

Turn Outcome-Driven Insights into Action

by Anthony W. Ulwick

Outcome-driven research drives more than innovation. It is being used to effectively inform many product, market and business strategy decisions.

Companies must learn how to mine this data to align all strategies towards achieving growth objectives.

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Introduction

When it comes to innovation, it is not enough to simply know what opportunities exist. The truly successful company is the one that is able to take advantage of that knowledge with marketing and sales programs that connect with customers, with R&D investments that address hidden areas of opportunity and with products and services that create value. Many companies who invest in outcome-driven research for the first time do not have the skill set that is needed to leverage the data to their advantage. This skill comes with experience. Since it is unlike most other market research, companies are often surprised to find out how far reaching an impact this data can have.

Once a company has used Strategyn's proprietary methodology to reveal which jobs and desired outcomes represent opportunities for growth, it is able to exploit those hidden opportunities in at least three distinct ways:

- (1) by better positioning existing products and services, and communicating to customers any advantages they have in satisfying the underserved outcomes,
- (2) by quickly bringing to market those products and services in the development pipeline that do the best job of addressing the hidden opportunities, and
- (3) by developing breakthrough products and services that successfully address the remaining unexploited opportunities.

Leveraging the data in these distinct ways is an important part of Strategyn's overall outcome-driven methodology, Outcome-Driven Innovation®.

When Cordis Corporation, a medical device manufacturer, for example, used Strategyn's methodology to uncover 15 underserved outcomes, it realized that its current angioplasty balloon products already addressed three of those outcomes—the company had just never communicated that advantage. To exploit its position, Cordis refined its messaging and sales strategy and publicized the fact that its products addressed those opportunities. The company's market share went from 1 to 5 percent within six months based purely on the new marketing communications.

Next, Cordis looked at its development pipeline and recognized that the stent, which was one of about 40 projects in the pipeline, specifically addressed the biggest market opportunity—minimizing the likelihood that a treated blood vessel would become narrowed once again. In response, the company reprioritized its development resources, placing more developers on the stent. With the added resources, Cordis was the first manufacturer to bring such a product to market. The stent turned out to be the fastest-growing medical device in history, becoming a \$1 billion product in less than 2 years. But Cordis did not stop there. It devised a new set of product features that addressed the remaining dozen or so hidden opportunities it had identified, and 18 months later

released a line of angioplasty balloon products that took the company from 5 percent to 20 percent market share and made it the angioplasty balloon market leader.

These are the kinds of gains that are possible when companies turn outcome-driven insights into action. In addition to these gains, companies can apply the results of outcome-driven research to help evaluate possible acquisitions and to create valued patent portfolios. Cordis, for example, patented the idea of a drug coated stent at the time it created the initial stent, even though the concept had not yet been perfected. Four years later, competitors including Guidant and Medtronic were forced to pay J&J \$700 million in patent infringement fees. Their insight into knowing where to create value – and what to patent – paid off.

Strategyn offers a unique series of customized programs, facilitated by trained Strategyn experts who know how to use outcome-driven data in a team setting to drive effective company strategy and decision making. These expert-led programs are designed to help with messaging, positioning, branding and sales, pipeline prioritization, patent portfolio creation and idea generation and testing. With Strategyn's help in these areas, your company will be well on its way to achieving its growth and innovation objectives. Each program is detailed in the following sections.

"Using this approach we reprioritized resources so we could be the first to market with the stent, an opportunity that became a \$1 billion product in less than 2 years - the fastest growing medical device history."

—Rick Faleschini, VP of Marketing, Cordis (J&J)

Addressing Important Marketing Disciplines

Strategyn helps companies use the results of its outcome-driven research to address 4 common marketing disciplines – messaging, positioning, branding and selling. To address common issues associated with these disciplines, Strategyn offers four customized and expert-facilitated programs:

- (1) a messaging program focused on the creation of a successful messaging strategy,
- (2) a positioning program in which the optimal value proposition is devised,
- (3) an outcome or job-based branding program designed to devise a powerful “purpose” brand,
- (4) a sales team integration program that arms the sales team with the information they need to effectively communicate with customers, address their underserved outcomes, differentiate from competitors and close sales.

Companies often benefit from engaging in all four programs, as it is not obvious how to best use this new outcome-driven information to optimize marketing strategy. Each program is discussed in turn.

Outcome-Driven Messaging

When it comes to messaging, we often find that a company’s current products and services are addressing one or more underserved outcomes, but its messaging fails to communicate those advantages to the customer. This happens because messaging strategies are often a process of creative guesswork. Strategyn’s research studies reveal underserved outcomes and un-messaged strengths, making it possible to uncover and communicate a product’s real value to the customer.

This program is designed to be conducted with your marketing and sales leadership teams, as well as PR and advertising firm representatives. The primary focus of this program is to use the new insights resulting from the research to (1) identify areas of competitive strength – these are underserved outcomes that your company satisfies better than its competitors, (2) assess the current messaging strategy and marketing materials, and (3) devise a messaging strategy that highlights your company’s competitive strengths.

