

Blueprint for Building a Customer-Centric Culture of Innovation

by **Anthony W. Ulwick**

Companies understand the value of becoming customer-centric, but the transformation is challenging. In our engagements with Fortune 1000 companies, we have been asked many times, “How do you build a customer-centric culture of innovation in a company that historically has been idea or technology driven?” In this paper, I offer guidance for doing just that. Our approach, which is based on 24 years of experience and has a track record of success, is proven to deliver the greatest impact in the shortest time.

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Program Overview

In customer-centric companies, managers and employees across the organization make sure all their business decisions support the creation of customer value. This is made possible when they (1) know what unique customer insights are needed to drive customer-centric decision making, (2) are able to obtain the needed customer insights, and (3) know when and how to use the insights to make business decisions that are focused on value creation.

Unfortunately, at too many companies, this behavior is not the norm. Important decisions are often made without key customer-centric knowledge. For example, a company can launch a product without even agreeing on: (i) who the customer is, (ii) what the definition of a customer need is, (iii) what the company's customer needs are, or (iv) which customer needs are unmet. In most companies, these questions are highly debated and often go unanswered. As a result, when it comes to new product innovation, managers struggle to filter and evaluate ideas, and over 90 percent of development efforts fail.

Becoming a customer-centric organization is not easy, but there is no reason to make it harder than it needs to be. It is true that to be successful, managers and employees need a particular sort of customer insight. The goal, however, is not to make all your employees experts at collecting the right customer data. Rather, the goal is to make them experts at using the right customer data. So what is the best way to build this competency?

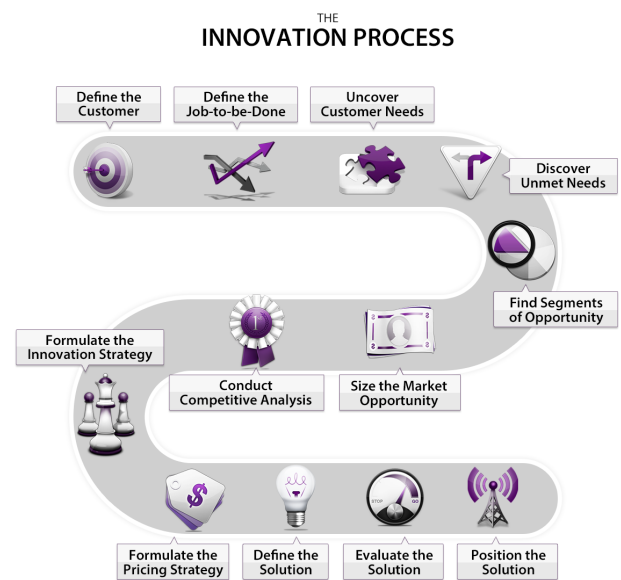
First, your company must employ a customer-centric research process that enables the collection of the unique customer insights needed to drive value creation. If companies had to develop such methods on their own, it could take years, but fortunately Strategyn has already done that work. Our Outcome-Driven Innovation (ODI) research process, which has been refined over two decades, provides the customer insights (uniquely defined and prioritized customer desired-outcome statements) needed to drive a customer centricity program. When using these insights, companies have a product innovation success rate of 86 percent – five times the industry average. Once your organization is ready to test or adopt ODI, you are ready for the next step.

Building a customer-centric culture of innovation is best accomplished in three phases. In Phase I, each cross-functional product team participates in an intensive one-day workshop, in which they engage in a unique customer journey. For the first time they see their market through a “jobs-to-be-done” lens, and they learn what customer insights they need to drive customer-centric decision making. They walk away with highly valuable customer insights derived from ODI-based qualitative research. The cost of this phase is relatively low, yet it moves a team halfway toward its goal of being customer-centric.

In Phase II, we conduct ODI-based quantitative research to prioritize the customer information needed to build the customer-centric data model. With the insights contained in this data set, the company will be able to make customer-centric business decisions for years to come.

In Phase III, we teach managers and employees across the organization how to use these insights to formulate market and product strategies and to drive customer-centric growth. Let’s look at each phase in more detail.

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Phase I: Apply Customer-Centric Fundamentals to Your Market

The best way to learn how to be customer-centric is to apply customer centricity principles to your market. In Phase I, each product team experiences the power of customer-centric thinking in a one-day workshop in which they (i) learn the fundamentals of jobs-to-be-done theory and the ODI process, (ii) participate in a Strategyn-facilitated qualitative research discussion designed to obtain critical customer information, and (iii) begin to use their newfound insights to make customer-centric business decisions in their market.

