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How to Innovate in Customer Experience?

Why Innovate in the Area of Customer Experience (CX)?

A recent trip to Shanghai reminded me of the importance of continually innovating to improve on the customer experience. Although "Frozen Beer"¹ did not seem appealing to me I was intrigued by the process that the restaurant owner must have followed to conclude that the Japanese invention of "Frozen Beer" was the innovative drawcard needed to increase his Spanish restaurant. The need to differentiate from the competition is an ongoing process and requires well thought innovations to keep customers coming. "Frozen Beer" may just do it for the local market in Shanghai. At the very least it made me stop and curiously investigate further what was being offered.

At the very heart of a successful and sustainable customer experience strategy lies innovation. A company's ability to successfully innovate around how their customers experience their products and services by continually innovating in areas that will excite their customers on an ongoing basis, and keep them coming back, will define whether a company will be able to make their customer experience a sustainable market differentiator.

The answer to the questions around "why innovate in the area of customer experience" is heavily rooted in a company's long-term vision around sustainability and their desired position in the marketplace relative to their competition. Any company that takes customer experience seriously and identifies it a key market differentiator will need to know how to innovate effectively.

The Value of CX Innovation

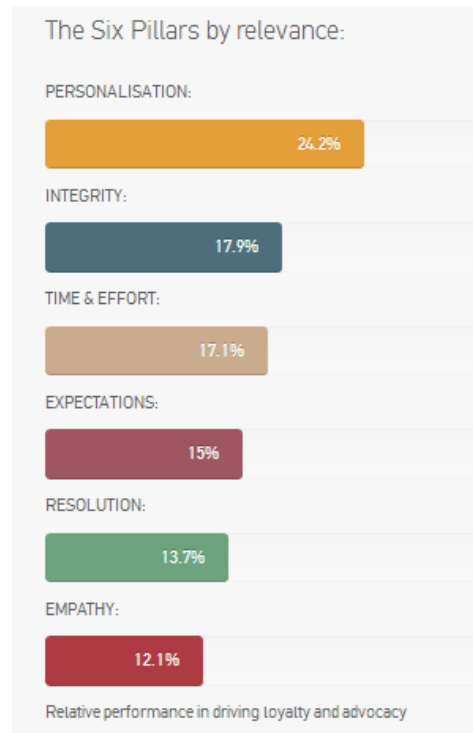
Customer experience innovation creates value for an organisation when it can achieve the following two outcomes:

1. Acquire new customers profitably not previously engaged with the company

¹ The restaurant promoting the "Frozen Beer" was called Castilla located in the Tian Zi Fang creative park in Shanghai

2. Retain and increase the spend of existing customers through voluntary loyalty

To be able to realise this internal value companies need to firstly have a good grasp over what their customers value the most. There is a scientific process in CX management to determine these specific value categories. Research is also available around some generic findings for what customers value the most. Nunwood in the UK has undertaken research that has isolated what customers value the most by relevance. They identify 6 key pillars (The Six Pillar System® (6PS®²).



An analysis of what your customer value will identify a similar range of categories. All these categories are related to emotions experienced during an interaction with your company.

The analysis of what customers value the most is simply the first requirement towards innovation. The second requirement is to understand how future trends and social-economic conditions will change what your customers expect tomorrow. Creating real value from innovation must be forward thinking and not based only on the

² Nunwood sourced material.

current situation. A company will need to have a process to anticipate future expectations of their customers and to have the mechanism to address these through well thought through innovations.

To be able to realise an effective CX innovation program, companies need to change their thinking processes. One of the key challenges facing companies today, as identified by Kinetic, is the ability to have a structured process of thinking that will lead to sustainable innovations in the CX area.



Ask yourself this question: “would you be willing to completely change your business model today even though it was booming but your analysis identified that your business model was no longer relevant for the future?” This was clearly answered by the restaurant owner Adrià from elBulli in Spain. The restaurant he operated in Spain, elBulli, was rated by *Restaurant* magazine as the “Best Restaurant in the World” in 2007. The restaurant had a 6 month waiting list and was full every night it operated. However, in 2010, Adrià decided to close the restaurant. Adrià told *Time* magazine “part of my job is to see into the future, and I could see that our old model is finished...It’s time to figure out what comes next”.

Having the courage to change your entire business model to ensure sustainability is one thing. What is required first is a new way of thinking.

New Ways of Thinking

Innovation requires a new way of thinking. It’s not simply about thinking “outside of the box”. This type of thinking is limited and may lead to wrong paths that do nothing for differentiation or add value to your customers.

There are two key types of thinking processes that form the basis of any innovation process:

1. **The creative aspect.** Also identified as divergent thinking or inductive reasoning
2. **The logical aspect.** Also identified as convergent thinking or deductive reasoning

Both are required using a systematic process of thinking to arrive at the desired outcome: a CX innovation that can be delivered by the company in a timely manner and achieve the business outcomes outlined earlier.

Business creativity is not a new concept and there are numerous authors, DeBono

Wertheimer’s, Osborne’s, Parnes’ and Koestle, which have written on the topic of how to think creatively.

More recently Brabandere and Iny co-authored a book titled *Thinking in New Boxes* (published 2013)³. In their book they provide a 5 step process to follow that is designed to position companies ahead of the curve and provide a long-term sustainable result. Their process is designed to firstly breakdown our preconceived ideas of our company, products and services. They rightly highlight that the human brain has been designed to quickly categorise what it perceives in the sensory world into tightly constructed “boxes”. This has the ability to enable humans to process information quickly and has greatly contributed to our survival as a species. However, in business, these “boxes” can prevent us from thinking differently in a divergent manner.

