

HYPE

Using Customer Insights to Fuel Innovation

See how companies can adopt Outside-In and Inside-Out mindsets, use Customer Journey Mapping, and generate Customer Insights, to fuel the Innovation Process



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Developing Customer Insights

Key Steps and Considerations

An innovation process should, to some degree, be taking note of external input. If used well, customer insights can be the most valuable of all external input. Through a series of techniques and practices - including customer journey mapping, and an Outside-In mindset - an innovation manager can add a rich vein of inspiration for their innovation program, that spark new hunting grounds for idea campaigns and co-creation projects.

Innovation based on Customer Experience

In this E-book, you will learn:

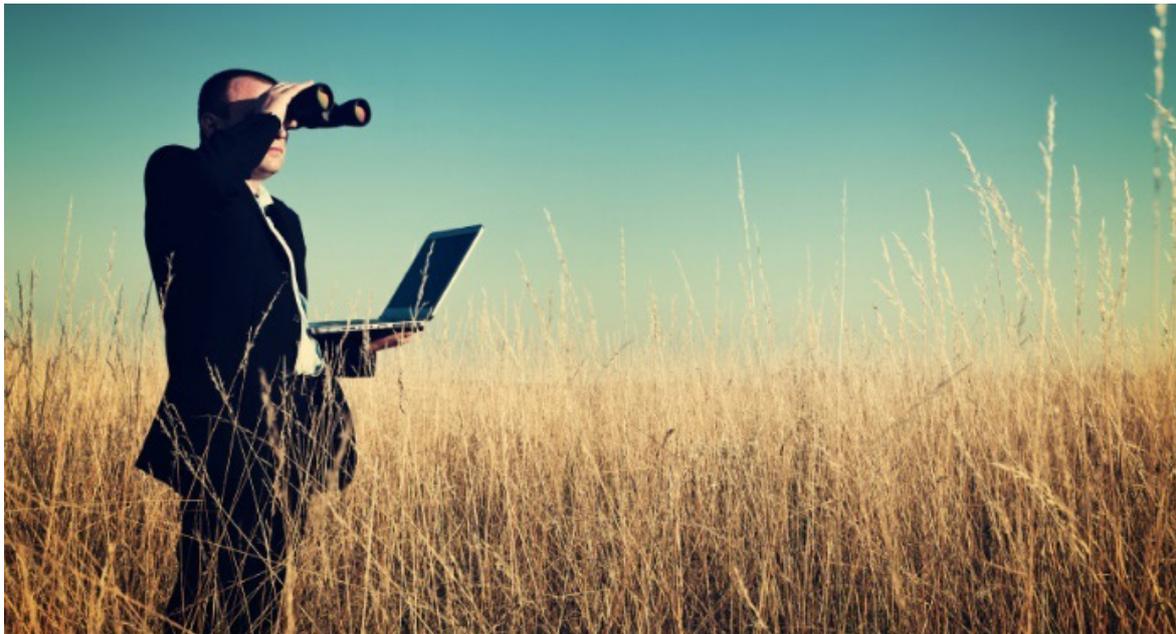
- The difference between an inside-out and an outside-in strategy, and the benefits each can bring;
- How to map your customer's journey in 10 easy steps;
- How to identify valuable customer insights.

HYPE Innovation, together with customer insights expert Elena Ozeritskaya, have compiled a guide to help innovation managers see the potential in developing these methods for their innovation program.



Tim Woods
VP of Marketing at HYPE Innovation

What is an Inside-Out business approach?



The Inside-Out approach is guided by the belief that the inner strengths and capabilities of the organisation will produce a sustainable future. The Outside-In approach is instead guided by the belief that customer value creation is the key to success.

An Inside-Out approach to business



First, let's have a look at the Inside-Out way of doing business. A nice example is [Schorem](#), it's an old school men-only barbershop in the heart of the working class city of Rotterdam. The shop specializes in the classic cuts that have proven themselves over the decades (pompadours, flattops, contours and traditional shavings) and is famous in and outside of The Netherlands.

So, what's so Inside-Out about this barbershop? It's the people that work there (they call themselves scumbags but don't worry they are very polite) ... passionate, professional, living the culture of "old times" and offering this experience to their customer. There are no women allowed in the barbershop, and when you enter it feels like you've been taken back to the past.

