that quantitative research *fails to distinguish people and social institutions from "the world of nature"*, as *the measurement process possess an artificial and spurious sense of precision and accuracy*. Furthermore the criticism of quantitative studies points to the fact that instruments and procedures hinder the true connection between research and the real actions in everyday life. There is also criticism towards the statistic view of a social life that is independent of people's life. Even though this debate is ongoing and sometimes fierce, most researches can see the benefits of both types of research.

2.2.4. Different methods to collect data

In this section we will give some examples of different types of collection of customer data, their benefits and shortcomings.

2.2.4.1. Surveys

This two-axis matrix explains how the different types of data can be collected. In the upper left corner we find the combination "What people say and Macro". A common example is questionnaires that can be distributed to large populations. This is a common way for companies to achieve information about their customers, or potential ones. In the aspect of communication there are several ways of measuring the effectiveness. One example of such a measurement method is Young & Rubicam's Brand Asset Valuator (Madden, Fehle and Fournier, 2006). However, quantitative surveys such as the Brand Asset Valuator can only *indicate a change* of perception in the customer's mind, but is less likely to answer the question of *why* it has changed?

2.2.4.2. Focus groups

In the lower-left corner of the customer data matrix we find the combination "What people say and Micro". Collection of customer data in this part of the matrix could be collected through focus groups. Small pools of people are interviewed about their perceptions, beliefs and opinions for a certain company, product or service. One of the creators of this kind of method was the Austrian psychologist and marketer Ernest Dicther (1949), whose opinion was that researchers needed to understand the underlying reasons behind people's opinions through structured interviews. Today it is one of the most commonly used qualitative methods for companies to obtain customer data, not ignoring the fact that it is a target of criticism for being subjective and non-transparent like other qualitative methods.

2.2.4.3. Etnography

In the upper-right corner of the matrix we find the combination "What people do and Macro". Such customer data can be collected through various kinds of demographic methods, where a basic distinction can be made between *unidentified* and *identified* samples. An example of unidentified samples can be demographic data that is publicly available in many countries. This is a common source for marketers and researchers when gathering information about living conditions, income, state of health etc. Perhaps more interesting from a marketing perspective is the development of identified demographic observation methods that has become more frequently used by companies during the last decades (Sharp & Sharp, 1998). Offering a membership in a loyalty program is a common way of doing this. Normally the customer receives some kind of gratification in exchange for identifying him or her in the purchase situation. Through this method companies like Tesco have built up loyalty clubs with millions of unique and identified customers (Humpby, Hunt and Phillips, 2003). This kind of collecting customer data requires long-term commitment and investment in infrastructure and personnel. However, the generated data will support the company with substantial information about their customers, which if correctly handled, will offer unique insights.

2.2.4.4. Observations

Finally, in the lower-right corner we find the combination of "What people do and Micro". This kind of data can be collected by ethnographic studies, observations of people's behavior in their daily lives (Interview with Ida Hult and Petra Bäckman, 2011). This is usually a costly method, but can offer the marketing researchers valuable data. Yet another example of such methods are experiments, were customers are exposed to different manipulations that give indications of the customer's opinions, attitudes and believes (Bryman and Bell, 2007).

2.2.5. Hypotheses regarding how to derive customer insight

Based on the above described theory and interview, we have constructed the following hypotheses regarding the process of how to derive customer insight:

Hypothesis 1

The impression of customer insight will be considered as better, if the customer insight is based on data that is derived from observations rather than asked questions.

Hypothesis 2

The impression of customer insight will be considered as better, if the customer insight is derived internally rather than externally.

Hypothesis 3

The impression of customer insight will be considered as better, if the customer insight is derived by an external part that has been awarded for its ability to create effective communication.

2.3. Five criteria of customer insight

In this section we will suggest five criteria for what a customer insight is. The criteria are derived both from earlier literature and our initial interviews during the pre-study. For each criterion we will also present a hypothesis that is to be tested in our experiment.

The literature covering customer insight is widely fragmented into different disciplines. In order to facilitate an overview of the subject, we have identified some common lowest denominators that the literature hovers around. These denominators are: customer insight should be based on *data* that can be derived, give opportunity for *pro-activity*, it should give *new information*, it should be *relevant*, and it should be *simple*.

1. Customer insight should be *based on data* that can be derived
2. Customer insight should give opportunity for *proactivity*
3. Customer insight should be *relevant* to the business
4. Customer insight should give *new information*
5. Customer insight should be *simply* formulated

We will now go through these five denominators and onwards regard these as the "five criteria" for customer insight.

2.3.1. Customer insight should be based on data that can be derived

"Advertising has always been planned and campaigns always post-rationalized, but without any particular terms for describing the process.

King (1989)

According to King (1998), clients deserve a more systematic approach from agencies that are less dependent on gut feeling and more on an intellectual process. King asks for a more rigorous analysis of the client's brand to match the marketing objectives with an advertising strategy. Ogilvy (1964) made an eloquent plea for research leading to more effective communication in an article containing the memorable quote saying "*many advertisers use research as a drunkard uses a lamp post, for support rather than for illumination*".

Barry *et al.* (1987, p. 16) states that agencies are continuing to produce advertising without a clear understanding of *how their output affects consumers*. He advocates the need for a new breed of advertising professionals, planners, whose primary responsibility is consumer insight rather than client strategy. According to Barry et al, consumer research is vital to the development of intelligent strategy and creative communication. The planner should be an "expert in research" that understands market data and conducts quantitative and qualitative research in order to develop first hand, in-depth understanding of the target audience. The planner should also be continuously involved in the strategic thinking of a campaign, the development of the creative execution and in assessing the results of the campaign.

Hypothesis 4

There is a positive correlation between the perceived impression of customer insight and the assessment of the base that the customer insight is derived from.

2.3.2. Customer insight should give opportunity for proactivity

As described earlier, customer insight is derived from customer data, customer information and customer knowledge (Smith, Wilson and Clarke, 2006). This customer knowledge gives the firm a solid base to stand upon in its future customer value creation process. By having deep unexpressed customer knowledge, organizations are able to meet customer needs and demands better, not only expressed ones - but also unexpressed (MacLachlan, Narver, Stanley and Slater, 2004).

According to David Cowan (2008), organizations that best understand their customers and competitors in today's competitive world will win. They will be able to use their collected data more effectively and therefore create business insights that will help them gain future competitive advantages.

Hypothesis 5

There is a positive correlation between the perceived impression of customer insight and the assessment of the predictability that the customer insight offers.

2.3.3. Customer insight should give new information

David Cowan (2008) argues that all too often when faced with a problem, insight manager's reflex is to commission yet more market research to solve it. This is not always the right reflex according to Cowan. Instead the insight managers should start a detective work on the data that already exists, to analyze and combine all the relevant information. Often there are useful and important cornerstones in that data when trying to gain customer insight for future strategies.

Cowan goes on to say that in November 2004, when the annual conference of the Marketing Society discussed the future agenda for marketing, McKinsey did some research among CEOs and marketing directors. A key finding of their work was that CEOs and marketing directors reported that they were dissatisfied with data they were presented. They thought customer understanding was vital, but wanted genuine understanding and not what they referred to as "*the same data we had for years*". Cowan claims that insight managers must ask questions and challenge their company's conventional wisdom. One way of giving new information is to confirm or reject current wisdom, or as Cowan puts it "the same data we had for years". By digging deeper in the data that already exists, it will be like music to the ears of finance directors and CEOs when all the expensive data collected contains the answers to their problems.

Hypothesis 6

There is a positive correlation between the perceived impression of customer insight and the assessment of new information that the customer insight offers.

2.3.4. Customer insight should be relevant to the business

According to MRS Conference Papers (2006), the key role of marketing is to secure future revenue for a business. If you invest 90 cents in marketing, you want to make sure you get 1 dollar back, because the aim for any firm is to maximize its share of the market in terms of value. But at any point when trying to do this, customers can "leak" out of the pipeline – either by deciding to exit the market, or most commonly by electing to exclude the firm from their choice. The role then for customer insight is to identify, explain and minimize those leaks by letting marketing and operations fix them. In the MRS paper it is stated that it is important for insight teams to stop thinking only about projects in terms of their stated objectives, and instead make them more relevant to the business by linking the insights and projects more to the revenue.

