

HIDING IN PLAIN SIGHT



*How to Create your Company's
Next **Big Growth Strategy:**
10yrs. Later*

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10yrs. Later*

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THE BIGGEST OPPORTUNITIES ARE HIDDEN IN PLAIN SIGHT

~ Vivaldi Group

HIDING IN PLAIN SIGHT

How to Create your Company's Next Big Growth Strategy: 10yrs. Later

Introduction

In 2007, we created the Demand-first Innovation and Growth model (DIG). This framework proposed a systematic, repeatable process to help brands identify the biggest opportunities for innovation and growth hidden in plain sight. By creating an innovation playbook and accompanying strategy, companies could then effectively leverage those opportunities for substantial new growth.¹ We wrote the book because we believed executives were missing out on huge and camouflaged market opportunities. How else can we explain Kodak's myopia against digital cameras? How else can we understand Sony's dismissal of the iPod? How else could Blockbuster have ignored the impending threat from Netflix? The opportunities were there for the taking, but only a few saw them clearly enough to build large and successful businesses around them. What we found were many executives – despite or perhaps because of their success – all developing particular blind spots that hindered them from seeing these opportunities. We concluded that, contrary to the popular adage, success does not breed more success – it breeds failure. The more successful a

brand, the more its leader looked at the world from the inside-out – from the existing product set, capabilities, and past experiences.² Consequently, success narrows the aperture for executives, a smoke screen develops, and potential innovations remain hidden in plain sight. Today, it is disheartening to see so many leaders still fall victim to those same innovation blind spots.² But that's not the only challenge facing executives. To solve today's problems, we need even more than the D.I.G. model or another application of design thinking. The fact is:

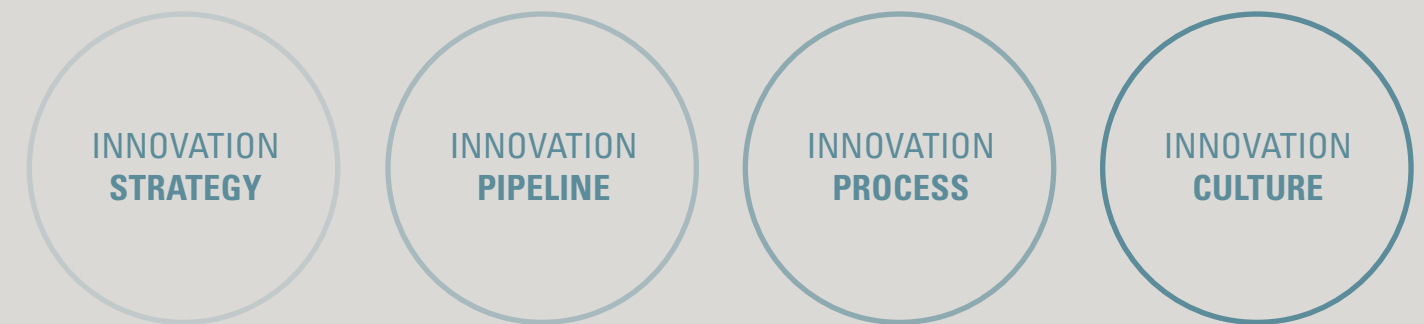
94% of executives are unsatisfied with their firm's innovation efforts, even though 84% say innovation is a high priority.³

In this chapter, we will describe the D.I.G. model and how it's been successfully applied by several hundred companies in a variety of industries. We will emphasize its latest developments and new tools that successful strategists deploy to see real boosts in innovation.

THE DIG MODEL

~ Vivaldi Group

(figure 1)



Competitive Advantage

WHAT are the biggest strengths of our company and our ecosystem and how we drive growth?

Business Model Exploration

HOW do we redefine our business strategy and achieve buy in from our entire ecosystem?

Demand First - Growth Platforms

HOW can we translate trends into new business concepts to identify new sources of volume in our crowded category?

Brand & Innovation Roadmap

HOW do we innovate to create new value in both the short-term and long-term?

Process Design

HOW can we design a process that allows to create repeatedly new innovation that create value?

In-Market Activation

HOW do we holistically activate our growth platforms to bring innovations to market?

Organizational Alignment

HOW can we align an entire organization's around common consumer goals?

Capability Building

WHAT new capabilities must an organization build or rent and leverage to become demand-first?

THE DIG MODEL

One of today's fundamental principles for success is that innovation needs involve the entire organization including a company's ecosystem partners and complementators. It is not enough to assign the responsibility to just one individual or a department. And an innovation lab has to be more than "innovation theatre."⁴ Innovation itself must be deeply embedded internally and externally. To this end, innovation is typically organized around several capabilities and efforts (Figure 1 - pg.6):

Innovation Strategy ~ a blueprint for achieving key innovation outcomes, with development methods for its requisite products and services

Innovation Pipeline ~ the portfolio of initiatives that will drive new growth for the company over time

Innovation Process ~ the systematic guidelines that specify the steps the company must take to innovate around customers again and again

Innovation Culture ~ the mindset, structure, and systems the company needs to consistently drive new growth from within or its broader ecosystem

While the D.I.G. model focuses on all these areas, at the core is the innovation process that delivers the innovation pipeline. This innovation pipeline is shaped by the company's strategy and innovation culture. In these next sections, we will describe how to apply the D.I.G. process.