The completion of Phase I will boost the organization's success dramatically because we capture the customers' desired outcomes. A desired outcome statement is a metric that the customer uses to measure success and value when using a product to get a "job" done.

Upon completion of Phase I, the product team will share a common language of innovation and possess a unique set of customer insights that it can use to make customer-centric marketing and development decisions.

The workshop employs the techniques and principles showcased in Tony Ulwick’s seminal Harvard Business Review article titled “The Customer-Centered Innovation Map” (May 2008). Workshop participants include the product team (e.g., marketing, sales, planning, engineering, R&D), a handful of external customers, and the Strategyn facilitation team. The workshop is designed to shift the product team’s thinking along a number of fronts (see Table 1).

Table 1. Expected Impact of Phase I: Qualitative Insights

| Team Thinking Before Phase I | Team Thinking After Phase I |
|--|--|
| The product team disagrees on who the customer is (the buyer, user, installer, influencer). | The product team agrees on who the customers are and why. |
| The team defines the market from a product-centric perspective (around the product or technology). | The team defines the market from a customer-centric perspective (around the job-to-be-done). |
| The team doesn’t know what job the customer is trying to get done. | The team agrees on what job the customer is trying to get done and on the job map. |
| The team can’t agree on what a customer need is (purpose, structure, format, content). | There is cross-functional agreement on what a need is. |
| The team believes customers have latent needs and needs they can’t articulate. | The team recognizes that customers can articulate their needs when they are defined as outcomes. |
| While the organization may collectively know most of the customer’s needs, there is no agreed-upon list. | There is a single, agreed-upon list of customer needs that is shared across functions. |

Upon completion of Phase I, the product team will share a common language of innovation and possess a unique set of customer insights (a job map and a set of desired-outcome statements) that it can use to make customer-centric marketing and development decisions. These qualitative insights are an indispensable, long-term guide in the journey to a customer-centric mindset.

Phase II: Quantify What Opportunities Exist in Your Market

Once the marketing and product teams know which customer needs (desired outcomes) are unmet and which are overserved, they can decide (i) how to best position their existing products and services, (ii) what improvements to make to existing products, (iii) which pipeline products to pursue and which to kill, (iv) which mergers and acquisitions are worth pursuing, and (v) what new platform-level product ideas and technologies to invest in. Quantitative research provides statistically valid customer data that is used to create a model that will guide these decisions.

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In Phase II, Strategyn creates the instrument (an online survey) that is used to collect the quantitative data. We administer the survey to a set of external customers (usually 270 or more) that is representative of the population. Once the data is collected, our team of experts validates the responses and then conducts outcome-based segmentation, market sizing, positioning, and other analyses. We use a stringent set of quality standards that we have developed over the years to ensure only valid customer data contributes to the model. The research that occurs during Phase II is also designed to shift the product team’s thinking along a number of fronts (see Table 2).

Table 2. Expected Impact of Phase II: Quantitative Insights

| Team Thinking Before Phase II | Team Thinking After Phase II |
|--|---|
| Nobody knows with certainty what customer needs are unmet and to what degree. | Everybody on the product team knows what needs are unmet and to what degree. |
| The segmentation model that managers use obscures differences in unmet customer needs (they focus on phantom targets). | Marketing and development managers use a segmentation model based on differences in unmet customer needs. |
| The company’s competitive strengths and weaknesses relate to speeds and feeds. | The company’s competitive strengths and weaknesses relate to addressing unmet needs. |
| The market strategy is based on personas and qualitative insights. | The market strategy is based on quantitative ODI-based market research. |
| The product team does not agree on what market strategy to pursue. | The product team agrees on what market strategy to pursue and how to create customer value. |
| There is no agreement on what product and service concepts to pursue and invest in. | There is cross-functional agreement on what product concepts to pursue and invest in. |

Upon completion of Phase II, the product team will possess market insights that point out the opportunities for value creation. Immediately, they will be able to apply this data to (i) better position existing products and services, (ii) improve existing products and services, and (iii) create new products and services that will deliver significant new value. The product team will also possess a quantitative model for customer-centric decision making.

Phase III: Use Your New Customer Insights to Drive Growth

Having valuable customer data is one thing. Knowing how to use it is another. The types of data we capture and provide using our ODI-based research methods – job maps, opportunity landscapes, desired-outcome statements, outcome-based segments, opportunity scores, and so on – can be used to address dozens of challenges. For example, they can be used to:

- Create a customer-centric Google AdWords and SEO campaign
- Help the sales team deliver the right message to the right customer
- Inform your marketing communications program
- Reposition existing products around your competitive strengths
- Make improvements to existing products and services
- Conceptualize breakthrough, radical, and disruptive product ideas
- Drive decisions on research and development
- Inform merger and acquisition decisions

Upon completion of Phase III, the product team will possess the ability to use ODI-based market research data and market and product strategy insights to consistently make business decisions that create customer value.