Hypothesis 7

There is a positive correlation between the perceived impression of customer insight and the assessment of the relevance that the customer insight has to the company.

2.3.5. Customer insight should be simply formulated

"A good insight is like a refrigerator – the moment you look into it, a light comes on!"

Jeremy Bullmore (2005)

The importance of being able to get a message out in every aspect of the organization is a cornerstone in market orientation and therefore the insight process (Cowan, 2008). It is a process to get the customer's voice into every aspect of the firm's activities, and it requires that the customer knowledge is shared and disseminated through the whole organization (Kumar, Jones, Venkatesan and Leone, 2011). This process takes time, but a simple message is easier to spread than a complicated one. According to Jeremy Bullmore (WPP Annual Report 2004), customer insight can be divided into *low*- and *high*-potency insights, depending on how they are formulated. Example:

Low-potency insight: "Product satisfaction arises less from inherent construction and performance than from consumers' internalized perceptions of personal utility".

High-potency insight: "People do not want quarter-inch drills. They want quarter-inch holes".

Both assertions can supply the receiver with the same kind of information (or in fact, the low-potency version actually often turns out to be more accurate and comprehensive than the high-potency) but what divides them are there ability of instant, heart-lifting revelation or as Bullmore puts it:

A low-potency insight never elicits that immediate, exultant response: "Yes, of course! That's exactly how it is".

Hypothesis 8

There is a positive correlation between the perceived impression of customer insight and the assessment of the simplicity of the customer insight.

2.4. Summary of hypotheses

In this section we will summarize and shortly motivate our eight hypotheses.

Hypothesis 1

The impression of customer insight will be considered as better, if the customer insight is based on data that is derived from observations rather than asked questions.

From the review of earlier literature we have seen that people tend to believe more in research that is built on reliable data and less "gut feelings". Furthermore, we have learned that marketing research based upon observations rather than questions will be perceived as more reliable (King, 1998; Cobley, 2010). Accordingly, we believe that the impression of customer insight, which has been derived from customer data that is based on observations, will be considered as better than if based upon questions.

Hypothesis 2

The impression of customer insight will be considered as better, if the customer insight is derived internally rather than externally.

Evaluation of advertising agencies, either for the purpose of selection or auditing present agencies, may be traumatic and is at best time consuming. A partial explanation is that the advertiser in many cases has few objective criteria on which to base the decisions (Cagley and Roberts, 1984). In a study of the main attributes when Australian advertisers are to select a new agency, Dowling (1994) found that the four most important factors were those relating to *how the agency understands the product or service* being advertised. Wackman, Salmon, and Salmon (1986) confirm this in their list over attributes that are perceived to be important when selecting an advertising agency.

Because it is shown that it is important for advertising buyers that the agency really understands the product or service being advertised, and cause internal marketing departments in organizations potentially could derive customer insight by themselves, we want to test whether the customer insight will be differently valued if derived internally or externally.

Customer insight could be extra valuable if derived with help from an external part that has "fresh eyes" and is a specialist within the area. But in the same time, the distance to the business and the potential lack of understanding of it could be regarded as more negative than the potential benefits.

What people really are paying for is expertise, and therefore value insights higher that is derived by and external part.

Hypothesis 3

The impression of customer insight will be considered as better, if the customer insight is derived by an external part that has been awarded for its ability to create effective communication.

In marketing magazines, it is common with announcements for agency competitions and marketing magazines often write about latest winners. But when comparing these articles with literature regarding what affects the agency selection process, we can see differences. According to that literature, being an awarded agency is not that important. In his list, Dowling (1994) finds that the variable "Good track record in creative awards" is number 20 among important variables in the final selection of a new advertising agency.

So, we can see that there is a difference in what bureaus and clients perceive to be important in the selection process of an agency. Therefore we have decided to test if customer insight derived by an external part will be valued higher if it is shown that the external part has been awarded for its work.

Hypothesis 4

There is a positive correlation between the perceived impression of customer insight and the assessment of the base that the customer insight is derived from.

According to previous literature, managers in organizations believe that consumer research is a vital part of the development of intelligent strategy and creative communication. Regardless if the research is based upon quantitative or qualitative data, it gives first hand, in-depth understanding of the target audience (Barry *et al.*, 1987; Ogilvy, 1964). Accordingly, we believe that there is positive correlation between the impression of customer insight and the assessment of the base that the customer insight is derived from.

Hypothesis 5

There is a positive correlation between the perceived impression of customer insight and the assessment of the predictability that the customer insight offers.

According to David Cowan (2008), organizations that best understand their customers and competitors in today's competitive world will win. The organizations will be able to use collected data more effectively and therefore create business insights that will help them gain future competitive advantages. Therefore we believe that there is a positive correlation between the impression of customer insight and the assessment of the predictability that the customer insight offers.

Hypothesis 6

There is a positive correlation between the perceived impression of customer insight and the assessment of new information that the customer insight offers.

According to previous literature, marketing managers want genuine understanding and not what they refer to as *"the same data we had for years"* (Cowan, 2008). As a consequence, analysts should be able to derive customer insight that offers new information. We believe that there is a positive correlation between the impression of customer insight and the assessment of new information that the customer insight offers.

Hypothesis 7

There is a positive correlation between the perceived impression of customer insight and the assessment of the relevance that the customer insight has to the company.

According to previous literature, customer insight is first and foremost a strategic tool (MRS Conference Papers, 2006 etc.). The objective of the customer insight is to identify and minimize the leaks of customers by directing different kind of marketing operations. We believe that there is a positive correlation between the impression of customer insight and the assessment of the relevance the customer insight has to the company.

Hypothesis 8

There is a positive correlation between the perceived impression of customer insight and the assessment of the simplicity of the customer insight.

According to previous literature, the customer insight needs to be simply formulated so it can be spread through the whole organization (Kumar, Jones, Venkatesan and Leone, 2011) and create an instant, heart-lifting revelation (Bullmore, 2004). We believe that there is a positive correlation between the impression of the customer insight and the assessment of its simplicity.

3. Method

In this section we will describe how the study was prepared and the experiment designed to test our hypotheses. The section ends by a review of reliability and validity of the study.

3.1. Theoretical framework

The purpose of this thesis is to set criteria for what customer insight is and explore what ad buyers consider being good customer insight. In order to answer these questions we will provide the reader with some earlier theories and models that are relevant. To facilitate the reading, we have structured the theoretical framework into two different sections. The first aims to explain *what a customer insight is* by presenting five different criteria, based on earlier research. The second presents *what elements*, or building blocks, are needed when deriving customer insight. In this later section the reader will be presented with three different building blocks that are based on our findings from various sources and different disciplines. Based on this theoretical framework we will deductively derive different hypothesis that will help us to answer our research questions. Our thesis will mainly depend upon our conclusive and quantitative study.

3.2. Preparing the study

Now it is time to describe how our study was prepared. We begin by introducing some people that have given us important perspectives on customer insight and the experimental design. We then continue by explaining the structure of the survey in more detail.

3.2.1. Interviews in the field

In the preparation phase of our study, we conducted interviews with several people from different organizations, all in some way working with communication. The main purpose of these semi-structured interviews was to get perspectives regarding what customer insight is and what role it plays in an organization, if the interviewed people considered them to be of importance for their businesses activities or not. We are very pleased with the interviews; they gave us valuable input.

3.2.1.1. Overview of interviews

Anna Lindström, Sveriges Annonsörer

Anna Lindström is Head of communications at Sveriges Annonsörer (The Swedish Advertisers Organisation). Her role is to communicate on behalf of the association's member interest, but also to support the organization with the latest research in the marketing area. Sveriges Annonsörer is the largest organization for advertisers in the world and represents some 520 different Swedish companies of all sizes.