Typically, an inside-out organization asks itself questions such as the following:

- How have we progressed or regressed over the last few years?
- What are we good at? What do we love to do? What are we passionate about? What do we represent? WHY, WHY, WHY and WHY (as you need to understand what beliefs lie underneath to really grasp the company's essentials)
- How do we leverage our strengths and compensate or eliminate our weaknesses?

Research has shown that very few organizations know why they do what they do. Why does the organization exist? Why should the CEO get out of bed in the morning? But until an organization identifies its central belief and message, they will most likely continue to communicate in a mediocre way. If I ask you

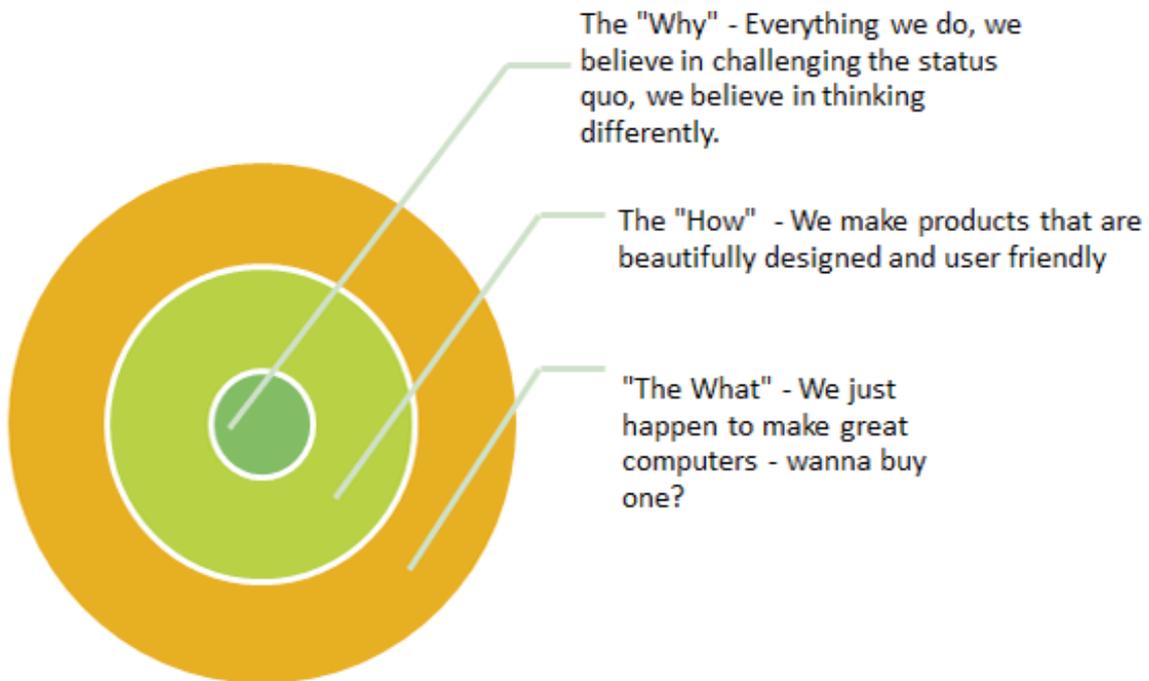


to name one of the most innovative and ingenious technology companies of the last ten years, chances are, Apple would be one of the first to come to your mind. No one can argue with the power Apple has to get millions of people standing in line for hours in the bitter cold just to buy an iPhone.

Apple uses the (Inside-Out) "Golden Circle" Marketing method

Traditional marketing methods start with "what" then followed by the "how" and ending with the "why". The Golden Circle Marketing process used by Apple starts with "Why": the central belief of why the organization or movement exists. The development of such a powerful core belief system is what attracts the cult following. Once Apple was able to establish this powerful central message, they were able to sell more than just computers.

Schorem these days is more than just a barbershop, they opened up an international barber school and organize several events related to the Schorem belief system, lifestyle and brand.



Inside-Out + Customer Instinct = Success

Even though Inside-Out companies such as Apple say that they do not ask their customers what they want, such successful companies (and their CEO's) do have a very good sense of what we call Customer Instinct.

