

Understanding Your Customer

September 2016

How well do you understand your customers? I mean *really* understand them! Have you already spent time and money to “improve” a product or service only to find no appreciable changes in customer satisfaction or increases in sales? In this month’s *INSIGHTS* I will provide an old and a new example documenting the importance of understanding your customers.

If you are old enough you remember the Beta vs. VHS wars? Sony introduced the first home video recorder in 1975, using the company's Betamax format and recording up to one hour. Soon after, JVC released a competing home video recorder that was lighter, cheaper, and used VHS format tapes that could hold a two-hour movie. Betamax boasted better resolution, clearer pictures, superior sound, and a more stable image than VHS. Over the next few years both formats were able to increase recording times although the Betamax format always had a shorter recording time than VHA tapes.

In the mean time Sony was losing market share and retail outlets began to carry only VHS rentals. By 1980 VHS machines and tapes accounted for 60% of the American market. VHS recorders and tapes were also being sold at prices that undercut Betamax recorders and tapes. Most consumers wanted the recorder with the longest recording time even if other features were not quite as good. By 1988 Sony began producing VHS recorders and tapes (they continued to produce Betamax recorders for the consumer market until 2002).

Today one of the most high profile battles for market share is the smartphone. At the end of the fourth quarter of 2015 Apple’s market share was 17.7%, revenue share was 54%, and its profits are estimated at 91% of the smartphone market. If you simply look at features, there are several smartphones that outshine the iPhone. Flexible storage options, waterproofing, and wireless charging are but a few of the features that are not available on current iPhones (some of these features will be added to the iPhone 7). So why is Apple able to generate higher revenues and profits than other smartphone makers?

Fluent (an ad tech company) shared the results of a survey regarding the “next iPhone.” Fluent’s survey shows that the focus of most consumers isn’t on features like curved displays and iris scanners. The “most important improvement expected” in the new iPhone is more storage (22%), better battery life (18%), and a faster processor (18%). A “better camera” ranked fifth below “a thinner body” in the survey done on August 23 among 1,735 adult U.S. residents. Other important features include waterproofing (56 percent), wireless charging (20 percent) and a distant third was “pressure sensitive button.” The iPhone 7 delivers in the areas most important to customers! Fluent’s survey results help to explain the success of the iPhone.

Understanding your customer and focusing on products features and upgrades that meet their needs is the key to success!

Questions?

Contact New Synergist Consulting,
www.newsnergist.com
don@newsnergist.com