



What Customers Want

Discoveries in Innovation

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Strategyn

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August 28, 2010



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Today's Agenda

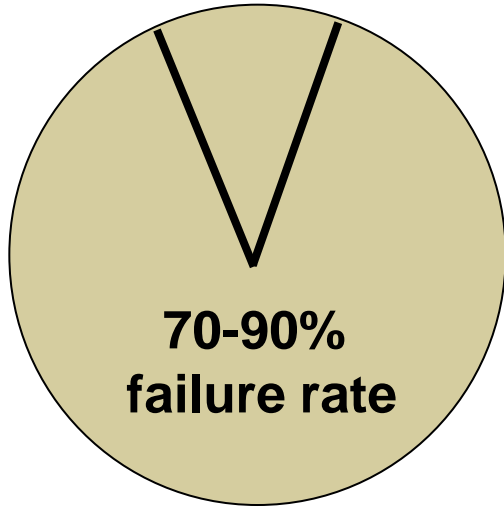
- ❑ **Innovation Discoveries Overview**
 - ❑ What problem are we trying to solve?
 - ❑ What is ODI? Why does it work? What key discoveries about innovation does ODI embed into its proven innovation process?
- ❑ **A short practical exercise**
- ❑ **Q&A**

Tony's Journey

- ❑ Witnessed many product failures at IBM
- ❑ Got tired of programs that didn't work
- ❑ Set out to discover the truth about innovation
- ❑ Have worked 20 years to advance the innovation process
- ❑ Created the most advanced innovation process in the world
- ❑ Implications are far reaching

What Problem Are
We Trying to Solve?

The Innovation Problem

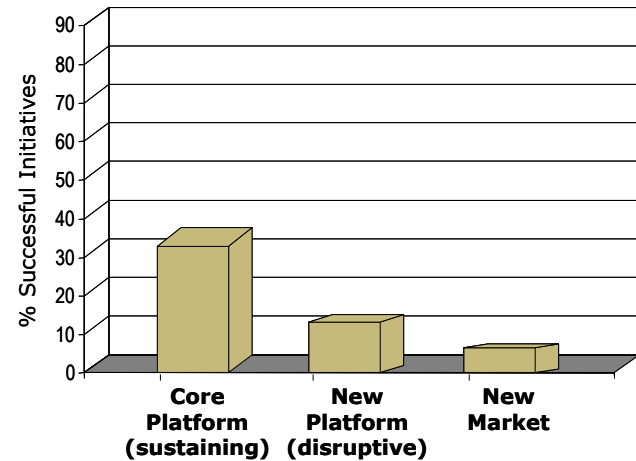


Innovation is universally inefficient:

- ❑ Venture capital
- ❑ Start ups
- ❑ Entrepreneurs
- ❑ Large corporations

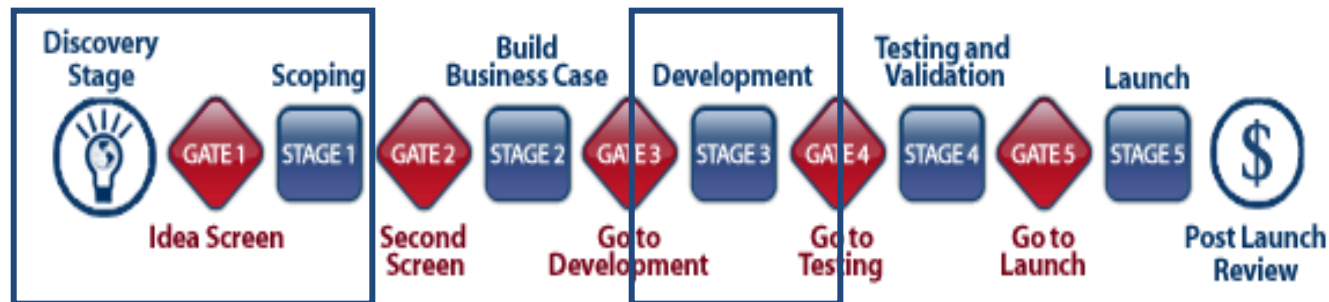
Traditional innovation is an art –
not a science

Hypothesis:
Lack of precision in =
Lack of precision out!



What Is Innovation?

Innovation is the process of devising a product or service concept that satisfies the customer's unmet needs.



Development is the process of designing/engineering a product or service concept approved for creation.

It's Like Solving an Algebraic Equation ...

