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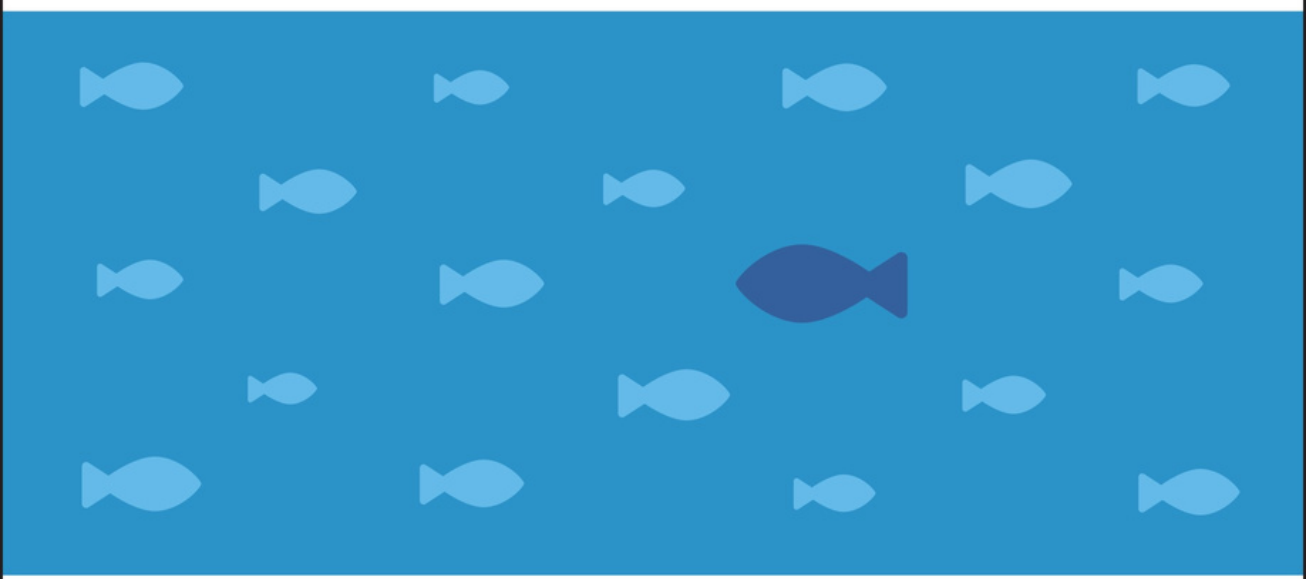
INSIGHT + IDENTITY + INNOVATION



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CHAPTER 2

MANIACALLY FOCUS ON THE END CUSTOMER

"The best vision is insight."

—Malcolm Forbes, *entrepreneur and publisher*

"Creativity and insight almost always involve an experience of acute pattern recognition: the eureka moment in which we perceive the interconnection between disparate concepts or ideas to reveal something new."

—Jason Silva, *filmmaker and futurist*

"Nothing is more terrible than activity without insight."

—Thomas Carlyle, *historian and essayist*

SINCE THE LAUNCH OF ITS first computer in the late 1970s, Apple has met customer needs like no other company. In the process, it defined and redefined entire industries.

Personal computers, digital music players, mobile phones, tablets, and home automation all existed before the Mac, iPod, iPhone, iPad or HomePod. Apple didn't invent most of the products it offers. What Apple did was simplify technology and deliver new things in new ways.

While consumers may *say* they want extra features, Apple knows that too many bells and whistles overcomplicate and can detract from

higher-order benefits of ease and simplicity. Apple's secret is satisfying needs customers don't even know they have.

Steve Jobs explained Apple's customer focus this way: "And as we have tried to come up with a strategy and a vision for Apple, it started with 'What incredible benefits can we give to the customer? Where can we take the customer?' Not starting with 'Let's sit down with the engineers and figure out what awesome technology we have and then how are we going to market that?' And I think that's the right path to take."[10] Apple became successful by flipping the orientation of traditional, technology-driven industries to be consumer- rather than technology-driven.

Walt Disney's idea to build Disneyland occurred to him while sitting on a park bench watching his daughters ride a merry-go-round at a local amusement park. He felt disconnected from his daughters and wanted to participate in the experience. Disney said, "What this country really needs is an amusement park that families can take their children to."[11] Walt's insight: develop an amusement park that parents and children could *enjoy together*.

Over the next decade, Walt visited a dozen or so different parks for inspiration before launching Disneyland.

According to Disney animator Ollie Johnston "Walt was very thorough, and he really looked into this stuff." Said Walt, "When we consider a new project, we really study it—not just the surface idea, but everything about it."[12]

Walt's use of insight and creativity resulted in two new disciplines at Disney—Guestology, for uncovering consumer insights, and Imagineering, fusing imagination with engineering to create innovative experiences. These disciplines are still in practice today, allowing the company to stay close to consumers while creating magical attractions.

Google was founded on *technical* insight into how website links underlie the importance of individual pages. Much of its business success is based on *consumer insight*. While competitors were creating

portals to attract consumers and advertisers, Google resisted the temptation and kept its homepage clear and simple.

The insight? The more time users spent *outside* of its own site, the more money it made through pay-per-click ads. Former CEO Eric Schmidt said, "We focus on quality, and we have a very simple model. If we show fewer ads that are more targeted, those ads are worth more. So, we're in this strange situation where we show a smaller number of ads and we make more money because we show better ads. And that's the secret of Google."[13]

All of these companies place a premium on asking and answering the right questions. Often, customer clarity leads to counterintuitive business decisions: Competitors head down one path, while the profile companies pursue another direction or chart a new course entirely. Superior insight provides the platform for competitive advantage.