Lars Seppä and Robert C. G. Rönnestam, Lantmännen

Lantmännen is one of the biggest ad buyers in the Nordic Region. The company's portfolio includes FMCG brands such as *Kronfågeln*, *Kungsörnen* and *Axa*. Lars Seppä and Robert C. G. Rönnestam have spent years of reorganizing their purchasing procedure of communicative services. Instead of buying services on an *adhoc* basis, the process is now structured and easier to follow. Lantmännen have many large brands in their portfolio and are doing their communication work in a very structured way. Therefore it is of particular interest to interview Lars and Robert regarding what role customer insight plays in an organization.

Ida Hult and Petra Bäckman, Trendethnography

Trendethnography AB helps companies to derive customer insight by observing behaviors and actions of people. They follow customers in their daily life on behalf of a client and monitor their behavior in order get better customer understanding. People at Trendetnography are mainly anthropologists and ethnographers and since their service is costly, their clients mainly consist of large co-operations. In our meeting with Ida Hult and Petra Bäckman, we discussed their opinion regarding what customer insight is. They gave us interesting perspectives regarding what kind of data customer insight can be built upon.

Henrik Callerstrand, Straylight AB

Henrik Callerstrand is a marketing consultant at the company Straylight. The business idea of Straylight is to derive customer insight for all kinds of clients. Henrik Callerstrand supported us with various thoughts and useful, practical models of how to proceed when deriving customer insight.

Jakob Lind, Futurniture

Jakob Lind is one of the founders and CEO of the communication agency Futurniture in Stockholm. We met with him to discuss how advertising agencies look at customer insight and what role they play in their daily work.

3.2.1.2. Learnings from interviews

Our pre-studies confirmed to some degree what earlier research has shown. First of all, there are many different opinions regarding what customer insight is. Consequently, there are different models of how to derive one. Some of the people we met with did not have any kind of structured process at all when gaining customer insight, while others had the competence of deriving insight in the core of their business activities. However, all of them emphasized the importance of working with customer insight, regardless of industry and not ignoring the fact that there often is confusion regarding how to derive and use them. Some mentioned that customer insight is more of an ideal or utopian wish than a realistic marketing tool (Interview with Jakob Lind, 2011). Nevertheless, most of them stressed that the effort of searching for a "magic bullet", an insight that can give a clear understanding of a particular group of customer, is worth the effort since it spurs the creative process.

3.3. Introduction to the experiment

"Experimentation is the true method to gain knowledge"

William Blake

3.3.1. Design of experiment

With an experiment, we were going to be able to test and see what variables affect respondents when they state the perceived impression of customer insight. The fact that our respondents work within different industries forced us to create an experimental setting that was generic enough to appeal to all of the them, but at the same time a setting that was specific enough to be relevant for our test. Our solution was to build the experimental set up around a *business problem* that all organizations could identify with and a *solution*, based on a customer insight, that was linked to a very *specific* marketing activity. An activity limited in time and therefore more of a point-operation than a long lasting campaign.

The experiment took the form of an online survey (See appendix) and was done in collaboration with the research company Novus. In the survey, our respondents were introduced to:

- A business *problem* (a generic problem organizations can face)
- A *solution* (based on the customer insight)
- Customer insight (specially made for the experiment)
- *Manipulation (*our tested variables)

- *Questions* (regarding the solution and the customer insight)

3.3.2. Description of tested variables

The ability to get relevant data to build customer insight upon is in the literature mentioned as one of the crucial challenges when trying to derive customer insight. Further, the strategic skills of deriving customer insight is shown as very important when agencies are to be selected in the client-agency selection process. This gave us the idea to test how the collection of data affects the impression of customer insight. Because there are many new companies specialized in deriving customer insight, we wanted to test if it affected the perceived impression of customer insight whether the insight was derived internally in the organization or by an external part. We further wanted to test what impact it had if the external part that derives the customer insight had been awarded for its efficiency in creating effective communication.

So, our experiment tested how the following parameters affected the impression of the customer insight. If the customer insight was:

- Based on data collected by *observation* of customers or by *asking questions*
- Derived *internally* in the organization or by an *external* part
- Derived by an external part that had *been awarded* for its effectiveness in creating effective communication or not

We divided our respondents into six different groups to be able to test theses variables. The groups got the following manipulations:

Group 1: The work to derive customer insight is done by **your own organization**. **Asking questions** to customers derived the data that customer insight is based upon.

Group 2: The work to derive customer insight is done by **your own organization**. **Observing customers** derived the data that customer insight is based upon.

Group 3: The work to derive customer insight is done by **an external organization**. **Asking questions** to customers derived the data that customer insight is based upon.

Group 4: The work to derive customer insight is done by **an external organization**. **Observing customers** derived the data that customer insight is based upon.

Group 5: The work to derive customer insight is done by **an external organization** that has been **awarded with "100-wattaren"** for its effectiveness in creating effective communication. **Asking questions** to customers derived the data that customer insight is based upon.

Group 6: The work to derive customer insight is done by **an external organization** that has been **awarded with "100-wattaren"** for its effectiveness in creating effective communication. **Observing customers** derived the data that customer insight is based upon.

3.3.3. Choice of respondents

Our group of respondents consisted of marketing managers in Swedish companies. Because the study was part of the yearly survey of Sveriges Annonsörer, it was sent out by email to all of their 520 member companies. 77 respondents replied, an answering rate of 14,9 percent.

3.4. Preparing the study

The pre-tests were done together with Sveriges Annonsörer, the research institute Novus, professor Micael Dahlén and assistant professor Henrik Sjödin. Sveriges Annonsörer has a long record of doing surveys and a long experience of how to put together an experiment that results in a high answering rate. Novus helped us with the design of the survey. Henrik and Micael are specialists when it comes to setting up experiments that really test the parameters you aim to test.

3.5. Doing the core study

Now we will go through the design of the online survey and the collection of the answers.

3.5.1. Design of the online survey

As mentioned earlier, the experimental setting had to be generic enough to appeal to all respondents but in the same time specific enough to be relevant for our test. Sveriges Annonsörer sent an informative email about their yearly survey and informed that one part of the survey was done in collaboration with students from Stockholm School of Economics and that this part was about customer insight. In "our part" of the survey, all the respondents were first presented with the same *business problem*. A problem that most organizations could face - the organization had recently been *losing customers in its most profitable segment.*

Secondly, all respondents were presented with the same *solution*. It said that the organization was going to sponsor the Eurovision Song Contest 2012. In connection, the most profitable customers were invited along with their families, the organization's products and services were demonstrated and the guests had the opportunity to meet with the artists.

Thirdly, all the respondents were presented with the following *customer insight*, specially created by us for our experiment:

"The most loyal customers are satisfied with the firm's products and services, but they do not feel that they are compensated enough for the time and money spent in the company. Primarily, the compensation does not have to be an economic one (discount, bonuses etc.), but rather a symbolic effort that shows the company´s appreciation. The compensation is seen as more valuable if the customer's family is able to enjoy and take part of it".

Fourth, the respondents were presented to the *manipulations*. These differed between the six groups, each group got their own combination of manipulations.

Finally, the respondents were presented with the same *questions*.

3.5.2. Measures

We tested the perceived impression of the customer insight by asking three questions. The first two questions were ranged from 1-10, and were on the scale "bad – good" and "negative – positive". The third was regarding the willingness to invest resources in market activities, based on the customer insight. The willingness to invest was ranged from 1-10 (small resources – big resources). By having three questions measuring the perceived impression, we increased the reliability in our results. When analyzing, we combined the three measures into one index, called "*Impression of the customer insight*".

After these initial questions regarding *impression* of the customer insight, the respondents got five questions (measured 1-10), each corresponding to one of the five criteria that we have set up for customer insight (se below under section "Theory"). We named the five criteria in SPSS: *Base, Predict*, *Relevance NewInfo* and *Simple*.

3.6. Reliability and validity of the study

3.6.1. Reliability

Reliability refers to the consistency of a measure of a concept (Bryman and Bell, 2007). Reliability is necessary for having a reliable study – meaning that the study should give the same or close to the same results if the experiment was done many times (Malhotra, 2009). Reliability shows to what extent the observed value differs from the real value. The aim with a test is though to get as close to the real value as possible (Söderlund, 2005). One way to get a high reliability is to use more than one indicator for the same question (Söderlund, 2005). By doing an *internal reliability* test, we could see whether or not the indicators were consistent. In other words, whether the scores on our first indicator tended to be related to the scores on the second indicator (Bryman and Bell, 2007).

