How to Create the Most Valuable Interactions

Explore the minds of marketing's thought leaders

December 2016

These articles are derived from MarketingJournal.org, an online marketing resource underwritten by Harte Hanks.

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“Emotional vs Functional Jobs: The Basics of Messaging”

- Anthony Ulwick

Tony Ulwick is the pioneer of jobs-to-be-done theory, the inventor of the Outcome-Driven Innovation® (ODI) process, and the founder of the strategy and innovation consulting firm Strategyn. He is the author of "What Customers Want" (McGraw-Hill) and numerous articles in Harvard Business Review and Sloan Management Review.

Before devising a new messaging strategy, it is best to evaluate your current strategy and determine exactly where and why the current messaging strategy is ineffective. After a company has determined that a current product does address one or more underserved outcomes successfully, all that is left to do is devise a message that communicates that unique product value to the customer.

Companies often feel the need to appeal to their customers' emotions, but depending on the functional and emotional complexity of the product or service being delivered, doing so can have unexpected and unwanted results.

A historical case worth studying is Motorola's cell phone division. With Nokia breathing down their necks, management feared that Motorola's products were no longer exciting people and felt their messaging and marketing campaigns were failing to capture the public's imagination. They decided to bring in marketing experts trained by some of the world's leading marketing companies, including Procter & Gamble and Pepsi. These experts quickly realized that Motorola's products had no emotional appeal, and went to work with their makeover: they introduced a number of cell phone products branded with names such as Accompli (for those who want to be on the cutting edge), Vdot (for those who want to feel important), Timeport (for those who want to feel productive), and Talkabout (for those who want to feel in close contact with loved ones). Each brand was supposed to appeal to the unique emotional sensibilities of different segments of cell phone buyers. Years later, the strategy was abandoned for lack of results.

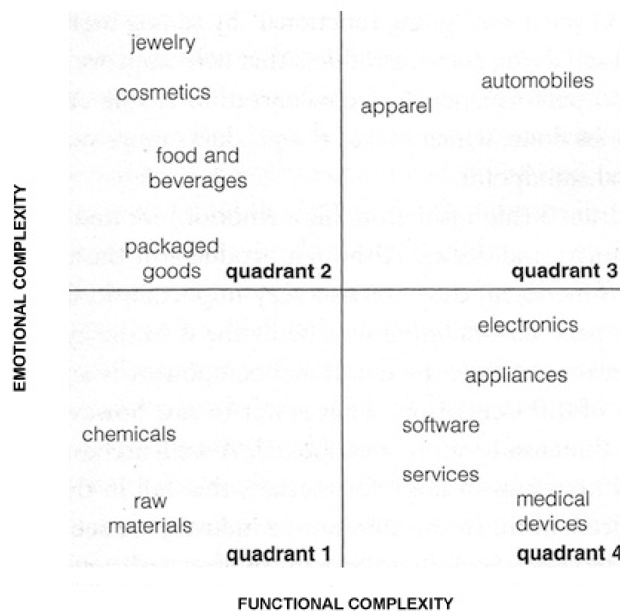
What went wrong?

It appears that when a company like Motorola that produces highly functional products tries to take a page from the Procter & Gamble playbook and adopts emotional branding, it will surely fail. Only when all or most of the needed function was delivered would it be worth considering differentiation along an emotional dimension.

In the years we have spent analyzing the vagaries of marketing, we have found that certain products – those in the cosmetic and perfume industries – are relatively simple, functionally speaking and are often purchased to help customers get emotional jobs done (such as feeling attractive to others). Products such as these need only satisfy maybe a dozen or so customer outcomes.

Perfume needed to only satisfy outcomes related to scent, strength, bottle shape and packaging. As the markets for these types of products mature, the products' simplicity makes it difficult for companies to continue to differentiate their products from another along functional dimensions – there are too few from which to chose. This in effect forces manufacturers to differentiate their products along an emotional dimension in order to build and maintain brand loyalty. For these companies, emotion-based messages skills are necessary for survival.

At the other end of the spectrum we find companies in industries that produce highly functional items such as medical devices, financial services, and computer ad software tools – all products must satisfy 50 to 150 desired outcomes or more. Such products can be differentiated along many functional dimensions, and customers who buy and use such products rarely use them to get emotional jobs done.



Let's examine the four quadrants and understand how products can be categorized based on their combination of functional and emotional characteristics.

Quadrant 1 (low function, low emotion)

Industries involved in the production of raw material and chemicals. Since products in these industries have very few functional outcomes or emotional jobs associated with them, companies in this quadrant are better at positioning and differentiating their products along another dimensions altogether, such as a service or cost.

Quadrant 2 (low function, high emotion)

Cosmetics, food and beverage, and packaged-goods industries. These industries spend considerable time differentiating along emotional dimensions – as well they should, since many of these products have limited function. Much is to be gained, however, by trying to make these products more functional. It not only adds a new avenue for differentiation, but it also makes the product more valuable to the user. Functional foods have become a product category in and off themselves.

Quadrant 3 (high function, high emotion)

Apparel and automotive industries. Although products in these industries are highly functional, they are also very important in defining the customer's persona – defining who he or she is in the eyes of other people. Because of this, the emotional component is an important dimension of differentiation. That is not to say, however, that the functional dimension can be overlooked. A well-orchestrated messaging and branding strategy for markets that fall in this quadrant should address both.

Quadrant 4 (high function, low emotion)

Electronics, software, services, and medical-device industries. The focus here needs to be on function, as these products have little emotional appeal. Here, the challenge is to figure out along which functional dimensions a product should be differentiated. Once a company can successfully address underserved outcomes in the functional realm, it may be able to look for value in the emotional realm without suffering Motorola's fate. Apple, for example, is well known for adding an emotional dimension to its products, but only after making them highly functional.

So what can we learn from all of this?

An emotional messaging strategy that works well for marketing giants in low-function markets will not work in high-function markets. Different markets require different messaging strategies.

“The Platform Revolution”

– An Interview with Geoffrey Parker and Marshall Van Alstyne

Geoffrey ParkerScreen is a professor of engineering at Dartmouth College (effective July 2016) and a visiting scholar at the MIT Initiative on the Digital Economy. He has been a professor of management science at Tulane University since 1998.

Marshall W. Van Alstyne is one of the world’s foremost scholars of information business models, is a visiting scholar at the MIT Initiative on the Digital Economy, and holds a tenured professorship at Boston University.

