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**Article**

## Looking for Prophets? The Trend Receiver Approach

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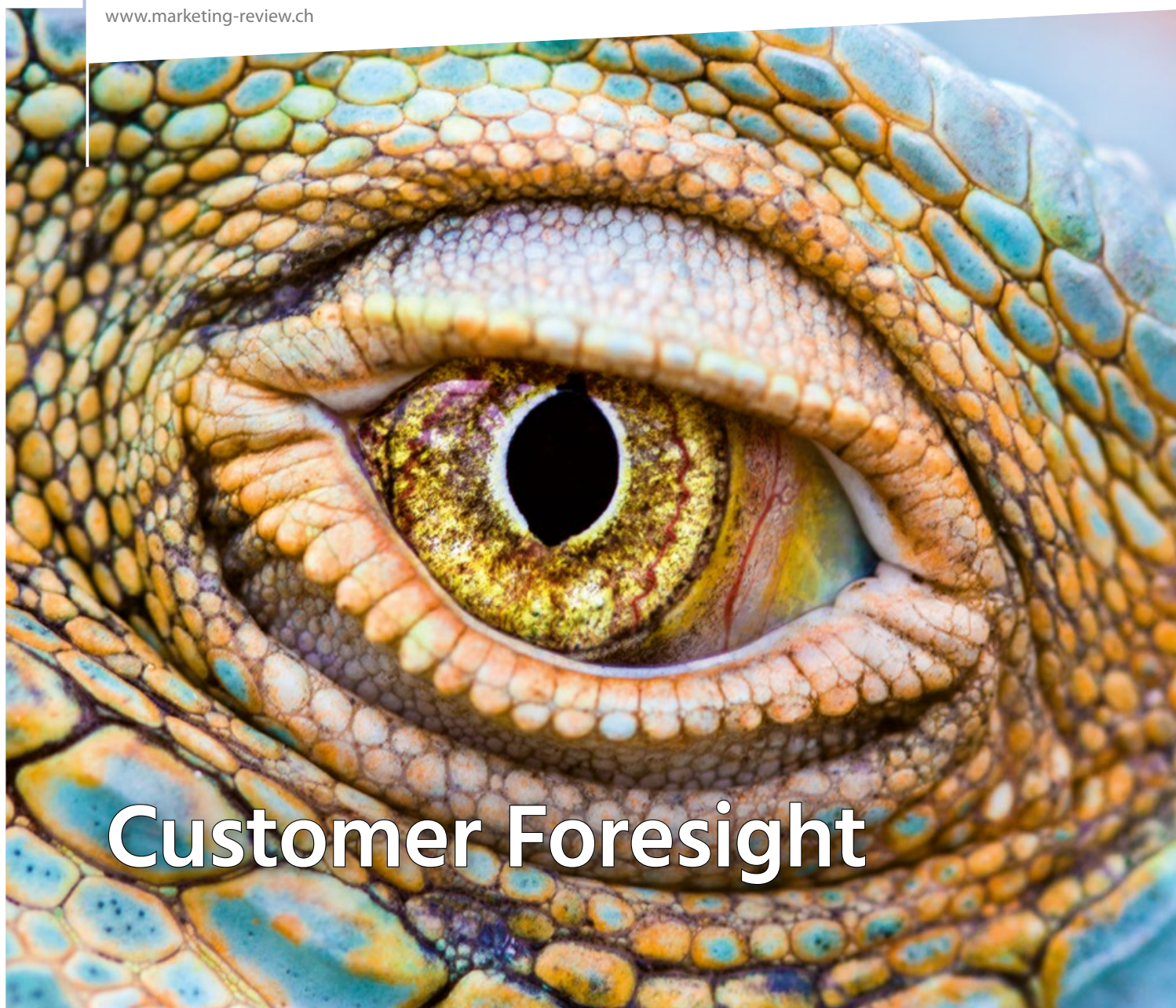
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## Customer Foresight

# Looking for Prophets? The Trend Receiver Approach

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Customer foresight strives to determine future consumer wants. One method of customer foresight is the so-called trend receiver approach. Experts who are judged as able to anticipate trends at an early stage are interviewed in a targeted and methodically guided manner. This article analyses the ambitions, prospects and restrictions of the trend receiver approach and how it can contribute to foreseeing future developments.

**Prof. Dr. Jan-Diederich Lüken**

In general, it is hard to derive reliable predictions about the future from observations in the past. Inevitably, this raises the question of how trustworthy surveys of trend receivers can provide information about future developments? Is this approach looking for prophets – to put it in an exaggerated way? Against this background, this article argues that the approach must deal with certain methodological challenges that require a permanent feedback to the measurable evolution of megatrends and consumer wants. Furthermore, the hypothesis is developed that input from trend receivers can serve as a starting point for exploring future developments.