This reliability test was done in SPSS. The perceived impression of the customer insight was measured with three questions, slightly differently formulated but still measuring the same thing. The reliability analysis gave us a Cronbach's alpha of 0,93. A computed alpha coefficient will wary between 1 (perfect internal reliability) and 0 (no internal reliability) (Bryman and Bell, 2007). Our result indicates that the answers to the three indicators are highly consistent.

3.6.2. Validity

Validity refers to the issue whether or not an indicator that is devised to gauge a concept really measures that concept or not (Bryman and Bell, 2007). By having a good validity, you make sure that the study is free from both results coming by chance and systematic measuring mistakes (Söderlund, 2005). There are several ways of measuring the validity. We have used *face validity* - a measure that reflects the content of the concept in question. This is a minimum that a researcher who develops a new measure has to do (Bryman and Bell, 2007). According to Bryman and Bell, the face validity might be established by asking other people, with knowledge in the research area, whether or not the measure seems to be getting at the concept that is the focus of attention. Face validity is therefore an essentially intuitive process. In our case we let our tutors, Henrik Sjödin and Micael Dahlén, control that we had high validity in our study.

3.7. Tools for analyze

All our data from the experiment was analyzed in IBM SPSS Statistics 19. The tests used were independent t-test, correlation- and regression analysis. We used the t-test to see the differences in the perceived impression of customer insight, whether it was based on data that was derived from observations or questions, if it was derived internally in the organization or by an external part and if the external part had been awarded or not for its efficiency in creating effective communication. We used the correlation analysis to see how the independent variables independently correlated with the perceived impression of the customer insight.

After the correlation analysis we conducted a factor analysis in order to see to what degree the correlation of variances of the criteria were depending on similar factors. These analyses were done in three steps. First we did a Kaiser-Mayer-Olkin test to see if the variables were suitable for a factor analysis. Then we conducted a principal component analysis to get the initial Eigenvalues of the different components and the cumulative percentage of components with an Eigenvalue ≥1. As a last step of the factor analysis we did a rotation converged in three iterations that we presented in a rotated component matrix.

The factor analysis gave us two dimensions of criteria that we named *Utility of Customer insight* and *Simplicity of Customer Insight*. We did a multiple-linear regression analysis with these two factors as independent variables and the impression of the customer insight as the dependent variable. As a last part of our analysis, we conducted an independent t-test to see if there were any differences of mean of the manipulations for each separate criterion.

3.8. Criticism of methodology

There are naturally, as in all studies, several limitations to this study, which can be target for criticism. As we clearly state in our introduction, the field of customer insight has not been well covered in previous marketing research. This indicates that a qualitative study, rather than a quantitative study, might be a more proper approach to answer our research questions since a qualitative study has a more open approach (Bryman and Bell, 2007). When striving for understanding of a new, not clearly defined phenomena (like the term customer insight) a qualitative study would be the natural, and maybe most appropriate method. However, we have been aware of our somewhat problematic approach, and to some degree compensated the lack of previous research by conducting our own interviews in the field. As a result, we would argue that the combined learning from previous research of various disciplines and our field interviews, which constitutes the theoretical framework of this thesis, offers a solid ground for our suggested hypotheses. We are also aware of the fact that our hypothesis only represents a part of the answers to our first research questions, *What are the criteria for customer insight?* Likewise there are of course additional parameters affecting our second research question *How is the perceived impression of customer insight affected?* than the ones examined in this study. Without negate these limitations, we remain confident that the choice of methodology is proper in this case.

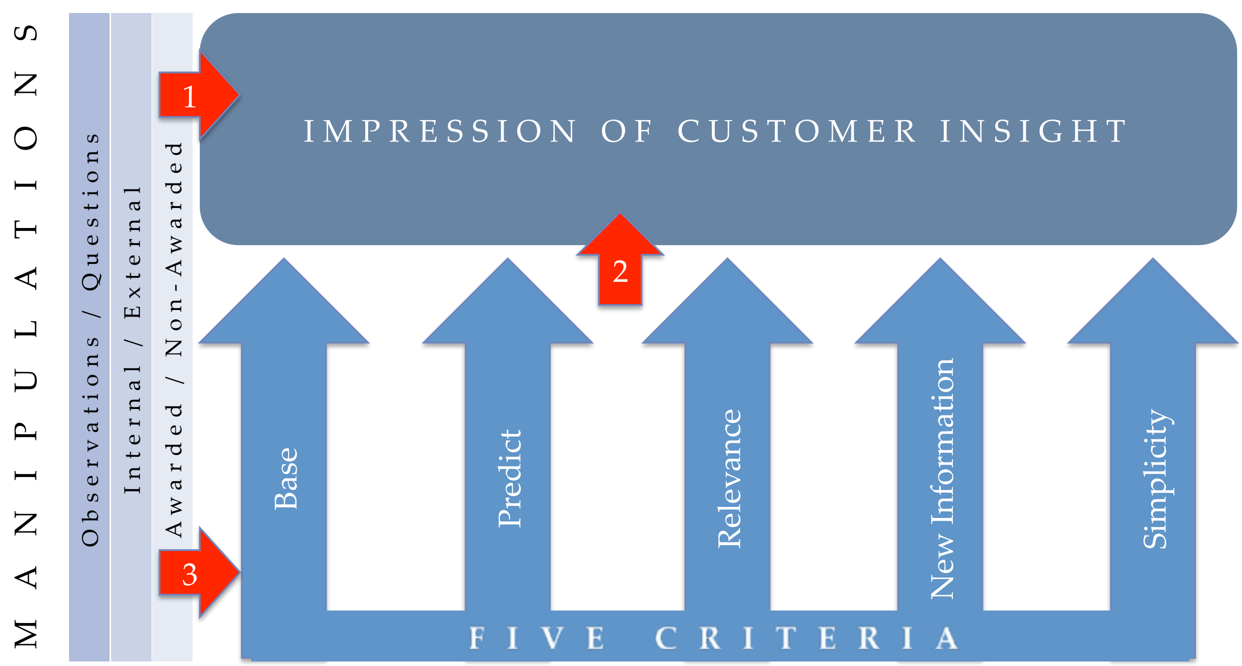
4. Analysis

Our analysis is structured in three different steps:

1. *What affects the impression* of customer insight?
   (Answers hypothesis 1, 2 and 3)
2. How do *the five criteria correspond to the perceived impression* of customer insight? (Answers hypothesis 4-8)
3. How does the *manipulations affect the five criteria?*

The picture below illustrates the relationship between these steps in the analysis:

Fig 3 – Overview analysis



1

4.1. Step 1 - What affects the impression of customer insight?

In the first step, we will look at how the different manipulations affect the *impression of customer insight*. The measure *Impression* is a combined measure, a combination of the following three measures:

1. What is your impression (bad/good) of the market activity that is based on the customer insight? (1-10)
2. What is your impression (negative/positive) of the market activity that is based on the customer insight? (1-10)
3. How much are you willing to spend (small/big resources) on the market activity? (1-10)

How each of our tested variables (data collected by *observations or questions*, customer insight derived *internally or externally*, external part *awarded or not*) affects the perceived impression of the customer insight was tested through an independent t-test.

4.1.1. Data – observations or questions

H1. The impression of customer insight will be considered as better, if the customer insight is based on data that is derived from observations rather than asked questions. *Accepted.*

Group Statistics

	Data	N	Mean	Std. Deviation	Std. Error Mean
Impression	Asked questions	40	3,53	1,770	,280
	Observed	37	4,37	1,864	,306

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Impression	Equal variances assumed	,031	,862	-2,019	75	,047
	Equal variances not assumed			-2,015	73,744	,048

Comment: Equal variances cannot be assumed. The perceived impression of customer insight is considered as better if it is based on data that is derived from observations (mean 4,37 to 3,53). The difference is significant.

