

From Insight to Growth

It's the Customers Who Set the Rules

Profitable and continuous growth safeguards companies' survival and proves that the management team has performed well. In today's radically and rapidly changing markets, standard strategies tend to fail. So, where should a company direct its efforts to? The answer is: to the ever-changing customers. The job-to-be-done logic helps gain customer insights that provide specific content for our Gameplan for Growth.

To grow in a market, a company needs products that offer either greater value or a lower price. From a financial perspective, the former is more attractive. Since value is subject to the customer's momentary perception, decision makers need to be perfectly clear on what their customers really want, what they are doing to accomplish a task and what is getting in their way, whether consciously or not. The challenge here is that with each new solution in the market, customers' value perception may change.

"Sure we know what our customers want. After all, we're in touch with them every day." Every top manager emphasizes how important it is to have direct contact with customers. Customer orientation is a standard element of corporate principles; customer decisions are examined, customer needs and satisfaction are regularly monitored.

Alas, this customer knowledge seems to bear little fruit. In fact, many products and services have become interchangeable from customers' point of view, and this lack in differentiation leads to unnecessary price fights. At the same time, there are too few innovations that could produce the growth in sales that companies hope for.

This realization was the starting point for the Vendbridge Gameplan for Growth. Tailored to the specific situation of each company, it offers a thought and action framework for devising growth-oriented strategies and action steps. The focus is on creating specific content and guiding principles based on customer insights gained from an outside-in perspective. These new insights are identified and leveraged by applying a unique set of tools, and thanks to our long-standing business and project experience.

What do Customers Really Want?

Companies talk to their customers every day, and usually they listen well. However, there are two major pitfalls to avoid:

Pitfall #1: managers' selective perception.

Product developers judge from their engineering point of view. They have a technical agenda and pursue topics that are particularly intriguing to them. Sales people are focused on the problems discussed in their latest customer meeting: price demands, quality issues, or product features the competition has already added. Product managers seek information that will support the company's product mix and marketing strategy. General management filters customer statements with regard to the company's business model, and is mainly interested in finding out how the company is doing in terms of customer satisfaction and in comparison to its competitors.

Pitfall #2: customers' focus on existing products and experiences.

Customers' knowledge is often limited to what they have experienced or "heard" before. It is difficult for them to imagine things that don't exist yet. So if you directly ask them about innovations or marketing arguments they are usually lost. Customers would have never invented the fax machine if they had been asked how business correspondence could be innovated, nor would they have thought of Nike's famously successful "Just Do It" positioning statement. That is why asking directly will permit marginal improvements at best, often leading to an even further alignment of the different offerings in the market.

Both pitfalls keep companies from discovering truly promising leads for profitable growth.

Customer Insight as Key to In-depth Understanding

One solution is to look for relevant customer insights from the outside-in perspective. Unlike customer needs, wishes or motives, customer insights are specific findings expressing customers' points of pain or points of ideal expectation they have when using a product or service.

Customer insights are the linchpins of a customer-focused strategy. They help to ascertain what customers associate with value-added and where they are dissatisfied with existing solutions. This strong link between insights and growth works for both saturated and new markets. In the former it is about staying ahead of the competition, in the latter about taking care not to chase a phantom market.

The Customer Insight

The Customer Insight concept was invented by advertising professionals in the 1980s, the purpose being to capture and influence people's perceptions, attitudes and habits.

Examples of insights that turned into success stories are:

- DOVE: Viewing fashion models as the only ideal of beauty eats away at my self-esteem, and I don't feel attractive.
- Apple: I don't just want to store and play my music – I want to be able to manage it any time.
- Bossard (market leader in fastening technology): Not only is managing C-parts a drag – stock-outs really kill productivity
- Cialis: I am suffering from erectile dysfunction already – so the last thing I need is extra stress from time pressure.
- IBIS Hotel: For business trips I don't need luxury, only central location, clean bed, clean shower (+ WIFI)

Despite its high relevance for innovation and marketing, the Customer Insight concept is largely ignored in scientific literature. One exception is the PhD thesis by K. Föll.

Customer insights have to be sought very carefully. Vendbridge uses the proprietary Customer-Focused Innovation (CFI) method, which is based on the job-to-be-done logic. The Harvard professor Clayton Christensen has introduced this logic into innovation management theory. It builds on a finding by T. Levitt, which goes like this: "People don't want to buy a quarter-inch drill, they want a quarter-inch hole." It clearly distinguishes between the task (job) the customer wants accomplished – in this case, hanging a picture – and the solution to achieve this, which is drill. For customers, it is the result that counts, i.e. how well they can get the job accomplished, not what product they use.

In order to make the logic applicable in practice to gain customer insights, the CFI method captures each customer's job in detail and breaks it up in small, measurable units that can be validated. The result is a quantitatively validated customer value map from which a wealth of useful information can be derived for sales, for sharpening the value proposition, and for innovation work.

The Vendbridge Gameplan for Growth

Customer insights can have a powerful impact on and add momentum to a company's entire growth strategy and organization. In the Vendbridge Gameplan, this momentum can be captured in three fields of action, in line with the company's specific situation. To ensure quick and strong market impact, all three fields of action should be addressed simultaneously.