While many applications of the data are possible, using the data takes training. Phase III is dedicated to teaching managers and employees across the organization how to leverage their newfound customer insights. In both classroom training and hands-on workshops, Strategyn will teach your product teams to make customer-centric business decisions across a wide range of subjects. The education and training are also designed to shift the product team’s thinking along a number of fronts (see Table 3).

Table 3. Expected Impact of Phase III: Implementation

| Team Thinking Before Phase III | Team Thinking After Phase III |
|---|--|
| The team’s focus is on beating the competition. | The team’s focus is on helping customers get a job done better and/or more cheaply. |
| Innovation is about coming up with ideas and seeing if they address unmet customer needs. | Innovation is about uncovering unmet customer needs and finding solutions that address them. |
| Products are positioned around customer emotions. | Products are positioned around both functional jobs and outcomes and emotional needs. |
| The person with the loudest voice or the one in the most senior position influences the product team. | Customer data and facts influence the product team. |
| Technology, ideas, and capabilities drive strategy and decision making. | Unmet customer needs dictate what ideas, technologies, and capabilities to invest in. |
| Decisions are made using qualitative customer insights and intuition. | Decisions are made using quantitative customer insights. Intuition is not acceptable. |

Upon completion of Phase III, the product team will possess the ability to use ODI-based market research data and market and product strategy insights to consistently make business decisions that create customer value. They will have a customer-centric mind-set, and your company will have successfully created a customer-centric culture of innovation.

Strategyn Is There Throughout Your Journey

In addition to supplying the data collection and strategy and innovation processes, Strategyn also supplies the education, tools, mentoring, consulting services, and support your company will need to build a customer-centric culture of innovation. We are there from start to finish to ensure your success. A product team can expect to complete its three-phase customer-centricity journey in six to nine months. Additional details regarding Strategyn’s end-to-end customer-centricity program offerings are shown in Table 4.

Table 4. Strategyn Is There Throughout Your Journey

| Offering | Phase I: Qualitative | Phase II: Quantitative | Phase III: Implementation |
|----------------------------|---|---|---|
| Education | One-day intensive workshop, ODI overview, ODI detailed workshop | Survey creation, data collection, sample design | Positioning, marketing, product improvement, R&D, sales workshops |
| Tools | Seminar materials, books, white papers, market selection tool | Books, white papers, checklists | Books, white papers, checklists |
| Mentoring | Assist the product team in conducting customer interviews and netting outcomes, certification | Assist in survey creation, data collection, sample design, data cleaning, data analysis, market strategy, certification | Assist in data use (for positioning, marketing, product improvement, R&D, sales), certification |
| Consulting services | Conduct customer interviews to collect desired outcomes | Create surveys, collect data, design samples, clean data, analyze data, create market strategy | Use data to support positioning, marketing, product improvement, R&D, sales activities |
| Support | Help project teams use workshop data to make customer-centric decisions | Help project teams use quantitative data to make customer-centric decisions | Help project teams use quantitative data to make customer-centric decisions |

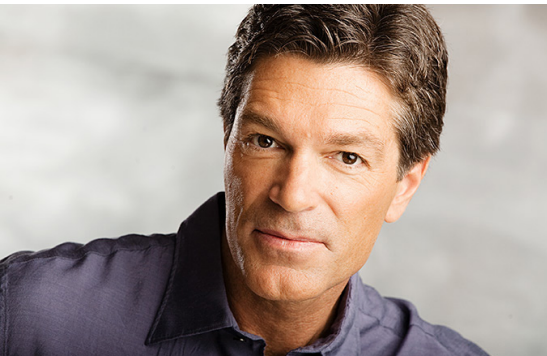
Strategyn Helps You Get the Entire Job Done

Strategyn will help you design your customer-centricity program to save you time and money. We know how to achieve economies of scale by defining your program around “job-based” markets. This often allows multiple product teams to share customer data. Once the program is designed, we plan and execute the workshops, lead and manage the quantitative market research, and lead the education and workshop sessions. Nothing is left to chance. With Strategyn and our proven ODI-based research methods, your company will be successful in building a customer-centric culture of innovation.

Please contact us to learn more.



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