INSIGHT—THE OVERLOOKED PRINCIPLE

Do an online search for "top global brands" or "most innovative companies" and you'll see a variety of annual published rankings. The same companies are often at the top, including a subset of the profile companies. Yet, in a principles-based approach to growth, insight, identity, and innovation are equally important. Where, then, is the published list of insight leaders? It doesn't exist, at least not on paper.

Insight is an often overlooked principle mainly because it lacks tangibility. It's relatively easy to quantify innovation and brand identity strength. New product revenues, market share, stock price, and statistical surveys can be evaluated.

Not so with insight. Deep, proprietary understanding may exist within the minds and file folders of the company, its leaders, and employees—but it doesn't show up, at least explicitly, on a company's balance sheet.

The true value of customer obsession and insight is the role it plays in brand and business model evolution. Insight is merely a means to an end, and only results in economic benefits when it's combined with identity and innovation.

Just because you can't see or quantify insight, though, doesn't mean it's not important. Our work with leading upstream marketers indicates it is *the* underlying, driving component of their success. Along with defining the organization's purpose and high-level growth strategy, insight is the first step. An outside-in perspective is required to counteract the bias of internal focus. Let's go deeper into what insight is and how to obtain it.

WHAT IS INSIGHT?

Insight is the ability to understand something in a very clear way by gaining an almost intuitive understanding of the situation. Insight goes beyond knowledge and understanding to uncover the *whys* and strategic implications. It's the "aha" or "eureka" moment when knowledge and understanding come together. Knowledge and understanding provide the dots. Insight connects the dots. This chart describes this relationship:

FROM INFORMATION TO INSIGHT →		
Knowledge (What)	**Understanding (How)**	**Insight (Why)**
Perception	Comprehension	Resolution
Facts	Meaning	Implication
Information	Principles	Application
Memory	Reason	Action

Here's another definition—knowledge is measuring that a desert path is 12.4 miles long. Understanding is packing enough water for the hike. Insight is building a lemonade stand at mile six.[14]

Three Types of Insight

Let's extend this desert path/lemonade stand example to highlight three different types of insight—customer, marketplace, and technical. Each type is needed, and their intersection leads to growth. Here's how an adept upstream marketer might gather insight on each type for a lemonade stand in the desert.

For *customer insight*, consider the wants and needs of end customers, in this case, hikers. Interview or observe them. Better yet, conduct ethnographic research—hike along with them and immerse yourself in their situation. What might they seek in a refreshment stand offering, and why? Asking *why* opens up broader opportunities. Is the need lemonade, or is it really quenching thirst and rehydration?

For *marketplace insight*, study situational factors like the physical path, its environment, and other aspects surrounding the journey. Focus on macro-level issues, including competitive assessment, trend analysis, and desk research. Don't be overly concerned with competitors, but be aware: If another company secures building rights for a retail outlet at mile-marker 5.8, that's important to know.

Finally, invest in *technological insight* to define how to create innovative solutions in a new way. Technical insights might include food chemistry, logistics, cooling systems, solar energy, and drone delivery. How can technical solutions be combined to devise new offerings?

Now, analyze and synthesize the perspectives and iteratively develop and optimize potential solutions. Experiment to learn. Your first recipe for lemonade might be too sweet for thirsty customers; make a small batch of a low-sugar recipe and test how they like it instead. This process is the essence of insight applied to business decision making.

Trends analysis, a particular type of marketplace insight, helps signal the future state. Trends can occur at macro- and industry-specific levels. One of the biggest trends affecting many categories today is a shift in direct-to-consumer (DTC) marketing, as companies seek to bypass retailers, wholesalers, and other distributors to serve end customers.

Other macro trends include the use of artificial intelligence and machine learning. Jeff Bezos said, "These big trends are not that hard to spot (they get talked and written about a lot), but they can be strangely hard for large organizations to embrace."[15] The important thing is to stay on top of trends and embrace them quickly.

The key to obtaining deep, proprietary insight? Look closer and think deeper.

Look Closer, Think Deeper

There is a great scene in the movie *Dead Poets Society* when the character played by the late Robin Williams, English teacher John Keating, stands on his desk during one of his lectures. He challenges his students to look beyond the ordinary.

"Why do I stand up here? I stand upon my desk to remind myself that we must constantly look at things in a different way. You see the world looks very different from up here. Don't believe me? Come see for yourself. Just when you think you know something; you have to look at it in another way. Even though it may seem silly or wrong, you must try."

The scene ends with the following directive: "Break out. Don't just walk off the desk like lemmings. Look around you. Dare to strike out and find new ground."[16]

The lesson is twofold and applies to the principle of insight: First, change your perspective. If you look at the world like everyone else,

you will see the same things. Second, find new territories—uncover and identify new opportunities. Look closer. Think deeper. Maniacal focus and new perspective is the recipe for clarity and insight.

Apple's Steve Jobs held similar views: "Creativity is just connecting things. When you ask creative people how they did something, they feel a little guilty because they didn't really do it, they just saw something. It seemed obvious to them after a while. That's because they were able to connect experiences they've had and synthesize new things. And the reason they were able to do that was that they've had more experiences, or they have thought more about their experiences than other people. Unfortunately, that's too rare a commodity. A lot of people in our industry haven't had very diverse experiences. So, they don't have enough dots to connect, and they end up with very linear solutions without a broad perspective on the problem. The broader one's understanding of the human experience, the better design we will have."[17]

Obtain Deep, Proprietary, and Actionable Insights

Collecting the same customer information, in the same way, won't cut it. In our consulting work, we ask a critical question: *What do you know about your important customers that your competitors don't know?*

We used to consider this question hypothetically. Over time, though, we've found real value in having clients list, one by one, proprietary insights. The initial reaction is often blank stares, as many people have trouble putting pen to paper. Others admit they don't know. More in-touch team members vigorously scribble or type in their answers. We then probe responses: Who are your most valuable customers? How do we define your competitive set? How do we make deep understanding actionable?