Along with Sangeet Paul Choudhary, Entrepreneur in Residence at INSEAD, the three are co-authors of ***Platform Revolution: How Networked Markets are Transforming the Economy and How to Make Them Work for You.***

Q: I’d like to begin with a comment. This book is now the leading book on ecosystem strategy. To me this is the future of strategy… ecosystem and platform thinking.

A: We’re glad to hear you say that. We just published an article in Harvard Business Review called *Pipelines, Platforms, and the New Rules of Strategy* about the power of platforms and leveraging the new rules of strategy they give rise to. We talk about Apple’s success in building a platform business within a conventional product firm. This holds critical lessons for companies across industries.

The move to platforms involves three key shifts:

1. From resource control to resource orchestration.

The resource-based view of competition holds that firms gain advantage by controlling scarce and valuable, ideally inimitable assets. In a pipeline world, those include tangible assets such as mines and real estate and intangible assets like intellectual property. With platforms, the assets that are hard to copy are the community and the resources its members own and contribute, such as: rooms or cars or ideas and information. In other words, the network of producers and consumers is the chief asset.

2. From internal optimization to external interaction.

Pipeline firms organize their internal labor and resources to create value by optimizing an entire chain of product activities, from materials sourcing to sales and service. Platforms create value by facilitating interactions between external producers and consumers. Because of this external orientation, they often shed even variable costs of production. The emphasis shifts from dictating processes to persuading participants, and ecosystem governance becomes an essential skill.

3. From a focus on customer value to a focus on ecosystem value.

Pipelines seek to maximize the lifetime value of individual customers of products and services, who in effect, sit at the end of a linear process. By contrast, platforms seek to maximize the total value of an expanding ecosystem in a circular, iterative and feedback-driven process. Sometimes that requires subsidizing one type of consumer in order to attract another type.

Firms that fail to create platforms and don't learn the new rules of strategy will be unable to compete for long. Of course, that is what our book is about.

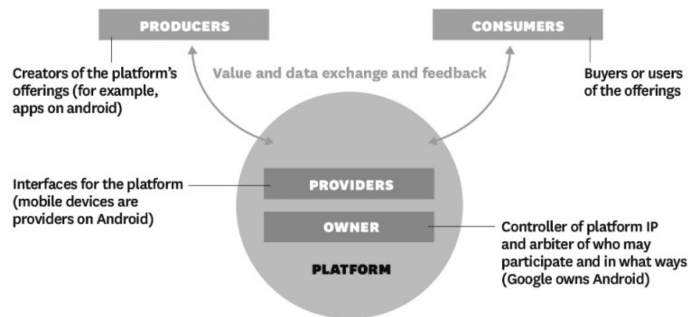
Q: So how do you define platform? And what is the Platform Revolution?

A: Platforms have existed for years. Malls link consumers and merchants; newspapers connect subscribers and advertisers.

What's new is that information technology has profoundly reduced the need to own physical infrastructure and assets. IT makes building and scaling up platforms simpler and cheaper, allowing nearly frictionless participation that strengthens network effects, and enhances the ability to capture, analyze and exchange huge amounts of data that increase the platform's value.

Uber, Alibaba and Airbnb, are all platform businesses, and they are all disrupting their industries.

A platform is a business based on enabling value-creating interactions between external producers and consumers. The platform provides an open, participative infrastructure for these interactions and sets governance conditions for them. The platform's purpose is to consummate matches among users and facilitate the exchange of goods, services or some sort of social currency, thus enabling meaningful value exchanges between all participants.



Q: Platforms all have an ecosystem with the same basic structure, comprising four types of players.

A: Owners of platforms control their intellectual property and governance. Providers serve as the platforms' interface with users. Producers create their offerings, and consumers use those offerings.

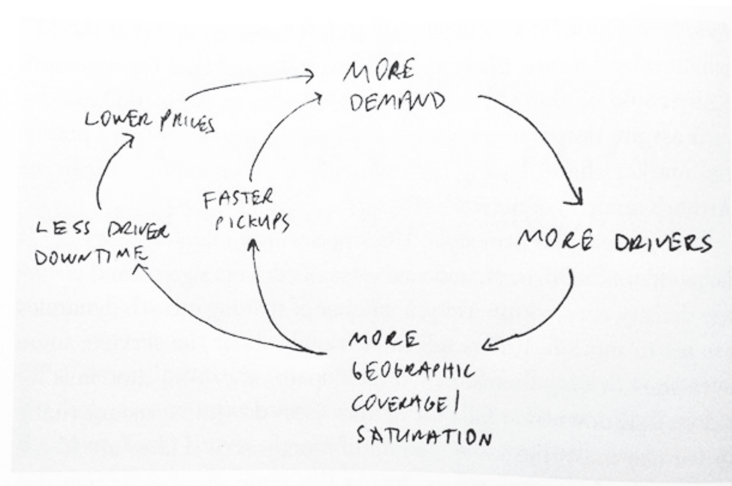
Platforms define who participates, how they divide or share value, and perhaps most importantly, how to resolve conflicts between participants. The matching exchange may be between user to user, consumer to consumer or producer to consumer. There's value in intangibles, social currency, even psychological needs.

For marketers, we see a shift with push marketing becoming pull, or in-bound marketing. External participants create value outside the organization. There are more smart people outside the organization than within. How will your organization tap into that talent?

At an operational level, platforms allow companies to move from "just-in-time" inventories to "not-even-mine" inventories. Even variable costs are outsourced. A company no longer has to own all the assets it needs to create value. It does not need to build spare capacity. It's capex is significantly lower because it uses the resources of third parties.

Q: Can you explain how platforms create network effects – negative and positive?

A: Network effects refers to the impact that the number of users of a platform has on the value created for each user. Positive network effects refers to the ability of a large, well-managed platform community to produce significant value for each user of the platform. Negative network effects refers to the possibility that the growth in numbers of a poorly managed platform can reduce the value produced for each user or participant. David Sacks' napkin sketch (below) for Uber's network effect shows the impact of a two-sided network. The more drivers, the more geographic coverage. The more geographic coverage, the less driver downtime and lower prices. This virtuous loop creates a spiral of value for all participants.



David Sacks' napkin sketch of Uber's virtuous cycle

The Uber example is what we call a two-sided network effect in which both the driver and the customer gain together.

Q: How do you recommend building platforms?