STEP 1

CREATING THE DEMAND LANDSCAPE

To understand the opportunities for innovation, one has to first understand comprehensively and fully, demand from an outside-in perspective. We see demand as a complex construct of underlying broad motivational forces of consumer behavior such as needs and wants as well as specific goals, end states or outcomes that a person aspires to achieve within a given context. For example, a consumer might have the goal of running a marathon under 3:30 hours or save for a down payment for a new apartment before marrying next year. An understanding of this contextual goal setting-goal pursuit process helps the identification, learning, and interpretation of meaningful innovation opportunities, and how to market them. It provides a fresh and new perspective for new growth.

It's too easy to fall into the trap of defining demand simply in terms of broad consumer needs and wants, typical segment delimiters or personas, industry boundaries, or category dimensions. The problem with these broad definitions of demand is that they inhibit the search for innovation that really solve something of value for consumers. Often, they'll focus on some consumers while ignoring others, or fixate executives on the product features, category,

or competition. This can lead to innovations that merely evolve a company's current offering and keep it relevant, but does not create a new source of sustainable growth. Over many years, Gatorade expanded sales from athletes to casual drinkers, by adding new distribution channels, and by launching new variants and flavors. The brand grew until it didn't. For several years until 2009, the brand declined. Then, it reversed its fortune and grew steadily ever since again. How?

Gatorade found success when it created a new demand landscape, one that not just focused on typical demand or category dimensions, but on the specific goals of serious athletes in three contextual moments of athletic performance: before, during and after exercise. Deep analyses and understanding of the goals of athletes during these moments of peak performance with regards to hydration and nutrition led to creating the 1-2-3 G series of products, and a range of innovations from gels, bars, protein smoothies and shakes. It scrapped a good part of its innovation playbook it had until then, and launched a series of highly successful marketing initiatives. Sales growth, market share, and average price points realized increased as a result.

The story of Gatorade is instructive because it shows how the creation of a new demand landscape reframes the search for innovation opportunities, changes the innovation playbook, and the marketing of innovations for a dominant brand in a relatively mature and highly competitive category. The key to the creation of this demand landscape is to focus on something truly important to consumers and solve something truly worthwhile for them. For Gatorade this was the nutrition and hydration needed before, during and after intense exercise. What Gatorade did not need was another innovation project, or some form of innovation theatre that promises a breakthrough or game-changing innovation concept or two. What Gatorade needed was a way to break from the success formula that let to its growth since the 1960s, and redefine demand in an innovative and new way – from the athletes' daily life perspective.

That's why we recommend mapping the demand landscape by observing the challenges consumers face in their daily lives, before acknowledging a company's current offering. The inspiration for a new demand landscape can come from a casual observation or the brilliance of a member of the in-

novation team, but more often, it is the result of a systematic and repeatable process of mapping demand. We start by dividing the athletic performance into stages from: how to prepare mentally and physically to achieves goals of performance to how to help ignite and hit that switch to explode into action. Based on this initial conceptualization, we conduct interviews, call them confessional interviews because we ask athletes and consumers to reconstruct the moments or episodes of a time when they "prepared" for goal achievement, and explain what happened during those moments in their own words. Athletes might talk about the day before a race, getting ready in the morning, or a moment shortly before working out. We then analyze, categorize and structure, how they take care of "fueling" their body to be ready for athletic performance. Often, we record consumers' activities, task and things they do minute by minute or in certain time intervals. These interviews follow a semi-structured methodology.⁵ As these are an important part of the innovation process we are adding a section on this at the end.

STEP 2

REFRAMING THE OPPORTUNITY SPACE

While the previous step is primarily one of inquiry, this second step is about discovery. By changing the context of inquiry or perspective, we see things differently and discover new opportunities. Consider a car not as an automobile but a gigantic smartphone in which you can drive in. How does this change your view of mobility? What features would you want the car to have? Step 2 uses a set of structured thinking tools that deliberately force this kind of thinking from new perspectives and from different angles. The goal is to broaden the market to the maximum range of opportunities. It is not only a creative process, but a structured problem-solving regimen that delivers insights to drive new demand and growth.

One simple tool uses a set of What-If questions from a company or brand perspective.⁶ What if Nestle wanted to be the Lululemon of food? What if Uber is not just a different kind of a cab service, but a technology company that enables all sorts of on-demand services?

Another set of What-If questions can frame the opportunity space from a consumer perspective. Experts can be posed a common challenge and then asked the question: What would Croesus do? We call it the Croesus question because Croesus was the King of Lydia in Ancient Greek times and was renowned for his great wealth who had no limits on how much to spend.⁷ How would Croesus solve for the well-known challenge that water resources may soon meet only 60% of the world's water demands, as the need for water will significantly rise over the next years? The Croesus question helps to come up

with a solution to a problem as there would be no constraints on resources, financials or budget. This thinking helps to expand the opportunity space. From there, start thinking of less costly or resource intensive solutions to the same problem.