This article is structured as follows: First, the necessity to look at consumer preferences as well as changes in the environment when predicting the future is illustrated. The second section describes the ambitions, the third section the prospects and the fourth section the restrictions of the trend receiver approach before some suggestions are made on how to avoid biased predictions.

### What Customers Want

Predicting what customers will buy is a key task of market research, business development and entrepreneurial planning. This is illustrated by the following example: In the 1910s, the American firm *Autoped Company of Long Island City* and the German company *Krupp Fried. Krupp Motoren- und Kraftwagenfabriken* produced the autoped, an engine-driven scooter meant to provide short-distance travel. But production was shut down in 1922, although even prominent customers such as the early feminist Florence Norman had given the autoped a try – as several sources such as the online discussion platform “reddit” (2019), the Swiss newspaper “Tagesanzeiger” (Müller, 2019) and the German magazine “Der Spiegel” (Iken, 2019) reported last year. Today, the e-scooter is on track again and at the core of new business models. But why? From a purely economic point of view, either the preferences or the restrictions of customers should be responsible (for this kind of reasoning see, e.g., Silberberg & Suen, 2001, pp. 1–23). Applied to this example, two possible explanations can be derived:

1. The firms got the customer preferences wrong, people back then did not need the additional travel possibilities a scooter offered.
2. The economic conditions did not match the requirements since using the scooter did not provide the customers with an additional value.

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The first explanation is insufficient, since the mass production of cars set in only a few years later. Therefore, it seems that customer needs for mobility indeed existed during the first decades of the 20th century.

Does the second explanation lead any further? Logical reasoning might support this explanation: Assuming that streets today are much better than they were in the 1910s this could explain why the age of the automobile and not that of the scooter started. Cars simply might have been better in dealing with these circumstances. If this reasoning holds, it was the restrictions of the infrastructure that directed the customer decisions. Customer preferences alone did not.

This result would be in line with standard economic theory that assumes that preferences evolve very slowly while restrictions or ancillary conditions may change more frequently – as pointed out, e.g., by Silberberg and Suen (2001, p. 6). Changes in behaviour are therefore more likely to be explained by changes in restrictions: When streets are better and cars often get stuck in traffic jams, alternative forms of mobility, such as e-scooters, get a second chance.

### Ambitions of the Trend Receiver Approach

The above example shows how crucial it is to understand what customers really want. Modern methods of business development, such as design-thinking as a qualitative method and lean start-up as the quantitative complement, focus on the needs and wishes of today’s customers (Mueller & Thoring, 2012). Both methods factor in the consumers’ wishes as well as the current conditions under which consumers make their decisions (restrictions). In design-thinking, individuals qualified in a certain field creatively try to understand customers’ needs and to develop innovations on that basis (Grots & Pratschke, 2009). Design thinking may include the interviewing of customers, producers, experts or stakeholders. Lean start-up is based on constantly evaluating and improving prototypes of products





## Management Summary

This article emphasizes that the individual judgments of so-called trend receivers may contribute to a better understanding of possible future developments. Trend receiver studies bring additional information, creativity and intuition into market research that regular customer surveys or quantitative approaches are lacking. Using the input of trend receivers creates a trade-off between the information density of the resulting hypothesis and its testability with available data so that the predictions derived from trend receiver interviews can serve best not as a result, but as a starting point for exploring the future.

using customer feedback (Ries, 2011). Combined, both methods increase the probability that a new product matches the customers' wants of today – based on their own feedback.

But how to tell what consumers will want in the future? This is an especially ambitious task since customers from the future cannot give feedback. Using statistical techniques, market researchers can find out how trends will evolve with a certain likelihood. Quantitative predictive methods are expected to become even more accurate with the rise of artificial intelligence (Agrawal, Gans, & Goldfarb, 2018). Thus, it is possible to know the likely development of trend-related restrictions, at least for the near future.

But quantitative analysis is itself restricted to available data. Algorithms predict very accurately how long a trip will take when performed within the next hours. Predicting how long the same trip will take in 10 years' time is much harder, because the circumstances might change strongly during this time span, making accurate predictions nearly impossible. For example, the algorithm cannot factor in today whether politicians will decide to build new streets in the future that will reduce travel time by a certain amount.

Furthermore, when researchers analyse the effects of changed restrictions on consumer behaviour, they use their present knowledge and apply it to available data generated by events in the past. The results cannot tell how consumers will behave in the future, they only tell how they behaved in the past. Experiments might be able to deliver better results and there are ways to perform market research with experiments (Ryals & Wilson, 2005; Hauser & Luca, 2015). But, assuming that customers need time to adapt, reliable experi-

ments on future customer behaviour would have to take a very long time, would come at high costs and could lead to ethical questions, e.g. if volunteers had to live in the experimental environment for a long time.

