

Our Take:

OG's Point-of-View On Best-Selling Business Books

May 2010

In This Edition We Review

Selling Blue Elephants

*How to Make Great Products that People Want
Before They Even Know They Want Them*

Howard Moskowitz and Alex Gofman

A Little Background

Selling Blue Elephants was written by two veterans of the market research industry; Howard Moskowitz and Alex Gofman. Moskowitz is a well-known experimental psychologist and President and CEO of Moskowitz Jacobs, Inc., a market research technology and innovation company. He is the recipient of the Charles Coolidge Parlin Marketing Research Award from the American Marketing Association...an award considered to be the “Nobel Prize” of the market research industry.

Gofman is the VP and CTO of Moskowitz Jacobs, where he leads the development of new methodologies for use in technology-oriented experimental psychology. He holds multiple patents for the several market research technologies that he has developed.

Together, Moskowitz and Gofman apply their knowledge and experience to the topic of effective market research.

In the interest of full disclosure, Optimization Group has an ongoing professional relationship with Moskowitz Jacobs, so we cannot claim complete objectivity in our review. However, our hope is that this review will prove valuable by introducing you to new and useful approaches to market research.

The Basic Premise

The book centers around the process of Rule Developing Experimentation (RDE). At first blush, the topic sounds highly technical and esoteric. However, the concept is actually fairly straight-forward. RDE describes an approach to market research that tests ideas, products, packages and services to determine what appeals most to the customers, even if customers can't articulate their needs.

Anyone who has conducted focus groups or surveys knows that they can be useful in understanding what customers need, want and like. Unfortunately, in many cases, customers are unable to articulate exactly what they want, or they indicate that they want products with topline features, at a bottomline price. This information does not provide marketers with much clear, actionable guidance.

RDE takes a different approach. Rather than asking straightforward, logical questions presented individually (i.e., what role does color play in selecting a product?), RDE shows customers a combination of systematically designed ideas or prototypes. Customers are then asked rate the entire combination as whole concept. Just as customers make trade-offs in purchase decisions in the “real world” (price vs. features, convenience vs. quality, etc.), RDE simulates that experience and derives what customers like, what they dislike and what is unimportant. This information provides marketers with clear, actionable results that will drive customer acceptance.

What makes RDE of real value to marketers, according to the book, is that it can be implemented quickly online utilizing a basic, straightforward process. According to the authors, the process follows these simple steps:

- Identify the features that make up the target product or message
- Randomly “mix and match” elements to create concepts or prototypes...usually handled automatically by an RDE based tool
- Expose the concepts or prototypes to targeted customers or prospects via the web

Our Take: OG's Point-of-View On Best-Selling Business Books

- Analyze the results to determine which individual elements increased interest in the concept or prototype and which lowered interest
- Optimize the concept or prototype with those elements that increase interest

This last step is what Moskowitz and Gofman see as the real value of RDE, because it provides marketers with a clear prescription for what to do to drive customer interest.

As evidence of the effectiveness and flexibility of RDE, the authors provide several case studies from various industries. These include:

- Hewlett Packard (HP) utilized RDE to test and optimize new promotions in an effort to differentiate HP from the competition. As a result, HP re-engineered its pricing, offers and rebate scheme to create a new focus for consumer marketing. At the time the book was written, HP's made two of the three top rated laptops. [As it happens, OG was fortunate to be the architect of this research with HP.]
- Kay Jewelers sought to improve response rates from their mailers. RDE research revealed that key customer segments respond positively to different messaging and images. By designing the mailers to fit the key customer groups, response rates increased significant (as high as 42%) and the average size of purchases increased by several hundred dollars.
- RDE was utilized to optimize the packaging for pretzels, shampoo and a magazine cover. By systematically testing various combinations of elements, the companies were able to identify the packaging elements that generated the greatest amount of interest before significant investments were made in design and production.

Moskowitz goes on to share other case studies of RDE in action for Maxwell House, Vlasic and Prego. In these cases, the RDE process was used in a consumer testing facility to determine the combination of ingredients and flavors that appealed most to consumers.

The book concludes with a brief assessment of what RDE has provided marketers so far and what opportunities may be on the horizon.

Where We Agree

We find it hard to disagree with much of *Selling Blue Elephants*. Our experience with RDE has proven it to be an insightful and reliable process in helping clients determine what to say and how to say it. With this knowledge, marketers can know that they will maximize the return on their marketing investments before making significant investments in products, campaigns, packaging and more.

Our Top 10 Quotes from *Selling Blue Elephants*

"The challenge is that, in many cases, consumers cannot articulate exactly what they need, want or like." P. 3

"RDE is a systematized solution-oriented business process of experimentation that designs, tests and modifies alternative ideas, packages, products or services in a disciplined way so that the developer and the marketer discover what appeals to the customer, *even if the customer can't articulate the need, much less the solutions.*" P. 3

Our Take: OG's Point-of-View On Best-Selling Business Books

“RDE *breeds* market success through knowledge by clearly and dramatically revealing how specific factors drive consumer acceptance and rejection. Best of all, RDE prescribes for business *what to do...*” P. 5

“Something invented and designed by the most educated people in the industry (RDE) is now ready to be used by any businessperson with the same ease that today’s personal computer can be used.” P. 9

“It is difficult to ignore the power of being able to know the algebra of consumer minds *before* they can articulate the need.” P. 11

“The history of great products is full of examples of a winning idea that an executive initially rejected. *Do not throw out the baby with the bath water – test everything.*” P. 38

“RDE applied to messaging identifies *what to say, how to say it, and to whom to say it.*” P.84

“...*identifying what elements drive customer interest and maximize response is perfectly feasible using scientific methods.*” P. 84

“Timing in the design process is critical. A pattern of productive guidance ought to occur *before* designers start spending lots of valuable time exploring options that consumers could have told them ‘would not fly.’ “ P. 127

“...whether with group ideation by brainstorming or individual contribution, RDE substantially enhances the process. How? Simply by *separating the idea generation from the idea evaluation and by providing objective, hard metrics for each individual item on the list.*” P. 160

OG's 1-9 Rating

On a scale from 1-9, we give *Selling Blue Elephants* a 9.

If you are looking for a good summer read, but want something insightful and engaging, we suggest that you give *Selling Blue Elephants* some consideration. The case studies are intriguing and the process is explained in simple, straightforward prose. You may find, after reading the book, that RDE makes sense for your organization.