Here's one way to obtain deep insight, taken from a client case example:

ETHNOGRAPHIC RESEARCH— THE DEPRIVATION STUDY

This engagement involved identifying new growth opportunities for a leading manufacturer of backpacks, including developing new products and extending the brand into related categories. Ethnographic research was used to understand how students use their daypacks for school.

A brilliant stage of the research, dubbed, "The Deprivation Study," involved taking kids' backpacks away for one week. That's right. They were asked to go about their lives as usual, but without their daypacks.

Researchers then followed the teens throughout the day to understand their lifestyles, values, and the role backpacks played in their lives, including the emotional connection they had with their packs.

The research also provided insight into friction points, including the features and functions that constituted the ideal pack. The sessions were filmed and analyzed and shared throughout the organization.

Later, the client applied its technical insight—in fabrics, materials, compression science, and load balancing—to design a line of new backpacks to better meet customer needs.

This insight helped the company look at the business from a different perspective, through a different lens. Identifying and eliminating customer friction points is one of the surest ways to innovation success. This requires disproving common assumptions, and the best way to do this is by asking different and better questions.

Market Research vs. Customer Obsession

Market research can *lead* to insight, but on its own, it is not insight. Many strong marketers dismiss traditional research. Despite the importance Steve Jobs placed on intuitive insight, he was proud Apple did little market research, saying, "It's really hard to design products

by focus groups. A lot of times, people don't know what they want until you show it to them."[18]

Similarly, Starbucks' Howard Schultz said, "I despise research. I think it's a crutch."[19]

Jeff Bezos from Amazon looks at it this way: "Good inventors and designers deeply understand their customer. They spend tremendous energy developing that intuition. They study and understand many anecdotes rather than only the averages you'll find on surveys. They *live* with the design.

"I'm not against beta testing or surveys. But you, the product or service owner, must understand the customer, have a vision, and love the offering. Then, beta testing and research can help you find your blind spots. A remarkable customer experience starts with heart, intuition, curiosity, play, guts, taste. You won't find any of it in a survey."[20]

These business leaders obsess about customers and insight but disregard traditional market research. Why? In our experience, many companies view market research in narrow terms, as a proxy for insight, anchored downstream and in the past.

A lot of market research sees things through the rearview mirror: What happened *yesterday*? How did sales perform in Topeka compared with a year ago? How many social media likes did the latest blog post generate? Also, a lot of existing data is descriptive regarding the *whats* and the *hows.* What are customers doing, and how have they behaved historically? This information does little to uncover growth opportunity areas.

The key is to immerse yourself in the customer experience, take a forward-looking windshield perspective, and focus on the *whys*. Your end goal should be clarity of thought that inspires action.

We sometimes hear from clients, "We didn't learn anything new" after conducting primary research interviews. We respectfully indicate the question isn't, "Did you hear anything new?" It's "Did you hear

anything you're not currently addressing?" And, more importantly, "Why aren't you addressing it?" Don't confuse market research with applied insight. Customer insight must be integrated with action to unlock growth.

TURNING INSIGHT INTO ACTION

Occasionally we'll get a call from a potential client who values customer input but is unsure how to obtain it. "We want to conduct research" is the request. We follow up with probing questions to understand their needs better. To whom do you want to talk, and for what purpose?

There are a variety of ways to uncover insight. The method used should flow from the questions you want answers to, whether formally, through market research, or informally, by immersing yourself in the customer experience.

Also, different research techniques are useful at different times. The optimal flow moves from broad to narrow, alternating between qualitative and quantitative methods. This approach allows for analysis (breaking down) and synthesis (building up) to increase certainty and improve strategic decision making.

Two broad types of customer insight are used in determining where to play and informing how to win.

Where to play insight, as described in the next chapter, involves identifying strategic opportunity areas (SOAs) to focus growth. Conventional where to play research techniques include exploratory research and market segmentation.

How-to-win insight, often tied to a ninety-day project development cycle, involves doing a deep dive to uncover and study solutions to a particular problem or SOA. Immerse yourself in the customer situation and then use test-and-learn, concept iteration to develop new business models, value propositions, products, and services (see figure 2.1).

Customer Insight in Upstream Marketing

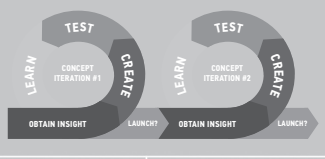
Type	WHERE TO PLAY			HOW TO WIN	
Scope	Strategic Direction Setting			Concept Optimization	
Role	Segment the market to obtain proprietary insight and identify strategic opportunities			Conduct a "deep dive" and use concept iteration to meet target customer needs	
Process	Sequential			Iterative—Create, Test, & Learn	
	Understand the Situation	Segment the Market	Confirm Strategic Opportunity Areas			
Method	Qualitative	Quantitative		Qualitative	Quantitative
Research Type	Exploratory	Segmentation		CORE	Validation
Timing	Both foundational (segmentation every 3 – 5 years) and ongoing (continuous listening)			Tied to business cycles, i.e., 90-day increments, including continual iterations	
Viewpoint	Broad ← → Narrow				

Figure 2.1

Quantitative and qualitative research used to be costly and take weeks or months to complete. New web-based methods, including digital diaries and online ethnography studies, can now be fielded in days or weeks at a fraction of the cost. While the digital research methods differ, the principles remain the same.