These are just a few examples of structured thinking that the innovation strategist can use to expand and broaden the demand landscape's contours. Figure 4 (pg. 12) shows nine tools of reframing. Three tools help to look at opportunities from the perspective of an individual consumer:

Goal Adjacencies: This requires exploring adjacent goals. Allianz, the large insurance company found that one adjacent goal of older consumers is helping grand children with getting their lives in order. This led Allianz to consider various innovation concepts that explored offering its services as gifts to family or significant others.

Related Activities: This tool requires looking at adjacent activities. Consider the success of Actimel from Danone. As a yoghurt, Danone was mostly known as a healthy snacking alternative. When Danone rethought yoghurt as a breakfast alternative or meal substitute with the launch of Actimel by introducing vitamin supplements in a yoghurt drink, it significantly expanded the opportunity space and sales took off.

Priorities/Tradeoffs: This tool requires identifying ways to solve a major consumer contradiction. Typically, consumers prefer good designs but often can not afford it. Design is expensive. IKEA

solved the contraction by offering good design at affordable prices, by cutting costs on assembly and delivery which consumers have to do themselves.

From a market perspective, the way of expanding the opportunity space requires to look at unique angles of the market where for example the product no longer existed, or where a competing product substitutes and existing one. Three tools are:

Substitutes and Spoilers: Becker and Blaupunkt are two leading car stereo companies. A way for them to explore substitutes is to analyze how the iPhone substitutes the car stereo. By looking at potential substitutes, the brands can see how they can broaden their offering through better in-car entertainment systems that link seamlessly link up to smartphones.

Enhancers, Complementers and Enablers: From one perspective, the LEGO brick was doomed to fail in the world of video games and new "digital" kids but LEGO found success by sticking to the brick and building a set of enhancers, complements and enablers around it, consistent with its mission to inspire and develop the builders of tomorrow. These complementers broadened significantly the opportunity space beyond the boxes of plastic pieces.

Segments of Opposites: This tool requires looking at extreme segments. CavinKare found success in the Indian market by reframing the market for skin lightening beauty products at the bottom of the consumer pyramid. The compa-

ny significantly broadened its market by offering its high quality Fairever brand at "snackable" or small-sized quantities and innovative pricing

From an industry perspective, three major tools help to expand the opportunity space.

Changing Industry Assumptions: This requires defining the fundamental beliefs held in an industry and then challenging them. The global fashion brand Zara did it by rethinking the supply chain. Until Zara, the industry believed that fashion requires two collections a year. Zara challenged this assumption and has created a supply chain model that allows it to change its entire collection every 30 days or less.

Discontinuities: Discontinuities are major changes in the environment. The costs of LiDAR sensor technologies for example have dropped from over \$70,000 to less than \$1,000 in five 8years. This exponential cost reduction has significantly changed the market for self-driving cars and expanded the opportunities for new mobility services.

New business models: This is one of the most important ways of reframing demand opportunities. Salesforce, the large software company created the market for software as a service. Airbnb added 2.3 million rooms to the total worldwide supply of 7 million hotel rooms. Airbnb does not own the rooms but created platform business that created new value for consumers, and hosts.

STEP 2 (figure 4)

NINE ILLUSTRATIVE
TOOLS FOR
REFRAMING DEMAND

WE SEE THINGS
DIFFERENTLY &
DISCOVER NEW
OPPORTUNITIES

<i>Eyes of the Customer</i>	<i>Eyes of the Market</i>	<i>Eyes of the Industry</i>
<i>Goal Adjacencies</i>	<i>Substitues and Spoilers</i>	<i>Changing Industry Assumptions</i>
<i>Related Activities</i>	<i>Enhancers, Complementors, Enablers.</i>	<i>Discontinuities</i>
<i>Priorities / Tradeoffs</i>	<i>Segments of Opposites</i>	<i>New Business Models</i>

STEP 3

STRUCTURING THE OPPORTUNITY SPACE

While reframing helps to broaden the opportunity space and define new demand spaces, structuring helps narrow the innovation playing field. Structuring involves looking for patterns or groupings that are meaningful and valuable to consumers. Structuring the opportunity space involves creating growth platforms. Growth platforms group a set of new innovations, products, services, or sets of methodologies, tools or capabilities that collectively solve for the challenges of the consumers as described by their goals and activities and priorities.

Growth platforms define the “why” of innovation. Growth platforms define the innovation challenge from a consumers’ or outside-in perspective. A platform defines what to solve for that truly adds value in consumers’ life, that is, how a company help consumers in their goal pursuit in daily life. It helps the strategist to think of the capabilities that are necessary to create a new product, the degree to which it needs to leverage the broader business ecosystem through partnerships or licensing, it helps to broaden innovation beyond products and services and include for example business model innovation or new ways of capturing value.⁸

It is our experience that, all too often, the ideation effort is focused too narrowly, solving for a single new product or service. The problem is well at display in the CPG category. Hall, Wengel and Yoon (2016) note that while new product activity is very

high in the category, of 20,000 products launched between 2012 and 2016, only 92 had first-year sales exceeding \$50 million. Less than 20% of initiatives generate greater than \$10 million in year-one retail sales, and 54% produce \$3 million or less. Overall, 85% of innovations have failed within two years.⁹ We believe the reason for this miserably high failure rate has to do with the fact that innovation focuses too often on a single product, essentially pushing new SKUs on the shelf. The failures come from the most respected companies such as Coca Cola that launched Coke Life or Google that launched Google Glass as one of the most hyped pieces of new technology.