It's part of their success, allowing them to combine their Inside-Out strategy with a good understanding of their customers' needs, challenges and lifestyles.

Companies that are Inside-Out and don't have a good sense of Customer Instinct tend to follow the competition.



Toyota is a company that fell into this trap. After impressive years of successes, the company focus shifted away from meeting customer needs toward the internal goal of beating General Motors and maximizing growth. This caused Toyota to lose sight of customers and consequently, quality suffered. At its worst, inside-out thinking distracts companies from their true purpose of driving customer value.

So how does that work? How do you develop Customer Instinct without questioning/surveying them? "Discovering what customers want and asking aren't the same thing".

There are new methodologies such as ethnographic research and private online (insight & co-creation) communities that can bring insights into your customer's journey, and hidden/latent needs without you asking them questions about improvements and innovations.



Next to that, some individuals like Steve Jobs are just born with a good sense of what people want, able to observe people's "jobs to be done" in such a way that they can be translated into new innovative solutions like the iPad.

A classic example is Henry Ford, who said "if I would ask people what they want they would come back to me with a faster horse." The horse is people's reference point which makes the answer very logical and therefore not very innovative.

So does it mean that you cannot get good insights by talking to customers? Well, it means you cannot just ask customers directly what they want, as most people don't know what they want until you show it to them. It means you need to do things in a different and more creative way through observation and projective techniques for example.

Stop doing traditional (time consuming and expensive) market research to gain insights, and instead explore new methods and tools that enable you to observe, learn and get inspired... faster, better and cheaper.

What is an Outside-In business approach?



Multiple studies have shown that 40-90 percent of innovations fail. Studies have also shown that innovation processes involving customers, especially lead users, are more likely to succeed in the market place since they just have better and more creative ideas than internal product developers. The Outside-In approach is guided by the belief that customer value creation is the key to success.

An Outside-In approach to business

In an Outside-In company, as opposed to an Inside-Out one, the key word is need, not product. In this mindset, people think expansively. They're totally immersed in the minds of their customers, looking for ways to expand demand. Their business plans and value propositions derive from the marketplace, based on the knowledge gathered at ground level. Often, the needs they define haven't yet been identified by the customers themselves.

A sustainable growth strategy of an Outside-In company starts with understanding the difference between what you make and what people need, which often turns out not to be the same thing. Tapping your resources of energy and imagination, you look at your company from the perspective of your future customers, exploring what's going on in the real world.

Having stepped outside of your business, you will then work backward to ask questions about your business to find out how you can pursue the market opportunities identified.

Typically, an Outside-In organisation questions itself on the following:

- Where are the growth markets available for our business?
- How can we tap into an opportunity that is available?
- What are the trends and how should we meet them?
- How can we better serve the needs of the market?

With its focus on the external world, such an organisation is less mindful of its limitations compared to the first. Some companies have succeeded in achieving the outside-in perspective and have achieved success as a result.



Some companies that had once been Outside-In successes later failed to maintain good Outside-In habits and faltered:

One example is Tesco. The Outside-In approach transformed the U.K. grocery chain from a mediocre performer that was losing market share each year to the leading grocery retailer in the country, known for its strong focus on customers. However they were not able to keep their success story running and are currently losing market share to Waitrose, Aldi and Lidl who are doing a better job at the consumer level.

Dell Computer built its initial marketplace success with a strong Outside-In perspective. Conventional wisdom says that powerful customers provide lower profit margins precisely because they are so big and powerful. But Dell earned higher margins from its large "relationship" customers because it used an Outside-In perspective so well. Dell later ran into trouble. It didn't adapt well as customers and technologies changed, and it certainly did not anticipate those changes.

Maintaining an Outside-In perspective seems to be especially difficult for successful companies. A reason for it can be that they use too many conventional and traditional consumer research methodologies like surveys and interviews that deliver conventional information with not enough rigor and context. So they miss out on the "wow" insights around trends and hidden/latent customer needs.

Insight generation is also important and if a company does not spend enough time on insights activation (sharing and acting on customer/market, understanding gained from research) in marketing, R&D and innovation platforms, it will fail to respond to market opportunities and threats.

