Closing the Product Innovation Loop with the Voice of the Customer

by Tommy Mitchell, Steve Riordan and Greg Adkins

The traditional retail industry is at yet another serious inflection point. Squeezed by economic pressures and the growth of viable non-traditional retail channels, retailers are losing share of the consumer wallet. Despite a relentless focus on improving product design and development capabilities, the success rate for new products hovers at 50% as consumers look elsewhere to satisfy their needs.¹

Why do retailers have such dismal results? It's a real challenge to reach and stay aligned with today's information-enabled consumer in a hyper competitive marketplace. These consumers have high expectations, are not easily satisfied, and regularly exercise their ability to choose between retailers.

However, retailers that excel in this environment with better success rates regularly test their visions with consumers early in the design and development process. They avoid thousands of wasted working hours, empower internal teams to learn what target consumers really value, and provide a competitive advantage by maximizing the benefits from new product launches.

This process, formally known as Voice of the Customer (VOC), is a capability that has existed for many years. In the world of traditional VOC, consumer focus groups, input from store associates, and test stores delivered some results but took a serious investment in time and resources, with results that were at times difficult to interpret. Today, advanced analytics and social media tools dramatically improve the speed, scale and effectiveness of consumer input. In our annual survey of retail design and development leaders, 96% of the respondents believe that VOC is important for their business, but only 38% believe they are currently successful at doing it.²

Six Barriers to Effective VOC

Why isn't advanced VOC used more broadly, and more effectively? Kalypso did a study with The Center for Education and Research in Retail at Indiana University's Kelley School of Business called Leading Practices in End-to-End Product Development: How Retail Leaders Are Transforming the Product Development Lifecycle.

According to this research, the six biggest barriers to having an effective VOC program are a lack of:

1. Technology and tools
2. Funding to build a program
3. Executive sponsorship
4. Effective and efficient processes
5. Talent and expertise
6. Effective change management capabilities to drive adoption

These six barriers were understandable in the past, when VOC was a labor- and time-intensive process that internal teams would devote weeks or months on before delivering a report back to leadership. But today, advanced VOC is enabled through more effective technology tools and interfaces with consumers across a range of inputs, and powered by predictive analytics models to help inform selection, pricing, planning and targeting decisions. VOC insights can be turned around in days, by focused service providers that allow retailers to gain the benefits of VOC, without having to build the internal capabilities themselves.

Enabling the New VOC

In organizations where product lifecycle management (PLM) software has been implemented, VOC data can be especially effective. Leading VOC analytics solutions integrate with PLM, so the data can be incorporated directly into product design and development processes. During the end-to-end design process, live customer sentiment around price, color, fabrication and material are used to make important development decisions. Should the design team offer next Spring’s line in seven colors or 12? What does the market think of the predicted entry price point? Can we add a price premium to select styles based on key attributes?

Access to this information early in the development process greatly increases the chance of success, conserves resources, and has shown 3%-9% improvement in gross margins in certain instances.³ In retail companies where PLM has not yet been implemented, VOC capabilities can still deliver meaningful benefits in product selection, customer targeting and pricing models by reducing the need to rely on historical figures and go-with-your-gut decisions.

As traditional retail continues to be squeezed by direct-to-consumer threats and reduced consumer spending, those that make more informed decisions about products with the best chance to succeed in the market will come out ahead. To close the product innovation loop, support the end to end product development lifecycle, and achieve the returns that have been elusive for so long, today's advanced VOC processes...
and technologies can help retailers:

- Select better products
- Supply more of what’s resonating with the consumer earlier
- Optimize initial pricing
- Reduce testing and sample costs
- Drive conversion

Getting Started

So what’s the next step for a retail design and development leader who wants to pursue a VOC program?

First, decide what type of input you want your VOC program to capture. Looking at three types of improvements made possible through VOC: more refined product assortment, more accurate initial pricing and more accurate buy quantities, is there one area that your business struggles on getting right the first time? For example, do your product introductions routinely result in stockouts or excess inventory?

Once you’ve defined the parameter that you want to improve, it’s time to build your business case. Set a goal for what you want to improve, and by how much, and then define how bringing customers closer-in to design and development will help you achieve your goal.

Next, look at the market for VOC analytics providers. Recent improvements in data capture and analysis of data can make small investments in VOC programs even more valuable by extracting additional insights from your consumer base. Additionally, there are numerous full-service providers that can help run VOC programs and build the capability into your design and development process.

As the retail industry continues to face challenges, it’s time to start getting better results from innovation, and closing the loop with Voice of Customer can do just that.

1 - First Insight, Harvard Business Review, MIT Sloan and Gartner
2 - Study by Kalypso and The Center for Education and Research in Retail, Indiana University Kelley School of Business - Leading Practices in End-to-End Product Development: How Retail Leaders Are Transforming the Product Development Lifecycle
3 - First Insight Testimonials

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