In moving from where to play to how to win, insight should become more detailed and produce greater decision-making confidence. This broad-to-narrow, qualitative-to-quantitative pattern works across industries, from consumer goods to business-to-business categories.

A Consumer Product Example

Ever eat pancakes at home? If so, do you make them from scratch, use a mix, or eat the frozen kind? Does adding water to the mix constitute baking? How about adding an egg? We set out to answer these and other questions for a client looking to grow their business through upstream marketing.

The client manufactures baking mixes for pancakes, waffles, cakes, muffins, and other products. Growth had stalled due to changes in consumer eating habits, increased competition, new product failures, and a lack of consumer insight.

The challenge? Stimulate growth by segmenting the market, solidifying the brand positioning, and identifying new products. It was a classic case of deciding where to play, and how to win.

We began the project by conducting internal interviews and performing a three C's analysis (for consumers, company, and competitors insight) to confirm the situation and identify learning gaps. This involved reviewing consumer trends—including their desire for convenience, portability, and flavor variety—and obtaining brand-specific insight.

We also developed a four-part research plan to learn from consumers. Here's an overview of each type of insight gathered and the client issues addressed.

Exploratory insight helps *explain* and *frame* key aspects of the consumer and category. This insight is foundational and plays a role in segmenting the market, uncovering customer needs, establishing customer journey maps, and identifying potential new market spaces. Focus on understanding the *what*s and *why*s. Questioning starts broad—what are customer needs, motivations, attitudes, and friction points?—then narrows in on potential solutions. Methods include in-depth customer interviews, digital diaries, and ethnographic research.

With our baking mix client, we explored different types of cooking (from scratch, mixes, and other options) and how consumers viewed various solutions.

Since our client positioned its brand relative to homemade baking ("homemade made easy"), including the "just add water" product claim, we needed to understand a few things from consumers: How do you define homemade? Does adding ingredients change your view?

Like most categories, the answers varied by the consumers, providing insight into segmentation opportunities.

Segmentation insight splits consumers into different groups based on their attitudes, motivations, and needs. This understanding is obtained both qualitatively and quantitatively and informs customer framework development and portfolio management opportunities.

This structure allowed us to put stakes in the ground and avoid "boiling the ocean." Based on the exploratory research, we identified four "to whom" segments, breaking out 100 hypothetical consumers into four groups:

- *Homemade bakers* who like to cook from scratch. They're willing to invest time and effort, believing that baking with mixes is basic and boring, even causing them a little guilt.
- *Mix enthusiasts* who also love to cook, and view baking mixes as a way to save time.
- *Reluctant bakers* who don't enjoy baking but do it out of a sense of obligation for their kids and family.
- *Baking avoiders* who rarely bake, as they consider it a hassle. They prefer to eat ready-to-eat or frozen baked goods.

To test a useful, hypothesized framework, ask the following questions: Can you see yourself or others you know in the solution? Does it make sense on a gut level? If not, strive for a better, more meaningful answer.

Drawing on our hypothesized demand framework, we then created an online survey for even more precision. Through statistical analysis, a fifth consumer group emerged that divided mix users into two distinct groups—an enthusiastic baker segment and a slightly guilty mix user.

We also tested and identified several "for what" need states within the baking category. For example, one need related to the breakfast occasion of getting family members up and out the door during the week (a great fit for frozen, microwavable, and portable breakfast items). Another related to "big breakfast" occasions, often on weekends, where baking from scratch or mixes offered an element of sociability.

Mapping the to-whom consumer segments with the for-what need states yielded distinct strategic opportunity areas, including several new demand spaces. Our project then shifted to obtain insight on new product solutions, developed using focused ideation and prototyping, through the Concept Optimization REsearch (or CORE) process.

CORE insight uses concept stimuli to obtain market feedback on new products, brand positioning, and messaging ideas. Which ideas are most relevant and why? The goal is to define the end state through a create-test-and-learn approach. Develop a surplus of ideas and optimize them before investing in full development.

Testable concepts—written statements, website mock-ups, and physical prototypes—are exposed to customers to iterate the concepts and narrow the list. Figure 2.2 provides an overview.

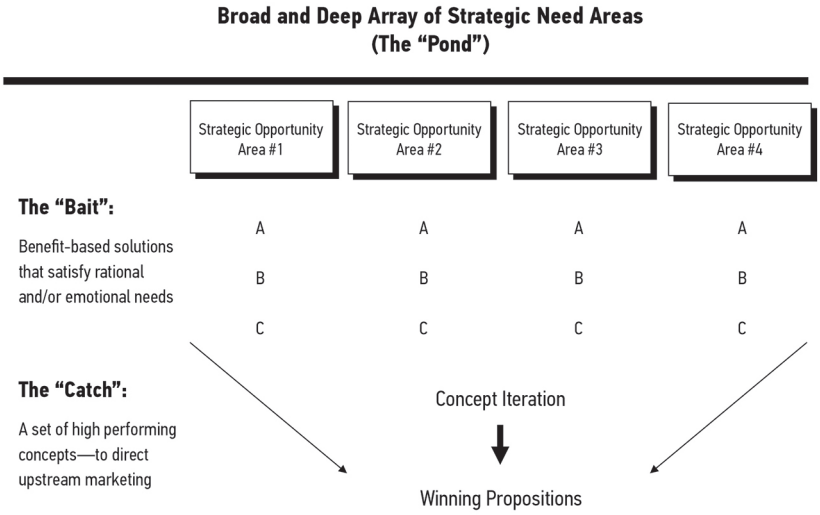


Figure 2.2

The CORE approach differs from traditional concept development in a few ways.