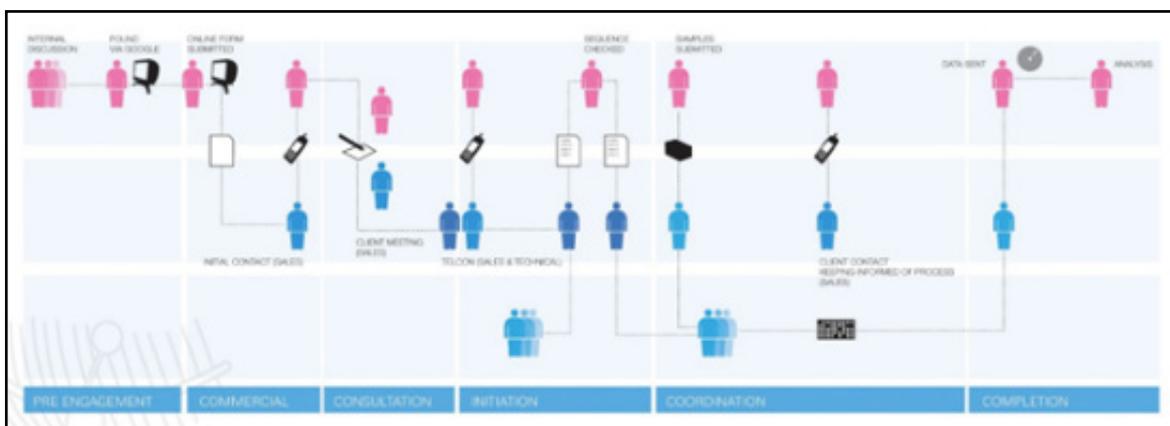
Customer journey mapping

Introduction

Whether Inside-Out, or Outside-In, having deep insights about the customer experience are crucial for innovation. Customer journey mapping can help us achieve these breakthrough insights.

We are moving from value in exchange to value in use. You don't want to buy a car, you want to buy mobility. Instead of selling products and services, organizations must develop ecosystems where customers can co-create value with them. This requires a holistic view of the ecosystem and can be obtained with customer journey mapping.

What is Customer Journey Mapping?



Put simply, it's a method for assessing, visualizing and mastering customer experiences. It helps you view a product or service system from the customer's perspective, allowing you to identify opportunities for improvement and innovation.

This is all about the relationship you build with your customer, not only about the purchase of your product. The succession of activities a customer goes through when buying and using your product is called "the customer journey". It often begins before your product even comes into the picture, for example at home, on the couch, browsing on the internet for inspiration.

And this journey does not end when the customer has purchased your product or service. On the contrary, this is where the usage, maintenance and maybe upgrading start. At the end of the journey, you always hope that the customer will eventually return to your brand. If you succeed at this, you will have built a sustainable relationship and created a loyal customer.

Case study: The IKEA journey

Regardless of what time or day I go, the IKEA store is packed. Crowded, overwhelming parking lots do not scare anyone away from this store.

Entering the store, you are led up an escalator where someone hands you a disposable measuring tape, a miniature pencil and a notepad so you can measure items in the showroom, and write down the names and item numbers of things you intend to buy, or just like.



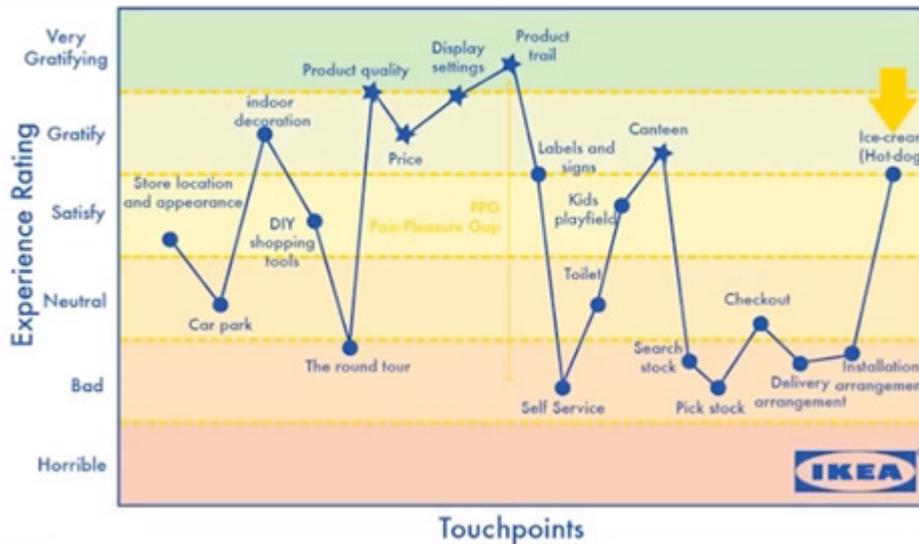
From there, you are taken to the second floor (if you are a first timer, you don't even realize the well-played merchandising tactic that this is until later on), where you are walking on a path that circulates between beautifully designed showrooms. You walk and go