When innovating around a growth platform as Nestle did when it achieved success with Nespresso. Nespresso is a dedicated espresso machine and coffee pod or capsule system that has been built through a number of small but meaningful innovations that recreates the espresso experiences for affluent consumers in their homes.

Growth platforms are designed to avoid the problem of the one hit wonder innovation. They provide a springboard and guidelines for growth platform innovations today but also for future products and launches in years to come. Growth platforms uncover opportunities for innovation and growth not visible from an individual product perspective. In luxury travel, for example, a growth platform could be made up of needs, situations and customer

characteristics such as indulgent productivity for business-oriented luxury travelers, or convenience for business travelers who are more concerned about location and consistent quality. These two growth platforms lead to very different innovation ideas.

There are several steps to follow in creating growth platforms. The first step is to determine the strategic logic that governs the growth platform. An example might help to illustrate. Years ago, Kodak could have determined the market from a product logic, and divide its business into camera and film, and within camera it could subdivide the business into professional versus consumer use. A better way would have been to define the logic around consumers’ activities and goals they seek around managing their memories: taking picture, modifying pictures, developing the film, sharing pictures, and storing pictures. The second step is to pressure test alternatives to the strategic logic? Would organizing Kodak’s demand around managing be memories reveal new opportunities? Would organizing such a logic benefit from an additional structure such as segmentation? This would make sense if different consumer segments’ needs, wants or preferences around the various activities of managing memories varies greatly. Young families might value more sharing family pictures with the extended family or friends. Consumers might differ greatly in their likelihood of storing of photos and keeping them forever.

The third step is defining the most valuable growth platform. Finally, the resulting growth platform is quantified. It is our opinion that while it is very difficult to assess the potential of new innovation before an innovation is launched, it is relatively easy to quantify the growth platforms through standard survey methods.

The problem with the dominant design thinking approaches of today is that prototyping and testing isn’t the last stage of the innovation process. It is just the end of the beginning of the process of creating sustainable growth. Innovation success requires a set of instructions that a company creates for itself to ensure discipline in launching the innovation in the market place, and enabling the processes inside an organization. And it is fact that the discipline and set of instructions simply don’t exist. Nielsen discovered that 25% of the 20,000+ product concepts lacked a compelling value proposition. Without it, the chance of success is only 5% in the market, only 50% of prototypes can be translated in products that score high enough for in-market launch, and of those more than 25% still fail because of weak in-market execution.¹⁰ This is why the DIG model has a fourth step: the formulating of a strategic blueprint for action which we will describe in the next section.

STEP 4

FORMULATING A STRATEGIC BLUEPRINT FOR ACTION

This range of tools defines in-market actions and activities required to move innovations toward realization. It provides an essential framework for prioritizing growth platforms and achieving growth objectives, but also defines an action plan for branding, customer experience, and marketing.

Using a simple strategy formulation process focuses the effort in meaningful ways. Over the last 20 years, we've applied this process in several hundred situations with senior executives in a wide variety of industries. At its core, the process involves three major questions:

Objectives: What are we trying to achieve?

Advantage: What resources do we have to achieve these objectives?

Scope: Where will we compete?

We utilize a facilitated workshop methodology to implement this process.¹¹ In my experience, the DIG perspective tests some of the fundamental questions of strategy or branding. Traditionally, the key questions of strategy are: What business are you in? Where do you play? How do you win?

It is helpful to explore just for illustration the first question of "what business are you in?" from the

D.I.G. perspective. Nike isn't in the shoe business, we readily agree. Many would say Nike is in the business of inspiring the athlete in all of us. This is true from the perspective of Ted Levitt.¹² From a D.I.G. perspective, though, it is necessary to consider and understand the moments of how consumers live. They really don't live in the abstract, they live here and now in the daily grind of managing their health, sports and fitness while everything else gets in the way. Strategy needs to answer the question of what are consumers solving for in their daily running routines? And then follows the essential question of Nike: what business are we in?

The answer: Nike is in the business of solving for the daily routines of runners. Is Kellogg's in the cereal business or the health and wellness business? Well both, and none of these answers are good enough definitions of the business that Kellogg's is in, today. Is Tesla in the transportation business or in the technology business? Or none of the two? Is Tesla in the business of using technology to help people solving transportation in urban areas? There is value in answering the "what business are you in? Question by clarifying what achievement of goals do you improve, what activities of the customer do you enable, what decisions you make easier for customers? Where do you minimize customers' effort or time?