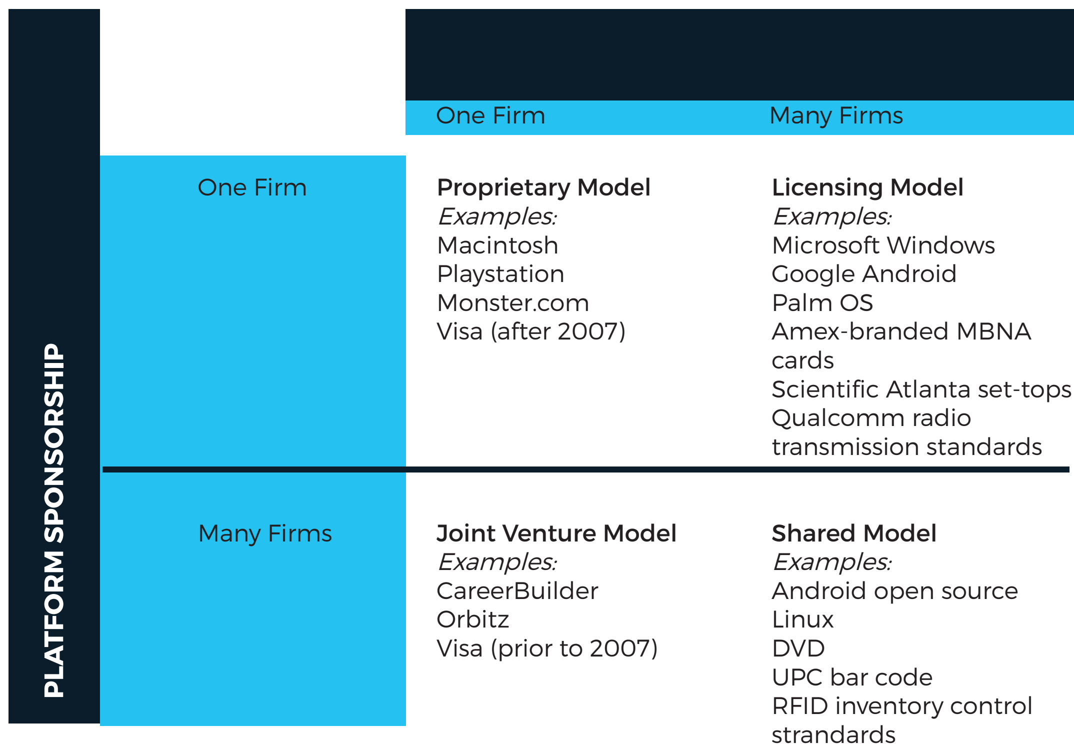
A: We think there are three factors at work here:

1. Magnetism: one side attracts the other – so more drivers for example means lower prices and more customer demand.

2. User-generated content – from comments and reviews, to expert contributions that educate participants.

3. Implicit creation of value – the platform owners glean learning from the platform users themselves to continuously improve the experience.

We see four distinct approaches for managing and participating in these platforms: a proprietary model, a licensing model, a joint-venture model and a shared model.



Reference: Four models for managing and sponsoring platforms (Platform Revolution, p. 136)

No matter what the model, we see the need for governance. Platforms must have a governance structure whether it is motivated by profit (as are most platforms today) or whether they will have more of a share ownership. Wherever innovation is needed to keep the core platform competitive, we see investment as central to survival. When investment is at the periphery, and the core of a platform is stable, we envision more collective business models.

Businesses may want to focus on the most valuable interactions in the platform, and build their business around those specific activities. Less important functions and activities can be developed by platform partners – third parties that are enabled by the platform.

Q; What industries are most vulnerable to the platform revolution?

A: In the years to come, we think certain types of businesses will be more likely to be impacted:

- Information-intensive industries
- Industries with non-scalable gatekeepers
- Highly fragmented industries
- Industries characterized by extreme information asymmetries.

Conversely, we see industries like healthcare, banking and even education resisting this shift for the following reasons:

- Industries with high regulatory control
- Industries with high failure costs
- Resource intensive industries

The impact of these factors will change over time. As more and more processes and tools get connected to the Internet, every industry has the potential to become an information-intensive industry. For example, resource-intensive industries like mining and energy will increasingly need to leverage the power of platforms, creating efficiency gains and faster learning by connecting their resources: material, labor and machines over a central network to coordinate workflows. Over the next few years, we will see the start of transformation in large resource-intensive companies as they leverage platforms toward greater efficiency gains.

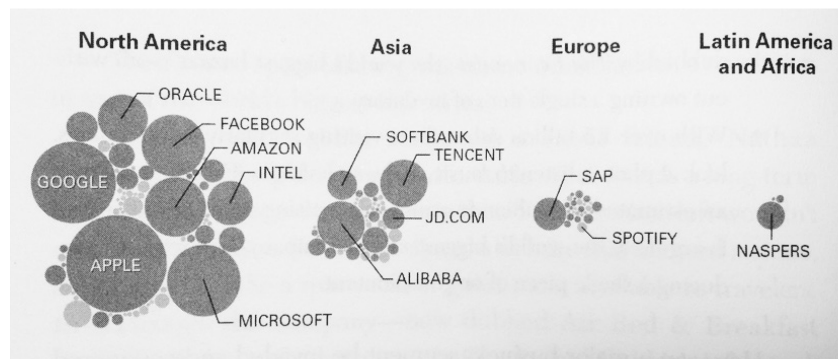
Q: What should businesses be doing to build customer intimacy in a platform world?

A: There are two approaches. One, where the business itself focuses on learning from the interactions of the platform participants to continuously refine their value proposition. We call this the “sensing function” of the platform. For example, Netflix can quickly learn which pilot programs will likely succeed before making significant investments in programming.

Q: Or Amazon can learn what will sell virtually before it deploys a pop-up store…?
Yes, exactly. This sensing function is a competitive edge.

A: The second approach is to encourage third parties to provide services that you don’t. So this creates a market for other participants on your platform.

Q: I was intrigued by your chart showing the growth in platform businesses in North America and Asia, but weakness in Europe. What is that about?



Reference: (Platform Revolution) Source: Peter Evans, Center for Global Enterprise

A: We just discussed this recently in Europe. We see three reasons. One is language. Both English and Mandarin have a large population to support large platforms. And second, the regulatory regime. In Europe there are too many barriers – for example, each country has a different privacy policy which does not easily facilitate platform growth. Silicon Valley is the third reason. The innovative and collaborative platform thinking is a product of the culture of the Valley. Of course that culture exists in other pockets around the world, but we’re lucky to have this engine of ingenuity in the US.

Interview by Christian Sarkar.