$$2y + yz^3 \times zy^3 + yz^3 \times zy^3 - x^2y^3z^6 + 2x^2 + 2y + yz^3 \times zy^3 - x^2y^3z^6 +$$

$$2X + Y = 3 \text{ and } X - Y = 4$$

Constants

Variables

Constants

Variables

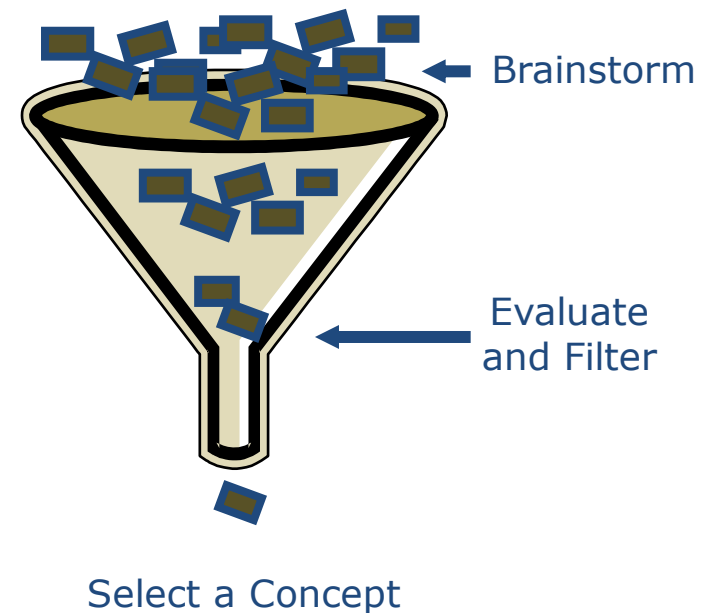


Two Paradigms: Ideas-First Versus Needs-First



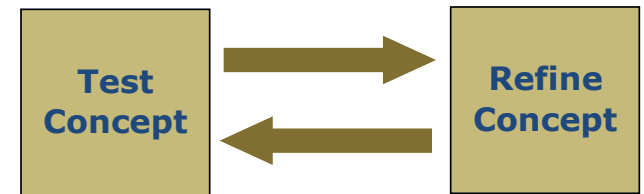
Dynamics of the Ideas-First Approach

- ❑ Successful innovation is a numbers game ... the more ideas, the better
- ❑ The goal is to fail fast – quickly evaluate ideas to see which are best
- ❑ Evaluations are conducted without knowing all the customers needs ... proxies are used
- ❑ This approach is guesswork – it leads to failure 70-90 percent of the time



Dynamics of the Ideas-First Approach

- ❑ There is no agreement on what a need is
- ❑ Without knowing ALL the customer's needs or which are unmet, companies devise solutions and test them with customers
- ❑ "Refinements" are made through an iterative (often conflicting) testing/refinement process
- ❑ This approach is also guesswork – it leads to failure 70-90 percent of the time



No Agreement On What A Need Is

MANY SOURCES

- Interviews
- Customer visits
- Focus groups
- Ethnographic interviews
- Customer panels
- Quantitative surveys
- Lead users
- Competitive analysis
- VOC



AMBIGUOUS INPUTS



Myths About Customer Needs

- ❖ Customers don't know what they want
 - ❖ Customers can't articulate their needs
 - ❖ Customers have latent needs
 - ❖ Needs change quickly over time
- companies cannot know all the customer's needs

An Effective Needs-First Approach is Required

1. Companies must first uncover ALL the customers' needs - ALL
2. Next, they must determine which are unmet
3. Lastly, they must devise solutions that specifically address the unmet needs



$$2X + Y = 3 \text{ and } X - Y = 4$$

$$x^2y^3z^6 + 2x^2 + 2y + yz^3 \times zy^3 - x^2y^3z^6 + 2y = \text{The Optimal Solution}$$

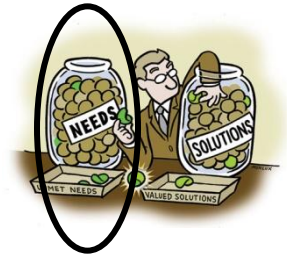
What Is Outcome-Driven Innovation?

8 Discoveries That Created ODI ...

... to solve...



Discovery 1: Its All About the Job

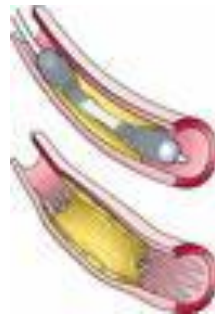


People buy products to get jobs done...so when it comes to innovation, the job must be the unit of analysis

“When customers find that they need to get a job done, they ‘hire’ products or services to do the job.”

Clayton M. Christensen

Open an artery



Deliver drug therapy (infusion)

“The job, not the customer, is the fundamental unit of analysis for a marketer who hopes to develop products that customers will buy.”

Clayton M. Christensen



Advance slides



Access savings

Discovery 1: Its All About the Job



- Products come and go – the job is the stable, long-term focal point around which value creation should be centered
- Customers migrate to products that get the job done best – they are “loyal” to getting the job done
- The goal of innovation is to devise ways to help customers get a job or jobs done better.