First, rather than cultivate only one area, develop a range of ideas—from closer in to further out—tied to different benefit-based strategic areas (represented in the figure as Strategic Opportunity Areas 1, 2, 3, and 4). In this way, concept development is like adopting a venture capitalist mindset rather than a startup mentality. Use a *portfolio approach* to address multiple opportunities and challenges instead of anchoring on a single idea. Consider multiple fishing ponds.

Second, the CORE approach involves developing multiple ideas *within* a single benefit area (ideas A, B, and C). For example, the benefit of convenience or simplicity can be expressed in various ways—time savings, ease of use, automation, or a single-source solution. Use tangible concepts as bait.

Finally, concept iteration replaces the traditional yes/no stage-gate approach to innovation. As ideas progress, they undergo

continual refinement in moving closer to launch and learn. Target and hook the catch.

With our baking mix client, we tested a control concept and then a range of new ideas, including positioning and product ideas that went beyond "just add water" to include other ingredients. Here's the control concept.

BRAND X. HOMEMADE MADE EASY

You don't always have the time to make your pancakes and baked goods from scratch, but with Brand X mixes, you can still enjoy the warmth of home baking. Brand X is homemade made easy, authentic recipes brought to life with high-quality ingredients and care. Our just-add-water pancake mixes and muffins, pies, dessert bars are all homemade, but without all the *time* of homemade.

Over time, we changed, added, dropped, and combined concepts as a result of target feedback. As it turns out, for example, having consumers add an egg to the product mix in addition to water greatly enhanced the concept appeal with the guilty mix users group.

Validation insight is the final step, often using quantitative research to determine what's required to successfully market the new offering. As product concepts take shape, you may need to make trade-offs in finalizing the offering, pricing, and preparing to launch. What product features are most appealing at which price point? A variety of statistical techniques are available, and these methods begin to transition to downstream marketing as they move toward implementation.

There you have it—four insight-gathering methods that, when combined, inform and help answer to whom and for what, how to win, how might we, and what would have to be true.

Actual insight-gathering methods will, of course, vary by company,

as shown in the next example from Disney. The general approach, though, is consistent across profile companies.

WHAT WOULD HAVE TO BE TRUE TO PROCEED WITH DISNEYLAND?

Walt Disney applied a similar insight-gathering approach in deciding whether to move forward with the Disneyland concept. While his methods varied, he fully immersed his team in the amusement park category. He used exploratory research, including visiting as many parks as he could, to define the new market space and to see what worked and what didn't. He used market segmentation to target a specific consumer type—families—and *not* traditional amusement park goers. Kids *and* parents (or kids at heart) were the Disney target consumers.

Initial exploratory work and targeting decisions inspired early park ideas, which were expressed in concept drawings and models. From Disneylandia to Mickey Mouse Park to Disneyland, ideas underwent extensive refinement, drawing on internal and external feedback.

Throughout the development process, Walt researched and sought expert opinions to inform what would have to be true. This included conducting a focus group with other park operators during an annual amusement park industry convention and trade show held in Chicago.

The consensus among Walt's contemporaries about his idea? It wouldn't work. It was too impractical and overly costly to produce. Walt valued their feedback and said he'd consider their input, but the session actually confirmed for him that he wanted to move forward with Disneyland.

"Rather than being dissuaded, he was even more certain that his idea would work. Instead of another amusement park, Walt knew he was creating the first theme park."[21] Walt knew certain things needed to be true before proceeding with Disneyland. This insight validated those conditions.

Walt ultimately decided on a simple, inspiring concept statement to articulate his vision:

> "Physically, Disneyland would be a small world in itself. It would encompass the essence of the things that were good and true in American life. It would reflect the faith and challenge of the future, the entertainment, the interest in intelligently presented facts, the stimulation of the imagination, the standards of health and achievement, and above all, a sense of strength, contentment and well-being."[22]

This original concept statement, developed over sixty-five years ago, continues to influence The Walt Disney Company brand and business today.

TIPS FOR OBTAINING PROPRIETARY INSIGHT

In our consulting work, we begin every client engagement by defining what is known and unknown about the customer, market, and current situation.

Some organizations have a staggering amount of market intelligence. In others, it's virtually nonexistent. You'd think the more customer research, the better the insight. Often, the opposite is true. Many clients overspend and are overwhelmed by research. Other clients are starved for insight, misinterpret data, and make poor inferences.

In any case, it's vital to assess what is known before gathering new insights. So, start by gathering inputs—research reports, social media tracking, sales force input, and industry studies.

Analyze large data sets using artificial intelligence and other methods to reveal patterns and trends relating to consumer behavior.

Then, interview managers and synthesize the findings. Create an initial fact base, formulate hypotheses, and identify gaps to fill. To connect the dots, you need to have the dots.

With the existing foundation set, prepare an insights-gathering plan using figure 2.1 on page 43. Consider the following seven tips for looking closer and thinking deeper.

Tip 1: Be Clear About Who You're Obtaining Insight From.

Sometimes, a broad range of perspectives is essential for strategic context. In other cases, do a "deep dive" with a particular segment.

Gaining broad insight *across* groups provides a complete picture of the market. This is best for exploratory work when canvassing the market or developing hypotheses for the customer demand framework, as described in the next chapter.

Within the automotive category, for example, different consumers value different things. Some drivers see their vehicles as a way to get from point A to point B, and others see their cars as an extension of themselves. Having a total market view provides context and helps narrow in on the best opportunities.

Often, you can obtain clarity by doing a deep dive with highly involved "power users" and "extreme consumers." Not all customers are of equal value, and there is a risk to treating them this way.