Their process revolves around the creation of “new boxes” to enable the type of thinking that our brains are more accustomed to. Identifying these new boxes is a critical step to ensure we are not blind to risks and opportunities in the marketplace. Their 5 step process is summarised as follows:

³ **Thinking in New Boxes** – A New Paradigm for Business Creativity. Luc De Brabandere & Alan Iny – Random House. 2013

1. **Doubt Everything:** challenge your current perspectives about your business, your products and services
2. **Probe the Possible:** explore the options around you both internal to your organisation but also examine the possibilities in the marketplace driven by megatrends.
3. **Divergence:** brainstorm many new and exciting ideas, even if they seem absurd
4. **Convergence:** use your deductive reasoning to select ideas that will drive sustainable breakthroughs for your company
5. **Re-evaluate:** relentlessly. No idea is good forever.

The first step in the process is designed to make you ask questions, to challenge rigid rules and tired frameworks. The primary goal of step 1 is to take you out of your comfort zone of cognitive thinking. An example of step 1 might be to challenge the concept that ownership of a car must be through a purchase of the car. Could ownership be in fact shared?

The process is designed to help us identify the tightly held beliefs that form your current "boxes". Once identified you will need to determine how they should be challenged, revised, enhanced or replaced. The creation of "new boxes" outlining the types of issues you wish to investigate and outcomes to be achieved will drive you to step 2 in the process in a structured manner.

Step 2 is designed to explore the possibilities by investigating three key dimensions:

1. **Consumer Insights**
2. **Competitive Intelligence**
3. **Exploring Megatrends**

Step 2 focuses on prospective thinking. In this step you will need to examine the 3 dimensions around a series of "what and how" questions. For example, "what experiences are your customers seeking now and how is that likely to change in the future?" "How will the megatrend of wearable

technology affect how your customers interact with you?" "What and how can competitors do to provide a better customer experience in the future?"

The first two steps are designed to create the boundaries of the new boxes to provide structure around the third step: divergence. During this stage we are not simply asking people to "think outside the box" but are asking them to break the rules around their thinking, transcend the past, and shatter existing assumptions within the boundaries established in the first two steps.

What line of business are you in? In the divergent stage you will arrive at new creative and hopefully more focused ways to identify your business. A good example is McDonalds. They're not into fast food but rather they see their core business as speed and convenience. More recently they have added a "healthy" and "more natural" option for customers.

Step 4 is convergence. This is the critical step of reintroducing deductive thinking again to help you determine which box you should focus on. During convergence you will need to take each idea and see how well it fits along set criteria. These criteria would include the following:

1. **Alignment:** how well is the idea aligned to your company's vision, goals, competence of your organisation, and your company's values and culture?
2. **Feasibility:** consider the resources, time frames, financial returns, regulatory environment to determine the feasibility of the idea.
3. **Impact:** will this idea enhance the brand, give you a competitive advantage, how will it affect your customers and what risks are associated with this new idea?

The final step is around re-evaluating your ideas. As mentioned earlier no idea is great forever. As the world around us changes so will there be a constant need to change the boxes and create new ones. The one constant in our world is

change itself. We are assured that what happens today will change tomorrow because of technology, economic upheaval, natural disaster, political changes and cultural changes.

The cycle taking us back to step 1 where we doubt everything needs to take place on a regular basis. There are some key signals we can look out for that will help you determine the need for innovation. Some key signals are:

1. A changing value proposition
2. New unmet consumer or customer needs
3. The entry of new competitors, new suppliers, or changing offers from business partners
4. The advent of new breakthrough technologies and/or product or service offerings
5. Changes in your organisation's core performance metrics
6. Unfulfilled business and other potential opportunities
7. Broad disruptive events
8. Premonitions, anxieties, and/or intuitions

An example of widespread disruption can be seen with smartphones and the applications developed for a number of services. This technology has created widespread disruption in numerous industries. Think of what Uber⁴ has done to the Taxi business worldwide. This company was established in 2009 and has transformed how people request car transportation. Uber created a business model that leveraged the technology inherent in smartphones (mapping, GPS, tracking, internet access etc.) to disrupt how people can get a ride. The CEO was recently interviewed on CNN and described how his company aimed at making getting a car to pick you up "like turning a tap to get running water". The company is currently valued around US\$18 Billion.

Which CX Innovation Idea to Pursue?

The answer to this question lies in where your organisation is in terms of CX maturity. Taking this exercise without an internal appetite for

change or without a basic level of customer centricity will not yield any valuable impacts.

Your organisation may not be ready to innovate around CX if the following does not exist:

1. CX is championed as a key business differentiator by the CEO and board.
2. The value of CX is articulated and understood throughout the entire organisation
3. The company vision and mission is clearly articulated
4. There is an in-depth understanding of your existing customers and what they value the most

These requirements need to be in place to enable you to identify which CX innovation to pursue. Without them the process will stall. For example, let's say you identify a great new mobile application for customers to buy your services. This may be useful if the majority of your customers are millennials but if you lack this insight then it may not be the best innovation to pursue. What if the majority of your customers were elderly and aren't comfortable using smartphones?

To effectively determine the right CX innovation to pursue you will have to have completed the preliminary work around developing an in-depth insight around your customers, prospects, competitors and external market forces. Only then will you be able to more accurately determine the project most likely to be executed by your organisation and able to generate the highest return on investment.

If you would like to know more about how we can help you improve your customer experiences, contact us at:

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⁴ Uber: <https://www.uber.com/>