4000 BC+



1000 BC+



30 AD+



1908+



1980+

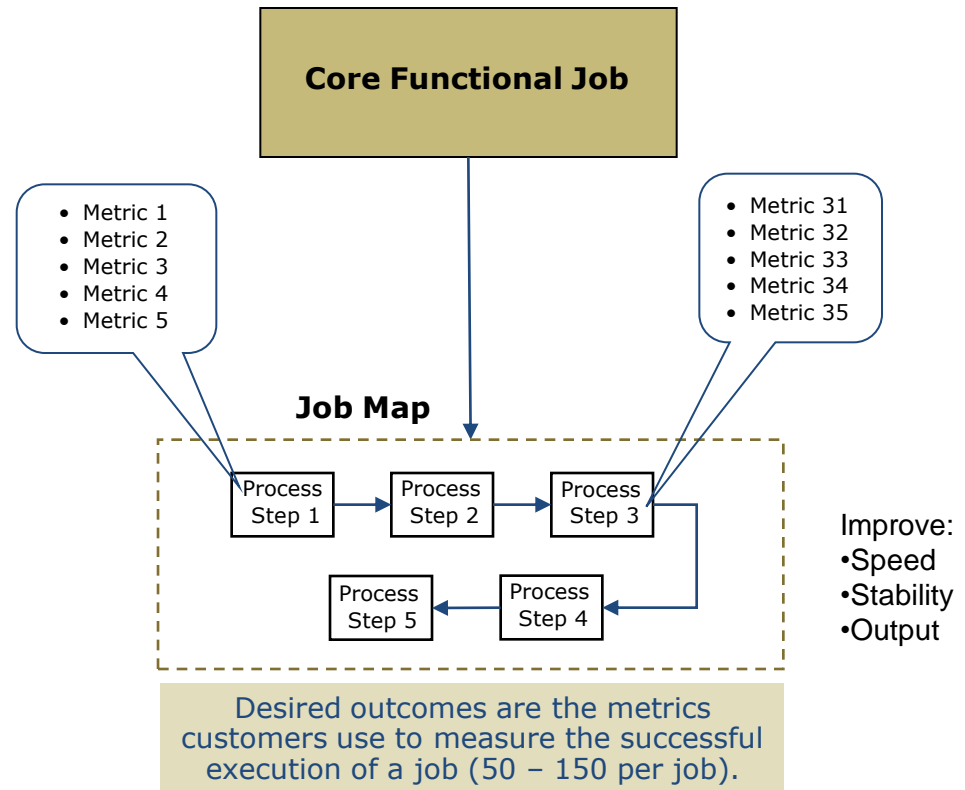
Job: close a surgical wound

Discovery 2: Figuring Out What a Need Is



What a customer “need” is becomes clear when the job is the unit of analysis

- Customers intrinsically use “metrics” to define the successful execution of a job
- These metrics (or desired outcomes) ARE the customer’s needs
- The jobs perfect execution reflects the customer’s true definition of value



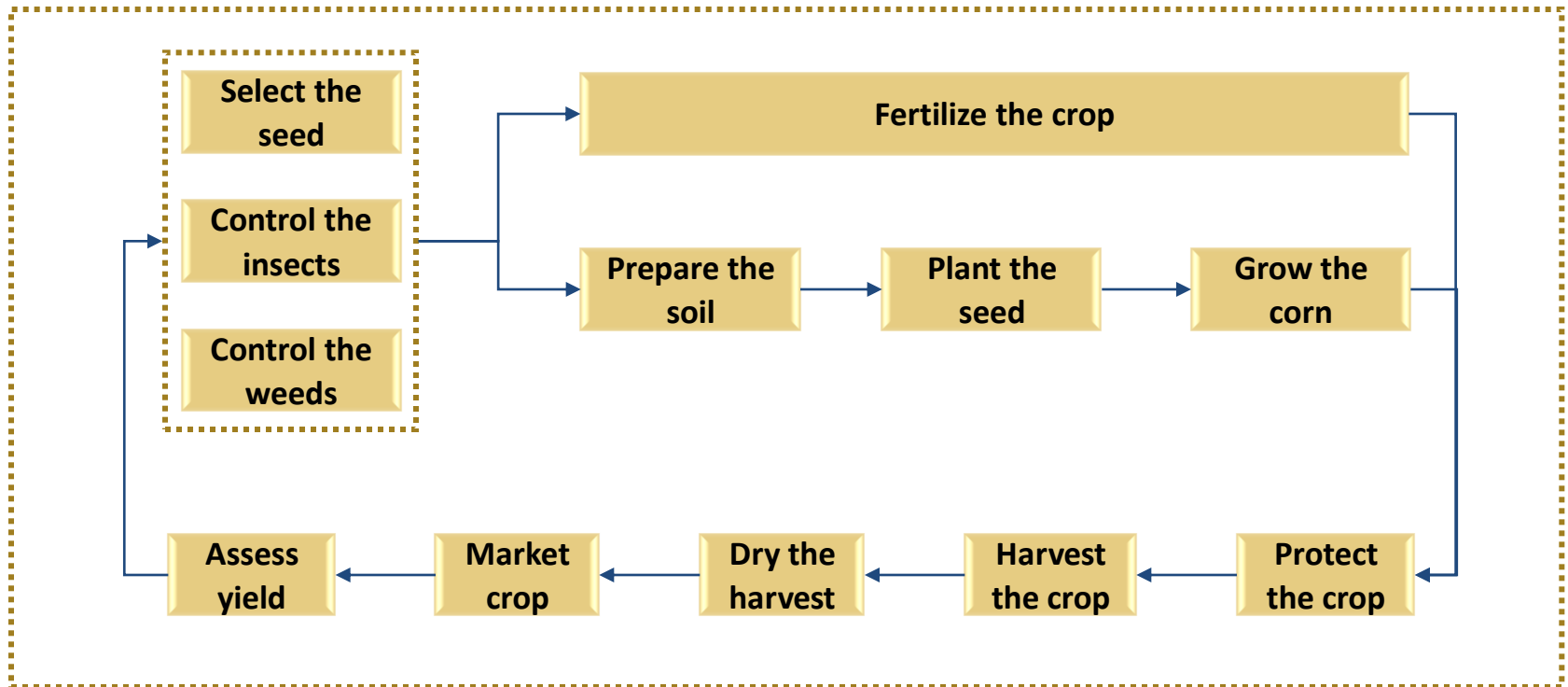
See *Giving Customers a Fair Hearing*, Sloan Management Review, Spring 2008

