

# How consumer conversation will transform business\*

Achieving operational excellence series



## Table of contents

All images used in this piece are consumer generated, found on popular online photo sharing communities. Reproduced with permission, they demonstrate the ubiquitousness and power of the consumer's voice in today's digitally driven culture.

Cover image: Allie Wojtaszek, April 2006, [www.flickr.com](http://www.flickr.com)

## One consumer voice can morph into a community in minutes. Are you listening?

---

## The speed and scale of consumer conversations can redirect entire markets.

Monologue is a thing of the past	5
The emerging Net Generation lives outside the US	12
Conversation is the new source of consumer intelligence	14
How to analyze consumer conversation	16
The market is ready	18
The art of translating conversation into action	24
The new currency in advertising is the voice of the customer	42
Technological change is not enough	44
Using consumer conversation to innovate	48

---

## To win, you must embed the customer in your organization.

Where do you start?	58
Are you listening to the consumer community?	59
Are you already responding to consumer buzz?	61
How do you embed the consumer into operations?	65

---

The heart of the matter

One consumer voice  
can morph into a  
community in minutes.  
Are you listening?

Imagine it's seven o'clock on a Monday morning. You turn on your computer. On the screen is a startling level of insight into the real-time attitudes, behaviors, and intentions of your consumers. By knowing why people buy, you know where markets are going. This insight informs every decision you make as an organization. Every hour of every day, you are able to solve performance problems before they become financial problems, and your customers help you innovate well in advance of demand.

This Monday morning is coming. In billions of chats, blogs, emails, phone calls, and social networks, consumers are talking about your business. Somewhere in this massive conversation are shouts and whispers that will determine your success or failure.

Like the majority of executives who were surveyed in the recent PricewaterhouseCoopers *Management Barometer*, you recognize the potential in these consumer conversations but still have difficulty interpreting and reacting to them. What can you do when the volume and speed of the conversation and its rapid development as a market force have strained your ability to keep pace?

For the first time, methodologies and technologies exist that can interpret unfiltered, real-time consumer conversations. These dialogues contain a granular, forward-looking understanding of consumer attitudes, needs, and behaviors. And they can be combined with other existing behavioral and transactional information (such as Web surfing patterns and point-of-sale data) to create a completely new and previously unattainable view of your markets. To realize this potential, companies need to do more than collect and analyze data. Maximizing the value of consumer conversation is a matter of organizational as well as technological change.

Adjusting to these new methodologies and technologies will require time, trial, and investment, but the benefits will be absolutely enormous. Companies can already use real-time consumer feedback to improve products, sales targeting, segmentation, customer service, and crisis management. Those that merge disparate channels of consumer data and embed them into operations will also discover the missing links between buying history and buying intention. Executives will hear consumers whispering about new and expanded markets and react to these shifts "ahead of the curve," realizing faster sales growth, reduced risk, more efficiency, and higher customer retention.

An in-depth discussion

**The speed and scale  
of consumer conversations  
can redirect entire markets.**

## Monologue is a thing of the past

“In the 1960s, news articles said that the art of conversation was dead in America. Guess what? The art of conversation is back; it’s alive and well. People everywhere are on cell phones—talking, texting, instant-messaging, emailing—and as a marketer we must join the conversation, not interrupt it. In the past we, like other companies, were good at a monologue, but our challenge was to introduce a dialogue with consumers,” says John Hayes, CMO of American Express.

Consumers are leading a massive, global conversation about products, services, and companies. Today, there are approximately 75 to 100 million blogs and 10 to 20 million Internet discussion boards and forums in the English language. Consumers use online media, phone calls, emails, chats, and text messages to discuss what, when, and how they buy. And consumers, not marketers, lead the discussion.<sup>1</sup>

According to Michael Gaylord, Vice President at TV Land Digital, “It’s much harder now to accurately mine the data and understand consumer behavior because there are so many touch points. The whole notion of ‘come to one Web site and one brand’ is quickly eroding. Consumers aggregate their own content, on their own Web sites. Their experience with content providers is much more ephemeral.”

<sup>1</sup> For more on the consumer need for dialogue, see PricewaterhouseCoopers, *How to Capitalize on Lifestyle Advertising in a Customer-Centric World* (2007).

Consumers expect their interactions with marketing and sales to approximate one-on-one attention ever more closely. At the same time, companies are looking for models to address the needs of individual consumers without a one-to-few workforce—i.e., to build flexibility and configurability into commodity products and services, as well as monitor customer experiences to drive customization.

As each successive generation uses more social and interactive media, the volume of consumer conversation will continue to expand. Worldwide, the generation born between 1977 and 1996 is the first to grow up using interactive technologies, and a majority of this “Net” or “Baby Boom Echo” generation would rather live without television than the Internet. North Americans currently lead Net Geners in social networking use.

In the next five years, there will be an explosion of global conversation in developing countries. The biggest gains in both social networking and blog use are likely to occur in Brazil, China, India, and Mexico.<sup>2</sup> Our own research, both in the US and developing countries, corroborates this point, and we have seen a definite trend over the last several years wherein social and interactive media have taken on increased significance in the lives of consumers.

At the other end of the demographic spectrum, the baby boom generation is beginning to swell the ranks of US retirees, so that, in the near future, most retirees will be regular Internet users. US baby boomers are as likely (or almost as likely) as members of the Net Generation to use the Internet to search for a person, rate a product or person, use a photo service, do product research, or purchase products.<sup>3</sup>

<sup>2</sup> New Paradigm Learning Corporation analysis of a 2007 online survey of 7,692 respondents in the US, Canada, UK, Germany, France, Spain, Mexico, Brazil, Russia, China, Japan, and India.

<sup>3</sup> Susannah Fox and Mary Madden, “Generations Online,” Data Memo, Pew Internet & American Life Project (December 2005). Based on a telephone survey of 6,403 adults.

Listening to these consumers does not mean the same thing today as it did five years ago. In the past, the consumer provided one-to-one, largely confidential feedback to companies through phone calls, letters, and emails. Today, consumers have found strength in numbers. The community is now the consumer. Socialization has dramatically reduced the barriers to group communication and organization. This is a huge source of risk for companies that now watch missteps spread through an entire universe of critics, fans, and self-appointed journalists, many of whom are not customers.

It is also one of the single greatest business opportunities in consumer-facing business, as eBay and Amazon.com demonstrate. Community dialogue lies at the core of both businesses, generating an immense amount of value “for free” through feedback ratings, reviews, collaborative filtering, and recommendations that define much of the commerce experience at these two companies. Likewise, according to Joanna Drake Earl, President of New Media at Current, “The charter of our business is to collaborate with our audience to create the media that they want to consume, on whatever platform, in whatever format makes most sense to them.” (Founded in 2005, Current is a TV news and information network and Internet site, which produces programming in collaboration with its audience.)

“Engaging with consumers in a dialogue and being an effective listener is where the greatest innovations will come from.”

John Hayes, CMO, American Express



With widespread use  
of computers, cell phones,  
and social networks,  
Net Generations worldwide are  
driving the amplification  
of consumer conversation.



Image: Foto-Andy.com, May 2006, [www.flickr.com](http://www.flickr.com)



# The emerging Net Generation lives outside the US

Across the globe, the Net Generation (16- to 29-year-olds) is the first to grow up immersed and fluent in mobile and interactive technologies that allow individuals to connect to a global community. Through their widespread use of personal computers, mobile/cell phones, broadband, e-commerce, interactive media, social networks, and self-generated content, the Net Generation is helping to drive the amplification of consumer conversation.

## Developing countries: a new testing ground

In the major emerging economies of Brazil, Russia, India, and China (BRIC), Net Geners are often ahead of their Western counterparts in adopting the activities that help marketers learn what consumers truly think—whether in chat rooms, social networks, text messages, or online games. For the most innovative companies, these markets are not just growth engines. Instead, they are the place to develop, test, and refine radically new approaches to consumer engagement that can be imported back to Western countries with great success. To use BRIC countries as innovation centers, companies need to understand how BRIC Net Geners differ from those in the United States or Europe—and also from each other.

## BRIC Net Geners are key influencers

The Net Generation in India, China, and Brazil far outnumbers its baby boom parents (2:1 in India; 3:2 in China and Brazil). By contrast, in Russia, as in the West, numbers for the Net Gener population barely match baby boom numbers. These BRIC Net Geners are often at a very different stage of their lives than their Western counterparts. Net Geners in Brazil and India are 30 to 45 percent more likely than their counterparts in the US, China, and Russia to have children of their own.

Indian Net Geners can contribute up to 70 percent of family income in multi-generation homes. And their opinions are often even more influential in family purchasing decisions than those of their Net Generation counterparts in the West. BRIC Net Geners, in fact, are leading a wave of new consumer choice and freedom, and they revel in it. They are hungry for information on new products and services, and are much less cynical about traditional media. Net Geners in BRIC countries (especially China and India) are up to four times more likely to pay attention to Internet, outdoor, and newspaper advertising than their Western counterparts.

## Social networking is pervasive

Users in China and India are also much more driven to social or professional networking sites (the percentage is four times higher) and to online virtual worlds (the percentages are five and six times higher, respectively) than their US counterparts. Net Geners such as Pallavi Bali, a 23-year-old business school student in New Delhi, India, recently followed the launch of a popular multi-media handset through traditional television and online news reports. However, in considering a purchase, Pallavi ultimately turned to a popular social networking site. She wanted honest opinions from site-users who she considered “trustworthy” because they have to join the site.

These types of social networking sites support the BRIC view (especially in China and India) of consumer choice as more of a “group activity” than it is in the developed world. BRIC Net Geners are 40 to 80 percent more likely to be influenced by Internet links forwarded from friends than are their Western counterparts.

## **Consumer opinions, the most trusted source**

In Taiwan, Jason Lai, a 25-year-old engineer, says, “I am a big fan of checking out feedback on products before I purchase them. I find consumer opinions more reliable than ads.”

Alexander Sinitsa, a 19-year-old student from Moscow, agrees. “Sometimes commercials or Internet banners attract my sight, but the most this will lead me to do is to look at the specifications and parameters of the product more attentively with the help of other sites. I create my own opinion about products, asking a lot of questions and doing research before I choose anything.”

Jason adds, “I go to forums. I find not only the pros and cons but, most of the time, the best deal. If most of the feedback is decent and I already like the product, it’s a 100 percent done deal.”

## Conversation is the new source of consumer intelligence

It has become increasingly clear that traditional customer segmentations (e.g., based on age, gender, income, and historical transactions) are no longer flexible enough to represent today's consumer behaviors. US baby boomers, for example, "are healthier and more affluent than the previous generation of seniors," and they make lifestyle choices that are considered youthful by traditional standards.<sup>4</sup> Other conventional lagging indicators, such as declining revenues or low customer satisfaction scores, also often provide too little insight, too late.

Companies need to listen directly to what their markets and individual consumers demand, when (and sometimes before) they demand it. Consumer conversation provides a way forward. The gathering and analysis of digital consumer conversation dramatically enhances traditional consumer intelligence through real-time speed, the granularity of individual opinions, leading indicators, unfiltered sentiment, and cross-channel integration.