4.1.2. Internally or externally derived customer insight?

H2. The impression of customer insight will be considered as better, if the customer insight is derived internally rather than externally. *Rejected.*

Group Statistics

	Intern_Extern	N	Mean	Std. Deviation	Std. Error Mean
Impression	Internal	26	4,05	2,056	,403
	External	51	3,88	1,757	,246

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Impression	Equal variances assumed	,960	,330	,391	75	,697
	Equal variances not assumed			,371	44,034	,712

Comment: Equal variances can be assumed. The perceived impression of customer insight is not considered as better if the customer insight is derived internally, although there is a small in favor of our hypothesis.

4.1.3. Awarded or not awarded agency?

H3. The impression of customer insight will be considered as better, if the customer insight is derived by an external part that has been awarded for its ability to create effective communication. *Rejected.*

Group Statistics

	Reward	N	Mean	Std. Deviation	Std. Error Mean
Impression	Awarded	21	3,68	1,662	,363
	Not awarded	30	4,01	1,837	,335

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Impression	Equal variances assumed	,125	,725	-,653	49	,517
	Equal variances not assumed			-,665	45,764	,509

Comment: Equal variances are assumed. The perceived impression of customer insight is not considered as better if the customer insight is derived by an awarded external part.

4.1.4 Analysis – What affects the impression of customer insight?

Out of our three tested variables (data collected by *observations or questions*, customer insight derived *internally or externally*, external part *awarded or not*), there is one that statistically can be proven to affect the perceived impression of customer insight, how the *data is derived*. When data is derived from observations, rather than asked questions, the respondents perceive the impression of the customer insight as better (mean 4,37 to 3,53).

Regarding internally or externally derived customer insight, we cannot see any statistical significant differences. We can though see a tendency towards more positive attitudes if the customer insight is derived internally (mean 4,05 to 3,88). The fact that the sample in this case was small (internally derived customer insight, n=26) might have affected the level of significance.

Our third hypothesis *"The impression of customer insight will be considered as better, if the customer insight is derived by an external part that has been awarded for its ability to create effective communication"* is neither statistically proven. However, in this case there is a tendency towards a more negative attitude for awarded agencies than non-awarded ones (mean 3,68 to 4,01). This is against what we expected, and we will discuss some possible explanations to this result more thoroughly later on under "5. Discussion and conclusion."

4.2. Step 2 - Perceived impression and the five criteria?

As mentioned earlier, we have come up with five criteria that must be fulfilled before we consider that companies can call something customer insight. These criteria are:

1. Customer insight should be *based on data* that can be derived ("*Base*")
2. Customer insight should give opportunity for *pro-activity ("Predictability")*
3. Customer insight should be *relevant* to the business *("Relevance")*
4. Customer insight should give *new information ("New information")*
5. Customer insight should be *simply* formulated *("Simplicity")*

In this section we want to test what impact the criteria have on the perceived impression of customer insight. As mentioned earlier, the criteria are derived from previous literature regarding customer insight, but this is the first time any criteria for customer insight are tested through a quantitative study. The analysis is conducted in different steps. First we did a *Pearson correlation test* followed by a *Kaiser-Mayer-Olkin factor analysis*. Then we conducted a *multiple-linear regression analysis* with the factors from the factor analysis as independent variables and the perceived impression of the customer insight as the dependent variable.

4.2.1. Correlation between the five criteria and impression?

Criterion 1 - Base

H4. There is a positive correlation between the perceived impression of customer insight and the assessment of the base that the customer insight is derived from. *Accepted.*

Criterion 2 - Predictability

H5. There is a positive correlation between the perceived impression of customer insight and the assessment of the predictability that the customer insight offers. *Accepted.*

Criterion 3 - Relevance

H6. There is a positive correlation between the perceived impression of customer insight and the assessment of the relevance that the customer insight has to the company. *Accepted.*

Criterion 4 - New information

H7. There is a positive correlation between the perceived impression of customer insight and the assessment of new information that the customer insight offers. *Accepted.*

Criterion 5 – Simplicity

H8. There is a positive correlation between the perceived impression of customer insight and the assessment of the simplicity of the customer insight. *Rejected.*

Correlations

		Base	Predict	Relevance	NewInfo	Simple	Impression
Base	Pearson Correlation	1	,580**	,408**	,476**	,011	,598**
	Sig. (2-tailed)		,000	,000	,000	,922	,000
	N	77	77	77	77	77	77
Predict	Pearson Correlation	,580**	1	,702**	,496**	,062	,450**
	Sig. (2-tailed)	,000		,000	,000	,589	,000
	N	77	77	77	77	77	77
Relevance	Pearson Correlation	,408**	,702**	1	,547**	,095	,375**
	Sig. (2-tailed)	,000	,000		,000	,409	,001
	N	77	77	77	77	77	77
NewInfo	Pearson Correlation	,476**	,496**	,547**	1	-,018	,286*
	Sig. (2-tailed)	,000	,000	,000		,878	,012
	N	77	77	77	77	77	77
Simple	Pearson Correlation	,011	,062	,095	-,018	1	,116
	Sig. (2-tailed)	,922	,589	,409	,878		,313
	N	77	77	77	77	77	77
Impression	**Pearson Correlation**	**,598****	**,450****	**,375****	**,286***	**,116**	**1**
	Sig. (2-tailed)	**,000**	**,000**	**,001**	**,012**	**,313**	
	N	**77**	**77**	**77**	**77**	**77**	**77**

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

We can see that there is correlation between four of our five criteria and the impression of the customer insight. The correlation is strong and significant between the first criteria *Base* and the perceived impression of the customer insight (0,598). There is also a strong significant correlation between our second criteria *Predictability* and the perceived impression of the customer insight (0,450). A somewhat weaker correlation exists between the third criteria *Relevance* and the perceived impression of the customer insight (0,375), but the correlation is still significant. Likewise the correlation between the fourth criterion, *New information,* and the perceived impression of the customer insight (0,286) is weak, but significant. The fifth criterion, *Simplicity,* is not proven to have any statistically significant correlation with the perceived impression of the customer insight.

Our correlation analysis shows a strong internal correlation between the different criteria. The strongest correlation appears between *Relevance* and *Predict* (0,702), followed by *Base* and *Predict* (0,580) and *Relevance* and *New Information* (0,547). Four of our five factors are significantly correlated to the perceived impression of the customer insight, but one is not. These results do not say anything about whether our criteria are good or bad, it only shows how they are correlated. These results will be discussed more thoroughly under section "Discussion". If and how the five criteria are related is examined in a *factor analysis*.

4.2.2. Factor analysis on the five criteria

To measure the sampling adequacy, we first conducted a Kaiser-Mayer-Olkin test. If the KMO value ≤ 0,6, one or more of the variables are not suitable for this kind of test.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,712
Bartlett's Test of Sphericity	Approx. Chi-Square	116,011
	df	10
	Sig.	,000

Our result, 0,71, is significant and indicates that *these variables are suitable for a factor analysis*. The next step in the factor-analysis was to test the variables in an Anti-Image Correlation table. It shows if there is *any reason to exclude anyone* of them.

Anti-image Matrices

		Base	Predict	Relevance	NewInfo	Simple
Anti-image Covariance	Base	,612	-,208	,047	-,172	,006
	Predict	-,208	,403	-,242	-,023	-,007
	Relevance	,047	-,242	,446	-,178	-,063
	NewInfo	-,172	-,023	-,178	,619	,062
	Simple	,006	-,007	-,063	,062	,984
Anti-image Correlation	Base	,735[a]	-,420	,091	-,279	,008
	Predict	-,420	,682[a]	-,570	-,046	-,012
	Relevance	,091	-,570	,679[a]	-,339	-,095
	NewInfo	-,279	-,046	-,339	,793[a]	,079
	Simple	,008	-,012	-,095	,079	,466[a]

a. Measures of Sampling Adequacy(MSA)

If the MSA is <0,4, it is an indication that a variable is not suitable for a factor analysis. Our fifth criteria "Simple" got a MSA value of 0,466 (close to 0,4, but still over). Now we wanted to see how the total variances could be explained.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,615	52,306	52,306	2,615	52,306	52,306	2,609	52,179	52,179
2	1,012	20,231	72,537	1,012	20,231	72,537	1,018	20,357	72,537
3	,599	11,978	84,515						
4	,527	10,547	95,062						
5	,247	4,938	100,000						

Extraction Method: Principal Component Analysis.