through bedrooms, kitchens, offices, living spaces and kid's rooms where you take note of how they are using their merchandise to create homes. You start to envision this chair, or that mirror, or this light fixture in your own home, scribbling the item numbers on your pad as you go.

The trip takes about an hour or so, depending upon how long you "stop and stare" and how busy it is. Then, you reach a point where you stop for some food in their restaurant, as it's a nice assortment and you pay almost nothing, or continue downstairs to the actual store. Here is where you pick up a carriage and start looking for all those items you found upstairs.



The entire experience is so well merchandised that I always leave with more than what I had originally intended to buy. They have articulated the journey so well that I don't even feel like I am walking around in a circular mousetrap of sorts.



Their journey contains a “peak-end rule”, a psychological phenomenon in which people judge experiences largely based on how they were at their peak (i.e., their most intense point) and at their end, rather than based on the total sum or average of every moment of the experience. It occurs regardless of whether the experience is pleasant or unpleasant. Other information aside from that of the peak and end of the experience is not lost, but it is not used.

Looking at the touchpoint experience ranking (image above) you see a clear dissatisfaction at "searching the stock" and "check out". So what they do very well is offer almost free icecream and hotdogs after the check-out to make the end a treat for everyone.

So what about the peak experience? Well even though the in-store experience is quite positive and satisfying during events such as "indoor decoration/inspiration" and "product trial", the real "peak experience" for the IKEA consumer is the moment when they have assembled their furniture from scratch and shown it to their friends and family with pride.

Customer journey mapping

The framework

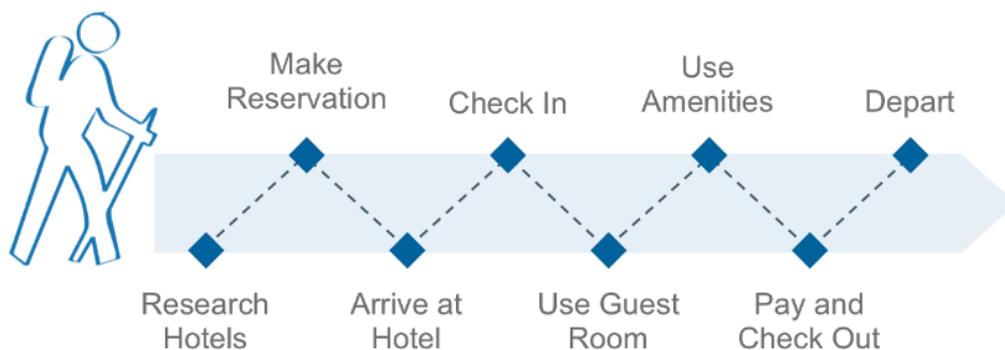
Customer journey mapping is not a tool exactly, as it doesn't provide a quick fix to a specific problem. It's more of a framework which allows you to get a grip on many different aspects of customer experience design, and can help you and your innovation team visualise the optimum experience you want to deliver to your customers.

It is up to you how you map that experience and what you map exactly:

- You can use a very wide group or a very specific type of customer. You could even choose to map the journey of a different stakeholder, like a supplier.
- You can analyze a highly specific situation, or you can choose to explore a more general journey.
- Then, for every stage of the journey, you can examine customer needs, your objectives, the customer's objectives, the touch points that play a role, how these touch points are experienced, the emotions that are experienced, how your brand values are expressed, what you wish to communicate and of course whether there are opportunities for innovation.

