

## Ecosystem of Demand: Understanding Consumers in the Context of Life Experiences

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In this Age of the Consumer, researchers' traditional "inside out" approach to understanding consumers is no longer effective. Classic marketing techniques, such as the use of focus groups or ethnographies, fail to take advantage of the opportunities for building brand value that come with understanding consumers in the context of their life experiences. To better understand how researchers and the companies they serve can adopt a new approach to customer centricity, [Marketing Researchers](#) spoke exclusively with [Erich Joachimsthaler](#), Ph.D., Founder and Chief Executive Officer of [Vivaldi Partners](#) and author of [Hidden in Plain Sight](#), recipient of the AMA Foundation's 2008 [Berry-AMA Book Prize](#) for the best book in marketing.

(The full interview in podcast form and accompanying transcript is available by visiting [www.marketingpower.com/podcasts](http://www.marketingpower.com/podcasts).)

**Marketing Researchers:** *The need for companies to reinvent themselves to become more innovative and more focused on the customer has perhaps never been more important than it is today. It appears we may finally be on the brink of emerging from an entrenched recession. Erich, how has the economic crisis changed marketing during these last 18 months?*

**Erich Joachimsthaler:** I don't think the economic crisis has changed marketing. I think that marketing has changed independent of the economic crisis. We have undergone a very significant transformation, a revolution even, in marketing. Today, we're faced with an empowered consumer; a smart, savvy consumer; a changed media landscape, and a much more difficult environment in terms of the number and type of global competitors that are undermining existing incumbencies.



**MR:** *Most companies and brands today have placed "understanding customers" at the top of their to-do list and have backed it up with an assortment of learning tools including ethnography, focus groups and others. What is your assessment of how they're doing?*

**EJ:** I'm a bit more critical about this. I've been in this business for over 25 years and customer orientation, customer centricity have been buzz words that have been paid lip service by marketing executives, by companies and CEOs. It's a feel good statement for their annual report or shareholder meetings. Techniques or methods like ethnography or focus groups are merely the tip of the iceberg of how deeply we have to dig into the consumer's daily life. Currently customer centricity has really been more a soft direction rather than a real significant change in how we look at our opportunities in connecting and understanding customers.

**MR:** A recent Yankelovich Monitor survey attests that nearly three out of four consumers believe businesses care more about selling them products and services that already exist than coming up with something that really fits their lifestyle. How can companies shift their strategy to understand customers in the context of life experiences?

**EJ:** I made this a significant part of my last book, *Hidden in Plain Sight*. What is very important is we need to stop thinking about customer needs and customer wants in terms of customer preferences, brands attributes, needs and wants. What we must do instead is fully understand what I call the “ecosystem of consumers”, the context in which consumers live. When you think of the consumer, there is not a consumer that needs another car, or different car, in terms of particular features such as quality or price. What people really need to solve is their mobility problems. Every consumer has a goal every day, a set of processes or activities that person has to take care of in order to achieve that goal.

For example, on a Saturday morning, I need to solve my mobility problems. I have to take my son to a soccer game and I live in New York City on the Upper West side where there is no parking. I need to take my daughter to her horseback riding lesson and want to have a wonderful night out with my wife. In order to solve my mobility problem, I don't need to compare one car to another car in terms of features, attributes, or emotional benefits. I don't love one brand over the other. Brands to me are totally irrelevant. What is really relevant to me is solving my mobility needs. The solution for that is not another car, but a mobility solution such as Zipcar where I can rent the car for the hour. If you think of

## Episodic Reconstruction Method

### The Methodology:

The methodology behind ERM calls for a systematic reconstruction of the episodes in a consumer's life with reference to a particular life issue such as eating out, listening to music, commuting, spending time with children. Individuals are asked to record via GPS-enabled mobile phones all episodes of the day, such as driving the family car. At the end of a typical day, the episodes are recalled into short-term memory by asking people to respond to questions on a computer that describe each episode in terms of specific behaviors, motivations of goal achievement and priorities, including contextual information (physical, social, temporal and cultural) about use or consumption of products, feelings, emotions and perceptions.

### Data Collection:

Episodes are collected digitally over a week (or a month) via a cloud-based database, during which people are not aware of the name of the specific sponsoring product or company. A first-level analysis focuses on identifying the structures and patterns of behaviors in people's lives around important life concerns. This is followed by a second-level data collection and analysis involving one-on-one in-depth discussions and observations, usually in a consumer's home or work place.

### Analysis:

Analysis of the data focuses on understanding the structure, pattern and code of relevant issues or areas of people's lives: how people take care of their memories (taking pictures, editing pictures) or, for example, how people live around beauty (go to the spa, eat healthy). Episodic reconstruction allows for the analysis of not just one or a few specific episodes but thousands, in a cost-effective manner.

### Results:

The methodology allows for the detection of patterns of behaviors and understanding discontinuities and tradeoffs help one to see opportunities that are hidden in plain sight. Learning about the emotional or cultural code of a consumption or use episode can lead to the identification of latent needs or wants.