"Scaling Trust: Marketing in a New Key"

– An Interview with John Hagel III

John Hagel is co-chairman for Deloitte LLP's Center for the Edge with nearly 30 years of experience as a management consultant, author, speaker and entrepreneur. He is the author of numerous books, including "The Power of Pull," "Net Gain," "Net Worth," "Out of the Box" and "The Only Sustainable Edge." Previously, he was Global Leader of McKinsey's Strategy Practice and Electronic Commerce Practice (which he founded and led from 1993-2000). John holds a B.A. from Wesleyan University, a B.Phil from Oxford University and a J.D. and MBA from Harvard University.

Q: John, I remember reading Net Gain and Net Worth and thinking. When is this going to happen? When are companies going to truly be on the side of customers?

A: (Laughs). Coming from Silicon Valley, I often get this question from executives around the world: *What's "the next big thing"?* Usually, they frame the question in terms of the next wave of technology innovation. They want to know what's the next big technology that could disrupt everything?

That's an important question, but I often shift the question to disruptive business models. Too often we get distracted by the latest new technology, but we don't spend enough time thinking about the profoundly new business models enabled by these technologies. We fail to ask the Willie Sutton question:"Where's the money?"

In this context, I'm intrigued by the growing potential to scale a business model that has been around for centuries, but only for the very wealthy and successful. It's what I call the "trusted advisor." What's that? It's someone who, rather than sitting on the other side trying to push more and more products and services to me, crosses the table to sit next to me and gets to know me so well that he/she can proactively recommend things to me that I had not even asked about. But that turns out to be extremely relevant to my context, needs and aspirations.

So if you're a marketer, you're going to have to do some fundamental rethinking of your approach to marketing. The shift is from affluent niches to mass market.

The very wealthy have had trusted advisors for ages, in the form of wealth managers, concierge doctors or personal shoppers. This business model worked for them because the very wealthy could spend enough to justify the significant time and effort it required to get to know those people deeply enough to become trusted advisors. The rest of us simply could not access this kind of expertise and advice.

But that's all changing now. With the advent of Big Data, sophisticated analytics, social software, the Internet of Things and cloud computing, just to name a few of the enabling technologies, the "trusted advisor" business model now has the potential to expand from the niche of the very wealthy to become a mass market event. These technologies make it feasible to compile a detailed understanding of the social and economic context of the individual at much lower cost than previously imaginable. We don't have to submit to detailed interviews or fill out endless questionnaires to provide this information. The trusted advisor,

with our permission, can simply watch and analyze the "digital exhaust" from our activities to develop deep insight into who we are and what is important to us. Not only is this opportunity emerging because of the untapped capabilities of a growing array of digital technology. It also addresses an unmet need that a growing number of us have given the long-term forces that are driving the Big Shift on a global scale. The Big Shift is significantly expanding and rapidly evolving the array of options that are competing for our attention and money, and providing us with far more information about these options than we ever had before.

Yet, the truth of the matter is that, even with amazing technology advances, we still only have 24 hours in the day. One of our growing needs is to increase our ROA – in this case, return on attention.

If we had a trusted advisor or agent who knew us intimately and who could help us sift through all the options available to us, we'd get far more value per unit of attention than we ever could on our own.

Q: So this is like an extreme form of customer-centricity?

A: In broad strokes, we are moving from product-centric brands to customer-centric brands. Product-centric brands represent promises about products (or retailers) for example: "buy this product from us because you can trust that it will be a quality product at good value."

Customer-centric brands offer a radically different promise such as: "buy from us because we know and understand you as an individual customer and we can tailor an appropriate bundle of products and services to meet your individual needs better than anyone else." In other words, customer-centric brands promise that, if you give them their attention, they will give you a better return on attention than anyone else.

Relatively few customer-centric brands exist today. In some cases, you might think of your personal physician, lawyer or accountant. In other cases, you might think of a local, independent retailer like a specialty music store or wine store that has taken the time to get to know you as an individual customer and recommends products to you each time you come into the store.

In the journey from product-centric brands to customer-centric brands, many consumer companies have locked in on a transitional concept – segment-specific brands.

Two tests help us determine whether a company has a customer-centric brand.

First, such brands ultimately require product agnosticism. If a company is really going to gain the trust of customers, it must be prepared to offer the products and services of other companies, even of competitors. This will usually involve a fundamental re-definition of the business. In the terms introduced in my article in Harvard Business Review on *Unbundling the Corporation*, it requires a choice to become a customer relationship business rather than a product innovation and commercialization business. Most companies today are a hybrid of these two businesses (and a third, infrastructure management businesses). This is the underlying reason there is so much tension when customer segment managers are added to organizations with more traditional product brand managers.

The move to customer-centric businesses will force executives to reassess what business they are really in.

The second test of a customer-centric brand is whether the company focuses on building profiles, and measuring performance with individual customers.

These two tests are indeed challenging. But the rewards are significant. In markets characterized by intensifying competition and eroding margins, customer-centric brands provide a powerful way to attract and retain the attention and trust of customers. They also build substantial switching barriers, since competitors will find it very difficult to replicate individual customer profiles that become the basis for delivering tailored value.

To restore the power of brands, companies will need to master the techniques required to build customer-centric brands. It won't be easy. It requires a fundamentally different approach to marketing I call *collaboration marketing*.

That's also related to the work you did on unbundling the corporation – which eventually became the basis for the "business model canvas" framework that has become so popular today.

Q: How does collaborative marketing lead to unbundling?

A: Companies that master the techniques of collaboration marketing will start to build more trust with customers based on their increasing helpfulness in addressing the customer's needs. Companies traveling this path will ultimately need to make a very difficult choice if they are truly going to win the deep trust that they will need from the customer. They will eventually need to shed their own product businesses to reinforce with customers that they are truly impartial in terms of evaluating the full array of products and services that might be relevant to their needs.

Rather than staying wedded to traditional push-based marketing approaches that focus on intercepting, isolating and insulating the "target" customer, collaboration marketing harnesses the power of pull to attract customers, motivating them to seek you out because you are becoming more and more helpful, assisting them to get more value from the products you're selling. One of the most effective ways to be helpful to customers is by mobilizing a large number of third parties who have complementary products and services that can help the customer get more value from your own products and services. We are in the early stages of a profound shift in the economics of business that will transform marketing (along with many other things). Three shifts in economics are occurring in parallel.