Here are 10 tips on how to scope and design a customer journey map:

1) Start with words: Map out the customer journey using single words/statements first. These might be as simple as "find & learn" or "get help". The typical journey at a high level won't be that long and will likely not cover more than 8 steps.



2) Create a storyboard: Write the journey as a story or scenario from the customer perspective. Here I advise you to conduct consumer research (through insight communities) with different customers, in order to get a thorough and deep understanding of what the journey is all about.

3) Define channels and touchpoints: Map out and label the times where the customer interacts with your business. Include the types of channels used, for instance phone, social media, retail or online.

4) Explore your customer's drivers: Define experience drivers that really make a difference for the customer throughout their journey. Think about what makes the experience memorable for them. You should end up with a wobbly line across your journey which shows the areas you intend to provide "bells and whistles" and those areas where you intend to deliver a basic but effective experience.

5) Explore your Customer's Pain Points: Look at your existing customer feedback and examine why customers aren't happy with the experience at times. If you place these on the map against each touchpoint, the map becomes a way of identifying potential problems and areas for improvement and innovation.

6) Emotional journey: Think about the expectations and emotions you want the customer to experience. After a pain point make sure you can make the customer smile again. IKEA has a nice end to its journey, a free ice cream after the long queues at the (painful) check-out.

7) Use Customer language: Make sure the journey map is written from the customer perspective in the language they would use themselves.

8) Add flexibility jumps: The journey for most of your customers is unlikely to be linear no matter how hard you try. Think about defining a journey where a customer might have to go back a step or two. You need to have the flexibility to jump back and forth.

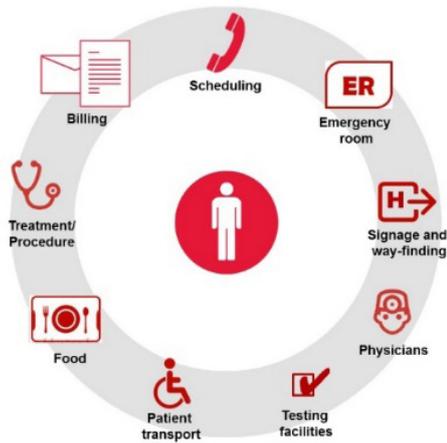
9) Develop persona journeys: Build a set of persona journeys which cover the main customer segments you have. Have a mixture of easy and complex journeys.

10) Finally, how do you do Customer Journey Mapping? By trying it!

How to evaluate your customer journey in an optimal way?

In Healthcare the mission of many care givers is to become more “patient centric” and therefore it’s key for them to understand their patients’ journey.

Touchpoints for a hospital patient



Hospitals are interested to learn more about the in-patient (hospital stay) experience to understand where they can improve customer experience in the future. An in-patient experience consists of around 15 touchpoints with scheduling, emergency room, food, treatment/procedure and nurses among them. Typically a hospital measures the in-patient experience by conducting

traditional surveys of patients who recently experienced a given touchpoint. The problem with this approach is that the various experiences are not independent of each other.

A better approach is to explore patient journeys in closed “patient experience & insight communities” where patients can share their stories and experiences with touchpoint experiences interacting with each other. This way you get richer insights into the patient journey and start the design of an ecosystem of lasting value.

Microsoft Patient Experience Platform Mr. Robert Smith Tuesday, October 28, 2008 8:02:05 AM

Touch an Option to begin

Touch here for **My Community**

Connect to like members in community sites like Facebook, MySpace and hospitals own site.

Touch here for **My Hospital**

Find hospital services and information like food menu, amenities and directional Way-Finding

Touch here for **My Care Team**

Find out more about your care team, their bio's and their messages to you.

Touch here for **My Education**

Find out more about your illness and be informed about its causes and treatments.

Touch here for **My Entertainment**

Watch Live or Recorded TV, or connect to Xbox Live and play games.

Touch here for **My Health**

Get the latest status and reports about your status. Connect with your care givers for information.

⚠ Important Notifications
2 | New test results
1 | New message
3 | New community messages
Reminder Dr. James will be visiting at 1:30 PM

What is a good customer insight?