Episodes are grouped into domains or consumer areas that define the relevant opportunity spaces for a company or its products. These areas are called “demand-first growth platforms”. A platform might then be served with a set of existing or new products or services or an innovation as simple as a digital app or as complex as a new business model.

Source: [Decoding Demand Opportunities](#), Vivaldi Partners

marketing in this particular way, you are not trying to sell your products or services, but how they fit in the 1,440 minutes that we all live from midnight to midnight. Marketing becomes not merely putting lipstick on a pig to beautify a brand and tug on emotional heartstrings but marketing actually becomes an innovation and growth engine that really connects to people in their daily lives.

**MR:** *In a recent article, you talk about a new approach called “Capturing the Ecosystem of Demand”. What new or different kind of value can the Episodic Reconstruction Method (ERM) you describe provide brands?*

**EJ:** When you think of ethnography or focus groups or any kind of market research, it is the approach of looking at the world from the inside out. You have your product tucked under your arm—say Coca-Cola—and then you look at consumers from the vantage point of Coca-Cola. You then try to find consumers, you segment consumers, you create pithy messages that say

“Marketing becomes not merely putting lipstick on a pig to beautify a brand and tug at customers’ emotional heartstrings but rather an actual innovation and growth engine that really connects to people in their daily lives.”

“joy” or “real” or whatever it might be in order that consumers capture the essence of your brand and are drawn to the brand. It’s an inside-out perspective about how you think about marketing. All these research methods use an “inside out” perspective. What capturing the ecosystem of demand or the particular method of Episodic Reconstruction does is first it says, “Leave behind or set aside your existing product.” Second, analyze the 1,440 minutes we all live from midnight to midnight. Don’t target consumers based on attributes, whether they are psychographic or lifestyle attributes. Consumers don’t like to be targeted. Instead, understand the episodes in consumers’ daily lives and what people really go through minute by minute, hour by hour.

Try to understand the context. Try to understand the ecosystem and when you have fully understood that, you can really begin thinking about how your product fits into their lives. So episodic reconstruction is a way of reconstructing these episodes or moments or minutes of people’s daily lives and not looking at consumers per se, but looking at the context in which consumption and use takes place. It’s not just consumption of your product, but also other alternatives of how consumers solve challenges in their daily lives. What this does is it opens up your aperture; it’s as if you clean your vision from a smokescreen and you see entirely new opportunities of connecting with consumers, of innovating around the daily life context of those episodes of consumers. You don’t look at consumers in segments or stereotypes or tribes but you look at consumers as they solve their daily problems. A company can then find out how to add real value, how to solve people’s daily problems in those episodes rather than merely differentiating their product from a competing product on certain attributes or emotional benefits.

**MR:** *As perhaps an extension of this model, a recent Vivaldi study addresses how brands that build and nurture social currency can drive brand loyalty. Can you define the concept of social currency and what brands need to do to acquire it?*

**EJ:** One thing we realized in our work is that social media and communications are not just about conversation. There are in fact 6 dimensions or levers that an executive or company can activate in order to create a value for their brand. Second, companies should not chase technologies. Technology is merely a means to an end. The decision that needs to be made before you chase a particular app whether its Foursquare or Twitter to in your marketing requires defining which of the 6 dimensions will allow you to create value for your brand. This is

what social currency is about. In this particular research, we defined for the first time the six dimensions of value creation through social media technologies and networks for building stronger brands and connecting with the customer.

**MR:** *In today's social media world, there's a lot of attention paid to creating buzz or conversation around brands within social channels. How can brands get beyond merely the buzz to create meaningful experiences around the brand?*

**EJ:** It's absolutely about developing meaningful experiences. We studied over 64 brands in the US and over 1,000 consumers. We found that many brands do not understand what really drives their value. There are brands that think it's all about buzz or some brands chase the idea of affiliation and community. But if you are a user of Gillette shaving cream, for example, you don't necessarily want to be part of a Gillette community. Chasing the idea of trying to build a community around shaving cream is simply a poorly spent investment. You really need to think first of what kind of brand you have, what kind of customer base you have, and what drives value in your particular category and business. Out of that strategic analysis, you can create a social currency or social media strategy which defines how you create value, but not just because you create buzz or conversation. Buzz or conversation in itself is not valuable. What is valuable is if you can translate that into brand equity and brand loyalty because that is measurable and translatable in terms of revenue growth, customer retention and acquisition. In this research, we answered the question, "How do you truly build a strategy rather than merely chase the technologies that are only a means to an end?"

**MR:** What steps can brands take to manage their social currency?

**EJ:** First, you need to deeply understand the context of daily life. The value you create is not about having a better shaving cream or a better soup product. The value you create is in the context of people's daily lives. In the old days, we used to say that when the product exchanges hands from manufacturer to retailer, there is a value transfer. The value that is created today is the context you create around your brand and product. There is a lot we can learn and improve and a lot we can really change about the way people live their daily lives in a better way.

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