So how to predict the future when predictions based on data are difficult? In ancient times, societies relied on prophets enlightened by divine inspiration. Today, we can also find information roles in organizations, e.g. as mavens, connectors, inventors, multipliers or trend observers – as Pollack (2015, pp. 383 f.) sums up. Regarding the latter, the author points to Gladwell (2000) and especially Hofmann (2014) who developed the concept of the already mentioned trend receiver.

The ambition of the trend receiver approach is to contribute to a better understanding of how the future might develop. This distinguishes the trend receiver from other roles in the customer foresight process, such as the “organizational futurist” (Hine & Gold, 2015) who has, in contrast, a more intermediate role as “internal champion and broker to facilitate the integration process” (Hine & Gold, 2015, p. 99) inside an organisation.

## Prospects of the Trend Receiver Approach

There are some approaches of customer foresight that use individual judgements (for an overview see Rohrbeck, Battistella, & Huizingh, 2015). In the present article, the trend receiver approach – as one of them – serves as a deputy for all current or future approaches that rely on individual opinions. According to Hofmann (2011a, 2014) a trend receiver is a well-connected expert in his field who can derive visions or at least

specific imaginations about future developments. Hofmann (2014, p. 1) defines a trend receiver as “an individual who perceives and reflects changes and potentials of the new in a specific domain in a highly sensitive and differentiated way”.

The trend receiver approach follows a five-step methodology (Hofmann, 2011b, p. 5). First, research questions are formulated stating the area of interest, the time horizon and the possible changes in the business environment. Second, criteria must be found that define the characteristics and experiences possible trend receivers should possess. They should be able to encounter changes early and develop differentiated views in the area of interest. Third, a search method is set up that helps to find the right people that qualify as trend receivers. Fourth, the study design is developed in order to ensure that the research questions are answered in an optimal way. Fifth, the results must be edited for the relevant stakeholders and transferred to them.

The results are similar to a prophecy: a judgement by individuals about the future others would not be able to make. This has the advantage that the prognosis contains human creativity and intuition of one or more experts in a certain field that goes beyond the conclusions that can be derived from the evaluation of trends and customer surveys. These predictions help to imagine the future and derive ideas about future consumer wants.

Market researchers can then combine the trend receivers’ ideas with their own empirical knowledge. The process could start with conducting interviews and deriving hypotheses and end with testing the hypotheses against the empirical data. If the hypotheses are falsified, the process ends or starts again from the beginning. If the hypotheses hold, they form the basis for future market research.

But this approach has to deal with the problem that it is hard to challenge predictions about the future with currently available data. It is likely that trend receivers, as experts in their field, will know how the trends relevant for their branch might evolve. They have already factored in the information contained in the available observations that researchers would use to test the hypotheses. In this case, the data used to challenge the hypotheses have been used by the trend receivers themselves to shape their views.

For example: If a trend receiver has the impression, from various observations, that e-scooters are attractive where the streets are good and inner-city traffic is high, and market researchers afterwards test this hypothesis with the same observations, the hypothesis would always be true.

Thus, another approach could be to focus on creating the most information-dense hypothesis about future develop-

ments – including all the data available. Instead of using information to falsify a hypothesis, it is used in the creation process. It would work like this: Trends are analysed and evaluated quantitatively. Afterwards or in parallel, the described trend receiver process sets in. But before the results are transferred to the stakeholders, market researchers use all the available information to build consistent hypotheses. The empirical information, together with the trend receivers’ visions, are used directly to create new hypotheses about the future.

This approach can give an idea on how restrictions may change and how consumers might react to this change, because it uses statistical knowledge, is open to the potential of machine learning and relies on human creativity, intuition and phantasy. The prospects of this approach could be a consistent and creative vision of the future combined with the customer wishes that it will create.

### Restrictions of the Trend Receiver Approach

When using the second approach, the real research starts when you think you are done. The derived hypotheses are not a result but the beginning of gaining knowledge about the future. The crucial question is not if, but when, hypotheses about future customer behaviour can be tested empirically.

To challenge these ideas, it is necessary to regularly evaluate the predictions with newly collected data and surveys that might represent changes in restrictions. Hence, continuous market research plays a critical role in performing a plausibility check for the ideas derived from customer foresight. As in business modelling where feedback on already existing products is used to improve them further, feedback on possible future developments is necessary to improve the quality of the prognoses about the future. It is therefore cru-

### Main Propositions

1. The perspectives of trend receivers can contribute a valuable source of inspiration and the resulting predictions are a starting point for further market research.
2. Using the input of trend receivers creates a trade-off between the information density of the hypothesis and its testability with available data.
3. The combination of human creativity and statistical empirical research may lead to ideas that go beyond the current horizon and interpretation of the state of the world.

cial that the stakeholders know that the results could and will probably be updated.