Discovery 2: Figuring Out What a Need Is



What a customer “need” is becomes clear when the job is the unit of analysis

Job: Farmers growing corn

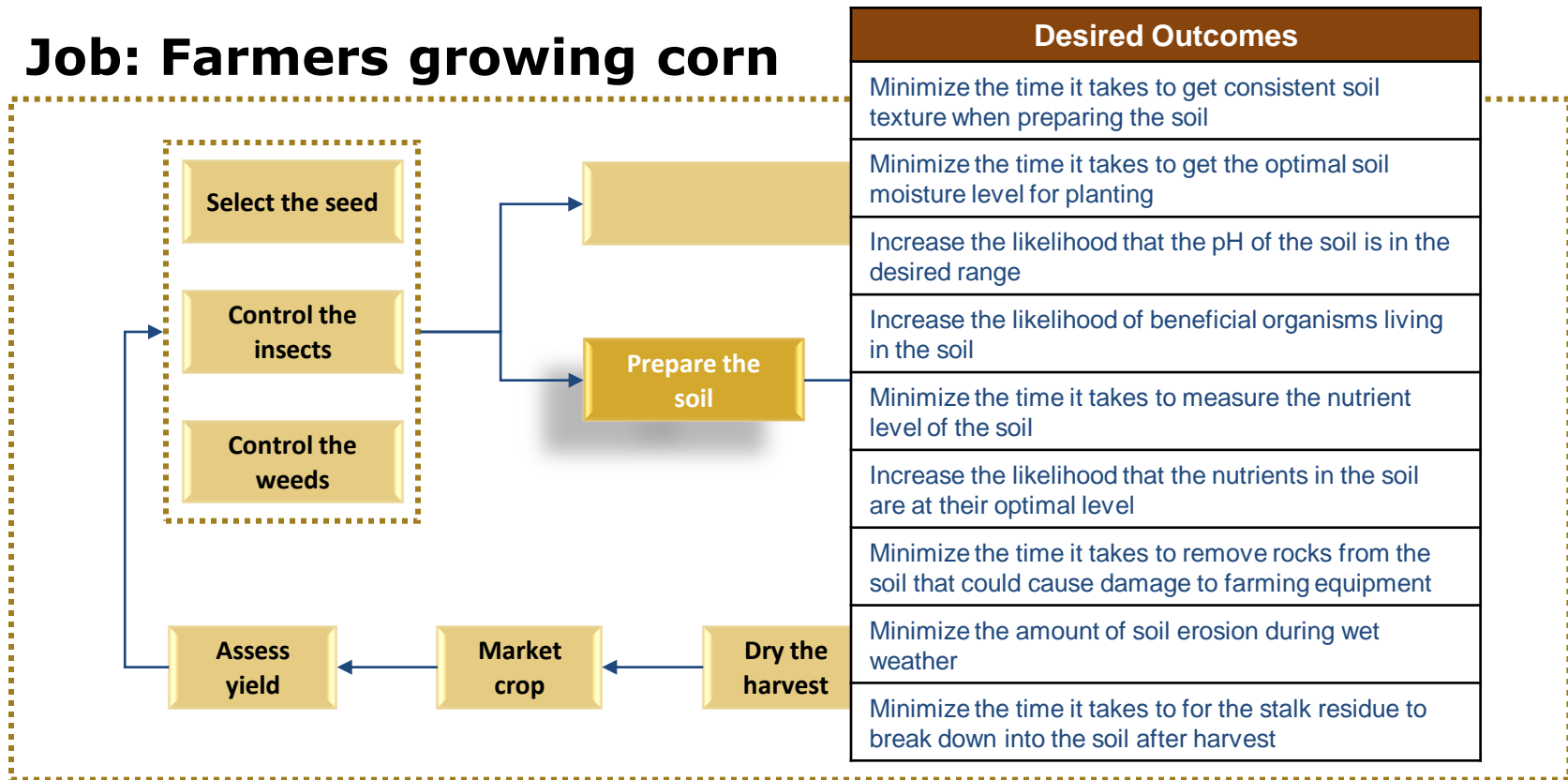


Discovery 2: Figuring Out What a Need Is



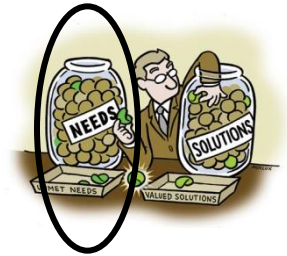
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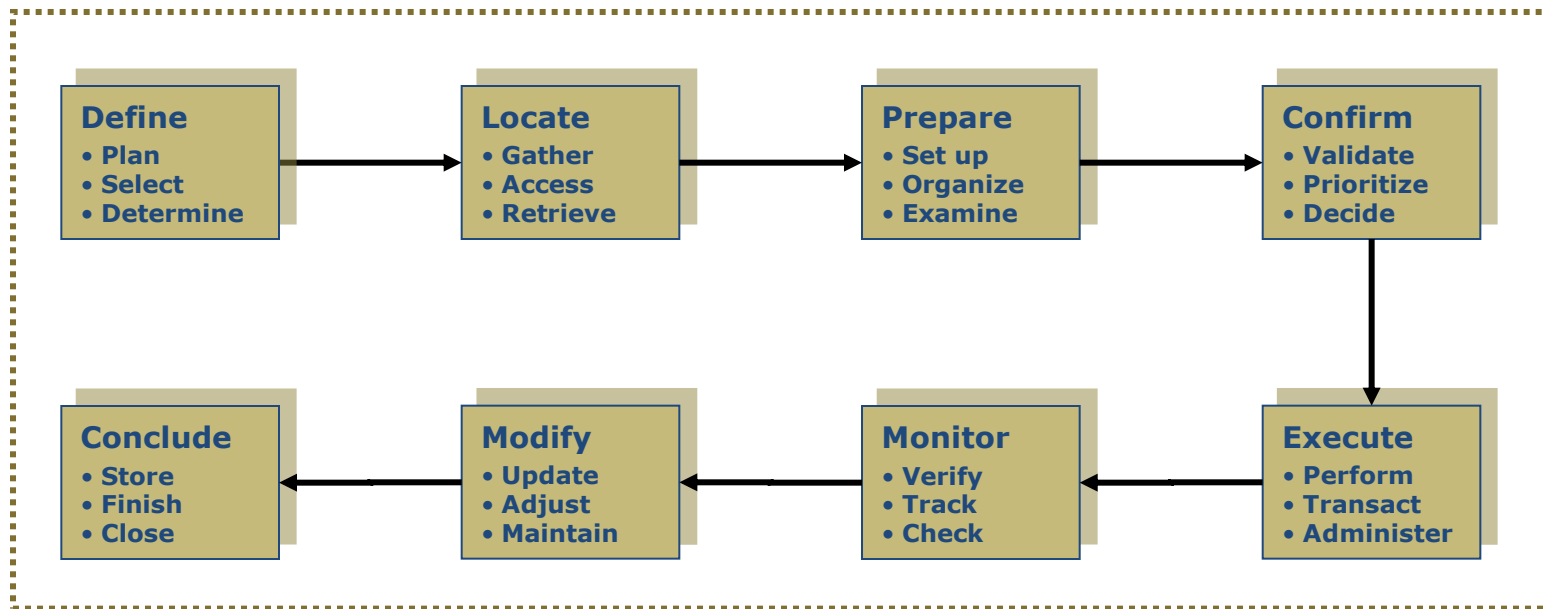


direction of improvement... unit of measure ... object of control... contextual clarifier

Discovery 3: The Universal Job Map



A job map provides the structure needed to ensure all customer needs are captured