The number of discussions about a customer-facing company—its brands, reputation, and competitors—can reach into the thousands, conceivably millions, per day. This level of speed and scale is humanly impossible to monitor in real time. For example, finding that its supervisors were overwhelmed trying to track common issues in customer service calls, a major US transportation company recently outsourced its data analysis to the speech analytics service provider CallMiner. Jeff Gallino, CTO, chairman of the board, and co-founder of CallMiner, said that at their best, the supervisors listened to about 4,000 calls per month. CallMiner used software to process 30,000 to 50,000 calls per month, and the results were just as accurate.

Companies need to develop the technical capability to gather consumer conversation and then filter it for concepts that will help them identify shouts (obvious red flags) and whispers (patterns of interest with uncertain meaning that need further investigation). A multitude of service providers and technologies can help build such a system. They often specialize in a particular type of information, such as call center recordings, internal

<sup>4</sup> PricewaterhouseCoopers and Grocery Manufacturers Association, Inc., *Insights into the Food, Beverage, and Consumer Products Industry: GMA Overview of Industry Economic Impact, Financial Performance, and Trends* (2006). Available at [www.gmabrands.com/publications](http://www.gmabrands.com/publications).

documents, emails, and free-form text fields (e.g., in databases), or blogs, message boards, and news. Tools for video analysis are new but becoming more common.

Service providers also offer customer data integration systems for merging conversational analysis with existing transactional and behavioral data. PricewaterhouseCoopers believes that the integration of conversation with other behavioral and transactional consumer information will ultimately provide the greatest benefits to companies.

A basic but very difficult step in beginning data integration is creating data “keys,” i.e., types of information that are gathered consistently across all customer touch points. For example, a company might select standardized group data points from among the following: demographics (e.g., income, age, gender, ethnicity, education level, location), customer service patterns (inquiries, complaints, praise, suggestions), on-line behaviors (frequently visited sites, duration of visits, interactions, click-throughs, keyword searches, user-posted links, trackbacks), transactions (purchases, redeemed coupons, credit card data), and consumer conversation (volume, spread, frequency, tone, and topics such as product suggestions). The process of defining these keys can catalyze organizational change because it brings various functions together to create a common lexicon of consumer definitions and common goals for data gathering.

“Focus groups are a thing of the past; today you have to draw people out in their own environment.”

Carla Hendra, Co-Chief Executive Officer,  
Ogilvy North America

# How to analyze consumer conversation

Analyzing consumer conversation is a process of progressive discovery—i.e., harvesting consumer insight and then combining it with other internal and third-party intelligence in order to identify opportunities. Progressive discovery can be applied to a specific, immediate challenge, such as finding out what consumers think of a product, or to scanning the company's strategic horizon for disruptions and opportunities. The process of progressive discovery involves the following steps:

## Strategize

Determine which major business challenge or goal could be effectively informed and addressed by leveraging real-time customer insight. Then, identify which types of internal or external sources of data have the best chance of containing conversations about the topic of interest.

In later iterations of the process, evaluate the success of any operational changes based on the findings from previous progressive discovery in order to strengthen the link between findings and action. Identify new business goals and start the process again.

## Aggregate

Use sampling techniques to gather a statistically meaningful portion of data from internal and external sources. Transcribe audio and tag video, and deposit them with text in a data repository.

## Analyze

Run software to analyze the “voicescape,” the landscape of consumer voices—volume of words, common phrases and tags (e.g., products and issues), frequency (how often they occur), and clustering (how closely they are grouped together). Use this voicescape analysis to identify promising concepts, phrases, and words about the company, competitors' products, and consumer needs. Then conduct deeper analysis, such as on sentiment (positive, negative, or neutral), tonality (which words and phrases appear most often in positive or negative conversations), spread (how widespread is the discussion), and volume over time (around a specific phrase, word, or concept).

## Communicate

Translate the voicescape and deeper findings into indicators that meet business goals. Verify indicators against other sources of consumer data within the organization as well as against trends in the marketplace in order to avoid false positives or negatives based on consumer sentiment alone. Meaningful metrics, key performance indicators (KPIs), trends, and forecasts can be presented in a dashboard format to appropriate company users.

## Operate

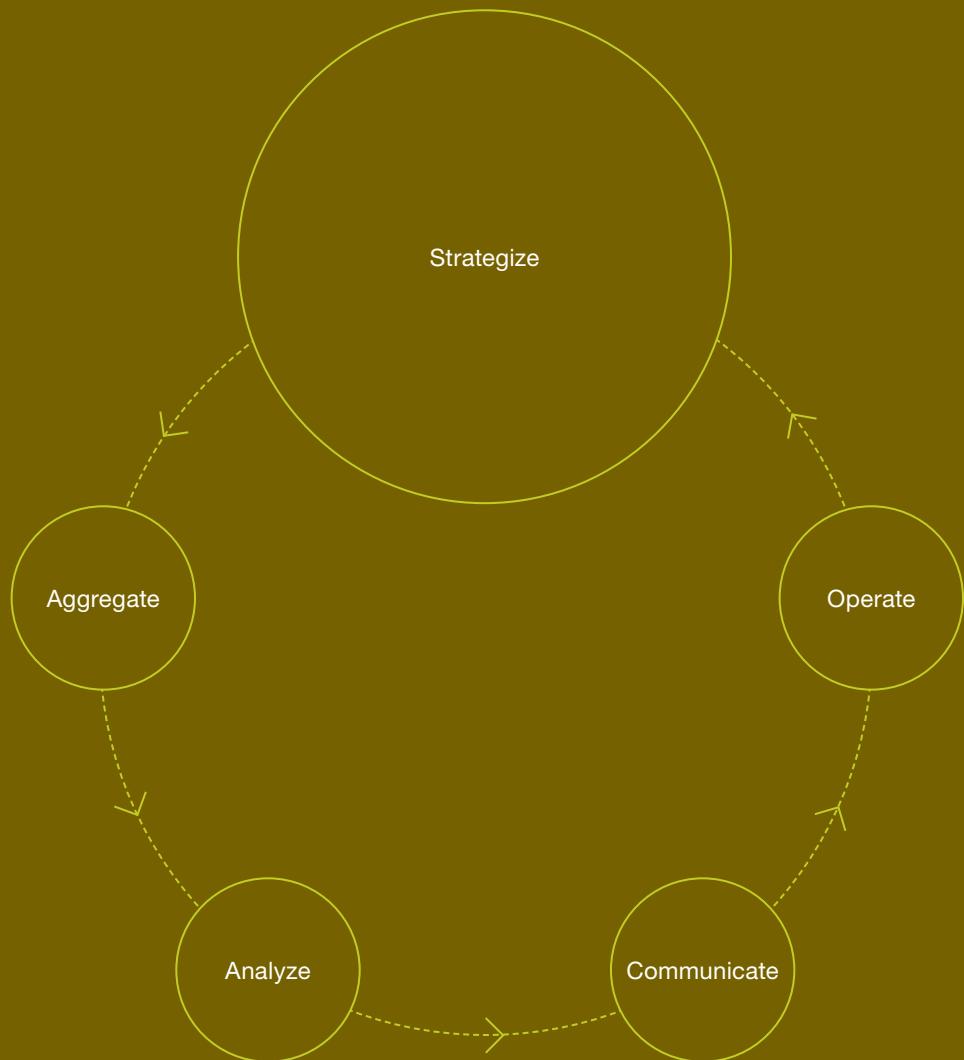
Test the interpretation in the marketplace by using it to adjust operations. This may require breaking down organizational boundaries in order for the company to proactively respond to consumers in all functions—from R&D, product development, marketing, and sales to customer care and even finance.

Progressive discovery involves significant human effort. Determining which words, phrases, and tags are important requires human oversight and a process of trial and error. Scanning strategic horizons will probably always require the expert eye of a knowledgeable executive to determine if a conversational whisper may eventually become a consumer trend or market disruption.

Aided by increasingly sophisticated technology, progressive discovery can dramatically increase the speed and depth of business intelligence. It can reveal granular, unfiltered consumer attitudes in real time, provide early warnings of crises and market shifts, and create new insight out of other transactional and behavioral data. Questions such as “Why are my customers leaving?” or “What are my competitors doing better?” can be answered quickly and accurately by listening to and processing consumer conversation.

**Figure 1. Evaluating consumer conversation is a process of progressive discovery**

---



## The market is ready

A great deal of investment and innovation is occurring in technologies that translate vast amounts of free-form, “unstructured” consumer conversation into metrics and indicators. This activity verifies that the technical functionality necessary for analyzing consumer conversation is a rapidly maturing business and will continue to fuel even greater capabilities leading to better insight and decision making.

As measured by US patents, innovation in customer analytics and customer-centric technology increased sevenfold over the last nine years. In the last four years (including PricewaterhouseCoopers’ estimate for the full year of 2007), the number of patents in these areas increased 125.0 percent, compared to a gradual decline of 13.9 percent in the overall number of patents during the same period. Investors have backed this innovation by buying up a great number of start-up businesses related to customer analytics, demonstrating that the analyst and venture capital community believes in the value these tools can provide. As a result, the buyout level in customer analytics is now close to the level of a mature technology such as XML, XBRL, and supply chain management (SCM).<sup>5</sup>

By merging traditional behavioral and transactional data, companies can finally get a complete picture of the consumer.