We could identify *five different components*. Two of these components had an eigenvalue over 1, meaning that they explain the variances for more than one criterion. The first one of these, Component 1, has an Eigenvalue of 2,6, and 52,2% of the variances can be explained by this component. The second one, Component 2, has an eigenvalue of 1,0, and 20,4% of the variances can be explained by this component. The cumulative sums of these loadings are 72,5%, which means that 72,5% of the variance can be explained by these two factors. The other components will not be taken into consideration since they have an Eigenvalue of less than 1,0. As a last step in the factor analysis, we examined the component matrix to see what factor that has the strongest impact on the variance for component.

Rotated Component Matrix[a]

	Component	
	1	2
Base	,755	
Predict	,867	
Relevance	,827	
NewInfo	,777	
Simple		,991

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Rotated Component Matrix[a]

	Component	
	1	2
Base	,755	
Predict	,867	
Relevance	,827	
NewInfo	,777	
Simple		,991

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

As we can see in the table, the criteria *Base*, *Predictability*, *Relevance* and *New Info* has the strongest loading on component 1. This means that their variances can be explained by component 1. The fifth criteria, *Simple*, has the strongest loading on component 2, which means that its variance is not due to component 1. As a result, we see that our five criteria can be sorted into two different dimensions, *"Utility of customer insight" ("Utility")* and *"Simplicity of customer insight" ("Simplicity")*. With a multiple regression analysis of the two dimensions, *Utility* and *Simplicity,* we could see how they affect the perceived impression of the customer insight.

4.2.7. Regression analysis of the two dimensions

The regression analysis was done with the two dimensions, "*Utility of customer insight*" ("Utility") and "*Simplicity of customer insight*" ("Simplicity"), and the perceived impression of the customer insight "Impression". The two identified factors Utility and Simplicity were independent variables and Impression the dependent one. The results are shown below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,529[a]	,280	,261	1,592

a. Predictors: (Constant), Simple, Utility

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73,084	2	36,542	14,415	,000[a]
	Residual	187,591	74	2,535		
	Total	260,675	76			

a. Predictors: (Constant), Simple, Utility

b. Dependent Variable: Impression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,261	,675		1,868	,066
	Utility	,452	,086	,517	5,238	,000
	Simple	,066	,072	,090	,913	,364

a. Dependent Variable: Impression

This analysis shows how much each of the two dimensions affects the constant. R (multiple correlation coefficient, looks at the association of all the variables together) is 0,529 (max value 1). R square indicates that 28 percent of the variance "Impression" can be predicted by the combination of the two variables.

The intersection of *Impression* is at 1,26. For every point of *Utility*, 0,452 can be added to the *Impression,* the result is statistically significant. For every point of *Simplicity*, 0,066 can be added to the *Impression,* this result is not statistically significant.

The results show that the dimension "*Utility of customer insight*" (the mean of the four criteria *Base*, *Predictability*, *Relevance* and *New information*) has the highest affect on the perceived impression of the customer insight. We do not have any statistical prof, but it seems like the effect of the second dimension "*Simplicity of customer insight*" has less effect on the impression of the customer insight. We will have reason to return to these results later on (see "5 Discussion and conclusions"). We will now move on and conduct some analysis to see what effect the manipulations (data collected by *observations or questions*, customer insight derived *internally or externally*, external part *awarded or not*) have on the five criteria.

4.3. Step 3 – How does the manipulations affect the five criteria?

In this section we will analyze what effect the manipulations (data collected by *observations or questions*, customer insight derived *internally or externally*, external part *awarded or not*) have on the impression of the five criteria. This is somewhat an extension of our initial research question, but still related to it. However, we do not have any particular hypothesis when doing this analysis. We do it by comparing the mean of each manipulation.

4.3.1. Data - Based on observations or questions?

Group Statistics

	Data	N	Mean	Std. Deviation	Std. Error Mean
Base	Asked questions	40	3,90	2,216	,350
	Observed	37	4,41	2,386	,392
Predict	Asked questions	40	4,78	2,815	,445
	Observed	37	5,73	2,735	,450
Relevance	Asked questions	40	5,18	2,995	,474
	Observed	37	6,16	2,682	,441
NewInfo	Asked questions	40	4,05	2,459	,389
	Observed	37	4,92	2,476	,407
Simple	Asked questions	40	7,33	2,443	,386
	Observed	37	7,03	2,661	,438

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Base	Equal variances assumed	,474	,493	-,964	75	,338
	Equal variances not assumed			-,961	73,301	,340
Predict	Equal variances assumed	,544	,463	-1,507	75	,136
	Equal variances not assumed			-1,509	74,811	,135
Relevance	Equal variances assumed	1,844	,179	-1,519	75	,133
	Equal variances not assumed			-1,526	74,928	,131
NewInfo	Equal variances assumed	,433	,513	-1,544	75	,127
	Equal variances not assumed			-1,543	74,451	,127

Simple	Equal variances assumed	,435	,512	,512	75	,610
	Equal variances not assumed			,511	73,035	,611

We can see that the means are higher on *Predictability*, *Relevance* and *New Information* when data is collected through observations rather than by asking questions. The result is significant on a 90% confidence interval. The mean for observation is also higher on *Base,* but this result is not statistically significant. The criterion of *Simple* has a slightly higher mean when data is collected through asking questions, but this result is not statistically significant.

4.3.2. Internally or externally derived customer insight?

Group Statistics

	Intern_Extern	N	Mean	Std. Deviation	Std. Error Mean
Base	Internal	26	4,50	2,565	,503
	External	51	3,96	2,154	,302
Predict	Internal	26	5,65	2,939	,576
	External	51	5,02	2,731	,382
Relevance	Internal	26	5,88	2,917	,572
	External	51	5,53	2,873	,402
NewInfo	Internal	26	4,50	2,657	,521
	External	51	4,45	2,427	,340
Simple	Internal	26	7,88	1,883	,369
	External	51	6,82	2,762	,387

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Base	Equal variances assumed	1,878	,175	,973	75	,334
	Equal variances not assumed			,919	43,395	,363
Predict	Equal variances assumed	,705	,404	,939	75	,351
	Equal variances not assumed			,917	47,283	,364
Relevance	Equal variances assumed	,003	,954	,510	75	,611
	Equal variances not assumed			,508	49,764	,614
NewInfo	Equal variances assumed	,202	,655	,081	75	,936
	Equal variances not assumed			,079	46,584	,938
Simple	Equal variances assumed	4,854	,031	1,759	75	,083
	Equal variances not assumed			1,984	68,630	,051

The results show no statistical significance in difference of mean for the four criteria *Base, Predict, Relevance* and *New Information*. For the fifth criteria, *Simple*, we see that there is a statistically higher mean for internally derived customer insight. In other words, market directors seem to assess customer insight as more simple if it is derived internally in the organization.

4.3.3. Awarded or not awarded agency?

Group Statistics

	Reward	N	Mean	Std. Deviation	Std. Error Mean
Base	Awarded	21	3,90	2,047	,447
	Not awarded	30	4,00	2,259	,412
Predict	Awarded	21	4,95	2,889	,630
	Not awarded	30	5,07	2,664	,486
Relevance	Awarded	21	6,33	2,517	,549
	Not awarded	30	4,97	3,011	,550
NewInfo	Awarded	21	4,76	2,095	,457
	Not awarded	30	4,23	2,648	,483
Simple	Awarded	21	6,81	2,442	,533
	Not awarded	30	6,83	3,007	,549

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Base	Equal variances assumed	,002	,968	-,154	49	,878
	Equal variances not assumed			-,157	45,720	,876
Predict	Equal variances assumed	,595	,444	-,146	49	,885
	Equal variances not assumed			-,144	40,902	,887
Relevance	Equal variances assumed	1,178	,283	1,703	49	,095
	Equal variances not assumed			1,759	47,366	,085
NewInfo	Equal variances assumed	3,738	,059	,762	49	,450
	Equal variances not assumed			,794	48,184	,431
Simple	Equal variances assumed	,815	,371	-,030	49	,976

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Base	Equal variances assumed	,002	,968	-,154	49	,878
	Equal variances not assumed			-,157	45,720	,876
Predict	Equal variances assumed	,595	,444	-,146	49	,885
	Equal variances not assumed			-,144	40,902	,887
Relevance	Equal variances assumed	1,178	,283	1,703	49	,095
	Equal variances not assumed			1,759	47,366	,085
NewInfo	Equal variances assumed	3,738	,059	,762	49	,450
	Equal variances not assumed			,794	48,184	,431
Simple	Equal variances assumed	,815	,371	-,030	49	,976
	Equal variances not assumed			-,031	47,828	,975

The results show no statistic significant difference in the means for the criteria *Base, Predictability, New Information* and *Simple*, whether the customer insight is derived by an awarded or a non-awarded external agency. The criterion *Relevance* shows a statistically higher mean for an awarded partner (6,33 compared to 4,97). In other words, the respondents seem to think that customer insight derived by an awarded agency has higher relevance for the business than if it is derived by a non-awarded one.