First, we are moving from a world of relatively scarce shelf space to relatively scarce attention. Second, costs of production and physical distribution are significantly declining on a global scale and customer acquisition and retention costs are rising. At the risk of over simplification, value creation is shifting from businesses driven by economies of scale in production to businesses driven by economies of scope in customer relationships. Layer in a third factor at work – the systematic and significant decline in interaction costs that make it easier for customers to identify vendors, find information about them, negotiate with them, monitor their performance and switch from one vendor to another if they are not satisfied with performance. These three forces reinforce each other and help to explain the growing power of customers in markets around the world.

These shifts have broad implications in terms of marketing strategy, branding and marketing performance metrics. At the risk of underestimating, conventional marketing is built upon the three "I's":

- **Intercept** – target and expose customers to your message wherever you can find them.
- **Inhibit** – make it as difficult as possible for the customer to compare your product or service with any other options.
- **Isolate** – enter into a direct relationship with the customer and, wherever possible, remove all third parties from the relationship.

Nirvana is the walled garden of direct marketing. It is captured in the mantra of "one-to-one marketing" – one vendor dealing individually with each customer.

A different approach will be required to succeed in a business landscape defined by the economic shifts described earlier. I define “collaboration marketing”
in terms of three “A’s”:

- **Attract** – create incentives for people to seek you out.
- **Assist** – the most powerful way to attract people is to be as helpful and engaging with them as possible – this requires a deep understanding of the various contexts in which people might use your products and a willingness to “co-create” products with customers.
- **Affiliate** – mobilize third parties, including other customers, to become even more helpful to the people you interact with.

In contrast to the “one-to-one marketing” mindset of conventional marketing, collaboration marketing requires a “many to one” mindset. The winners in this new world will be orchestrators who can mobilize rich networks of resources to serve customer needs.

So it’s about building and scaling trust?
The key is we would need to deeply trust the business serving as our advisor or agent.

Q:How does that trust get built and preserved over time?

A: This is especially challenging in a world where all the surveys indicate we are rapidly losing trust in all of the traditional institutions – businesses, governments, schools and all kinds of civic institutions.

Trust comes in part from the realization that the business knows us as an individual very broadly and deeply and is not just treating us as one more nameless consumer based on aggregated data that covers only a slice of our existence. That’s the easy part, given the new technologies that are increasingly powerful and cost effective in capturing, compiling and analyzing large amounts of data related to our activities and interests.

The real challenge is in convincing us that the business will use all of this data to serve our interests, rather than the interests of others who are trying to “target” and “own” us. For a business to do this, it must reverse the trend of current online business models that have been moving from subscription based revenue models to advertising based business models.

As long as the business depends upon advertisers or commissions from vendors for its revenue, can there be any doubt about where the loyalty of that business lies? It will first and foremost be loyal to the advertisers that pay the bills. If I am truly going to trust my advisor or agent, I have to be willing to pay that business for its services and be confident that the business is not being paid by the product or service vendors trying to reach me.

The good news is that new technology platforms are significantly reducing the cost of building and running such an agent business at scale. The result is that the subscription services are likely to be increasingly affordable to a growing segment of the population.

Here’s another key ingredient for trust. We need to be confident that the business will not artificially constrain our choices but instead provide us with the full array of options that are available and relevant to us. This will make it very difficult for the Internet-based businesses that are diligently trying to build “walled gardens” to keep us from venturing out and exploring broader options.

It also makes it very difficult for any established product or service vendor to build the trust necessary to play the trusted advisor role. If you have some products or services that you’re trying to sell me, how can I trust you to present me the options offered by other competing product or service vendors? Would you really be willing to recommend a competitor’s products or services if they were in fact better suited to my needs?

Doc Searls, in his great book, The “Intention Economy: When Customers Take Charge” and its concept of “vendor relationship management,” came close to identifying the opportunity for a trusted advisor. My only reservation about his concept is that it tends to be very transaction focused and triggered by an explicit intention of the user. The trusted advisor concept that I am outlining goes well beyond transactions to be helpful to the users in getting maximum
value from the products and services they are using after purchase. It requires a deep relationship and understanding of the context and aspirations of each of us to be as helpful as possible in achieving our aspirations and adhering to our values.

The trusted advisor also doesn’t just wait for us to express an intention – it helps to shape intentions by proactively suggesting actions that we hadn’t even thought about but that turn out to be enormously valuable.

Q: So the trusted advisor is a disruptor of the status quo?

A: The trusted advisor business is likely to be disruptive to established businesses, both on the Internet and in the bricks and mortar space. Internet businesses have become deeply addicted to advertising revenue models and will find it very challenging to shift to a subscription based model. Bricks and mortar businesses – whether product manufacturers or retailers – have their own products that they’re trying to sell and would be deeply averse to recommending products or services sold by competitors.

But this is also why the mass market trusted advisor business model is such an interesting opportunity. There’s a white space out there defined by untapped capabilities and unmet customer needs that existing players will find very challenging to address.

When trusted advisor businesses begin to establish themselves, they could begin to capture much of the economic value that today is held by traditional product and service businesses and retailers. These trusted advisor businesses will now have a much deeper and intimate relationship with the customer than any of these traditional companies have been able to establish and they will have a growing ability to shape customer purchasing behavior.

These trusted advisor businesses could ultimately become infomediaries – a business concept that I first explored in Net Worth. Infomediaries have the potential to shift the ownership of customer data from the product and service vendors to the customers themselves. In this case, the trusted advisor could become the custodian of customer data, subject to the direction of the customers, manage it on their behalf and determine who can have access to the data and under what conditions.

The rise of trusted advisors could also undermine the scale advantages that have driven the growth of established businesses in the past, creating an interesting structural advantage over time that could marginalize large, established players.

The rewards will be significant for companies that target and successfully occupy the trusted advisor role. The economics driving this business model have powerful economies of scale and scope. The more I know about you as an individual customer, the more helpful I can be to you in terms of recommending things that are truly relevant to you.

This, by the way, is a key obstacle for product and service vendors; they typically see only a slice of the activity of the customer. It’s the classic “share of wallet” problem. For example, if I’m a bank, am I handling 90% of your financial activity or only 10%?

