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UNDER NEW MANAGEMENT; Get Out of That Rut and Into the Shower

By WILLIAM C. TAYLOR

EARLIER this summer, on a gorgeous Friday in Manhattan, Thomas K. Brown and his colleagues at Second Curve Capital arrived at their headquarters in the Chrysler Building wearing jeans and tennis shirts, baseball caps and sunglasses. They weren't planning a company picnic or some other diversion from business; they were embarking on a creative exercise in market research that influences how the firm does business.

Second Curve is a hedge fund that manages hundreds of millions of dollars by making big, long-term bets on the stocks of banks and financial services companies. That means Mr. Brown spends much of his time hobnobbing with chief executives and bantering with chief financial officers -- the rarefied world of big-time investors hunting for their next great buy-or-sell decision.

Once a year, though, he organizes a different kind of hunt -- which he calls a "branch hunt." In it, the entire organization turns its attention from the suite to the street -- and, by scrutinizing the fine details of how banks interact with their customers, sees the market from a new perspective.

"The most thoughtful and articulate strategies tend to come from the big banks," Mr. Brown explained. "But their actual results seldom bear that out. When you walk the streets and look at what's happening, the gap between strategy and execution becomes obvious. We can't just listen to what executives say. We have to see with our own eyes what customers are experiencing."

The dress code for a branch hunt is casual, but the approach is rigorous. For its fourth annual hunt, Second Curve pinpointed the location of every branch of every bank on the East Side of Manhattan, from 25th to 86th Streets.

All the firm's employees -- the analysts, the compliance officer, the computer geek, the receptionist -- divided into teams, were assigned specific avenues and streets and set out with digital cameras, audio recorders and four crisp \$100 bills for each team. They spent time at the branches, chatted up bank employees, opened checking accounts with the company-issued cash, snapped photographs -- not a popular practice with bank security -- and captured the flesh-and-blood experience of being a customer.

After the hunt, the teams returned to headquarters and described what they saw, from stories about horrible or remarkable service, to reports on flat-screen televisions that were meant for customers' viewing but were occasionally found in truly bizarre places where the public could not see them.

Mr. Brown's favorite experience came at a Chase branch, where he opened a checking account. When a Chase employee asked where he currently did business, he said he was a Citibank customer. "I'm surprised you want to switch," she replied, matter of factly. "I have my account at Citibank."

One team's photos showed a sign in the window of a North Fork Bank branch, complete with a skull and crossbones and a message that read, "Closed: Poison." When the team arrived at the next North Fork branch, the employees there had no idea what was happening nearby.

To be sure, one branch hunt will not transform the investment decisions of a high-powered hedge fund. But by organizing the research outing year after year, Mr. Brown and his colleagues generate hard-to-duplicate insights that inform their long-term strategies. In their searches, they go places that other investors don't.

"We look for the unique experiences, things that separate one institution from the other, whether for good or ill," Mr. Brown said. "The biggest mistake companies make is managing to the averages. How long, on average, does it take to open a checking account? What's the average level of customer satisfaction? Averages hide as much as they reveal."

The only way to see past the averages, he said, is to get out of the office and look around.

In some cases, getting out of your office means, well, getting into someone else's shower. A few years back, Continuum, an industrial design and innovation consulting firm in West Newton, Mass., worked with Moen Inc., the faucet-and-fixtures manufacturer, to develop a new line of showerheads for the home.

Continuum has a reputation for unconventional research techniques, and it suggested that the best way to understand what consumers would value in a shower was not just to listen to them, through focus groups or surveys, but to watch them as well. That is, to film them taking real showers in their own homes and use the findings to design a new line of products.

"We thought it would be hard to recruit people, but that was the easy part," said Daniel C. Buchner, Continuum's vice president for innovation and design. (Mr. Buchner was an executive at Moen during the project, and later joined the design firm.)

"The hard part was making a camera that wouldn't fog up," he added. "We had to engineer our own camera. We put one in the shower, and one on the doorway where people entered the bathroom. We filmed them from the moment they came in to the moment they left."

This up-close-and-personal technique generated all sorts of revealing insights. Researchers saw that people spent half their time in the shower with their eyes closed, that they spent 30 percent of their time avoiding water and that, because of poor shower design, they often risked slipping or otherwise being hurt.

These and other findings shaped the design of Moen's Revolution showerhead, which became a best seller. Last year, Continuum won a Gold Award from the Industrial Designers Society of America for its research method on the Revolution line.

"So many companies use the same research techniques, which is why so many products look and feel the same," Mr. Buchner said. "If you want to come up with something genuinely new, you have to see your market and your customers in a new light. And what you see depends on how and where you look."

For Jana B. Eggers, general manager of QuickBase, a division of Intuit, the software giant, looking at her market is as easy as clicking a mouse. QuickBase applications run over the Internet, so when lots of new users sign up for a trial, or existing users flock to a new feature, Ms. Eggers and her colleagues see the patterns instantly. Their challenge isn't watching how customers behave; it's making sense of customer behavior that never fails to surprise them.

"So often with software, developers expect a certain feature to be popular, but a different feature winds up being what customers want," Ms. Eggers said. "A lot of companies try to explain away these surprises. We embrace them."

As a business, QuickBase is built on a big surprise. Intuit expected the software to become part of its family of products aimed at individual users and small business. But from the beginning, these target customers sized up QuickBase and yawned.

"The feedback was lukewarm," Ms. Eggers said. "Actually, closer to cold."

MS. EGGERS worried that she and her colleagues had a dud on their hands -- until they looked at what people were charged up about the product rather than at those who were shrugging their shoulders. The most passionate users were teams of people inside major corporations -- formal and informal work groups who were turning to QuickBase to organize projects, arrange meetings and share or store documents.

"This wasn't at all what we had planned," Ms. Eggers said. "We couldn't believe our eyes."

Today, thanks to a nimble shift in marketing, QuickBase is the fastest-growing business unit at Intuit, and most of its revenue comes from users in big and midsize companies. That's what can happen when executives take a fresh look at their market -- and keep an open mind on what they see.

"The world is full of surprises," Ms. Eggers said. "The big question is how you react to them."