In many categories, the 80-20 rule applies: 20 percent of customers account for 80 percent of the sales. These "power users" are the most involved, set the highest standards, provide richer insight, and tend to be more profitable. It pays to understand and keep them happy.

Another group to consider is "extreme consumers." These consumers lie "in the tails" of a standard bell curve and offer perspective outside the mainstream, on the cutting edge.

Automotive enthusiasts, foodies, fashionistas, Disneyphiles, a cult of Mac followers, and other extreme consumers can provide valuable insight and signal early opportunities with eventual mainstream impact.

MINI CASE EXAMPLE

We were hired by a nutritional supplements company to help "mainstream" their core product—microalgae. The company's products sold well with certain consumers—from marathoners and ironman competitors to vegans and natural nutritionists. While the client wanted to target a mass-market consumer, this segment didn't know the first thing about supplements, other than natural foods were "on trend" and good for them. Rather than research only average consumers, we also obtained deep insight from extreme consumers who shopped at natural food health stores and then translated the benefits sought to a broader group. Mainstream consumers aspired to eat healthier, so we took our insight cues from the most involved consumer segments.

Finally, in identifying new market and brand development spaces, make sure to talk to both current customers and non-customers. Current customers provide valuable insight into their needs and why they have bonded with your brands. Prospects help identify pain points, barriers to acceptance, and market expansion opportunities.

Tip 2: Focus on Customer Benefits, Jobs to Be Done and New Demand Spaces Rather Than Product Attributes.

"People don't want to buy a quarter-inch drill; they want a quarter-inch hole."[23] This quote by Theodore Levitt, American economics and business professor, speaks to the idea of focusing on customer benefits rather than product attributes.

In his landmark *Harvard Business Review* article, "Marketing Myopia," Levitt urged companies to define their industries more broadly than they might otherwise. This provides the platform for creating and capturing uncontested market spaces. He argued, for example, that the railroad industry got in trouble because industry leaders presumed they

were in the railroad rather than the transportation business. They were product-oriented instead of customer-oriented. While product attributes come and go, consumer benefits are more enduring.

EXAMPLES OF MARKETING MYOPIA

Numerous examples exist where companies and entire industries collapsed because of failure to meet target needs. These companies focused on product attributes, not customer benefits (or jobs to be done), and lost out to new competitors.

Consider the evolution of the recording industry. First, there were phonographs, then LPs, and further changes from 8-track tapes to cassette tapes, compact discs, MiniDiscs, MP3s, and other digital audio formats, and audio streaming.

The insight? Consumers want convenient access to music and are mostly indifferent to how it's delivered.

As consumers demanded better quality and greater convenience, companies focusing solely on product attributes and technical specs instead of underlying customer needs were replaced. Companies that remained focused on the recording format (LPs, discs, etc.) or the device that played them (record players, cassette players, etc.), and not the end benefit, ceased to be viable.

Innovation tends to follow a benefit-based, problem-solution format: Necessity is the mother of invention. In developing and marketing new products, consider the compromises customers and non-customers make within the category. Then, create concepts to solve these problems. Sometimes, it's less about *problems* and more about *opportunities.* The terms "pain points" and "gain points" are used to recognize this problem/opportunity dynamic.

A related idea of focusing on customer benefits is solving customer friction points or jobs to be done (JTBD). A JTBD, made popular by Harvard Business School professor Clayton Christensen, is not a

product, service, or a specific solution. It's the customer's higher purpose. The key is to understand the "job" customers have and explore alternative solutions.

Consider Apple's launch of the first iPod. Note the headline of the press release referencing the job to be done, putting 1,000 songs in your pocket.

APPLE PRESENTS IPOD
Ultra-Portable MP3 Music Player
Puts 1,000 Songs in Your Pocket

CUPERTINO, California—October 23, 2001—Apple® today introduced iPod™, a breakthrough MP3 music player that packs up to 1,000 CD-quality songs into an ultra-portable, 6.5-ounce design that fits in your pocket. iPod combines a major advance in portable music device design with Apple's legendary ease of use and Auto-Sync, which automatically downloads all your iTunes™ songs and playlists into your iPod, and keeps them up to date whenever you plug your iPod into your Mac®.

"With iPod, Apple has invented a whole new category of digital music player that lets you put your entire music collection in your pocket and listen to it wherever you go," said Steve Jobs, Apple's CEO. "With iPod, listening to music will never be the same again."[24]

The more common approach among technology companies at the time was to focus on technical specs. Apple chose to speak in consumer-benefit terms. "Putting 1,000 songs in your pocket" is selling the hole and not the drill.

Tip 3: Construct a Benefit Hierarchy.

Benefit laddering is a common way to uncover deep consumer insight, linking product attributes and benefits sought. When properly

constructed, a benefit hierarchy organizes thinking and signals identity and innovation opportunities.

A benefit hierarchy breaks down a particular product or category into three components—product attributes, rational benefits, and emotional benefits—with one "laddering up" to the next. In other words, ask "Why?" three times.

The completed hierarchy shows—on one page—potential linkages and gaps in creating and capturing new demand spaces at the product, category, or brand level. Figure 2.3 provides an example from the automotive industry, starting from the bottom and working up.