Economies of scale and scope go one step further as well. The more customers I serve as a trusted advisor, the more helpful I can be to each customer, since I am in a better position to look for patterns of needs and value across a larger number of more diverse customers. This can often prompt valuable recommendations: “You haven’t expressed an interest in this, but I’ve noticed that many people like you are using and getting a lot of value from this product or service. Would you be interested in more information about it?” And the more customers I serve as a trusted advisor, the more insight I can gain from feedback loops in terms of responses to recommendations that I’ve made. I’ll learn a lot faster than a business that is serving a narrower segment

As a result, the mass market trusted advisor business enabled by digital technology is likely to become very concentrated over time. In the early stages, we are likely to see trusted advisors emerge in specific domains like financial services, wellness and healthcare, home ownership and travel. Over time, though, leaders in each of these individual domains are likely to extend out into adjacent domains, until the trusted advisor is helping customers across all domains of their activity. Think about it. As an example, if I'm advising you about your financial needs and I know more about your health, wouldn't I be more helpful to you on a variety of fronts, including issues like investment goals and insurance coverage?

On a macro-economic front, the rise of trusted advisors is likely to accelerate fragmentation in other parts of the economy, especially in product and service businesses. A niche product or service business is likely to have much more success in connecting with the most relevant customers if there are trusted advisors that are investing in getting to know the individual needs of customers.

In contrast, the tendency of many consumer product businesses to consolidate in order to get preferred positioning in large "big box" retailers will likely diminish as trusted advisors become more active in shaping customer purchase activity and demonstrate their unwillingness to be influenced by product or service vendors.

Q: Does that mean that existing companies are precluded from addressing this emerging business opportunity?

A: Not necessarily. The mass market trusted advisor role is not here yet, but companies aspiring to target this role should not be complacent and sit on the sidelines. This new type of business will be driven by powerful economies of scale and scope that will make it increasingly difficult to challenge early entrants once they build critical mass. This is a business that will not be kind to "fast followers."

Given this, what should companies who are intrigued by this business opportunity do? Here are some early steps you might want to consider taking:

- Assess the customer data you might already have and determine where and how you might be able to proactively help customers (and resist the temptation to use this data for narrow cross-sell and up-sell purposes)
- Determine how you might be able to harness the Internet of Things and other technology to gain even more insight into who your customers are, how they are actually using the products and services you have sold them and their broader context
- Seek out and mobilize third parties that can help add value to the customers you are serving and connect them to your customers in ways that help them and provide you with more data and insight regarding their needs
- Find ways to engage in short term value exchanges that will demonstrate to customers that you are using their data to increase the value that they derive from your products and services and that will motivate them to share even more data with you

Remember, it's not about the data you capture but the value that you unleash from the data and deliver back to the customer. The data will ultimately migrate to the businesses that can create the most value for the customer from the data.

"Best Practice: Uncovering Unmet Customer Needs"

– Anthony Ulwick

Tony Ulwick is the pioneer of jobs-to-be-done theory, the inventor of the Outcome-Driven Innovation® (ODI) process, and the founder of the strategy and innovation consulting firm Strategyn. He is the author of "What Customers Want" (McGraw-Hill) and numerous articles in Harvard Business Review and Sloan Management Review.

How can you best capture a solid set of customer needs?

Knowing what a customer needs in different situations and how requirement statements should be structured and formatted is the key to success in innovation. Outcome-driven innovation (ODI) works when applied to product and service innovation as well as design, operational, organizational and business model innovation. The concepts apply equally well in all situations because the job is the same: to figure out what solution best satisfies customers' unmet needs.

The key to understanding customer interactions is knowing what inputs you are looking for. Companies must decide that the objective is to uncover either what jobs customers are trying to get done or what metrics customers are using to judge the successful execution of a specific job.

Using a mix of personal, ethnographic and group interviews, companies can map all the jobs associated with a given demographic and context. And, with practice, a small team of employees can be relied on to collect customer inputs for multiple areas of the business when the need arises.

To capture desired outcomes, a four-step approach is best.

STEP ONE: JOB MAPPING

Conduct personal interviews in order to dissect the job the customer is trying to get done into process steps. We call this process "job mapping." The job map is created so the company and the interviewer have a clear understanding of what job the customer is trying to get done — from the customer's perspective. It simplifies the data gathering process immensely if the interviewer knows which process steps to focus on when capturing desired outcomes. Without a job map in hand, even the most experienced interviewer is likely to struggle.

STEP TWO: CONTEXT

Conduct one or two ethnographic or observational interviews with customers to gain insight into the context in which the job is getting done. This will help the interviewer be more effective at capturing and refining desired outcome statements in subsequent interviews. These interviews also may be used to better flesh out the job map and begin the outcome gathering effort.

STEP THREE: OUTCOME METRICS

Conduct personal, small group or large group interviews to elicit from customers what metrics they use to measure success in executing each step of the job. This is where the bulk of the desired outcome statements are captured.

Group interviews may be mistaken for focus groups, but the goal here is to capture the customers' desired outcomes — an objective that is foreign in traditional focus groups, which are typically used to test concepts and get general customer feedback. To uncover desired outcomes, companies should first deconstruct the job into discrete steps and then ask, for each step, how performance is measured. Through this methodical line of questioning at each step in the value model, a complete picture emerges of all of the customer's unique measures of value in getting the job done.

STEP FOUR: FILL IN THE GAPS

Conduct interviews to fill in any missing details that remain after completing the first three steps. A company knows that it has uncovered all the customer's need statements when all attempts to capture outcomes related to speed, predictability and output have been exhausted for each process step in the job map.

The approach used to capture job statements is similar, but capturing job statements does not require the creation of a job map.

Finally, let's examine how you ask your questions.

If you truly want useful ideas, don't ask customers for them directly.

Avoid questions like "How would you improve this product?" or "What features would you like to see added to it?"

Instead, ask them about the "job" they use the product to do. Listen closely, and they'll pinpoint unmet needs, niches awaiting innovation.

What questions will get them talking? Try these:

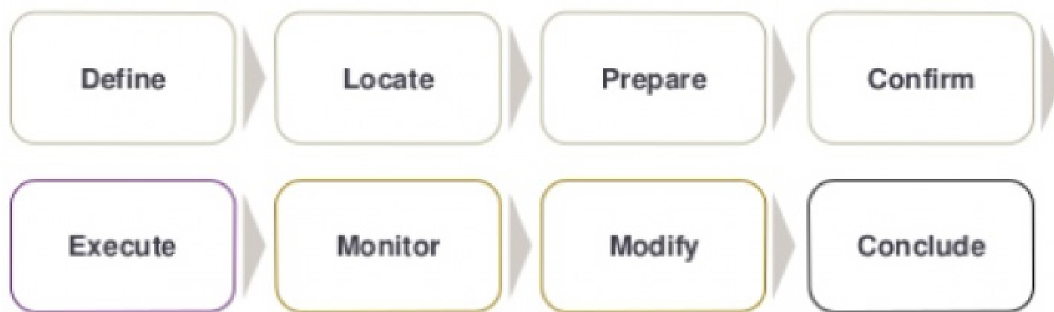
What makes this job — or parts of it — challenging, inconvenient or frustrating? The response should point you toward pitfalls that you may be able to address by creating a product.