5. Discussion and conclusion

The aim with this thesis was to answer the question "*What do marketing managers perceive as good customer insight?*" In order to answer it, we have guided the reader through previous literature and research concerning the topic of customer insight, interviewed people working with customer insight and set up an experiment to test various hypothesis. Of course, there are innumerous different factors that potentially can affect the perceived impression of customer insight, but our study should be seen as a first step towards mapping out this previously unknown territory, and our results should be seen in the light of this fact. With that said – what do marketing managers perceive as good customer insight?

5.1. Summary of findings

5.1.1. What affects the impression of customer insight?

In the first part of our analysis we analyzed the following hypothesis:

H1. The impression of customer insight will be considered as better, if the customer insight is based on data that is derived from observations rather than asked questions. *Accepted.*

H2. The impression of customer insight will be considered as better, if the customer insight is derived internally rather than externally. *Rejected.*

H3. The impression of customer insight will be considered as better, if the customer insight is derived by an external part that has been rewarded for its ability to create effective communication. *Rejected.*

Our results show that marketing managers perceive the impression of the customer insight as better when the insight is based on data that is collected through observations rather than questions. The second hypothesis could not be proven, there is no significant difference in the perception of customer insight whether if it is internally or externally derived. However, the tendency indicates a slightly more positive attitude towards internally derived insights, but the result is not statistically significant. We could not find evidence for our third hypothesis. In fact, our results showed a tendency towards the opposite; marketing managers perceived the impression of customer insight as better if it was derived by a non-awarded agency. This difference is though not statistically significant. Both of these tendencies would be interesting subjects for further research. Our conclusion from the first section of our analysis is that *marketing* *directors perceive customer insight as better if it is based on data that is derived by observations* rather than by asking questions.

5.1.2. How do the five criteria correlate to the impression?

In the second part of our analysis, we analyzed the following five hypotheses:

H4. There is a positive correlation between the perceived impression of customer insight the assessment of the base that the customer insight is derived from. *Accepted.*

H5. There is a positive correlation between the perceived impression of customer insight and the assessment of the predictability that the customer insight offers. *Accepted.*

H6. There is a positive correlation between the perceived impression of customer insight and the assessment of the relevance that the customer insight has to the company. *Accepted.*

H7. There is a positive correlation between the perceived impression of customer insight and the assessment of new information that the customer insight offers. *Accepted.*

H8. There is a positive correlation between the perceived impression of customer insight and the assessment of the simplicity of the customer insight. *Rejected.*

The results show that hypothesis H4-H7 are correct. There is a positive correlation between the criteria *Base*, *Predictability*, *Relevance* and *New Information* and the perceived impression of the customer insight. For the fifth criteria, we cannot see any significant correlation. The internal correlation was strong between some of the criteria. *Predictability* and *Relevance* (0,702), *Base* and *Predictability* (0,580) and *Relevance* and *New Information* (0,547) had the strongest correlations. This gave us an indication that some of the criteria might have more in common; we checked this through a factor analysis. The factor analysis showed that there were *two different factors* that could explain the variance of the respondent's assessment of the five criteria. Factor 1 explained the four criteria *Base*, *Predictability*, *Relevance* and *New Information.* We named this factor *"Utility of Customer insight" ("Utility").* The criterion *Simple* was explained by factor 2, which we named *"Simplicity of Customer insight" ("Simplicity").* In other words, we saw that our criteria could be *sorted into two different dimensions*, named *Utility of Customer insight* and *Simplicity of Customer insight*.

After the factor analysis, we conducted a multiple linear regression analysis to see if the two different factors, *Utility of Customer insight* and *Simplicity of Customer insight*, had any significant influence on the perceived impression of the customer insight. The result shows that the dimension *Utility of Customer insight* significantly influences the perceived impression of the customer insight, while the dimension of *Simplicity of Customer insight* did not. The conclusion is that the better marketing manager perceives the *Utility of Customer insight,* the better the perceived impression of the customer insight. We could not prove that the factor 2, *Simplicity of Customer insight,* had any significant influence for marketing manager's perceived impression of the customer insight. According to earlier literature, it is important that customer insight are simple in order to facilitate communication and create "instant, heart-lifting revelation"(Bullmore, 2005). Why this was not obvious in our result might have two possible explanations. Either it is not as important as previous researchers have pledged or our experiment failed to measure this criteria accurately. This will be discussed later on in our criticism of the thesis. Another issue concerning our five criteria is that they do not completely explain what affect the impression of customer insight. This is an indication that other criteria could be added to the five we have suggested. This issue will be treated more thoroughly in our suggestion for further research.

5.1.3. How does the manipulations affect the five criteria?

In the last section of our analysis we wanted to see if the manipulations in our survey (data collected by *observations or questions*, customer insight derived *internally or externally*, external part *awarded or not*) affect the assessment of the five criteria. We did not have any particular hypothesis for this analysis. The analysis was conducted by comparison of mean. Our results show that the criteria *Predictability*, *Relevance* and *New information* are perceived as better if the customer insight is based on data derived from observations rather than on asked questions. Furthermore, our result showed that marketing managers perceive internally derived insights as more *simple* than externally derived. Finally, we could see that marketing managers perceive customer insight derived by an awarded agency as more relevant for the business than if a non-awarded agency derives it. These results are interesting since they show that the different variables tested affect certain criterion more than others.

5.2. Conclusion

From the analysis of our empirical results we have seen that the impression of customer insight is perceived as better if the data is derived from observations rather than asked questions. We did not see any significant results that the impression of customer insight is perceived as better if derived internally rather than externally. Neither have we found any significant result saying that the impression of customer insight is perceived as better if an awarded external partner, rather than a non-awarded external partner, has derived it.

Furthermore, we could see a positive correlation between four of our five criteria *Data*, *Predictability*, *Relevance* and *New Information* and the impression of customer insight. From the factor analysis we could see that these four criteria had a common factor, named "*Utility of Customer Insight*", which affect the impression of customer insight. The fifth criterion *Simple*, which was explained by a second factor named "*Simplicity of Customer insight*", did not affect the impression of customer insight.

We could also see that customer insight is perceived as offering better *predictability*, have more *relevance* to the business and gives *new information* if it is based on data derived from *observations* rather than asked questions. Our analysis also showed that customer insight is seen as more *simple* if it is derived internal rather than internal. Finally, we could see that customer insight is perceived to have more *relevance* to the business if an awarded external partner, rather than a non-award external partner, derives it.

5.3. Critics

Like any kind of quantitative research, this study has several limitations. To begin with, the objective was to answer the question "What do marketing managers perceive as good customer insight?" Naturally, it can be as many answers to that question as there are marketing managers out there. Therefore we want to make clear; we can only give indications of what marketing managers perceive as good customer insight. Not any definite answers, since the variables we have chosen to test are only some of many potential variables that can influence the perceived impression.