Customer journey mapping helps you to gather information about the customer experience to find insights which, after being generated, need to be activated in your innovation program. How do you know what is a good insight? And, how do you best use it to spur innovation?



Insights don't always come together quickly or easily when developing ideas and concepts. Most of the time, it takes a lot of effort to get them articulated just right. They must be compelling, without being preachy. They must be truthful, without being too obvious. They must be empathetic, without being presumptuous. So where to begin?

First, insist on actual insights. There are common traps that even seasoned marketers fall into when trying to craft insight statements. One example is mistaking a reverse benefit ("Wouldn't it be nice if...") for an insight. Crafting a testable insight starts by stripping out the benefits-in-disguise. Any time I see "I want" or "I need" in a statement, I step back and look for what is behind that "want" to find the "because" or "so what?" in it.

Definition of Customer Insight:

"A deep truth about the customer based on their behaviour, experiences, beliefs, needs or desires, that is relevant to the task or issue and 'rings bells' with target people."

The Government Communications Network's Engage Programme

Peeling an onion

Working on customer insight is like removing the layers of an onion. You go deeper and deeper exploring the drivers, motivations, actions, symbols, heroes and values of your customer to understand what a certain product, service or brand really means to them by using qualitative research methodologies such as focus groups, in-depth interviews and observation studies. With standard/quantitative market research you find yourself more on the outer layers of the onion understanding the current situation of the consumer (usage, demographics...)

What is an insight and how do we know we've got a good one?

Firstly we have to recognize what a real insight is, and what isn't. An insight consists of the 3W's:

- 1) What** is the Customer Doing?
- 2) Why** are they doing it?
- 3) Wow** - nobody has ever talked at such detail about that problem before.

When Heineken was observing men in bars they found out that on a night out women in general don't drink beer, and find the quality of the wine too variable. That insight was used by Heineken in the development of a new concept for women, which they introduced as Jillz, a sparkling cider drink as an alcoholic alternative that has proven to be a success story.

A good and useful insight is:

- 1) TARGETED:** Someone needs to feel addressed and involved! When looking for Insights it's vital to focus your activity, narrow your research to a specific target and key gap's in your knowledge.
- 2) TRUE (PROBLEM):** At the heart of every insight needs to be a true dilemma, as without a problem no one needs your solution.
- 3) FRESH:** As an Insight can be true but generic and non competitive – make sure it's a new problem or an existing problem described in a new way.