Hypothesized Automotive Benefit Hierarchy

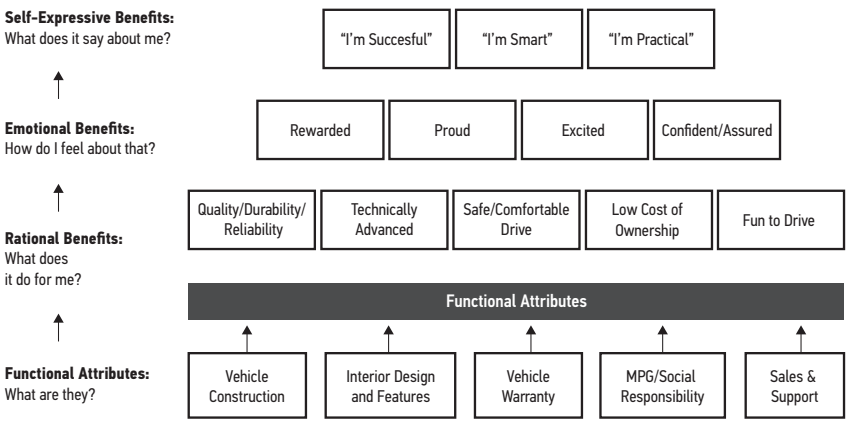


Figure 2.3

Here's the basic approach. First, begin with a broad definition of the product or service category. Then, brainstorm the list of functional attributes that make up the current category, with a focus on tangible things you can see, touch, taste, feel, or experience. Place these on the bottom row.

From there, "ladder up" to the benefit areas to identify specific

rational benefits associated with that attribute. The critical question here is *why. Why is this characteristic meaningful to me? What job does it do and why do I care?*

Next, ladder up yet again to define the emotional benefits. *Why is this benefit meaningful to me?* Some benefits will align with particular attributes, while others may require creating new linkages.

Finally, consider whether there are self-expressive benefits that consumers seek: *What does it say about me?*

Benefit hierarchies work across every industry—consumer goods and services, retail, technology, health-care products and services, financial services, insurance, and so on.

One key point regarding higher-order benefits: While it's useful to understand higher-order emotional linkages, don't necessarily focus at the top level. Understanding customer psyche can provide deep insight, but it may be too far removed to inform identity or innovation efforts.

Which benefits to focus on, including how high up on the ladder, depends on the category and the level of customer involvement, both rationally and emotionally.

MINI CASE EXAMPLE

Cardiac surgeons tend to be rational and precise in their language. We were hired by a medical device manufacturer to determine how best to market a breakthrough surgical therapy that recently received regulatory approval. Our work uncovered an important dynamic between the benefits and words "patient safety" and "ease of use."

Safety for physicians is the higher-order benefit, though many don't readily talk about it, as it introduces a potential negative—that something might be unsafe. Instead, they prefer language that touts ease of use. Surgeons then infer the device is safer. This learning helped finalize product positioning and marketing communications for launch.

A benefit hierarchy maps opportunities for uncovering and creating value. As a marketer, which benefits should you choose to deliver? What combinations of value are the most meaningful? In later chapters, we'll revisit the benefit hierarchy in the context of strategic growth areas, core offering, and positioning development.

Tip 4: Classify Benefits by Type.

Customers derive value from benefits. Typically, the more benefits a product delivers, the better. However, not all benefits are equal. In considering multiple benefits, think about the role each might play in a broader portfolio, as follows.

Ante benefits include the most essential benefits a brand, product, or service offers. These are "table stakes" that need to be delivered: Fast food needs to be fast. A convenience store should be convenient. Insurance companies should protect things. Prescription medications need to work. Once ante benefits are delivered, you can layer on other benefits to broaden value.

Driver benefits provide distinctiveness. Here, benefits extend beyond antes to drive differentiation and purchase. After delivering speedy service, a fast-food company might emphasize a fresher product. A financial services company might layer on personal relationship services. A prescription drug manufacturer might offer an extended-release form.

Reassurance benefits provide an emotional connection with the brand. These benefits are often best communicated implicitly rather than explicitly. Telling a customer to *feel* a certain way because of using a brand can be off-putting. Instead, deliver reassurance benefits through product quality cues and communication tone and manner.

In chapter 4, we introduce the concept of a value proposition. Each benefit can play a role on its own or combine with other value elements

to create a broader proposition. The overall goal is to maximize the value through the most-desired combination of value elements.

Tip 5: Envision the Future State, Then Write It Down!

It may be a corporate cliché, but there's merit to hockey great Wayne Gretzky's quote, "Skate to where the puck is going, not where it has been." Be forward-thinking in uncovering opportunities. Said another way, don't look back, you're not going that way!

No one can predict the future, but with the right techniques, you can gather insight into potential new opportunities. Replacing the "rearview mirror" with a "windshield" view requires projective techniques to envision an optimal future state. Here's a useful approach.

PROJECTIVE TOOL TO BEGIN WITH THE END IN SIGHT

One way we get clients to begin with the end in sight is through a projective technique we refer to as "The Wall Street Journal Exercise."

The idea is to force team members to envision the future state very early in the project. Here are the prompts:

- Pick a date at a relevant point in time, say five years from today. Write the date at the top of a blank sheet of paper.
- Next, spend a few minutes thinking about where you'd like the organization to be five years from now. The future state should be aspirational, but also achievable, within the realm of possibility. Avoid blue-sky brainstorming and focus instead on a plausible stretch goal.
- Now, write the headline of a WSJ article capturing the essence of the future state. Like any good headline, it should encapsulate the main idea and leave the reader wanting to know more.
- Next, write a paragraph that describes the situation from two perspectives. Where are you today (the end state), and how did you get there

(from the current state)? Fill in the how and the five W's: who, what, when, where, and why.

Read the article aloud and discuss it as a group. What's the headline? What happened? Why was it a success?

End-in-sight concepting is a great way to check internal alignment and identify strategy gaps to fill. Concepts can take a variety of forms, including verbal and visual descriptions to bring the idea to life. The key is to make them tangible and seek feedback to improve the ideas.