Action field #1: Strengthening What Works

The purpose of action field #1 is to kick-start sales. Main levers are the front-end staff and product management.

Sales people often perceive their company's products and services to be less performing than they are, or forget why customers actually buy them. They tend to focus their line of argument on product features or price, blanking out the true customer value offered. As a result, customers disengage.

That is why projects in action field #1 begin by identifying the past years' successes. After that, the external customer perspective is assumed jointly with sales and product management. Based on this change of perspectives, successes are analyzed, convincing value-added arguments are developed and a compelling sales story is set up. As a final step, these improved arguments are applied to ongoing sales cases to quickly achieve closure or generate leads. Methodically, we apply a coaching approach in order to build the front-end teams' capabilities to strengthen the entire chain of arguments. In general, action field #1 projects already lead to internal changes in attitudes and behavior

Case 1:

A manufacturer of sealing profiles for construction projects realized that what mattered most to customers was not price but eliminating assembly steps: to them, these time savings more than justified a higher purchase price. Based on this insight, a new sales story was set up for ongoing projects – and it paid out immediately.

Case 2:

A private bank's relationship managers realized that the reason some customers increased their share of wallet was not so much that the bank maintained good customer relations but that it offered specific advantages with high relevance to these customers, such as "shorter response times after political events" and "easier-to-understand investment proposals". These specific strengths were now deliberately highlighted in the bank's communication and customer contacts.

Action field #2: Sharpening Value Propositions for Existing Products & Services

The objective of action field #2 is to sharpen the value propositions for the company's existing range of products and services, making sure it is clearly differentiated from the competition. The key lever is to establish a credible product or service proposition that will firmly take hold in customers' minds. Understanding customer's perspective plays a key role here.

Due to the high cost pressure in many markets, customers often focus on prices only; they are unable or unwilling to

recognize the value-added of a product or service. Interestingly, this me-too perception often isn't due to the product's performance but to its somewhat fuzzy value proposition.

The Value Proposition

A value proposition is the promise of a value or benefit to the customer. It describes the main reason why a customer should buy or use a product or service.

A value proposition is strong if it ...

- is based on relevant customer insights, such as specific points of dissatisfaction that customers experience while using a product
- includes an irresistible promise, proposing customers clearly better value than alternative solutions
- is credible, i.e. there are facts or references to plausibly prove that the promise will be kept.
- Is straightforward and easy to understand: it "clicks" with customers.

What makes value propositions particularly fuzzy is when they are based on stereotypes about customer needs that prevail in the organization. Effective value propositions, by contrast, pick up on authentic customer insights that are generated from an outside-in perspective and translated into credible messages.

In action field #2, the first step is to explore the customer's view outside-in and gain relevant customer insights. Depending on the potential, this is underpinned by quantitative analyses under the CFI approach. In dedicated workshops, the project team develops various concepts for value propositions, based on the insights gained, and evaluates them with regard to market appeal as well as organizational and technical feasibility. If necessary, the favorite approaches can go through a final concept test. The winning concept forms the basis for all brand touch points, and is implemented in the different communications, media, and sales channels.

The following two examples show how projects in action field #2 have helped to revamp marketing strategies. Without making major investments in product or business model development, the existing range of products and services is repositioned using a sharpened value proposition.

Case 1:

Using this approach, a private bank found out that people approaching retirement worry about a range of things, many of them related to a possible loss of self-determination. The specific customer insight here was: "I want to keep making the decisions on what happens with my money. I might not be working any more, but managing my assets adds meaning to my life" – a clear contradiction to the widespread belief that senior citizens are only interested in traveling and playing golf. This insight provided the basis for a new value proposition directed at this target group, along with a tailored advisory process. The advertising message puts it in a nutshell: "You always knew what to do with your money. Keep it that way."

Case 2:

A Swiss-based premium chocolate brand faces problems making inroads into the Indian market. Apart from the fact that chocolate has no cultural roots in India, throughout most of the year temperatures are above the melting point for premium chocolate. The company's current value proposition "Indulge yourself with Swiss quality" does not work. An

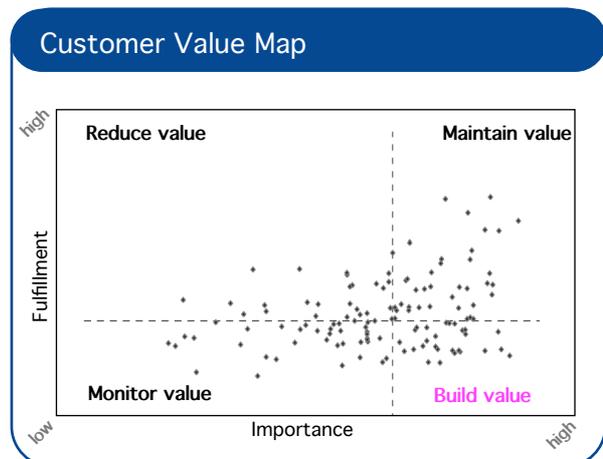
outside-in process involving affluent Indian citizens produced two entirely new customer insights: "There are special moments that I want to enjoy with my friends" and "I want to give special attention to someone close to my heart." Premium chocolate linked to these insights has potential even in India.