What makes this job time-consuming? What you really want to know is whether a product that speeds up the process would be successful.

What causes this job to go off track? There may be an opportunity to reduce any instability.

What aspects of this job are wasteful? If you can find a way to boost efficiency, your innovation could be a winner.

Four step approach to capture customer's needs



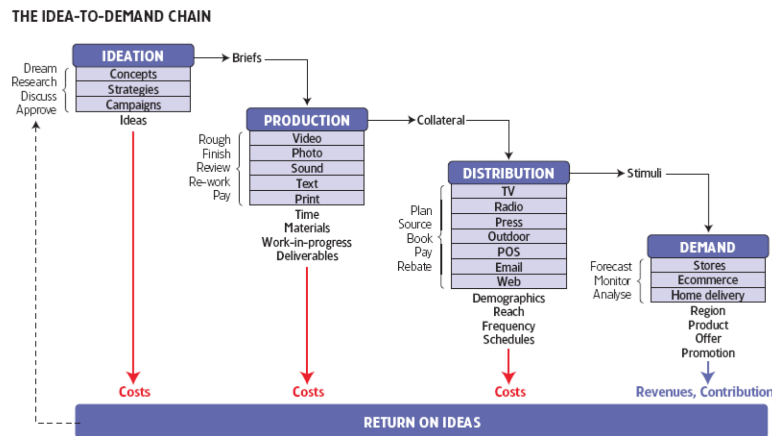
“Optimizing Marketing: The Ideas-to-Demand Chain”

– Robert Shaw and Philip Kotler

Marketing is the often viewed as an inefficient process in business today, while at the same time being one of the most important. Yet within it there is a business process that can be simplified and streamlined. Robert Shaw and Philip Kotler describe a comprehensive framework for auditing and transforming for long-term efficiency embraced by several multinationals. According to Kotler, more companies would do well to use a framework like this with the addition of blogs and social media broken out as distinct distribution channels.

Not a company in the world exists where top executives don’t worry about future demand, or don’t waste substantial money on ideas that were intended to boost or sustain profitable demand, but didn’t. More than 100 organizations, in all sectors and sizes, took us into their confidence and spoke candidly about how they struggle to drive demand while at the same time controlling costs.

We have distilled the essence of how the best differed from the worst, and encapsulated it into a performance-improvement framework that can be used by any company in any market. Most organizations have an overly complex and under-controlled process. We introduce a process called the *Ideas-to-Demand chain* (I2D), with less complexity and better controls. This article provides a framework for diagnosing and rethinking your I2D, making the process faster, transparent, reliable, cost-efficient and results oriented at the end of a linear process. By contrast, platforms seek to maximize the total value of an expanding ecosystem in a circular, iterative, feedback-driven process. Sometimes that requires subsidizing one type of consumer in order to attract another type.



What is the Ideas-to-Demand chain?

The I2D process can be pictured as shown in the diagram above; it is the mirror image of the supply chain and contains all the activities that result in demand being stimulated. Yet unlike the supply chain, which has successfully delivered economies of scale through process simplification and process control, marketing's demand chain is primitive and inefficient. In many firms it is fragmented, obscured by departmental boundaries, invisible and unmanaged.

The Process: Assessing the I2D chain

Idea assessment

- Find out how many new products, new varieties, flavors, colors or packages are being produced: how many advertising campaigns, brochures, direct mail shots, press releases, sponsorship events and activities, telemarketing scripts, web pages, banners, other internet activities, conference speeches, exhibition stands, etc.

Production assessment

- Map out the steps of your production projects. At the simplest, all that occurs is the brief, the supplier selection and a final sign-off. How many people can delay, obstruct or veto? Lawyers, sales people, procurement officers, senior executives, board directors and sometimes external regulators and civil servants. Discover how many external suppliers are involved in the production process: agencies, printers, internet firms, designers and photographers. Ask how many image and text files are created and saved, and how many more are licensed from image libraries.

Distribution assessment

- Find out how many media spots you purchase annually, and check how carefully they are selected and whether all the spots are really on target. How many sales staff and managers are responsible for distribution of brochures, promotional materials, sales kits, exhibitions, events and conferences? Investigate how much material is effective. If you work through a channel, how much of your material really gets distributed?

Demand assessment

- Ask how many demand streams – products, markets, segments, regions and locations – have to be monitored and tracked. Combine them as a matrix and you may be looking at millions of little streams of demand, all needing to be monitored. Find out who owns the responsibility for stimulating these demand streams, and ask who can tell you how much growth has come from their ideas. What methods are they using to analyze demand? Are they doing it rigorously, taking into account all the key factors, or do they say it's impossible to analyze?

Complex, wasteful and risky chains

Few people fully understand the sheer size, complexity, wastefulness and riskiness of the processes by which ideas stimulate demand. As a company grows in size its costs in managing ideas, production, distribution and demand explode. Management should assess these costs and work towards improving efficiency. The steps in the assessment are described below.

Rethinking the whole process
Here are some suggestions:

Embrace new roles and beliefs

- Arts and humanities graduates who conventionally seek marketing jobs widely believe ideas 'thrive on chaos'; they put up with mountains of waste, delays and cost overruns. They say, 'If we are more efficient, finance will take away our budget.' No they won't. They say, 'Marketing is too complicated to measure.' No it isn't. There is a willingness to suspend belief about numerical tests and experiments if an idea is attractive, and there is a tendency to bury dead ideas and mistakes. Rethink the way money and resources are allocated. Money should be allocated to maximize profitable incremental demand. Yet from our discussions with dozens of organizations, it became clear that budgets were not being allocated in this way. 'What did we spend last year?' was the commonest criterion. Profit increases led to budget increases, not vice versa, and pet projects would be funded in the face of contradictory factual evidence. The best solution is to use quantitative optimization techniques to make a cold, objective assessment of the profit maximizing allocation.

Rethink Ideas

- Manage ideas as a portfolio. Conventional organizations usually have a stage-gate process for managing individual ideas. Yet managing individual ideas effectively do not ensure that resources will be allocated effectively. In the case of Unilever, creating new ideas is central to its strategy, but it is also systematically cutting its portfolio of brands, products and stock-keeping units. One of the key processes that keeps creation and cutting in balance is portfolio management. Not only do managers have to make predictions for each idea (in a similar way to Diageo), they also review the entire set of ideas as a portfolio. The portfolio is assessed by scoring ideas in terms of consumer attractiveness and technical difficulty.