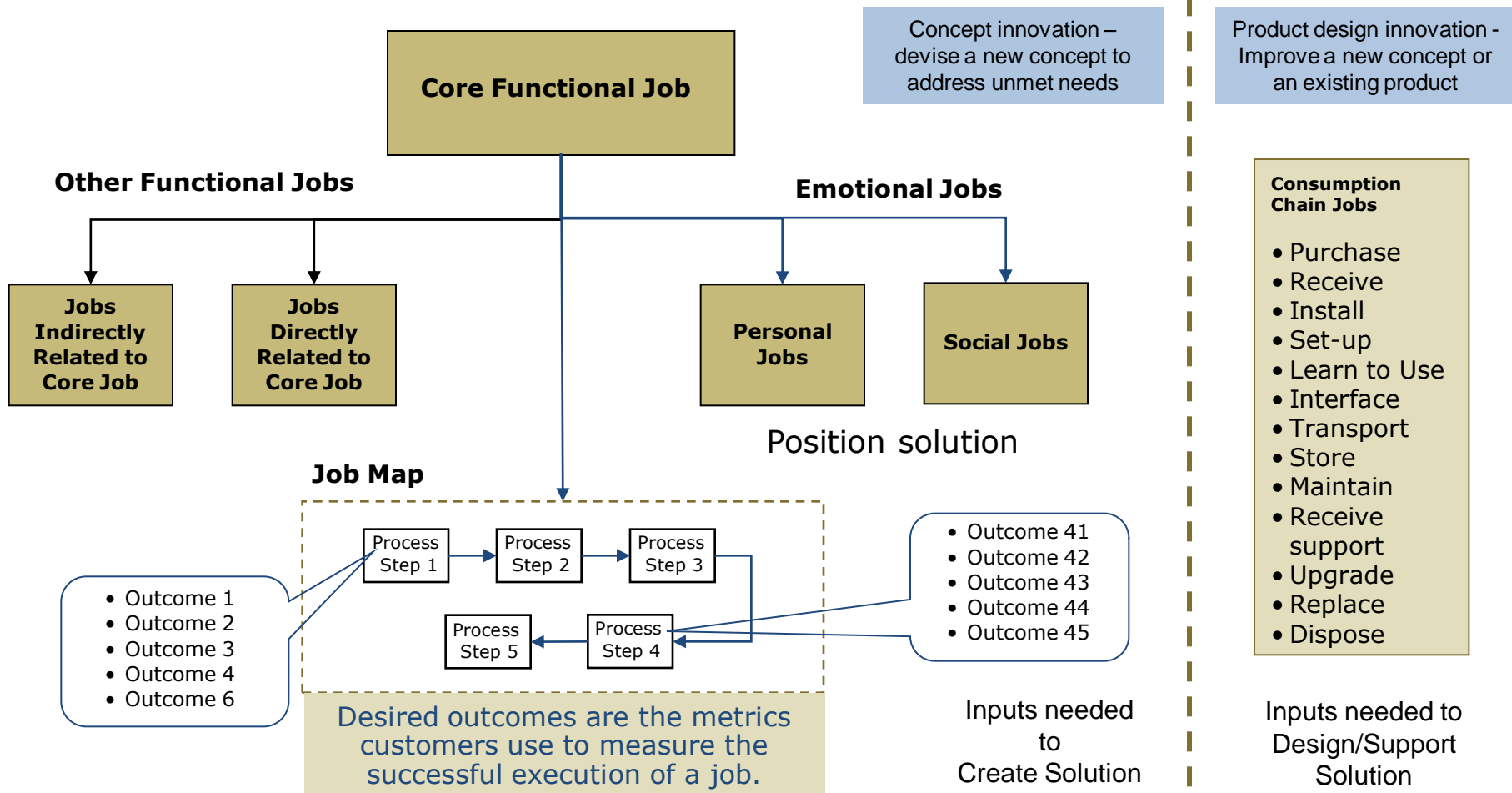


See *The Customer-Centered Innovation Map*, HBR, May 2008

Discovery 4: The Needs Hierarchy



Concept innovation and design innovation are two different things but can be handled similarly



Discovery 5: The Opportunity Algorithm



The opportunity algorithm makes it possible to precisely identify and prioritize unmet needs in any market

Typically 50-150 for ANY job

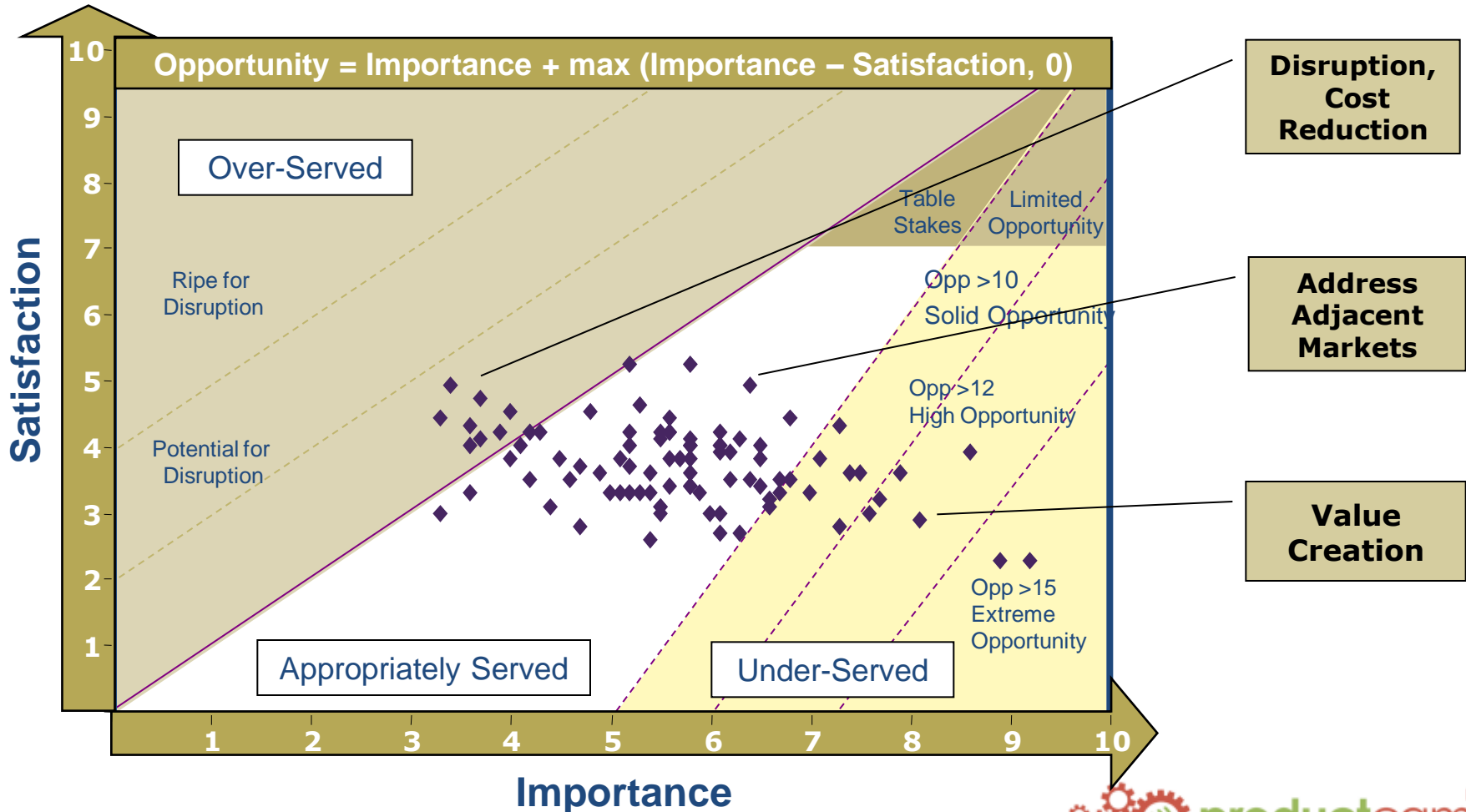
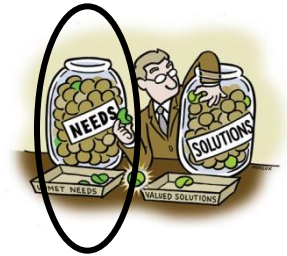
How important is it that you are able to....?	Not Important At All	Somewhat Important	Important	Very Important	Extremely Important
Increase the percent of individuals who receive the information at the same time	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃	<input type="checkbox"/> ₄	<input type="checkbox"/> ₅
Minimize the time it takes an individual to process the information once it has been received	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃	<input type="checkbox"/> ₄	<input type="checkbox"/> ₅