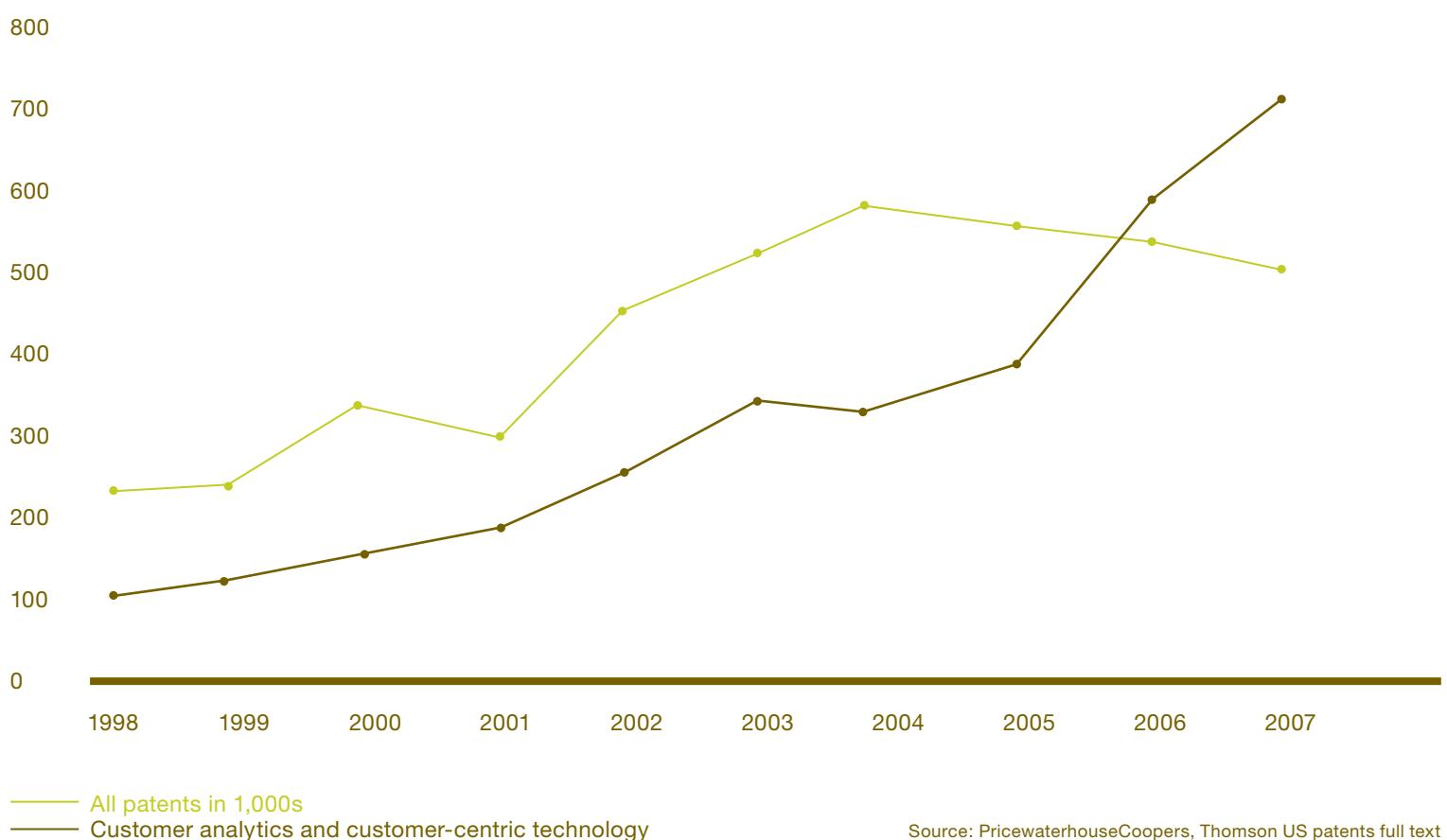
As the related technologies and services mature, executives are investing in customer analytics in order to address their concerns that their knowledge of customers is inadequate for the global economy. The Economist Intelligence Unit's *CEO Briefing: Corporate Priorities for 2007 and Beyond* surveyed 1,006 global executives in 2007 and found that the number-one area to which respondents expected to commit new investment was marketing and sales; that 74 percent of respondents said their companies would become more tightly integrated with key customers over the next three years; and that the biggest challenge to running a successful global company was understanding customers in multiple territories.

In the United States, InformationWeek's annual "InformationWeek 500" survey and ranking also reported that for the majority of the 500 companies, "the concept of 'aligning IT with the business' is yesterday's challenge" and that "aligning IT meticulously with external and internal customers' needs... is now the end game for the most astute companies." This customer focus will drive spending on customer analysis software through 2010. Revenue in customer relationship management (CRM) and Web analytics is expected to increase 10 and 15 percent per year (respectively) in the US, compared with 6 percent growth in total IT spending.<sup>6</sup>

5 Using data from Thomson's Venture Economics and PwC MoneyTree, PricewaterhouseCoopers calculated the value of buyouts in businesses related to various technologies as a percentage of total private equity investment. When technologies such as customer analytics begin to mature, investors in the start-up companies that develop them are able to recoup their investments by being bought out (exiting). This market dynamic is reflected in the value of buyouts (exits) relative to investment. As XML/XBRL and supply chain management (SCM) have matured, the value of buyouts as a percentage of total private equity investment has more than tripled to 39 percent and 38 percent respectively. On the other hand, the percentages for emerging technologies, such as utility computing (8 percent), virtualization (6 percent), and service-oriented architecture (5 percent) are relatively low. While not quite at the level of XML and SCM, the buyout level of customer analytics is currently 31 percent, close to the level of these mature technologies.

6 In the United States, annual surveys by IDC also found that improving customer care and service was the top priority for CEOs in 2005, 2006, and 2007.

**Figure 2. Growth in customer analytics and technology outpaces market**



**Figure 3. Compound annual growth in spending to 2010**



Source: IDC



New Messages

7001

Read now?

No

Yes

“Consumers are in the midst of a conversation that isn’t ours. The race is on to grow ears to learn what they are saying.”

John Hayes, CMO, American Express

## The art of translating conversation into action

The explosion of consumer conversation has changed how people communicate about products and services. It allows consumers to rapidly self-organize across geographical borders in order to express constantly evolving needs. This has changed the rules of business. Consumers now expect rapid responses to their immediate desires, and they have the power to demand what they want.

But how do you decide which voices to heed? Consumer conversation is so massive and so fast-moving it is easy to lose sight of the forest for the trees. In order to reliably identify what consumers want, companies must connect conversations about their own products with market and social trends.

A company caught in the news storm around the recent US peanut butter recall could easily have missed the recall's long-term implications. On February 6, 2007, the US Food and Drug Administration issued a recall for jars of peanut butter tainted with salmonella. The news media quickly picked up the story, which then spread through the blogs and message boards. The flash of interest lasted for just three months. Then consumer conversation and news coverage about the peanut butter recall dropped back to a low, steady state. The affected companies had communicated with the financial markets, consumers, and regulators about immediate health risks, short-term financial risks, and long-term improvements in safety. Ostensibly, consumers had nothing more to say.

But 2007 was not just any year. It was "a highwater mark for recalls," according to Consumers Union. "Every month...consumers were warned about dangerous problems resulting in recalls of food, toys, cribs, and other products we all use every day."<sup>7</sup> Although each recall produced only a flash of interest in individual sectors, the cascade of recalls created a lasting social trend—a year-long conversation on the message boards and in blogs about the underlying causes and long-term implications of food safety.

<sup>7</sup> Consumers Union report, "2007: The Year of the Food and Product Recall" (October 2007). Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education, and counsel about goods, services, health, and personal finance.

How the sustained conversation differed from the flashes around individual recalls can be seen by examining the most commonly used words in each conversation. Immediate and short-term effects dominated the flashes, while words about underlying causes and long-term implications were more common in sustained discourse.

Another kind of analysis, referred to as tonality, shows which words and phrases appeared most frequently in either positive or negative postings. In the food-recall example, tonality provided the link between what consumers were talking about (food safety concerns) and what they wanted. The most frequently used words in positive conversations were “voluntary recall,” “legislation,” “information,” and “answers.” “Prompt reporting” and “helpful community” also occurred regularly. In other words, during the food recalls in 2007, consumers wanted the government to report promptly, organizations to take remedial action voluntarily, and both to provide answers rapidly to questions from the public.

The tonality of the negative posts confirms this interpretation. In addition to words pertaining to the immediate effects of a food recall, such as “outbreak” and “contaminated,” the phrases that occurred most often in negative posts related to slow reaction time: “wasn’t immediate” and “delayed recall.” As a result, there were suspicions of a possible cover-up on the part of the company: “company knew.”

Embedded in conversation is what consumers really want, need, and expect from a company. Careful listening will give you the solutions.

Consumers wanted more than just a short-term fix. The second most frequently occurring word in positive conversation was “legislation.” Amplified by consumer advocacy groups, this call for more standards and legislation reached the US House of Representatives. The House proposed to increase annual funding for the Consumer Product Safety Commission and to raise the maximum penalty for companies that do not report safety problems to \$10 million, from \$1.8 million.

The analysis of the recall incident shows that consumer conversation includes a wide range of consumer needs. Companies can combine these real-time, individual attitudes with other sources of consumer information and apply the insight directly to product development.

In the food and beverage industry, for example, The Coca-Cola Company has used the analysis of consumer conversation, in combination with traditional market research, to create and market new products for changing taste profiles. By analyzing consumer conversation, the company realized that words such as “diet” and “light” produced a markedly negative reaction among certain demographics. By understanding the nuances of words in conversations (and the behavior that necessarily stood behind them), Coca-Cola was able to recognize that there was a portion of the population that would in fact want a diet beverage if it wasn’t labeled as such. Hence the birth of Coke Zero.

Coke Zero represented a huge departure for The Coca-Cola Company, whose traditional model was blanketing massive volumes of product to customers who all wanted the same thing—e.g., Coke Classic or Diet Coke. Coke Zero was designed to target that specific segment of consumers who want low-calorie beverages but are averse to diet products—i.e., males. Coca-Cola found that Hispanic males are large regular cola drinkers and not generally considered diet soda drinkers; however, this group over-indexed by 124 percent on Coke Zero 24-packs.

#### Figure 4. Decipher a flash event from a social trend

---

A look at the most frequently occurring words

Flash event	Social trend
E. coli	Food safety
Food safety	Department of Agriculture
Outbreak	Farms
Bacteria	Crops
Sickened	Recall
Kill	Standards
Contaminated	Organic crops
Source	Food poisoning
Consumer	Food products

---

Source: PricewaterhouseCoopers and Services Research

## Shouts and whispers

In this paper, we describe a future state in which companies will be able not only to respond to market changes as they occur, but also to understand the direction of consumer needs so that they can innovate in advance of demand. Using consumer conversation, companies can start scanning their horizons today for strategic inflection points—small indications that the competitive dynamics of a market are changing.

The difference between seeing the present and the future is the difference between hearing shouts and whispers. Consumers shout about the present. Crises and major product successes or failures are marked by sudden large increases in the volume of the conversation. The future is whispered. Andy Grove, former Intel CEO and Chairman, explains in *Only the Paranoid Survive*, “When you ask yourself when you first had an inkling that you were facing a strategic inflection point, your recollections are about a trivial sign hinting that the competitive dynamics had changed.”<sup>8</sup>

Whispers do not necessarily signal a strategic inflection point. They may indicate a short-term opportunity or a meaningless fad. Digging below the surface of a whisper through the process of progressive discovery (see page 16) can reveal its true nature. Progressive discovery peels back the layers of a whisper, moving from aggregated metrics for words and phrases through details below the surface of those words and phrases. The process is informed by continuous feedback, not only from conversational analysis but also from other sources of consumer data and the company’s experience in making operational decisions based on prior whispers.

<sup>8</sup> Andrew S. Grove, *Only the Paranoid Survive*, Currency Press/Doubleday (1996).

A company that engages in active and continuous progressive discovery will enjoy the opportunity to adjust its strategy ahead of the competition and thereby create a first-mover advantage. Just as listening to a conversation is interactive, hearing whispers is an interactive process of monitoring relative movements in the following metrics:

- **Volume:** The number of times a topic is mentioned should be compared with historical patterns because the volume of a whisper compared to the total national or global conversation is likely to be tiny.
- **Tone:** The percentage of positive, negative, and neutral sentiment as measured by algorithms that use dictionaries to classify snippets of conversation.
- **Coverage:** This is also referred to as “spread” and refers to the number of sources that are generating conversation about a given topic.
- **Authoritativeness:** Algorithms that reflect a qualitative ranking of blogs and news sources can determine if the rising or falling direction of the conversation is emanating from authoritative sources.

Companies that locate small monthly or even daily trends in these metrics may have identified the signal of an emerging opportunity. A suspected change can then be verified against other behavioral and transactional consumer data as well as marketplace trends and competitive analysis to determine if, for example, the strategy of a marketing or advertising campaign should be adjusted. One of the major challenges for companies today is not only understanding how to hear whispers but also having the processes in place to react quickly enough to verify them with other slower-moving data streams (e.g., customer surveys or financial projections), and finally to change strategy quickly enough to take advantage of a trend before it wanes.