Action field #3: Customer-Relevant Innovation Content

The objective of this action field is to generate successful product and business model innovation. The key lever is a development approach consistently driven by customer insights. Based on results-focused, solution-neutral insights, product development specifications are defined, initiatives prioritized, and the product pipeline is focused on product improvements with the potential to increase market share, or on ground-breaking innovations.

It is an established fact that successful innovations can build competitive barriers that will work over an extended period of time, enabling a company to strengthen its market position in the long run. Innovations put companies in the lead and help them grow at higher market prices and profit margins. It is not without reason that innovation experts speak of "temporary monopolies." At the same time, studies have revealed that more than 70 percent of all innovations fail. Most of them are taken from the market after a relatively short time. Even worse, the majority do not really increase companies' market share. They just replace existing products, and thus have no growth impact.

This is where in the Vendbridge Gameplan for Growth action field #3 projects come into play. Using the CFI method, customer insights about major stakeholder groups influencing purchasing decisions are identified and underpinned by quantitative analysis. A particular strength of the method is the focus on customer statements leaving aside possible solutions.



The resulting CFI customer value map helps to make customers' unfulfilled value expectations – identified outside-in – visible to the entire organization and thus addressable. This kind of map can also be set up for major competitors. Together, they make for a very straight-

forward decision framework, increasing the likelihood that all ideas and innovation concepts derived will be on target. Quite early in the innovation process, sometimes even before major investments are required, it will be clear which of the ideas and concepts have attractive market potential and which don't. It leaves no room for speculative discussion. The project result can be combined with existing internal knowledge at any point in time. As a pleasant byproduct, the content developed can be used for marketing purposes as well.

Case 1:

Television as a medium of entertainment and information has been on the decline ever since the internet first emerged. In particular the younger generation has turned their backs on television. For years there have been efforts to combine traditional television with the internet by offering internet applications on TV. One supplier has developed over 100 ideas for internet-based applications. Implementing them all would exceed any development budget. The CFI customer value map brought to light new insights: Above all, people watching a lot of TV want to relax and not think too much, so web-based applications requiring active involvement are likely to fail. By contrast, parallel users – those using their TV, smartphone and iPad/laptop at the same time – are demanding assistance with their multitasking and handling different sources. Based on this insight, all of the 100 innovation ideas were evaluated from the outside-in customer perspective and prioritized.

Case 2:

Farmers in populous threshold economies such as China or India use cheap chemicals for insect control – technologies that have long been banned from Europe and the U.S. What innovations and business models could Western suppliers successfully bring to those markets? An action field #3 project provided the answers. Farmers face problems much more serious than insect control. If suppliers succeed in linking these points of pain and the corresponding insights with insecticides, their chances in competing against cheap products will improve. The concepts developed in intense ideation sessions clearly revealed some promising routes.

It's the Customers Who Set the Rules

One of the key tasks of any management team is to have broad and unbiased knowledge about customers, and to view them from a different perspective than the competition does. No matter whether you are in B2B or B2C markets – change is driven by customers, so indirectly they control companies' growth. Every day they decide with their wallets how successful a product or service will be. Only when customers recognize the value-added offered, will they direct their buying behavior accordingly.

Standard strategies in product development, marketing or sales, based on long-known generic customer need concepts, are not very helpful here. Companies with continuous, above-average growth have understood this. Their point of reference is the customer, not the competition. To redefine a market, they deeply immerse themselves into their customers' world and keep looking for customer insights – almost as though they were searching for gold.

The Vendbridge Gameplan for Growth builds on the crucial significance of customer insights, using them as a basis for its thought and action framework. With its proven and tested set of methods and job-to-be-done logic, it provides valuable outside-in customer insights and sets out opportunities and priorities for the company's direction. The Gameplan translates insights into concrete actions and guidelines, thus helping companies to score in the market in the short-term, differentiate their products and services in meaningful ways in the mid-term, and in the long-term build virtually unassailable competitive leads based on product or business model innovations. Once the whole product creation process, from the idea all the way to the sales argument, is consistently aligned with the customer insights gained, misunderstandings or disruptions in the go-to-market process will disappear.

Nothing can guide a management team through permanently changing markets as reliably as true customer knowledge can, and the ability to make optimal use of it. Even more if the approach saves resources and increases speed to market. By applying the CFI approach in your company you can unearth this treasure for your new business development.

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About Vendbridge



Vendbridge is specialized in innovation and new business development. Our projects mainly focus on kick-starting sales, on sharpening value propositions and on helping clients to come up with target group relevant innovation content. The Customer-Focused Innovation (CFI) approach co-developed by us helps to identify customer insights that give companies a clear competitive advantage.

Vendbridge serves clients across a range of industries. To this date, we have carried out more than 120 projects that produced quick and lasting results. Our clients – international corporations, service providers, and technology start-ups – confirm the growth impact we have helped them to achieve.

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