How satisfied are you with your ability to....?	Not Satisfied At All	Somewhat Satisfied	Satisfied	Very Satisfied	Extremely Satisfied
Increase the percent of individuals who receive the information at the same time	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃	<input type="checkbox"/> ₄	<input type="checkbox"/> ₅
Minimize the time it takes an individual to process the information once it has been received	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃	<input type="checkbox"/> ₄	<input type="checkbox"/> ₅

$$\text{Opportunity} = \text{Importance} + \max(\text{Importance} - \text{Satisfaction}, 0)$$

See *Turn Customer Input Into Innovation*, HBR, January 2002

Discovery 6: The Opportunity Landscape



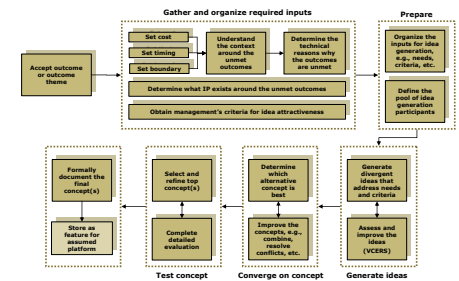
Discovery 7: Focused Idea Generation



**Unbounded brainstorming doesn't work;
focused idea generation does**

Traditional brainstorming is unfocused and unstructured – not aligned with customer needs; success is measured by the number of ideas; evaluation is a challenge

- ODI discoveries enable...
 - the customer's unmet needs (jobs and outcomes) to be known in advance
 - idea generation to be structured and sequenced correctly
- only like-type ideas to be generated for evaluation, e.g., platform, business model or feature
- ALL criteria (including needs and company criteria) to be known during the idea generation process
- TRIZ and other creativity triggers to be applied with precision



Discovery 8: Precise Concept Testing



Ideas can be evaluated with precision when all the needs are known

... Concept testing is traditionally performed by asking customers if they like a product – but the needs are unknown...the results are often conflicting and inaccurate

- Concept testing can be effectively executed when all the needs are known
- The degree of improvement can be quantified

Criteria Category	Criteria	Ideas					
		Idea A	Idea B	Idea C	Idea D	Idea E	Idea F
Customer	Customer's level of satisfaction of targeted outcomes on diagnosing problems are improved by the feature - End User (enter number of outcomes addressed by concept)						
	Customer's level of satisfaction of targeted outcomes on resolving problems are improved by the feature - End User (enter number of outcomes addressed by concept)						
	Customer's level of satisfaction of targeted outcomes on diagnosing problems are improved by the feature - Servicer (enter number of outcomes addressed by concept)						
	Customer's level of satisfaction of targeted outcomes on resolving problems are improved by the feature - Servicer (enter number of outcomes addressed by concept)						
	Customer's level of satisfaction of targeted outcomes is improved by the feature - Servicer (enter number of outcomes addressed by concept)						
Company	Percent probability that the feature cannot be copied by a competitor (enter 5 for extremely high and 1 for not at all)						
	Percent probability that the feature erects barriers to competitive entry (enter 5 for extremely high and 1 for not at all)						
	Percent probability that the feature can be used in multiple product lines in the targeted growth path (enter 5 for extremely high and 1 for not at all)						
	Percent probability that the technologies chosen for the feature are technically compatible, e.g., able to interface, work together, fit together, etc. (enter 5 for extremely high and 1 for not at all)						