At Amazon, meetings to present ideas don't start with PowerPoint slides but with narratively structured memos. Jeff Bezos asks team members to submit six-page memos, which are then read—in silence—by meeting attendees.[25]

By having to write it all down—as opposed to dashing off quick bullet points or preparing PowerPoint slides—authors are forced to think through tough questions and formulate clear, persuasive replies, all while reasoning through the structure and logic.

Tip 6: Use Whiteboard Concepts and Strawman Proposals to Experiment and Learn.

Whiteboard Concepts and *strawman proposals* are two upstream marketing tools used to express ideas in draft form, to get feedback, and to iteratively optimize. The initial thoughts are not intended as the final answer, but rather as tools to get to the answer—the essence of create, test, and learn.

Whiteboard Concepts express new business and communication ideas as a starting point of the creative process. Write the concepts in the voice of end customers, including a benefit-based headline and a few lines of copy. Initially, the concepts are very crude—words

on a blank page or computer screen, hence the phrase "whiteboard." Concepts are then exposed internally, and to customers, so that the ideas can be shaped and vetted over time, moving to increasingly better, next-level versions.

CREATING BENEFIT-BASED CONCEPTS

Here's a sample outline for preparing concept statements:

Create a headline that describes the core idea and benefit delivered. The shorter the better, as it will force you to be single-minded.

Describe the customer insight in one sentence. This is often the problem facing your customers. You want them nodding in agreement.

Explain your plan to help them, including one or two sentences that describe the product and corresponding benefits. The product solution should flow from the customer insight.

End by reinforcing the desired end state. Describe the ideal end-insight, through the eyes of the customer.

Concepts can be as short as a couple of sentences and as long as a page or two. The key is to focus on customer benefits and use language they can relate to. Clarify your message so customers engage.

Strawman proposals serve a similar role, though are used mainly for *internal purposes* to debate, pick apart, and improve draft ideas. A strawman is an initial draft proposal designed to generate discussion and provoke the creation of new and better alternatives.

Strawman business proposals can take many forms—a new business model canvas, a new business pitch deck, customer demand framework, and alternative brand architecture models. Presenting an idea as a first step is an invitation to knock it down and rebuild it better. Stamp "STRAWMAN" on the cover sheet and seek input. You're not selling the idea. You're looking to engage the team to improve upon it.

The dialogue and debate that accompany concepts and strawman proposals provide valuable insight to shape the final solution. These tools can literally get people on the same page in focusing on optimal solutions.

Tip 7: Establish an Insights Engine and Always Be Listening.

Every market is dynamic as customer needs evolve, new competitors enter, and the environment changes. And the rate of change is accelerating. Companies need to continually track and monitor marketplace needs through social listening, tracking studies, and other market research methods.

Here are just a few ways the profile companies obtain insights:

- Nike involves professional athletes in product development, along with employing a wide range of scientific disciplines including biomechanics, physiology, biomedical engineering, mechanical engineering, physics, and kinesiology.
- Starbucks uses crowdsourcing to improve customer satisfaction and innovation, allowing customers to submit ideas for new products on its company website.
- Disney uses virtual reality, augmented reality, and artificial intelligence to reimagine, design, and prototype how people experience entertainment using emerging technologies.
- Google's algorithms continuously build on its customers' collective intelligence so that Google repeatedly learns from—and about—its users.
- Amazon breaks down its business in formulaic terms, then captures metrics in real time to improve the customer experience.

While the methods vary, what's essential is systematically obtaining insight and infusing it with action to unlock growth.

USING SITUATION-COMPLICATION-RESOLUTION TO STRUCTURE PROBLEM SOLVING AND OBTAIN INSIGHT

Situation-complication-resolution, also known as SCR, is a problem-solving framework used by storytellers and consultants to structure thinking and gather insights.

EquiBrand uses SCR to categorize business issues and relay findings on client engagements. There are three parts.

1. **Situation** confirms the current state, in bullet point fashion. Start by telling your audience what they already know to put them at ease.
2. **Complication** identifies factors that are negatively impacting the situation. Describe the tension and underlying reasons it exists.
3. **Resolution** identifies the actions required to solve for the complications. What needs to happen to address the issues identified?

Examples of SCR are seen throughout this book, including some chapter 1 arguments, paraphrased here:

- **Situation:** Many business leaders see their playing field as fixed, and overemphasize downstream marketing. A downstream focus is necessary, but not sufficient.
- **Complication:** Upstream marketing is a proven way to grow, though it lacks familiarity, understanding, and practical instruction. It takes time, can be difficult to do, and may be hard to measure.
- **Resolution:** The upstream marketing framework provides a structured way to enact the principles of insight, identity, and innovation and six corresponding practices to answer four key strategy questions.

Consider using SCR any time you need to confirm issues, and craft an argument or proposition. It's a simple construct to create and easy for audiences to understand. For more information, see *The Pyramid Principle: Logic in Writing and Thinking* by Barbara Minto, a former McKinsey & Company consultant.

Insight is a required input to strategy development, and needs to clear a high hurdle: it must be deep, proprietary, forward-looking, and actionable. Maniacally focusing on the end customer promotes an outside-in perspective, which in turn leads to internal clarity and customer-centricity. From there, create a customer framework and confirm strategic growth opportunity areas, as in the topics described next.

QUESTIONS TO CONSIDER

1. What do you know about your important customers that your competitors don't know?
2. Have you structured insight gathering to obtain critical where-to-play and how-to-win perspectives?
3. How would you define the benefit hierarchy for the category in which you compete?
4. Are you using concept iteration to get people on the same page strategically?