As an example of progressive discovery, PricewaterhouseCoopers examined the broad and varied discussion of environmental topics. Emerging from this conversation, “green” has become pervasive in our corporate and personal lives. Within “green” we found that the environmental subtopic of “go green” exhibited at least three whispers in 2006 and 2007 that could have informed the marketing and selling of products and services.

How did we identify “go green”? In the landscape of consumer discussions (in blogs and on message boards) about environmental issues over the last 18 months, “go green” stood out. It was the fourth most discussed topic, but seemed different from the three more popular topics: “green energy,” “carbon emissions,” and “global warming.” The popularity of these three was due, at least in part, to Al Gore’s Oscar-winning documentary, *An Inconvenient Truth*, and to the global warming report of British economist Sir Nicholas Stern. “Go green” was a related but broader idea, and the “go green” discussion included more mentions of specific products and services than the climate change conversation.

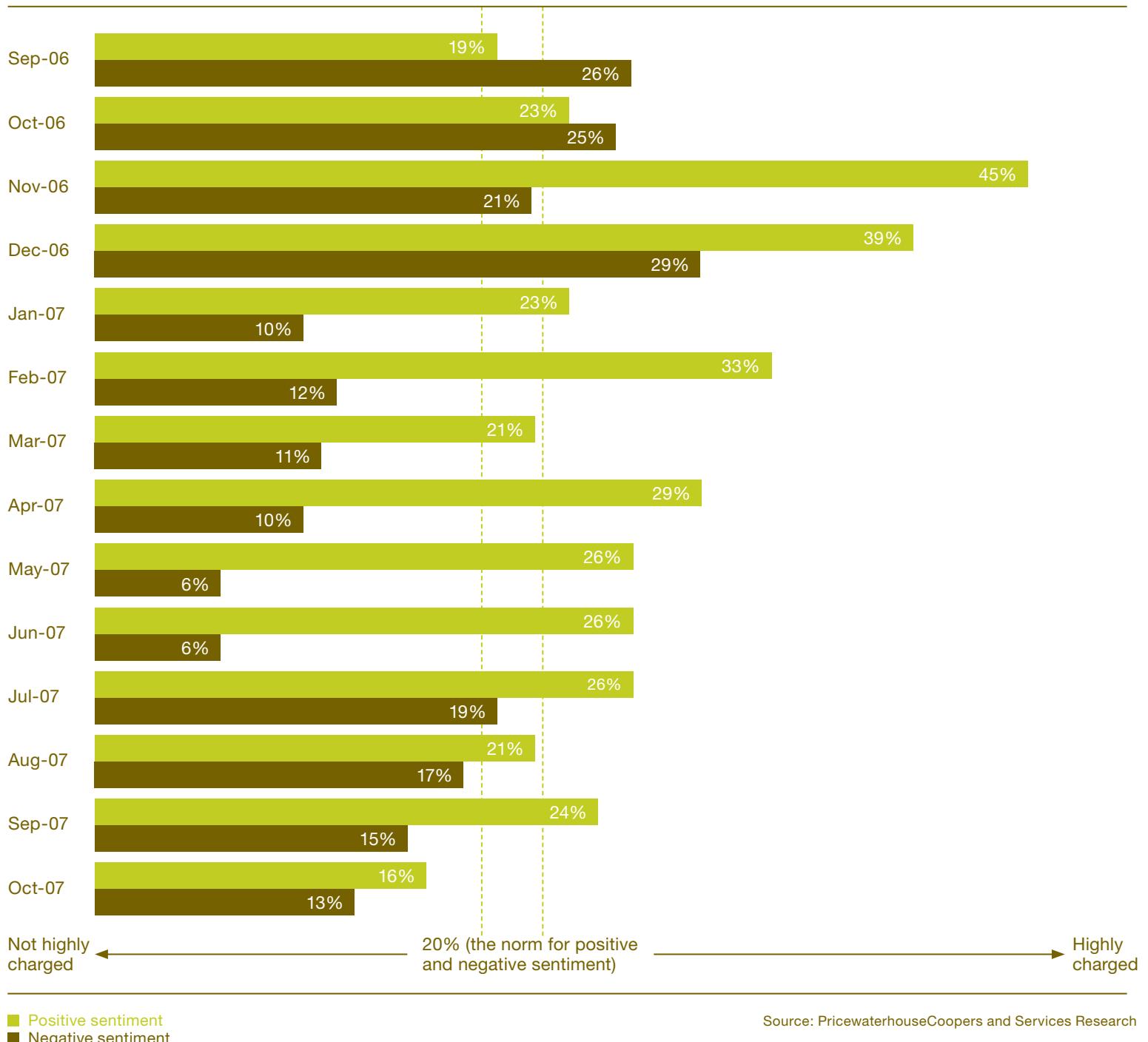
The phrase “go green” began in the 1980s, when it was associated primarily with the Green Party, Greenpeace, Earth Day, and government programs in the United Kingdom. At that time, the blogosphere did not exist, but the old vox populi, the mainstream English-language news, rarely mentioned “go green” until the year 2000. In 2000, news mentions began to rise slowly, and during 2006, when PricewaterhouseCoopers’ blog and message board research began, “go green” mentions in the news media grew roughly twenty-fold compared with the historical average.

The first whisper occurred in October and November of 2006. A company monitoring the blogs and discussion boards at that time would have seen a rapid rise in monthly mentions of “go green” from approximately 150 sources, coupled with a dramatic spike in positive sentiment. Larry Proctor, of IBM’s Almaden Research Center, believes that the normal state for communication about most topics is approximately 20 percent positive sentiment, 20 percent negative, and 60 percent neutral. The positive sentiment around “go green” rose from 23 percent in October 2006 to 45 percent in November and 39 percent in December. At the same time, negative sentiment was falling, suggesting that “go green” might be an emerging popular trend with consumers.

The consumer voice is now louder and faster than traditional news; tracking the conversation is key.

In May of 2007, the “go green” discussion would have seemed to be positive and relatively stable. However, the gap between positive and negative sentiment remained wide, and coverage of “go green” continued to be pervasive—it remained above 150 different blogs and message boards. The sustained level of coverage suggests that the “go green” conversation was not driven by a small core of activists, but had spread to the wider public. The whisper was louder.