A second restriction is represented by the trend receivers themselves. They give market research the opportunity to develop hypotheses about the future. Of course, the value of their ideas depends on their competence to identify trends. But how can researchers know whether any proclaimed trend receiver actually has this capability or just claims to have it?

The answer is: This distinction is not possible. Whether a trend receiver was right or wrong will only be revealed in the future. Unfortunately, in this case the information is useless. If the prediction was wrong, the decisions based on the prognosis have already been made. If the prediction was right, it is not possible to decide whether the trend receiver really anticipated what would happen or whether the events occurred by chance in the way the prediction told. It is impossible to distinguish between real prophecies and lucky guesses.

Therefore, it is important to treat predictions as just one of many inputs for research. Predictions may be used for hypothesis construction and are therefore in themselves a starting point for further permanently ongoing research – neither more, nor less.

### How to Avoid Biased Predictions

Still, it may be possible to avoid biased views of trend receivers when some behavioural aspects are considered. The following suggestions are derived from the work of Daniel Kahneman (2011). Given the range of his work in particular and behavioural science in general, a complete list would be beyond the scope of this contribution. The subsequent four examples aim to give the reader an impression of the importance of behavioural aspects rather than a complete overview.

#### The Anchor Effect

Individual estimations of probabilities rely on the anchor estimating individuals unconsciously have in mind. Kahneman (2011, pp. 152–163) describes how he posed the following question to various groups of students: How many African states are members of the United Nations? Before the students made their estimations, Kahneman operated a wheel of fortune and asked the students to register the number coming up. Afterwards, he analysed whether these numbers had a significant influence on the answers. They had.

Applied to the trend receiver approach, this means that the ideas of each trend receiver will have an influence on the views of other trend receivers. Therefore, it is important to

interview trend receivers isolated from each other. Interviewing them in a field with a lot of social interaction such as a conference about future research (where a lot of anchors are dropped) would probably lead to biased ideas.

#### The Halo Effect

This is defined as “the tendency for an impression created in one area to influence opinion in another area” (Lexico, n.d.). Persons with a reputation in one field will be credited with knowledge in other fields although this might not be justified. Therefore, a clear methodological approach is necessary and it might be useful to use blinding methods when evaluating trend receiver interviews. If the evaluator is not the same person as the interviewer, chances for an unbiased result will increase since the “blind” evaluator does not know about the trend receiver’s reputation.

The halo effect also plays a role in the evaluation of the interviews. If the evaluation of an interview starts with a view that is fascinating and seems to be very valuable, the evaluator might judge all the following views of the trend receiver in that light. So there is the danger of overrating the quality of all ideas if the evaluator liked the first one. The solution to this problem is to evaluate the interviews not by interviewee but by question or topic. First, all views of all trend receivers relating to the first topic are evaluated, then the second one, and so on. This is an approach Kahneman (2011) suggests as a fair method for correcting student exams, and it can also help avoid an unconscious bias in customer foresight research.

#### Outliers

It is important to question a fair number of trend receivers to be able to classify an opinion as an outlier. The question, however, is how to treat outliers, because they might be very valu-

### Lessons Learned

1. Use interviews with trend receivers as input for the development of future scenarios.
2. Be aware that it is hard to test trend receivers’ views about the future with data from the past or present.
3. Avoid biased interviews by considering relevant behavioural aspects.



able for customer foresight. Views contradicting general assumptions or common sense might be a sign that an expert really has something to say. Therefore, it is worth considering their views as they might be valuable input. But researchers must be aware that the dissenter might not be a genius but just someone who likes to contradict.

## Conclusions

Trend receivers' capability of deriving insights about possible future developments and future customer behaviour gives research a new starting point. But using the input of trend receivers creates a trade-off between the information density of the hypothesis and its testability with the available data. Testing hypotheses requires observations that have not been used to form the hypotheses in the first place. But

how relevant can currently available data be in challenging hypotheses making predictions about the future? The observations available today are just a look back into the past, anyway.

The combination of human creativity and statistical empirical research including statistical forecasting may lead to ideas that go beyond the current horizon and interpretation of the state of the world. In this context, perspectives of trend receivers can contribute a valuable source of inspiration. The resulting predictions are a starting point for market research. They might qualify as bold hypotheses – as Karl Popper (2002) put it– that indicate in which directions to conduct future research. Of course, this judgement is itself a hypothesis that needs further testing.

So, is customer foresight looking for prophets? Yes, it is – at least when using the trend receiver approach. But if their input is used as a starting point for further research, the counter question is: So what? 

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