Brand Strategy

As it is with the change in business strategy, the DIG perspective can change the way brands are built. In the traditional sense, branding is about shaping perceptions of customers by positioning brands relative to competitors' brands based on a set of attributes that are meaningful and relevant to customers (Aaker and Joachimsthaler, 2000).¹³ From a D.I.G. perspective, solving for this traditional view of branding is just the cost of entry today. Relevant differentiation is necessary but not sufficient. Successful brands don't merely shape attitudes, they do, show and demonstrate how they solve problems given customers' goals, activities and priorities.

The question of how a brand compares relative to competitors is replaced by how a brand solves a daily life challenge of a consumer. GoPro is not just a better action camera relative to other camera manufacturers, GoPro is helping people capture and share meaningful memories of their lives. GoPro does not merely compete against competitors, it primarily competes for the limited attention of consumers, for the nip of effort they allocate toward capturing and sharing memories in the context of what really matters to them: surfing, snowboarding or spending time with family. Moments that matter.

Why then again this fourth step of the innovation process in the D.I.G. model? Because innovations fail in the market place, not in the prototyping stage. All of the several thousands of innovations that are launched on supermarkets every year have cleared enormously challenging innovation hurdles such as the stage-gate process. All of these innovations have been researched and tested in-market with all sort of marketing research techniques.

All those innovations have been guided by a competent manager, executive or team that had an inner conviction that this innovation will be successful in the market place. And in the end, despite the overwhelming facts and evidence from research along the innovation process, despite the unshaken beliefs that this innovation will succeed, the innovations failed, at least 85% of the time. That's why innovation success is not about an idea or design or a prototype, it is about launching successful in the market place and having consumers adopt the innovation in their lives to help solve something that really matters.

WHY IS INNOVATING SO HARD?

CHALLENGES AHEAD: WHY IS INNOVATING SO HARD?

In this chapter, we have described the D.I.G. model and our experiences with it to date. Like other innovation approaches, our ambition has been to improve the outcomes or success rate of innovation. However, ten years on, the success rates of innovations launched in the market has not improved despite the many years of scholarship and practice. It is a reasonable question to ask why? We think the answer lies in the fact that we are facing an entirely different consumer or customer today. The economic context has changed. We live in the attention economy. It is where consumers' attention is the scarce commodity. In this economy, successful innovation requires a minimum level of attention and effort on the part of consumers in the market place. That's the real innovation challenge! At the center of the attention economy is a new and smart consumer who is a more empowered, more connected, and more proactive consumer. Technology isn't just changing them, it changes how consumers relate to others and how they go about their daily lives. In order to manage in an attention deficit world and of accelerated change, they adopt technologies and tools to solve their daily life challenges. They buy a product or service, or rent, borrow or share to solve something, to achieve a specific goal or satisfy a need or want, so as to quickly get on with life.

Four dimensions make up this attention economy:

1. CONSUMERS ADOPT TECHNOLOGY AT AN EXPONENTIAL RATE. It took 38 years for 50 million consumers to adopt radio, 13 years for TV, 9 months for Twitter but only 80 days for the iPad.¹⁴ Consumers also adopt new innovations at an accelerating rate but also discard them quicker.

2. CONSUMERS ARE MORE ACTIVE PROBLEM SOLVERS. They set goals, pursue a set of activities to achieve these goals, and make decisions given constraints such as time and money. They hire technologies, use search and filter tools, crowd source friends and strangers, and with intent to get the daily job done. They budget and optimize and strive to become efficient and effective decision makers who seek value and utility from products and services to manage their lives.

3. CONSUMERS POWER THROUGH search, evaluating, buying and using products and services in an erratic, zigzag, sporadic and peripatetic way jumping from product to technology to service, brand to brand, from channel to channel, device to device all the while they are taking care of what really matters to them –much like a bumble bee goes about life. The customer journey is not a journey it is a sprint with a thousand turns.

4. CONSUMERS TODAY ARE DISTRACTED in a world full of noise. Their attention is the scarce commodity, not money. Attention is the most valuable currency. Consumer attention span has declined from 12 seconds in 2010 to 8.25 seconds below that of a bumble bee or goldfish for that matter, while the constantly increasing amount of information in our information-rich world further creates a bottleneck on consumers' time and attention.