Share ideas and encourage collaboration

- Ideas that are being worked on by different departments, locations and business units are shared, to disseminate them faster around the organization and to reduce the reinvention of the wheel. This has been done at Motorola, the $37 billion global company with a long history of creating innovative products and services. Its ideas were scattered across regions, countries and business units. And they were stored in emails, Word documents and spreadsheets, without any easy way of sharing and collaborating. Today, they have implemented a common 'ideas bank' so that managers share ideas and encourage collaboration.

Rethinking production

Outlaw wasteful production

- The production process itself is very wasteful. Agencies rework roughs and rewrite copy over and over until it satisfies the critics in the marketing department, the sales team, general management and the corporate lawyers at each stage, losing some of its originality and meaning. And the more waste generated, the more agencies are paid, so they seldom draw clients' attention to the issue. The answer is to monitor rework and scrap, analyze the root causes and outlaw working practices that are generating high waste levels.

Reduce and simplify production checks and controls

- Multiple production checks and controls are useful only when the risks are high. Yet conventional production processes for advertising, direct marketing and other activities are replete with checking and control steps. Dozens of people spend time and energy critiquing work in progress, from juniors to the CEO. These multiple checks consume time and labor, and even the cost of checking and rework may even exceed the cost of the collateral being produced. The answer is to map out the processes, find out who the signatories and reviewers are, check the legal implications of checkpoints and then robustly cut any checks and controls that are not absolutely essential.

Reallocate work to where it's done most effectively

- Production work is often parcelled up around only a few powerful agencies (WPP, Publicis, Omnicom) who monopolize the entire chain for key activities, such as advertising or design. But they seldom provide consistent support across all parts of the chain, for all brands and products. Consequently many clients are renegotiating agency contracts to split away any activities where agencies are providing weak support such as: media, production or ideas. They are finding alternative new suppliers who can do a better job than the dominant agency. Conversely, there are examples of the opposite problem (ie large companies that have hundreds of advertising and other marketing services agencies, which are unmanaged and inefficient). This can lead to consolidation into fewer larger agencies. Production specialists can offer cost-effective solutions because of their investment in the latest technologies for workflow management. Specifically this includes project management and digital asset management, offshored arrangements to cut costs, translation specialists in 40 languages, special terms and technology integration with local production houses, multilingual local supervisory teams, sophisticated project reporting for clients, and transparent job costing and billing practices. Compared with these specialists, most general agencies are dinosaurs.

Rethinking distribution

Monitor and control media selection and buying

- Another common practice is for media selection and buying to have lax supervision. Prices and value for media are in constant flux. The solution is to demand much greater transparency from the media buyers and owners: clear media briefs, rolling media plans, reviewing final media buys against planned buys, media invoices and proof. Already it is becoming common practice for media auditors to carry out annual reviews, but companies are also starting to recognise that bringing the monitoring and control in-house is a more satisfactory solution.

Outlaw wasteful distribution

- The distribution process generates yet more mountains of waste. Promotional kits, brochures, leaflets, gifts, all enter the distribution chain. They are distributed to sales people, intermediaries, stores, bars and other points of distribution with the message, 'Please see that this is used effectively.' And from then onwards, they are neglected.

Rethinking demand

Attribute demand patterns scientifically

- Attribution of demand patterns to their underlying causes may be difficult, but it's possible with scientific tools and analysis. Demand patterns rise and fall, oscillate, vacillate and jitter in ways that are baffling to the casual observer. They are nudged and bumped and pushed and pulled by many forces and factors, many of which are not reported in detail to management. Enhance demand forecasting. Demand forecasting in many organizations is remarkably crude. Drivers of demand, ideas that enter the I2D, are

often neglected in demand forecasting. And supply chain managers often complain about the inaccurate demand forecasts they receive from sales and marketing. The solution to this is to enhance forecasting by giving early warnings of all the demand-driving activities.

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Making the changes stick

We've studied and observed more than 100 organizations. Some were studied continuously over five or more years, allowing us to observe how their working practices developed and evolved with the passage of time. All talked candidly about what worked effectively and what didn't. Most revealing were their comments about failed attempts to transform I2D. The mistakes are all there waiting to be made, and it's important to be vigilant and avoid them.

Common mistakes:

- junior people in charge of reforms
- people issues overplayed or underplayed
- sloppy implementation

Junior managers, such as market researchers or procurement managers, were often given the job of transforming marketing efficiency. However, they lacked the authority and experience needed to push through widespread reforms – and were successfully resisted by the majority.

Sloppy implementation was another problem. We heard slogans about efficiency and return on investment, and we saw mission and vision statements – but without project plans for implementing the reforms, little progress was made.

Change was optional, sloppy processes were tolerated, measurements were inaccurate or late, complexity was allowed to persist and benefits were not seized.

Yet a minority successfully implemented widespread efficiency improvements and made the changes stick.

Key themes were:

- hands-on top executives
- people must change
- new or improved systems

CMOs or their deputies spent part of their working week making sure that the reforms were pushed through; they rolled up their sleeves and poked in their noses. While junior staff organized the mechanics of the change programs, streetwise CMOs didn't leave them alone for long periods. They got actively involved in making sure that the changes were made, and that they were stuck to. People knew they had to change and they knew it wasn't optional. In one case, the company decided its senior team lacked sufficient commercial skill and hired a new team with the requisite skills. Systems were introduced or improved in three areas: workflow management, financial reporting and digital asset management. Although some efficiency gains could be made with no new systems, the biggest wins seemed to come with new systems.

Regardless of any potential pitfalls, we are encouraged by the successes of companies that rethought their I2Ds. Companies that approach the demand chain as an opportunity similar to the supply chain – with thoughtfulness, commitment and strong executive leadership – will succeed at it and reap substantial benefits.

Underwritten by Harte Hanks, The MarketingJournal.org is an online resource bringing together business executives, marketing thought-leaders, professionals, and practitioners, to:

- Learn about next practices in marketing and branding
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- Examine and understand the specific factors that contribute to improving the effectiveness of marketing strategy and execution
- Develop recommendations for creating and sustaining an innovative marketing discipline within your organization
- Foster discussion of lessons learned
- Analyze and comment on industry-shaping news
- Create a framework for measuring new marketing performance criteria
- Nurture a worldwide community of marketing professionals

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