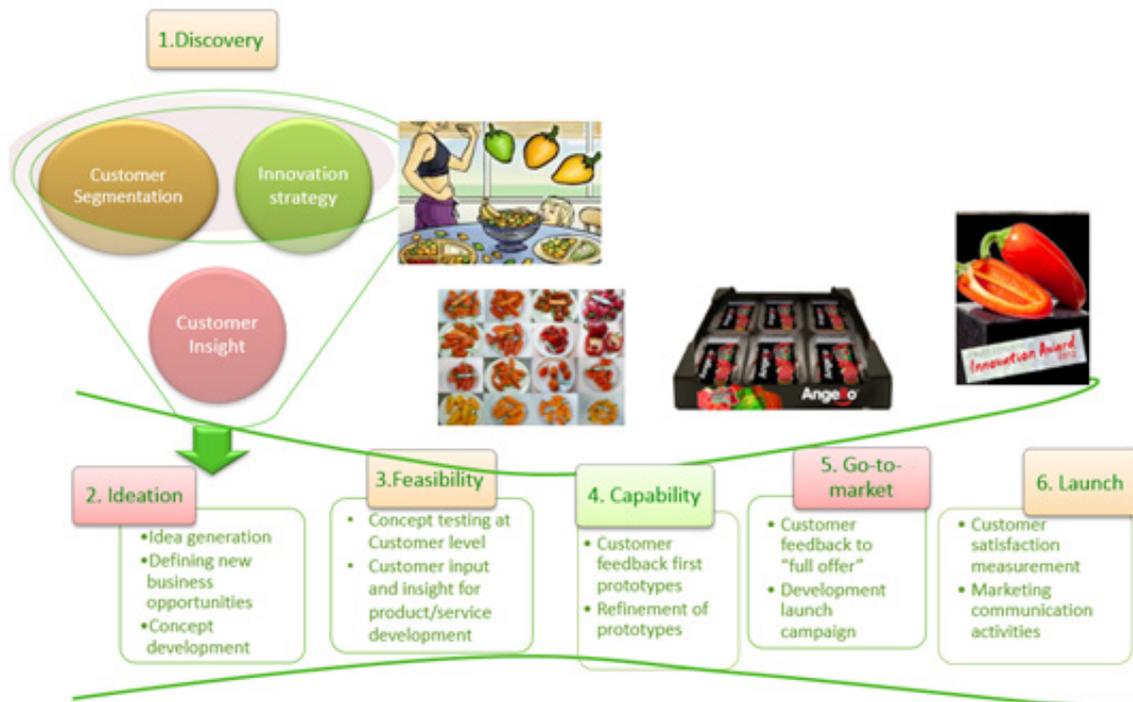
Persil detergent example

When working at Unilever I was involved in an observation study observing mothers with children in relation to "getting dirty". In that study we learned that kids and dirt had a positive association for mothers. They felt positive about their kids getting dirty as they saw dirt as a learning experience, and it made them proud of their kids. That insight was so powerful that it transformed Persil into a much more emotional and friendly brand with new products and services for consumers, and double digit growth for years to come.



How Customer Insight impacts innovation

Consumer insight is most effective in the discovery phase shaping your business strategy, guiding your idea creation, product, service and brand development taking your most valuable customer insights, and transforming them into strategic innovation areas.



“Angello - Sweet and Seedless pepper”

When working at Syngenta on Customer Insights within vegetable seeds and produce, we discovered a very interesting customer insight during an innovation meeting with the sweet pepper team in 2007: “Many consumers were not eating sweet pepper raw due to digestion, burping and heavy stomach issues.” This was quite a surprise to many of the team as we initially believed it was due to the size and shape of the sweet pepper.

After exploring this insight further we discovered that people thought the taste of standard red pepper was too heavy and were looking for something more light to snack on or use in salads. Next to that the shape, size and seeds were things that needed further development. This was the start for the sweet and seedless pepper story called "Angello" that later won the Innovation Award at Fruit Logistica in 2012, and can be found in many supermarkets around Europe today.

Customer Insight also works very well in the other stages:

- **Feasibility:** Discovering the expectations of customers with regard to a certain concept (e.g. sensorial exploration). At Syngenta we have learned in past studies that for a "health benefits" tomato concept, consumers expect a certain taste that is far from sweet.... We have learned that acidic and herby tastes are much more associated with healthiness than sweetness.
- **Go-to-market:** When developing a positioning for your product, customer insight can bring you great insights about what your target consumer segment are expecting when launching a certain product and/or service.

Why work on Customer Insight



Organisations who know their customers are better placed to be able to meet their needs. This leads to more satisfied customers and lower costs to meet those needs (including 'getting it right first time'). A good example comes from Unilever, in 2003 they made an extraordinary discovery when they ran a global survey of 3,200 women. It was reported that of the 3,200 women surveyed, only 2% of them would call themselves beautiful, and 76% of the women wanted the idea of beauty to be changed. After conducting more in-depth research the Unilever team developed a better understanding of how women wanted the idea of beauty to change with insights fueling a Dove brand repositioning with campaigns, products and services, being successful worldwide for many years up to today.

In the world we live in today we need to stay in close contact with our customers whether it's in a B2B or B2C environment we are all people that want to be heard, understood and served.

Nobody wants to buy something, but everybody wants to be served.

Elena Ozeritskaya

The author



Elena Ozeritskaya is an expert on Customer Insight with a passion for creativity and innovation.

During her time at Unilever and Syngenta, she was responsible for driving innovation projects with Customer Insight. Using cutting edge methodologies and tools, she conducted insight work for the ground breaking “Dirt is Good” Persil campaign for Unilever.

She also won the Innovation Award 2012 with Syngenta, developing it’s “Sweet & Seedless snack pepper” from inception, to launch with Customer Insight.





Start your innovation program now!

You want to run a sustainable and successful innovation program? Discover HYPE Enterprise, the complete platform for innovation management, from idea generation to project implementation.

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