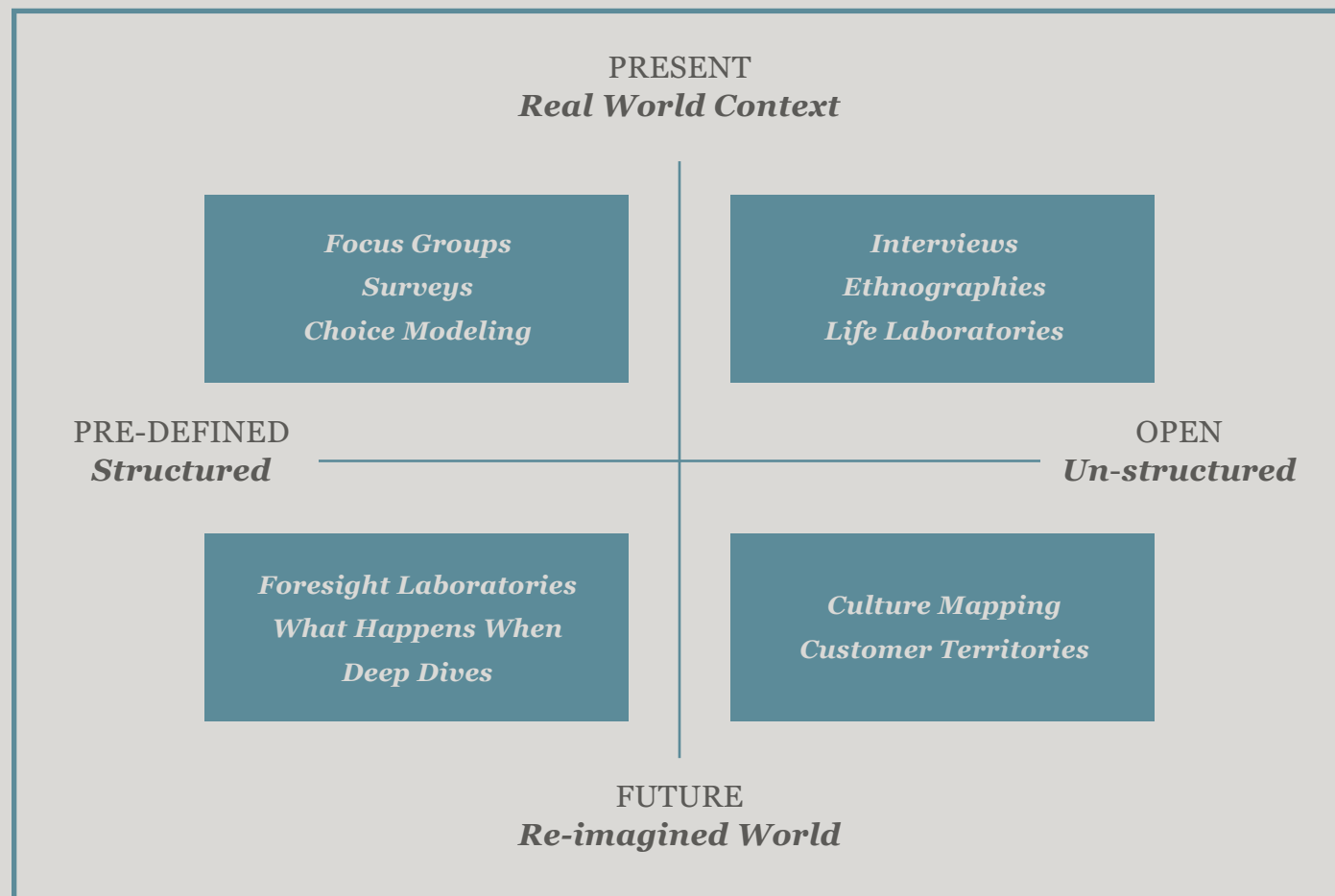
***In short,** consumers power through the days, weeks and months to get their life projects, tasks and things to do done quickly and efficiently. They substitute brands or products, willingly discarding them at an ever more alarming rate, they are far more willing to experiment, they are wary of any hassles of shopping, they switch brands or channels at the spur of the moment, they skip marketers' messages with intent and quickly see through the wiles of advertisers. Long gone is the gullible consumer of the "Mad Men" world that could sell a product or service or a new innovation through clever advertising alone. That's the innovation challenge today and the years to come.*

A NOTE ON RESEARCH METHODOLOGIES

Given the importance of research in discovery I'm adding an additional note on research for the benefit of readers.

Interviews are a key tool in creating a new demand landscape. However, it is helpful to employ interviews as part of a well-designed research effort. Figure 3 below shows four broad types of research efforts:

RESEARCH METHODOLOGIES (figure 3)



LIFE LABORATORIES. These are digital and virtual platforms (part mobile, part social, part research community) that provide real-world contexts for studying the moments of typical consumer challenges. Typically, a large number of consumers participate in the Laboratory over several weeks. While many do share access to their social media and digital browsing activity, all participants keep a diary of broad consumption and purchase behaviors – as well as their personal projects, daily to-do lists, and other matters that put constraints on their time.¹⁵ We then conduct selective interviews with a smaller set of consumers. In addition, some consumers participate in video focus groups, ethnographies, and mobile-tracking studies.¹⁶ During the study, we maintain close interactions between Life Lab hosts and participants through text messaging, chat discussions, message boards, video interviews, and email. Through the right combination of data and information supplemented by confessional interviews, it is possible to gain a comprehensive understanding of consumers' lives which opens up areas of deep exploration. Innovation opportunities lie in this fertile ground.

FORESIGHT LABORATORIES AND WHW DEEP DIVES Inviting diverse experts to participate in a virtual think tank, Foresight Labs imagine a world years in the future based on input from the preceding Life Labs. These collaborative sessions typically run for about six weeks. In order to explore future demand, we use “What Happens When (WHW)” Deep Dives – “What happens when there are 24 billion connected devices and only 7.6 billion humans? How will this change the way consumers solve for [x]?”