**Figure 5. How emotionally charged is the green conversation?**

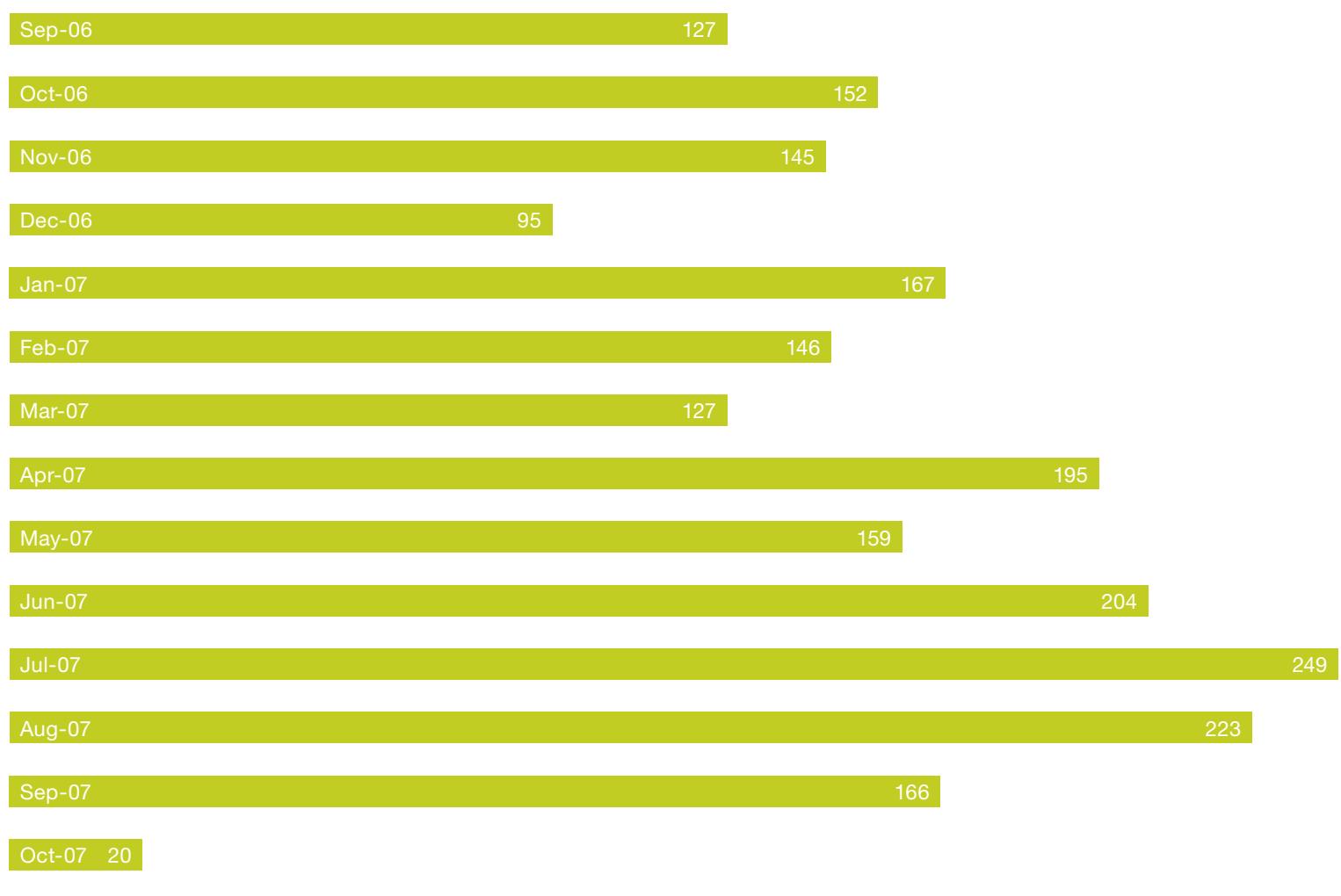


**Figure 6. How loud is the conversation?**



Source: PricewaterhouseCoopers and Services Research

**Figure 7. How pervasive is the conversation?**

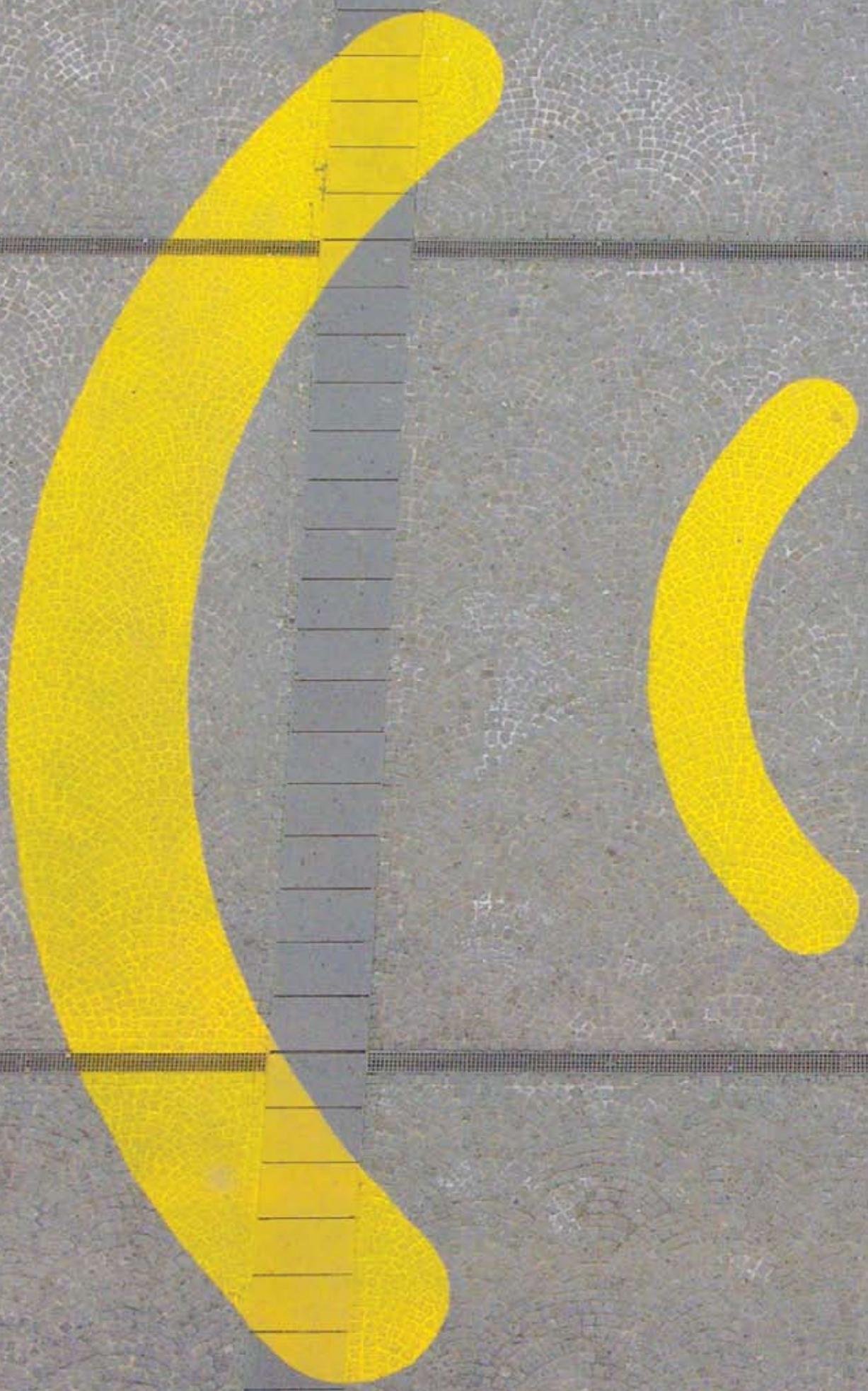


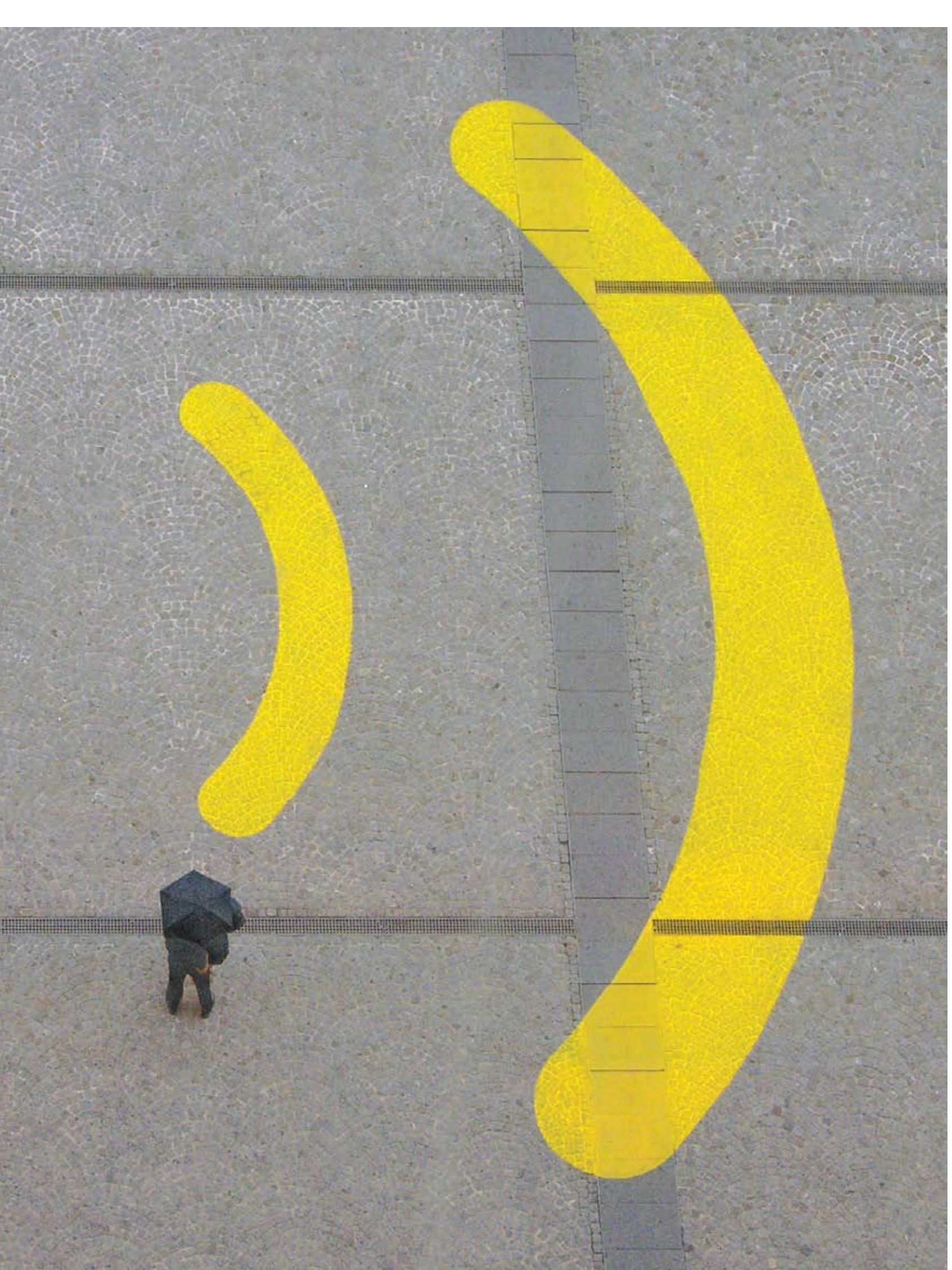
■ Number of sites

Source: PricewaterhouseCoopers and Services Research



Digital media can act like a company's alarm system. Heeding early warnings can save money and protect reputation.





## Strategic inflection points

How had the “go green” conversation changed over time? What opportunities could have been pursued as the “go green” momentum evolved over the 15 months between August 2006 and October 2007? What was it about “go green” that held the interest of consumers? At points throughout this period, a company could have used traditional behavioral, transactional, and market data to ensure that product strategies and/or marketing messages tied strongly to “go green” could be tailored to be responsive to the increased consumer interest in “go green” topics.

A company might also have searched the voicescape for other whispers that might have suggested new directions and enthusiasm for “go green.” Based on the changes in volume, sentiment, and spread metrics, it was clearly possible that throughout this period “go green” could have provided companies with multiple opportunities to act. Given the strength of interest in the broader environmental discussion, the focus on “green,” and the messages within “go green,” it is also likely that similar opportunities exist right now.

Below the numerous topics comprising the environmental discussion lie the first layer of “green” and then the second layer of “go green.” “Go green” itself can be “peeled” to reveal further layers of detail. By parsing the “go green” discussion into words and phrases, then focusing further on words and phrases of interest, a company could determine which subtopics presented the most relevant opportunities. Within all the “go green” related discussion, “green energy” had the highest volume (among others such as “green living” and “green automobiles”). Going a level deeper, within the “green energy” conversation, biomass was the most often discussed technology, compared with others such as hydroelectric, wind, and solar. A company that is trying to determine which types of green energy will create significant markets in English-speaking countries might very well see opportunity in “biomass fuel.” (Biomass fuel is produced from waste material and can be used in fuel cells, automobiles, or electricity generation.) But is “biomass fuel” a fad or a true leading indicator?

In order to interpret and confirm leading indicators, companies need to triangulate conversational analysis with other market indicators—i.e., they must verify their interpretation. This is one reason why the true promise of conversation will be realized only through the integration of data from multiple sources within an organization. In the case of “biomass fuel,” one such approach—a patent analysis—suggests that consumers are talking about something significant.

Looking at the approved patent applications for technologies related to biomass fuel versus pending applications, it is easy to see that biomass is an explosive technology. More patent applications relating to biomass fuel have been submitted in the last four years than have been granted in the last 20 years. Furthermore, the types of applications show development in both creating and using biomass (related to gasification, renewable fuels, and power generation). Together with consumer conversation, the patent analysis is a strong indication that biomass fuel is on the road to becoming a significant renewable energy market, as patents are granted and used.

A company that followed progressive discovery from the real-time “go green” conversation to biomass fuel and then verified the biomass trend with other internal and external data would then be positioned to act concurrently with the evolving voice of its consumers. If it decided to operationalize the intelligence—for example, by emphasizing biomass-related products—it would be vitally important that real-time, conversational analysis continue. PricewaterhouseCoopers believes that the most successful companies not only will continually analyze such consumer conversations through the process of progressive discovery, but will also use these analyses to evaluate the success of operational changes and to regularly refine strategies, messages, and products.

# The new currency in advertising is the voice of the customer

## All boats will rise

We can all imagine the feeling a gold mine owner gets when he taps into a new lode of gold ore . . . well, such a day is coming for CMOs as they become better equipped than ever to tap into a new lode of consumer data that will revolutionize their approach to marketing spend.

Knowledge of the consumer from digital conversations and behaviors will dramatically refine advertisers' ability to target consumers with relevant and engaging messages. Over the last several years, digital media measurement has undergone enormous improvement, creating a new set of "meters" which, if used intelligently, will produce the next generation of consumer insights, media currencies, and improvements to products and services. New technologies can and will be able to read real behavior, enabling marketers to reach consumers with targeted and timely messages on digital platforms such as IP television, the Web, and various mobile devices.

Cross-platform, permission-based behavioral targeting will disrupt the media buying market, but we believe that in doing so, it will create opportunities for all. The more efficient investment of ad dollars will create a far better return on marketing dollars than has ever existed, encouraging more dollars to be allocated to such activities. And even if consumers receive fewer ads, their experiences with these ads will be significantly enhanced by the ads' increased relevance to their worlds.

The fundamental goal of advertising is to drive consumers to buy—to turn consumers into customers and customers into repeat customers. Yet the rule of thumb in advertising is that "50 percent of a media buy is wasted... we just don't know which 50 percent." A key reason for this inefficiency is that the

predominant means of measuring potential buyers are insufficiently precise, unable to offer an accurate assessment of the population of individuals likely to become (or continue to be) customers. Instead, media measurement today produces a proxy for this population.