Discoveries Led to a More Precise Language

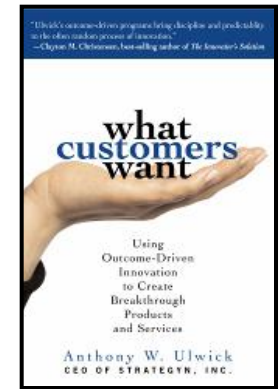


- ❑ Confusion about innovation is removed
- ❑ Organizational learning is enabled
- ❑ Needed downstream activities are clear
- ❑ Process improvement is possible



Outcome Driven Innovation® - ODI

- ❑ Emerging standard – like Six Sigma for marketing and innovation management
- ❑ HBR Best Practice
- ❑ Proven effective in multiple industries over 18 years of application



What Customers Want Anthony Ulwick
McGraw Hill, September 2005

The Customer Centered Innovation Map Anthony Ulwick & Lance Bettencourt
Harvard Business Review May, 2008

Giving Customers a Fair Hearing Anthony Ulwick & Lance Bettencourt
Sloan Management Review April, 2008

Turn Customer Input Into Innovation Anthony Ulwick
Harvard Business Review January, 2002



Over 18 Years of Corporate Validation



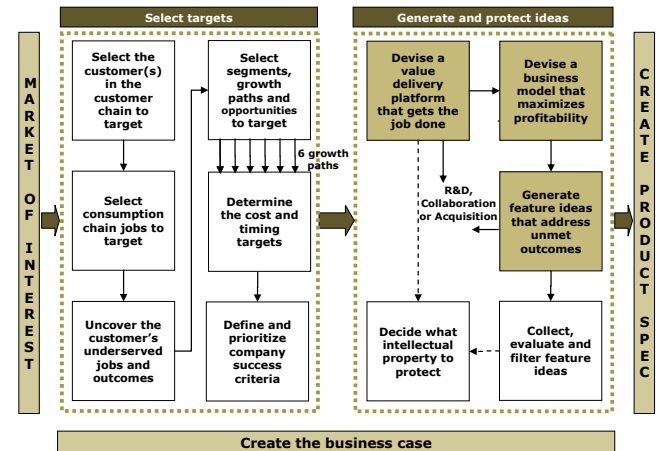
What Makes This Approach Powerful?

- Offers the potential to achieve 80% success rates
- Provides a metric-based system for value creation
- Provides a complete, unambiguous innovation language
- Effectively addresses all innovation possibilities
- Enables continuous innovation
- ...all the discoveries work together in a precise, replicable system



What Elements Are Key To Success?

1. See innovation as a process
2. Select an effective innovation process for adoption
3. Commit to adoption
4. Develop a competency in utilizing the selected process
5. Invest in infrastructure to sustain the competency –withstand attrition



Cell Phone Group Exercise

What are the most important features of your cell phone?



Cell Phone Group Exercise

What would you like to do with you cell phone that you can't do now?



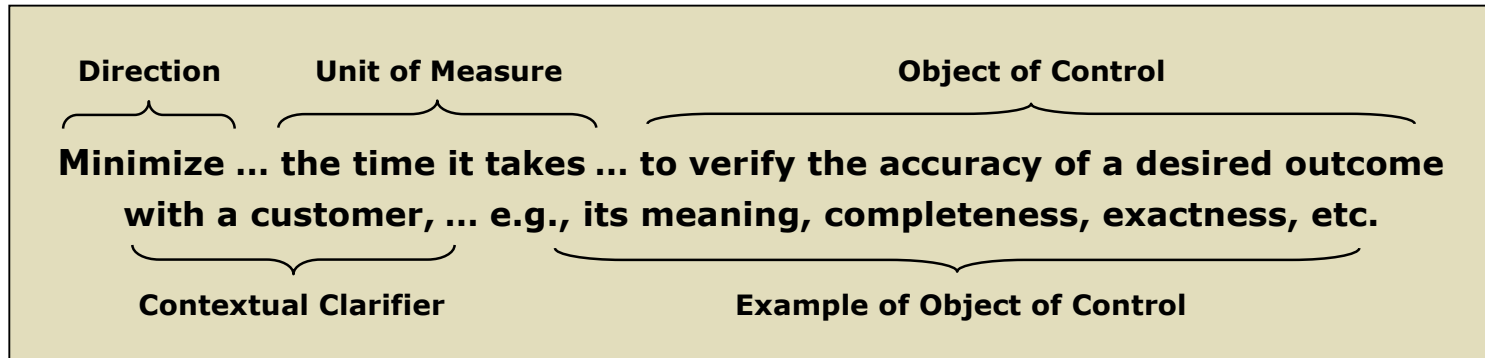
Questions and Answers



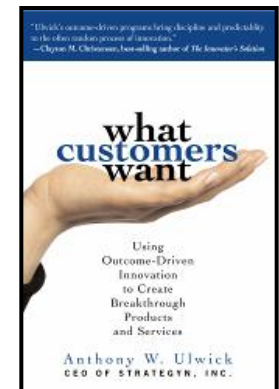
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The Structure of a Need Statement



- ❑ Years have been spent studying what practices introduce variability
- ❑ The statements are structured so as to limit variability
- ❑ Structure, content, format and purpose are clear
- ❑ Rules have been developed to ensure conformity



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