We also found success with WHW Deep Dives involving specific consumer groups such as lead users, extreme users, and fringe users. For example, we compare grocery shoppers that are early adopters versus traditional shoppers of the new concepts such as AmazonGo (stores without checkout lines), AmazonFresh or FreshDirect (regular online shopping delivered to the door), AmazonFresh Pickup service which allows ordering online while picking up groceries minutes later in a drive-through type store. Understanding the differences in behaviors of these “lead” users from other shoppers, and discussing them with retailing or technology experts, provides valuable input for a forward-looking demand landscape.

CULTURAL MAPPING. Conducted on its own or as part of the Life Labs, this tool is extremely helpful when attempting to understand the cultural meaning behind moments in consumers' lives. The goal is to visualize the future by understanding signals and patterns and interpreting trend forces, language, and collective stories from the past and present.¹⁷ While there are many different methods to map culture, a hybrid approach that brings together consumer anthropology and data science is helpful. Tim Stock and his colleagues at ScenarioDNA provide a good example. ScenarioDNA applies a patented process that classifies and patterns linguistic identifies (words and images provided by consumers), develops archetypes and semiotic coding, and applies data visualizations, computational linguistics and social network analyses.

CULTURAL MAPPING (cont'd). The work for IKEA's global design team illustrates this approach.

Homeowners on the brink of a kitchen remodeling project and home design experts were recruited. Researchers visited their homes, invited them to participate in test-kitchen environments (life labs) to chat and play out frustrations in the kitchen-planning experience. The collected information went through a process of semiotic coding including gestural analysis of interactions using video analytics to identify common themes, tensions and discrepancies. The goal was to see the most distinctive and important codes and pattern them. This allowed the team to create unique archetypes of kitchen ideology, reflecting past, present and future.

The archetypes helped IKEA to understand how design features were connecting to present and emerging future mindsets and how to communicate them in the IKEA retail experience process. It helped to understand how culture had cycled through phases of functional kitchens and designer amenities and back to culture of “doing”. Importantly, the mapping effort showed how “doing” has evolved toward an open, accessible and participatory experience. This let IKEA to modify its innovation playbook changing styles and functions in 2013. Within a few years, IKEA was seeing record profit increases, in part attributable to kitchen and dining room sales.

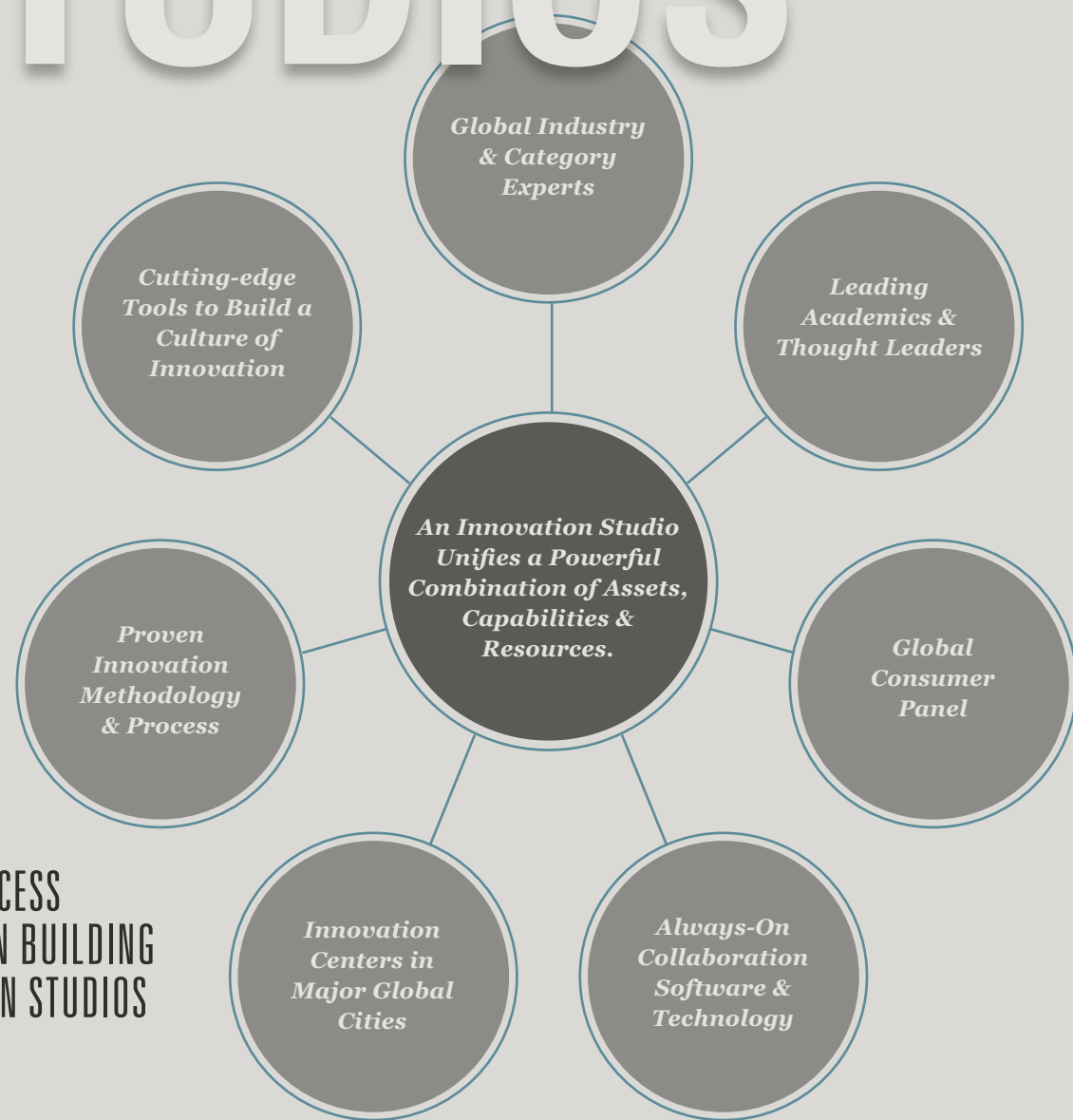
The power of cultural mapping by combining techniques from consumer anthropology and data science lies in its depth and richness in understanding the consumption or use experience on one side, and on the other side it provides a semi-quantitative way to evaluate the potential capacity of new innovations to create value for consumers, and to fit into the lives of emerging or future consumers. Figure 3 (pg. 19) shows the range of data that can be considered in a mapping exercise to create a demand landscape. In one application at Frito-Lay, a team analyzed 10,327 activities and 33,333 goals amidst hundreds of consumption contexts.¹⁸ Frito-Lay learned that while a typical potato chips consumption happened to be the sandwich meal, through the analyses they discovered that there are dozens and dozens of other moments for which potato chips are opportunities. Examples of these moments were those where consumers seek a break from activities (a moment of reflection after several hours of writing on some content; or a break between tasks remembering a friend’s birthday). When Frito-Lay refocused its innovation and marketing around these moments, they called Smile moments, sales took off.