For a brand to target its customers, it had to translate what it knew—sourced from structured and unstructured customer data—into gender, age range, and geography. For example, a brand that appeals to outdoor enthusiasts might apply the logic that "outdoor enthusiasts are often males in their 20s who live in the Pacific Northwest." This thinking would result in a media buy on television programs that rate high for "men 18 to 34" in the same region of the United States. While there are plenty of men in that age range and region who are likely outdoor enthusiasts, there are probably an equal number of individuals outside that demographic who also like outdoor activities.

## Beyond the banner

Contrast TV's proxy approach to the direct ways in which Internet media consumption behavior can be measured and analyzed. By leveraging granular behavioral information culled from structured market research, surveys, and other customer information sources, along with sentiment on blogs, from call center transcripts, and other unstructured sources, brands can develop very specific demographic and behavioral profiles of likely buyers. Ad spending can then target individuals whose media usage indicates that they fit the desired profile.

Using behavioral targeting, marketers have moved beyond Internet banner advertisements and impressions to rich media and relationship building. They are shifting their digital advertising strategies from reaching a mass

audience with a product banner toward building a relationship with a narrowcasted audience. For example, an advertiser might entertain this narrow audience with an exclusive video of a top pop artist as a “thank you” for buying its product.

Narrowcasting produces a much greater return on each advertising dollar since fewer and fewer dollars are wasted on consumers who happen to fall into broad demographic categories but who do not represent customers. CMOs are increasingly using this accuracy not just to reallocate spending but also to justify overall spending increases based on demonstrated returns.

“ROI has been a buzzword for years in advertising,” according to Ramsey Frazier, Director of Trade Marketing for CNN International in Europe. “With the Internet, it’s amazing the level of information we can actually provide from a pan-European standpoint. We know how long the audience spends with advertising and how they’re interacting with it—literally how the mouse moves across the page. In broadcast advertising, the industry needs to start generating a similar kind of behavioral data.”

### **Beyond the proxy**

As recently as a few years ago, capabilities such as these were unavailable on television, but that is changing at a growing number of cable operators and TelcoTV providers. Television has now reached the point where it can begin to deliver the same kind of precise behavioral targeting as the Internet. Companies that own the last mile to consumers are leading this evolution by deploying “back-channel-enabled” digital set-top boxes that allow for the two-way exchange of data. Back-channel-enabled boxes, in conjunction with other enabling technologies, are

capable of recording channel selection data on each television set in a home, and creating an anonymous behavioral profile in the same way Internet content providers and advertising networks track the Web surfing habits of individual Web browsers. Cable operators utilizing the back-channel data from digital set-top boxes then close the loop with advertisers by allowing them to target specific advertisements to specific televisions.

As of the end of 2007, digital set-top boxes that allow for two-way communication were installed in approximately one quarter of US multi-channel households.<sup>9</sup> However, with the US deadline approaching for conversion to digital television (the US Federal Communications Commission has mandated that broadcasters cease delivering analog TV signals on February 17, 2009), digital television penetration will rapidly accelerate, and with it, a steady increase in the percentage of back-channel-enabled sets and set-top boxes.

The “perfect day”—rather than the perfect storm—is approaching. That is, CMOs are becoming armed with new ways to capture, assess, and leverage consumer behaviors, desires, and interests. Granular digital media measurement will soon add to the CMO’s portfolio of customer insights, and ultimately is the enabler of the next-generation currency in advertising . . . the voice of the customer.

<sup>9</sup> PricewaterhouseCoopers’ *Global Entertainment and Media Outlook: 2007–2011* estimates that approximately 55 percent of US television households are digital households. It is generally accepted that two-way set-top boxes are currently installed in about half of digital households.

## Technological change is not enough

When PricewaterhouseCoopers polled senior executives at US-based multinationals, 65 percent of survey respondents said they would increase their overall investment in the customer in the next two years.<sup>10</sup>

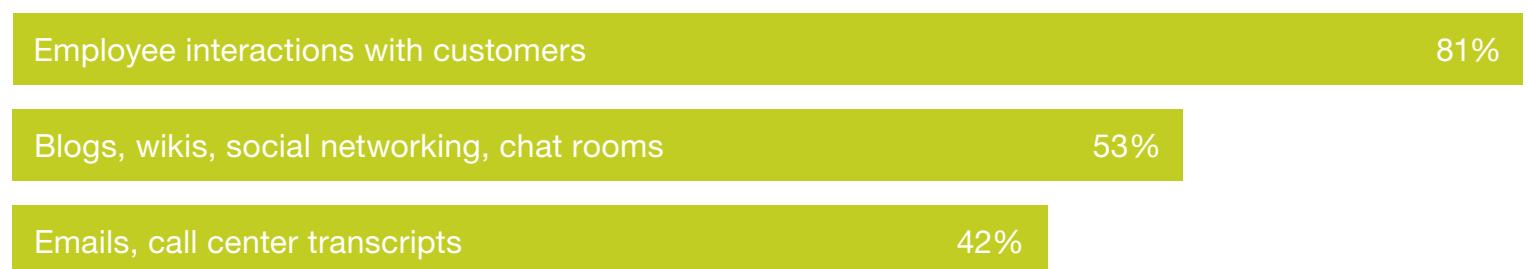
Companies are using this investment to listen to consumer conversation. About half of the executives we surveyed said their companies regularly and systematically use blogs, wikis, social networking, and chat rooms to understand key influencers of market or consumer expectations. Forty-two percent also reported analyzing open-ended comments from service emails and phone calls. Despite these efforts, companies have had difficulty developing the systems necessary to gather, analyze, and interpret qualitative data, and they do not yet fully understand the return for these investments.

The largely unexplored ground today is cross-channel integration. Most companies either have not started or are in the early stages of verifying the insights from consumer conversation by integrating them with customer data across their organizations (e.g., by organizing sales and marketing around the merger of marketing's behavioral profiles, enriched by consumer conversation, and the sales function's demographic segments).

Data integration cannot be achieved through technological change alone. It will require substantial investment in business processes and personnel structures, as well as in information technology. This is a significant undertaking, but it is the road down which companies must travel in order to realize the full benefits of consumer conversation.

<sup>10</sup> PricewaterhouseCoopers *Management Barometer* (2Q 2007). More survey findings are shown in the charts on pages 45 and 47.

### Figure 8. What companies use most to analyze consumer conversation



### How insights are used most



■ Percentage of respondents

Source: PricewaterhouseCoopers Management Barometer (2Q 2007)

Executives must learn to translate consumer voices rapidly into company strategy, and then push this insight across traditional organizational boundaries—up the chain of command, across business lines, and throughout the value chain. Companies are struggling with these organizational changes. About 60 percent of respondents to our survey faced serious challenges, not only in developing the right systems and people to analyze consumer conversation but also in responding quickly enough to analysis.

First, it is difficult to find employees who are qualified to manage the collection and interpretation of consumer conversation so that it provides clear directions for action. Data and analysis that indicate purchase intent, for example, remain elusive for many. In order to address the skill-set issue, David Mahder, Senior VP, Strategy, Marketing, and Consumer Insights at Aetna, believes it will become imperative to incorporate people with marketing and market research skills into companies in all industries. “Our organization has already hired many individuals who are external to health insurance, and that’s going to become more and more important.”

Even with the right people in place, it is not clear which department should own and drive this evolving business area since, operationally, it spans several functions. Siloed data systems, multiple sales channels, mergers and acquisitions, competition among sales units, and the different incentives of sales and marketing have fostered a feudal mentality within many organizations.

**Figure 9. Major challenges to using consumer conversation**



■ Percentage of respondents

Source: PricewaterhouseCoopers Management Barometer (2Q 2007)

# Using consumer conversation to innovate

Many companies still rely on a 20th-century view of product development: Use historical and transactional information to create new products and then tell the world. This model is neither immediate nor continuous enough to keep pace with today's consumers. Companies need a real-time window on changing consumer behavior. By engaging in a continuous dialogue with consumers before products are launched, companies can gain the benefits of new markets and new ideas and reduce the risk of product failures.

A consumer packaged goods company learned this lesson in just 13 days. When it decided to improve a product line, the company took an honest, open approach by traditional standards. Because the new versions of its products would not have been suitable for all of its previous customers, the company issued a press release apologizing for any inconvenience. A few days after its announcement, the company realized that the world had changed.

The company's press release created a "blog swarm"—a spike in activity around an issue or controversy. Loyal customers were "dissatisfied," even "outraged" at an "incomprehensible" decision that was driving many to consider a public "boycott" or at least to "stop using" the company's entire line of products.<sup>11</sup> Complaints flooded into the company. A core of six to ten blogs and message boards continually fed the fires of controversy so that by day seven, the company had received more than 6,000 emails and phone calls. A boycott seemed certain, and the company had to act. It decided to listen to its customers.

The CPG company was initially deaf to the blog swarm because it had relied on the news media as the "voice of the people," and media coverage of the company's initial announcement was sparse. In today's market, self-organizing consumers move faster than traditional news. On day eight, when the CPG company reversed strategy and decided to make its new products suitable for all its

customers, the response was immediate. Positive sentiment among consumers soared to nearly 50 percent, while negative sentiment dropped to 15 percent. These levels varied dramatically from the third day after the initial announcement, when positive sentiment had reached a nadir of 12 percent and negative sentiment had hit a high of 32 percent. Consumers believed the company "deserved full credit for responding to our concerns."