A common criticism towards qualitative research is that "*The analysis of relationship between variables creates a statistic view of social life that is independent of people's lives*" (Bryman and Bell, 2007). There is always a risk that the tested variables will create an artificial perspective of a phenomenon that has little to do with reality. We have been aware of this limitation and we have tried to identify factors that *likely* could affect the judgment of the customer insight in our experiment. To some extent our work has been like entering a dark room, exciting and frustrating at the same time, because there has only been vague expectations of what we could find. Our results are therefore to be considered as a first step towards understanding the true nature of customer insight.

We could also criticize the way we have structured our survey. The aim was to define what good customer insight is, but the study did not actually measure customer insight *per se*, rather how customer insight is derived. There are reasons to believe that this fact has had impact on our results in several ways. One obvious is that we could not see any evidence that the criterion *Simple* had any direct impact on the impression of the customer insight, even though the importance of keeping customer insight simple is stressed in earlier literature (e.g. Bullmore, 2005). Perhaps another design of the study could have given other results. Lastly, there is a big risk, like in all experimental studies, that our manipulations were too weak to have an impact on the respondents. Since our manipulations mainly concerned how the customer insight was derived, it could be a possible explanation why mainly the assessment of the criterion *base* was affected by the manipulations.

5.4. Further research

Even though the research question for this thesis is to answer what marketing managers perceive as good customer insight, the intention with it is much greater. We see it as a first attempt to map out this *terra incognita,* a way of finding structured processes to understand customer's feelings and actions. As such, the study could be seen as an important contribution to the field of marketing. We believe that the process of developing good customer insight is critical for businesses today, and its importance is going to increase as markets matures and customer orientation becomes the only way of obtaining a sustainable competitive advantage. A prerequisite then is to reach understanding of what customer insight is and set a framework for how to derive them. The five criteria, that we have identified and used in our experiment, is a first attempt to create such framework.

We would like to *encourage people to challenge* our suggested criteria for what customer insight is. We believe in the Hegelian philosophy of thesis, anti-thesis and synthesis. Only by questioning our results, it is possible to get closer to the true nature of customer insight. To be a more specific, we suggest that the criterion of *Simple* deserves more attention. Earlier research has suggested that simple formulation of customer insight is critical for its potential. Although we failed to prove this, we believe that other studies, structured in a different way might give other results. Furthermore, we suggest that the manipulations of external and internal derived as well as awarded and non-awarded external partners can, in other experimental settings, be shown to have a statistical significant effect on the impression of customer insight. Finally, we think that the relationship between the criteria and the impression of the customer insight can be more thoroughly explored. There are certainly other, more creative people than us, which can identify additional criteria. Hopefully this thesis, despite all its shortcomings, can serve as inspiration for those who want to dig deeper into the understanding of the customer's mind and actions.

5.5. Practical implications

The research field of customer insight is of great importance in many aspects. First of all, we believe that the studies of customer insight can serve as a link between academics and practitioners in marketing. The former are often accused to construct theories and models that have little value for the ones operating in the harsh reality of the world outside the university walls. Because customer insight is affecting the heart of businesses, we see the potential for academics to support marketers with valuable tools through more extensive studies in the field. Likewise, if marketing people start to work and think more about this matter in a structured way (which already is the case in many firms and agencies), it will enrich the theories and models that academics will provide.

Our thesis has shown that marketing managers will perceive customer insight differently depending on how it is derived. We have also showed that there are different dimensions and criteria affecting the perceived impression of customer insight. We hope that we have helped people working with insight and the deriving of deep customer knowledge in their daily work. The study will not only increase the chances of successful market activities and the customer's perceived value of companies, it will also help companies increase their profit margins. On the other hand, the results might also serve the opposite purpose – to detect false or bad customer insight. With this study, businesses will be less dependent on gut-feelings and guessing and instead let the *true interest* of customers guide and lead their way into the future.

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7. Appendix

Appendix - Example of survey

Grupp 1

Du håller på att utarbeta en plan med åtgärder för att stärka ert företags position under den kommande tolvmånadersperioden. En av utmaningarna är att ert mest lönsamma kundsegment stadigt har minskat under senare år.

För att bryta denna negativa trend är ett förslag att ditt företag sponsrar Melodifestivalen 2012. I samband med evenemanget bjuder ni in era mest lönsamma kunder som får ta del av showen, träffa artisterna och även delta i exklusiva förhandsvisningar av era tjänster och produkter. Förslaget vilar på följande kundinsikt:

"De mest lojala kunderna är nöjda med företagets tjänster och produkter, men de känner inte att de kompenseras för den tid och de belopp som spenderas hos företaget. Det handlar inte primärt om en ekonomisk kompensation (rabatter, bonuspoäng etc.) utan snarare om symboliska handlingar som tecken på företagets uppskattning. Om även kundens familj kan ta del av och ha glädje av kompensationen upplevs den som mer värdefull."

Arbetet för att ta fram den kundinsikt som förslaget vilar på har utförts av **din egen organisation**. Som underlag för arbetet har projektgruppen **ställt frågor till kunder**.

Nedan följer några frågor om hur du ser på den kundinsikt som förslaget vilar på.

1. Vad är ditt intryck av det förslag som tagits fram utifrån kundinsikten?

Dåligt	1	2	3	4	5	6	7	8	9	10	Bra
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

Negativt	1	2	3	4	5	6	7	8	9	10	Positivt
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

2. Hur mycket skulle du maximalt vara beredd att satsa på förslaget?

Små resurser											Stora resurser
	1	2	3	4	5	6	7	8	9	10	
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

Till sist ber vi dig ta ställning till några påståenden om kundinsikten och ange hur väl du instämmer med dem:

3. Underlaget som ligger till grund för kundinsikten känns tillförlitligt

Stämmer inte	1	2	3	4	5	6	7	8	9	10	Stämmer bra
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

4. Kundinsikten hjälper ditt företag att förstå målgruppens förväntningar

Stämmer inte	1	2	3	4	5	6	7	8	9	10	Stämmer bra
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

5. Kundinsikten kommer ha betydelse för utformandet av marknadsaktiviteter

Stämmer inte	1	2	3	4	5	6	7	8	9	10	Stämmer bra
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

6. Kundinsikten gav dig ny information

Stämmer inte	1	2	3	4	5	6	7	8	9	10	Stämmer bra
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

7. Kundinsikten var krångligt formulerad

Stämmer inte	1	2	3	4	5	6	7	8	9	10	Stämmer bra
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

(Survey translated into English)

Group 1

You are working on a plan to strengthen your company´s position in the coming year. One of the most urgent challenges for your company is that your most profitable customers in recent years have started to leave you.

In order to break this negative trend, one suggested solution is that your company sponsor Eurovision 2012. In connection to the event, your company invites the most profitable customers. They will meet with the artists and they have the ability to see an exclusive preview of your products and services. The solution rests on the following customer insight:

"The most loyal customers are satisfied with the firm's products and services, but they do not feel that they are compensated enough for the time and money spent in the company. Primarily, the compensation does not have to be an economic one (discount, bonuses etc.), but rather a symbolic effort that shows the company´s appreciation. The compensation is seen as more valuable if the customer's family is able to enjoy and take part of it".

The work to derive customer insight is done by **your own organization**. The data is based on answers that the project group has got from **answering questions to customers.**

Below are some question regarding how you perceive the customer insight that the solution rests upon.

8. What is your impression of the solution that has been derived from customer insight?

	1	2	3	4	5	6	7	8	9	10	
Bad	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	Good
Negative	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	Positive

9. How much would you maximally be willing to spend on the solution?

Small resources — Big resources

1	2	3	4	5	6	7	8	9	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Finally, we would like you to consider the following statements about customer insight and indicate how well you agree with them:

10. I perceive the data that lays the fundament for customer insight as reliable

Not true	1	2	3	4	5	6	7	8	9	10	True
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

11. Customer insight allows your company to understand the expectations of the customers

Not true	1	2	3	4	5	6	7	8	9	10	True
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

12. Customer insight will be important for the design of marketing activities

Not true	1	2	3	4	5	6	7	8	9	10	True
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

13. The customer insight gave new information

Not true	1	2	3	4	5	6	7	8	9	10	True
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

14. Customer insight was awkwardly formulated

Not true	1	2	3	4	5	6	7	8	9	10	True
	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	