THE DEPTH AND RICHNESS OF MOMENTS

(figure 4)



BUILDING INNOVATION STUDIOS



SEVEN SUCCESS FACTORS IN BUILDING INNOVATION STUDIOS
(figure 5)

A central aspect of the D.I.G. process is the ideation process. What makes our process unique is that we strictly ideate around growth platforms using structured thinking, not just brain storming. At times, ideation requires access to an innovation studies. We describe briefly these components of the process and conclude with a note on design thinking.

STRUCTURED THINKING FOR INNOVATION.

In our work, we unify brain storming with structured thinking to drive better innovation results. This ensures that ideas deliver against overall business objectives rather than just appear innovative on the surface. One tool we use is known as the customer activity chain. The chain consists of the activities of the customer around the purchase (point of purchase) and around the point of purpose (point of usage).¹⁹ Another tool that helps ideate around the company activity or value chain is the Ten Innovation Types model by Larry Keeley.²⁰ The tool is based on a set of innovation premises. One is that innovation almost never fails due to a lack of creativity. It's almost always because of a lack of discipline. Consider the Segway personal transporter, a two-wheeler created by design genius Dean Kamen and hyped by venture capitalist John Doerr as more important than the internet. Despite the awards received for numerous design inventions and creativity, Segway never took off. Another important one is that the most certain way to fail is to focus only on products. Successful innovators use many types of innovations. Nokia did not fail because its products were no longer innovative when the iPhone launched. Nokia failed because Apple mobilized its thousands of developers (offering them an easy way to code new apps via a software developer kit, etc.) and make money by created useful innovations for the iPhone at the speed of uploading them to the app store. There are many other tools that combine structured thinking and alternative ideation forms.²¹

INNOVATION STUDIOS. A powerful way to foster innovation is to set up an innovation studio either physical or virtual. For many companies, it has been a major activity over the past years. Starwood Hotels & Resorts Worldwide launched Starlabs in New York City in 2015.²² IBM Design Studios is another great

example.²³ IBM's effort is probably one of the most ambitious ways of creating physical spaces in major cities around the world, where IBMers can collaborate with customers. It is probably the largest studio network in the world. While the studio serves to help customers, it does so by enculturating design into all its systems and process from hiring, to training, employee review processes, to the layout of the office space and even the way offices supplies are ordered. Over 100,000 IBMers have participated in design workshops.

Most companies probably can't afford to set up a global innovation studio. It isn't also necessary. We typically set up temporary physical locations in key cities around the globe and link up the locations virtually using our collaboration platform. There are seven success factors that we have found matter when setting up an innovation studio to help our clients in driving new innovation (Figure 5 pg.23). The key challenges is to bring together the right combination of assets, capabilities and resources. At Telefonica, a team explored how elderly live in their homes, and how technology could enable better living. Our team set up pop up innovation studies which represented as complete as possible the rooms of elderly consumers. Ideation workshops took place in these pop up studios.

DESIGN THINKING. Since we wrote the Hidden in Plain Sight book, many processes, methodologies and tools of innovation that existed at the time have been popularized in writing on design thinking. This is a good development since design thinking also has a very solid academic foundation in the work of Herbert Simon, and has built a powerful movement around the world. There are a number of excellent sources that cover the state of the art on design thinking so there is no need to cover more here.²⁴

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