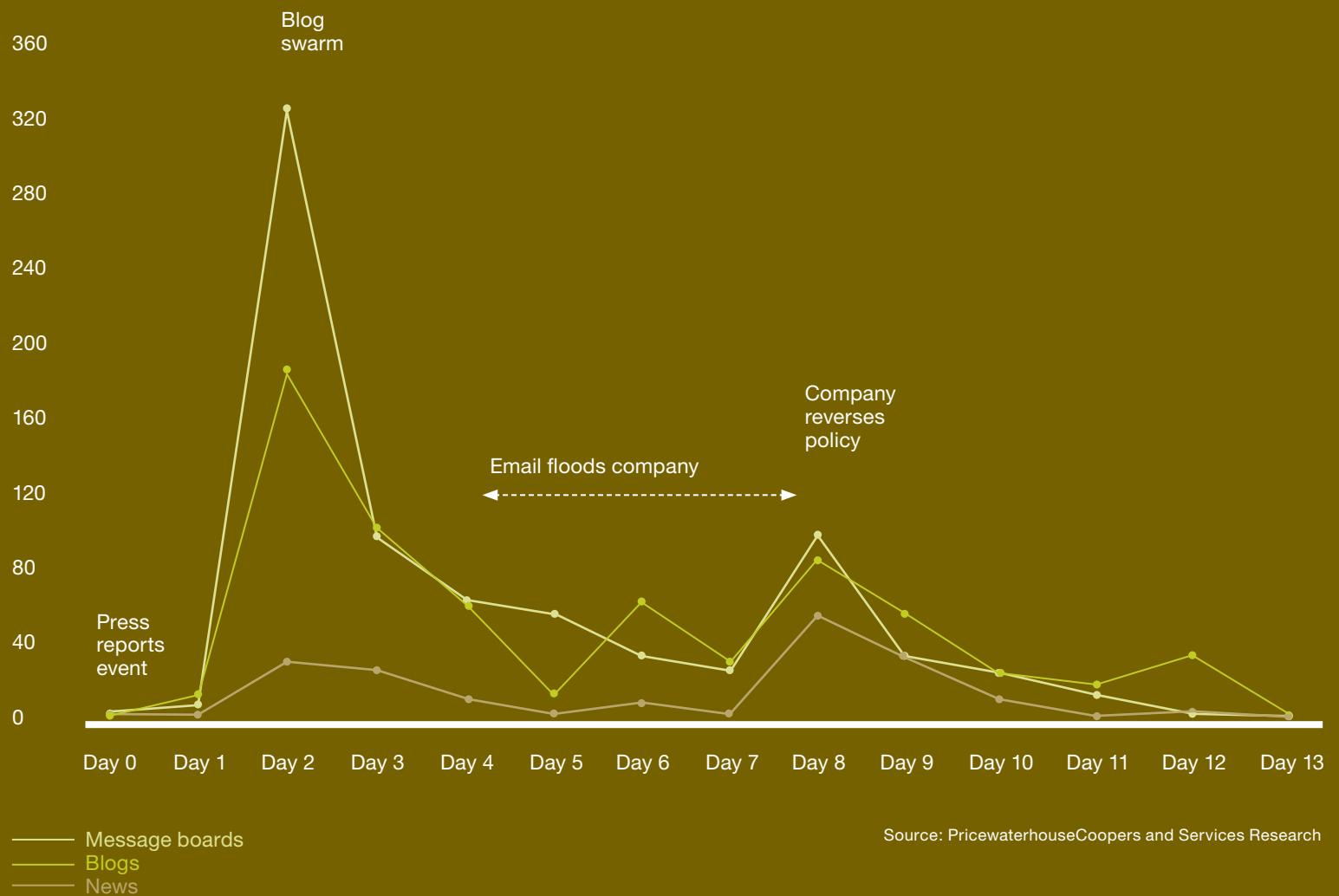
The euphoria lasted only a few days and was focused on the event (i.e., the reversal), not necessarily the company, but there were significant benefits for the company over the long term. Consumers thought it was "great that they have listened and shows the power of the consumer," but the reversal also showed the company's ability to adapt rapidly to consumer behavior. The company took this agility one step further and essentially began to outsource a portion of innovation to its customers. By cultivating new and active contacts with its customers, it gained new ideas for products that ultimately opened new markets and boosted sales.

Such proactive analysis of consumer conversation can be combined with quantitative indicators (such as credit card and point-of-sale data) to raise the level of consumer insight for all CPG companies and retailers. CPG companies can use consumer conversation to achieve a rich, quantitatively grounded understanding of consumer behavior that will inform product innovation and supply-chain management.

Retailers can also combine qualitative insights from digital conversation with their valuable repositories of transactional and loyalty program data in order to better and more quickly understand consumer needs and emerging trends. These insights will improve innovation for private-label products and will help decipher how store formats (neighborhood store versus large store versus online), assortments, presentation, and levels of service affect the buying decision.

<sup>11</sup> In *The New Influencers*, Paul Gillin describes other blog swarms that have caused companies to change policies, issue refunds, or issue public apologies.

**Figure 10. Number of consumer postings about proposed product changes**



Organizations need to break down internal walls in order to unlock value from individual consumer data sources. Sales units, for example, rely heavily on transactional data, which is used to measure the quotas that determine bonuses. Their incentive is to “sell,” not fill databases with qualitative information. Most marketing departments, on the other hand, believe that rich behavioral profiles provide their firm’s competitive edge.<sup>12</sup>

“The speed at which the blogosphere operates will act as a catalyst for responding to issues faster, which requires sharing information within the company more efficiently,” explains Sprint Nextel’s Sean Doherty, Manager, Interactive Communications. Sprint Nextel is gathering and analyzing consumer voices in order to improve its sales, customer service, communications, and product development functions. Its goal is to shorten the time it takes to gather consumer sentiment, and then use software tools to diagnose product issues in real time. Sprint Nextel hopes to provide customers with software patches and technical assistance before influential blogs such as The Boy Genius Report<sup>13</sup> turn technical problems into reputational ones.

12 For more on breaking down organizational walls, see PricewaterhouseCoopers, *Breaking Down Walls: How an Open Business Model Is Now the Convergence Imperative* (2006).

13 The Boy Genius Report ([www.boygeniusreport.com](http://www.boygeniusreport.com)) is a high-authority technology blog that most frequently covers prototype/unreleased mobile phones and technology.

## Chief customer officers become integral to change

“Chief customer officers” are heralds of cross-channel integration, as are executives who lead standardization and strategy for customer data. In order to empower these customer advocates, companies need to develop a strategy for changing processes, technology, and incentives in order to integrate consumer insight into daily business activities. For example, chief operating officers need metrics and accountability standards to ensure that functional and operational executives participate in integration. Otherwise, a consumer voice function may churn out information that no one uses or listens to.

Ultimately, companies need to profoundly change their operating environments in order to react quickly enough to real-time consumer intelligence. As David Wong, Director at AT&T, says, “Too many steps, involving too many of the wrong people, make it difficult to go into the market in a quick, efficient manner. In dealing with competitive threats, a company needs to react fast enough; it must establish a process that’s not too burdensome.”

CIOs will help break down the silos by merging transactional data with consumer conversations across the organization.

What this means for your business

To win, you must  
embed the customer  
in your organization.

PricewaterhouseCoopers believes that the benefits to companies that “embed” consumer voices are so great that they are likely to disrupt markets. In this paper, we discuss these disruptions in the advertising market, where consumer conversations are starting to change the foundation of pricing and performance evaluation.

Across most industries, from retail to entertainment to financial services, we believe that similarly profound changes will occur as businesses organize around the deeper understanding of consumer behavior achieved when conversation is combined with traditional data sources. Companies that prepare themselves for these changes will produce new and expanded markets, faster sales growth, reduced risk, greater efficiency, and higher customer retention.

In order to reap these rewards ahead of the competition, it is critical that executives start working now to integrate consumer voices into standard operations. Anthony van der Hoek, Director of Strategy and Business Solutions at a Coca-Cola Company global team, puts it this way: “It takes years, not weeks, to embed consumer conversations in an organization. Companies need to address this now or it will be a huge challenge to catch up.”

In the pages that follow, we identify the technological, organizational, and process improvements that can help companies use consumer conversation to realize the immediate benefits and full potential of consumer-centric business.



“It takes years, not weeks, to embed consumer conversations in an organization. Companies need to address this now or it will be a huge challenge to catch up.”

Anthony van der Hoek, Director of Strategy and Business Solutions, The Coca-Cola Company



Image: G. Louise Clarke, September 2007, [www.flickr.com](http://www.flickr.com)



## Where do you start?

### Ask the big questions

Some large corporations, particularly in consumer-oriented, technology-savvy industries such as entertainment and media, telecommunications, and consumer goods, are taking steps toward distilling actionable intelligence from the torrent of consumer-generated buzz. But most companies still understand the consumer based on historic trailing indicators, such as transaction histories, focus groups, surveys, and data purchased from third parties (e.g., panel data). However, regardless of their levels of maturity in using consumer conversation, most companies will benefit from defining (or refining) their strategy for how they will utilize digital conversations to drive the business.

How can executives determine if consumer conversation can inform, empower, and help execute the company's strategy around connectivity with the consumer? Start by asking the big questions. For example, what major challenges does your company face with regard to growth, competition, and industry trends? Could any of these challenges be informed by a real-time window on unfiltered consumer attitudes, behaviors, and intentions? Which functions or business units will be most central to your competitive advantage in the coming year? Would a closer relationship between consumers and your segmentation, crisis management, product development, marketing, or selling strategies significantly improve this advantage?

The questions will be different for each company, but the theme is clear: Where would a view of consumer behavior and sentiment that is closer, faster, more granular, cross-channel, and forward-looking provide the most positive impact to your business? Once a company determines where to apply consumer conversation, it needs a listening post (a service or internal process for gathering and analyzing conversation) and a process owner. Whether a VP of operations, head of sales, chief customer officer, chief marketer, head of communications, or a manager, the owner will be charged with identifying the data sources, services, and technologies that can aggregate and analyze consumer conversation in order to meet strategic goals.

# Are you listening to the consumer community?

## **Pursue the best opportunities for short-term benefits**

In order to operationalize knowledge gained from consumer voices, companies must find consumer conversations that will solve specific problems and deliver value. Often companies seek to respond more quickly to new product launches, competitive threats, or events that negatively affect their reputations. Analyzing real-time activity in blogs and on message boards and comparing it with traditional news channels can help companies better anticipate and more quickly respond to public opinion and consumer needs. The result can be better margins, a stronger brand, and reduced crisis management costs.

Competitive mysteries can also provide quick wins for sales, marketing, and customer service. Questions such as why complaints are spiking in the call centers or why a competitor's product better meets consumer needs can be investigated by analyzing email, call center transcripts, and the Web. One of the most significant advantages of the new tools on the market is the ability to analyze a huge amount of data to find consumer voices that would otherwise escape notice. Based on such information, companies can make well-informed responses with higher rates of success.

For example, the tax division of a financial services company was manually reviewing about one percent of approximately one million comments it received in phone calls, chats, and emails. It decided to seek help from service provider Clarabridge to speed up the process. The company can now analyze 100 percent of its comments and combine them with online reviews of its products and services. Analyst teams from different departments such as marketing, product development, and customer service break down what customers say "in their own words" about, for example, specific services for specific states (such as assistance with state tax deductions and credits for New Jersey). This has resulted in product improvement, decreased customer issues, and improved customer satisfaction.

The systematic use of consumer conversation in one functional unit will need buy-in from executive-level management in order to spread beyond its initial silo. Executives can begin to foster an environment in which rapid and informed responses to consumer trends are a core philosophy. They can also champion a cross-functional team to plan the merger of consumer data across business units, identify areas in each unit where the consumer voice can add value immediately, and set specific qualitative and quantitative parameters for evaluating performance.

At this stage, chief information officers need to create plans for a secure data and technology infrastructure that can interoperate with existing (and future) CRM applications, analytical software, and reporting packages. CIOs will also help to determine which software tools or service providers will supply data mining and analysis, how best to manage the technology costs, and what elements of conversation processing can be safely outsourced.

**“You can now get information about potential customers for a fifth of the cost in one tenth of the time, and the data is far more specific.”**

Dave Mahder, Senior VP, Strategy, Marketing, and Consumer Insights, Aetna

## Are you already responding to consumer buzz?

### **Create a consumer intelligence unit and break down silos**

Some companies have begun to create a meaningful conversation with consumers and, in the process, have developed a better understanding of consumer needs and more granular customer segmentation. The insight from consumer conversation may be applied across more than one function (e.g., sales, marketing, communications, and product development) so that the company can react to early warnings of adverse issues quickly enough to lessen their financial impacts. Through better targeting of and communication with consumers, and through increased cross-selling, companies also achieve higher sales.

Universal Studios Home Entertainment, for example, has a category of direct-to-DVD originals that tend to leverage franchises like *American Pie* or *Bring It On*. Universal Studios Home Entertainment uses purchase intent studies and recruited screenings, which include relational information from digital media, to identify key reasons for interest, lifestyle data/media consumption habits, and directional indicators for marketing communication efforts. For *Bring It On: In It to Win It*, these studies and evaluating postmortem analyses from previous DVD releases of the franchise revealed a broader audience than initially expected—not just girls aged 12 to 18, but also women aged 18 to 34. Russell Kelban, Vice President of Digital Marketing, explains how this insight, in effect, redefined and expanded the marketing strategy: “We needed a significant amount of additional effort to go after those adult women. It played a vital role in how we marketed the DVD release: not just to new, young consumers of the brand, but also targeting loyal adults who have grown up with the franchise. ”

Carla Hendra, Co-Chief Executive Officer, Ogilvy North America, also describes using “a tremendous number of online tools to keep us fresh and enable us to self-evaluate, including the ‘Voice of the Customer’ program, which requests constant feedback and recommendations.”



If they had to choose,  
a majority of the Net  
Generation would rather  
live without television  
than the Internet.

The next step is to use conversational insight to drive the company's business model and corporate strategy. To do this, companies must tear down internal silos. A "consumer intelligence unit" is one mechanism that can do the job. Supported by the COO, a consumer intelligence unit can bring together various silos in order to agree on the types of consumer analyses that will benefit various functional units and departments. For example, marketers and salespeople must work together to narrow the divide between "touchy-feely" behavioral segmentation and traditional demographics and to track key account data and manage campaigns with near real-time speed.

It is important that the COO help departments set specific goals for aligning the entire organization to a corporate philosophy of listening and responding to consumers. Then business units and functions will be motivated to spend time and effort cooperating on standards of data collection and analysis. The consumer intelligence unit can use these standards to manage third-party service providers or in-house efforts that capture information from blogs, social networking, and other new media, in order to ensure they add value to multiple functions.

As their commitment to data mining and analysis grows, companies will also need CIOs who can augment data-warehousing capabilities to keep up with the ever-mounting volume of information. As silos fall, the CIO must follow with centralized data and a roadmap for at-a-glance dashboards that make merged consumer information useful to all business units.

## How do you embed the consumer into operations?

### Continuously improve operations according to real-time insight

Companies have begun to evolve towards the bright Monday when they will have an unprecedented understanding of consumers and the ability to use this knowledge throughout their organizations in real time. Avinash Kaushik, a leading authority on Web analytics and author of the well-known blog Occam's Razor, says, "Mining consumer conversation for business intelligence will be mainstream among large companies in three to four years." PricewaterhouseCoopers believes that the most highly evolved companies will merge consumer voices with other channels of consumer information in order to produce a granular, forward-looking, real-time, and unfiltered view of their customers. The benefits of this process will be huge.

**Speed.** Companies that embed integrated consumer intelligence will continuously improve performance based on a real-time stream of insight from internal and external sources. Executives will hear the shouts of their customers as soon as they reach online media, mobile devices, phone calls, video, and whatever new forms of digital communications emerge in the future.

**Agility.** Technology will play a key role in enabling the operations of the highly evolved, consumer-centric company. The CRM environment will incorporate merged consumer insight, and dashboards will be standard. Integrated consumer intelligence will rest at the fingertips of all appropriate employees, enabling them to swiftly improve and develop products and services. Some components of data collection and analysis will be outsourced, but we believe that core data gathering and management will be centrally supported. In fact, mining conversation will be more economical and rapid in most cases than outsourcing traditional market analysis.

**Focus.** Tight consumer alignment will help sharpen business focus and the allocation of personnel and resources. All divisions of the organization will recognize the importance of external input from consumers, and this philosophy will be an accepted method of driving business models and innovation. Consumer-centric metrics will influence employee performance reviews, development plans, and compensation. These changes will result in improved customer service and higher customer satisfaction.

**Prescience.** Academic research has already demonstrated the significant benefits of merging disparate streams of behavioral, attitudinal, and transactional data in order to achieve a more complete picture of the consumer.<sup>14</sup> PricewaterhouseCoopers believes that consumer conversation will add foresight to this list of benefits. The ability to identify and analyze consumer whispers creates a remarkable potential to look into the future. A company that anticipates emerging issues and trends ahead of the media and competitors will be able to reach the consumer base with the right products and messages for each phase of the business cycle, yielding a more meaningful relationship that will improve revenue by increasing customer retention. Advertising will follow suit with more targeted, relevant, and timely communications, and incredibly detailed, granular segmentations will drive new products and growth in new markets.

Where do you start? Ask the big questions.

<sup>14</sup> James Peltier, John A. Schibrowsky, Don E. Schultz, and Debra Zahay, "Interactive IMC: The Relational-Transactional Continuum and the Synergistic Use of Customer Data (Integrated Marketing Communication)," *Journal of Advertising Research* 46, no. 2 (June 2006): 146–60.

Leverage consumer conversations:  
open to discover the roadmap for success

perforation line

page folds over and ends here

# Increasing your company's level of engagement

Move beyond listening					
Operations and strategy	How		Why		
	Develop a roadmap for aligning the company with consumer sentiment, including steps for people, processes, and technology		Any long-term journey needs a plan		
	Create a catalogue by touch point for processes, information sources, data, and reporting for branding, channel types, and key accounts		Sets baseline for operational and reporting metrics that can be upgraded given new sources of insight		
	Create a reporting structure that enables quick and decisive responses to consumer trends		Tight focus yields accurate insights that enhance brand and increase sales		
	Develop networks of information sharing across functions and brands		Promotes open communication and sharing of trends and insight		
	Evaluate potential partners for data collection and analysis; emphasize security of data		Working closely with third-party data and analytics providers is a core part of the future		
	Use interactive digital media as a consumer marketing and feedback channel		Enables the discovery of opportunities for targeted marketing and further data gathering; enhances brand and increases product innovation		
	Use behavioral insight to create more granular consumer segmentations		Identifies micro-segments for new business opportunities		
	Identify sources of further insight (internal, third-party, and external unstructured data)		Understanding where consumers are spending time and where they are interacting will be the foundation of insight		
Marketing and sales	How		Why		
	Build internal knowledge and expertise necessary to collect and analyze conversation		Ensures the organization can capitalize on new information that becomes available		
	Analyze conversational media to understand how your consumers use and are influenced by them		Reveals how to reach consumers with timely, relevant communication that doesn't overwhelm them		
	Identify application portfolio and tools needed to collect and analyze consumer conversation, and also to integrate traditional behavioral and transactional data across the organization		Understanding the technological roadmap will be a key enabler to building the capabilities for integrating and delivering information and analysis		
	Develop a secure infrastructure that can capture and hold, combine and share traditional behavioral and transactional data from internal and external sources		Ensures that consumer and company data are secure and the platform can accommodate growth		
	Evaluate external data tools to leverage and pull in consumer conversation		Identifies new technologies and capabilities to embed in the organization		
	How		Why		
	Open business model to collaborate with external partners on data collection and analysis		Expands technical capabilities		
	Establish a central "consumer intelligence" unit in order to design and implement a process for integrating real-time, historical, transactional, and relational consumer data into a single internal platform, e.g., a dashboard		Deepens customer relationships and organizational intelligence by providing a single champion and a consistent set of analytic and consumer definitions for a value-added view of consumer activities and preferences		
Technology	Assign responsibilities to leadership that are tied directly to consumer intelligence (e.g., use sentiment as a measure of success) and track whether consumer data sources are being integrated		Improves staff allocation and efficiency and drives cultural change		
	Adjust consumer segmentation according to real-time insight from conversational analysis		Increases sales by improving service to consumers throughout the relationship life cycle		
	Integrate smaller segmentations and key accounts into consumer marketing and relationships		Improves segmentation and forecasting, enhances brand, and increases sales		
	Use external partnerships to augment and outsource data gathering, analysis, integration, and marketing execution		Maintains focus on core competencies, innovation, and the retention of sensitive data		
	Develop a repeatable analytical engine for comparing analysis from unstructured and structured data sources and integrating it into a coherent, actionable set of metrics and insights		Lowers costs and increases efficiencies by creating a standard platform and measurement system for understanding consumer sentiments		
	Drive technical commonality across data platforms and master data where appropriate		Drive technical commonality across data platforms and master data where appropriate		
	Develop a user interface (e.g., dashboard) with permission-based analysis and alerts		Gets the right information to the right people at the right time		
	Work with business units and functions to assess and recommend keywords for data mining		Provides initial keyword selections to the businesses to improve search effectiveness		
Move beyond responding					
Improve continuously					
Marketing and sales	How		Why		
	Incorporate increased customization and granular segmentation into each function or business unit		Improves innovation, enhances brand, and increases sales by delivering improvements that consumers want, when and how they want them		
	Integrate understanding generated by new consumer insight into the value chain and new product development processes—e.g., continuously enhance products based on consumer insights		Improves innovation, product launches, and sales and enhances brand; ensures consumer is continually integrated into ongoing development		
	Increase ability to integrate personalization into marketing		Improves sales and cross-selling, leveraging segmentation capabilities		
	Reallocate resources to take advantage of, defend against, or capitalize on waves of sentiment, either positive or negative		Continually enhances brand and increases revenue by focusing on eliminating risks and building the business		
	Proactively alter marketing initiatives to take advantages of behavioral waves and immediate feedback				
	Implement technologies and techniques that help identify emerging waves of activity and sentiment		Increases sales and innovation by enabling a company to tailor its offerings to consumer demands		
	Develop timely reporting to enable business users to act on pertinent consumer information		Boosts revenues by giving sales force actionable sales data		
	Continually improve and maintain consumer information security and structure				

## Methodology

This white paper represents multiple new analyses of global consumer conversation and its effects. These include the results of PricewaterhouseCoopers' *Management Barometer* (2Q 2007), proprietary examinations of global patents and US private equity investment, and original research on the current English-language universe of approximately 75 to 100 million blogs and 10 to 20 million discussion boards and forums. Additional insights were gained through more than 30 interviews with industry analysts, service providers, and members of senior management at companies in the financial services, consumer packaged goods, telecommunications, and entertainment and media sectors.

PricewaterhouseCoopers conducted this research as part of continuing investigations into how digital media is radically transforming relationships between companies and consumers. The following other white papers, which were previously published by PricewaterhouseCoopers, discuss other aspects of this issue:

*Breaking Down Walls: How an Open Business Model Is Now the Convergence Imperative* (2006)

*Insights into the Food, Beverage, and Consumer Products Industry: GMA Overview of Industry Economic Impact, Financial Performance, and Trends* (Published in conjunction with Grocery Manufacturers Association, Inc., 2006)

*Insights into the Food, Beverage, and Consumer Products Industry: GMA Overview of Industry Financial Performance and Trends* (Published in conjunction with Grocery Manufacturers Association, Inc., 2007)

*How to Capitalize on Lifestyle Advertising in a Customer-Centric World* (2007)



To have a deeper conversation  
about how this subject may affect  
your business, please contact:

Deborah Bothun  
213.217.3302  
[Deborah.K.Bothun@us.pwc.com](mailto:Deborah.K.Bothun@us.pwc.com)

Randy Browning  
646.471.3273  
[Randy.Browning@us.pwc.com](mailto:Randy.Browning@us.pwc.com)

Jason Wagner  
646.471.1297  
[Jason.Wagner@us.pwc.com](mailto:Jason.Wagner@us.pwc.com)

Herb Walter  
202.414.1350  
[Herb.Walter@us.pwc.com](mailto:Herb.Walter@us.pwc.com)