Strategyn’s statistically accurate data gives the company the confidence it needs to pursue more effective messaging. This program includes a ½-day pre-work review of marketing materials and current messaging statements. The analysis of competitive strengths and the development of new messaging are pursued in 1 to 2-day sessions. The agenda for the sessions is created collaboratively to optimize efficiency and results.



The final deliverable is a solid messaging strategy that informs customers of previously unmessaged product advantages. Implementation of this messaging strategy typically results in increased sales of current products.

Outcome-Driven Positioning

Companies often struggle to define the optimal value proposition – that is one that communicates value and solidly connects with customers. Using a unique method that is based on scientific principles, Strategyn helps companies group hidden opportunities into “themes” and then to elevate those themes into a meaningful value proposition. Making such a discovery is often just the shot in the arm the sales team needs to take sales to a new level.

This program is also designed to be conducted with your marketing and sales leadership teams, as well as PR and advertising firm representatives, but the focus here is to devise a value proposition that best communicates the value of the company’s product or service to its customers. The program is conducted in a series of 1-day sessions. It begins with the analysis of the market data and concludes with agreement on what phrase best communicates unique value to the customer. Here again, the agenda for the session is created collaboratively to optimize efficiency and results.

As an example of our work in defining a solid value proposition, consider Coloplast, a manufacturer of wound and skin care products. In this situation, we helped them discover that 8 of the top 12 hidden opportunities in the wound care market did not revolve around making the wound heal faster, as conventional thinking would have led them to believe. Rather, the customer was concerned about taking actions (or failing to take actions) that would make a patient’s wound worse. Hence, the team concluded that their best value proposition would be to “prevent complications” – a proposition that drove stagnate growth to double-digit growth in just 6 months.

“Strategyn’s ability to identify opportunities enabled us to create a unique value proposition and messaging strategy for our wound care business. Upon repositioning our current offerings, we went from stagnating growth to double digit growth in 6 months.”

—David Hotchkiss, VP Sales & Marketing, Coloplast Corporation

Outcome-Driven “Purpose Brand” Development

We also find that companies often struggle to build powerful or even meaningful brands. As described by Clayton Christensen in his December 2005 Harvard Business Review article titled, *Marketing Malpractice - the Cause and the Cure*, in order to succeed at building a brand, companies must attach brands to products that mean something to their customers. To achieve this objective Christensen says that companies should find out what jobs customers need to get done and create a “purpose” brand that attaches the brand to the job. Strategyn’s proprietary research methods uncover hidden opportunities that result in the creation of these powerful brands.

This program is designed to be conducted with your brand manager, your existing advertising or branding agency and marketing and sales leadership teams. The primary focus of this program is to define a purpose brand that connects with the job the customer is trying to get done. When successful, the brand name will communicate great value to the customer, because it connects the brand to the job. For example, Milwaukee Tools manufacturers a reciprocating saw (a saw used for demolition) under the brand name SAWZALL. The name communicates to customers the job they hire the product to perform – to saw through anything. So when customers think about cutting through anything they automatically think about SAWZALL – a brand that has claimed market ownership for decades.

“Marketing executives focus too much on ever-narrowing demographic segments and ever-more-trivial product extensions. They should find out, instead, what jobs consumers need to get done. Those jobs will point the way to purposeful products-- and genuine innovation.”

—Clayton Christensen, *Marketing Malpractice*,
Harvard Business Review, December 2005

This program includes a ½ day pre-work review of brand names under consideration, an explanation of the high opportunity areas and education on the concept of creating purpose brands. The development of the brand name is pursued in a series of 1 to 2-day sessions and through a number of individual exercises. The agenda for the sessions is again created collaboratively. The final deliverable is a purpose brand – a name that connects with the job the customer is trying to get done and the action plan to integrate it into the company’s strategy.

Outcome-Driven Selling

When messaging and the value proposition are flawed, sales teams are destined to deliver a sales pitch that fails to resonate well with customers. To correct this problem, the sales team must be trained to act on the new messaging and positioning strategy. The end result is a more powerful customer engagement and greater marketing success. Companies are using Strategyn’s customized diagnostic and sales tools to help their sales teams better communicate with customers and to increase sales.

This specialized program involves working directly with the sales team and its management to integrate messaging, positioning and branding findings into the organization's existing sales strategy and approach. In a typical 1 ½-day session, the sales team is provided the tools and training it needs to dramatically improve its sales efforts. The deliverables include diagnostic tools that help identify under-served outcomes in a specific account, messaging and value proposition statements to use with customers in different segments of the market and training on how to use these tools and techniques.

Pipeline Evaluation and Prioritization

We typically find that companies have far more development initiatives under way than they ever intended. It is not uncommon, for example, to see a company have from 20 to 200 projects in various stages of development. A poor filtering process often fails to weed out weak ideas and concepts. In studying how companies typically prioritize projects in the development pipeline, we have found that companies struggle to prioritize projects because they: (1) have difficulty determining which concepts will address market opportunities, (2) feel compelled to cover all bases so they do not get caught off guard and, (3) find it hard to kill a project once it has been funded.

Companies place many small bets because they do not know where the big, hidden opportunities lie – if they did they would be more confident in making the big bets. These problems can be largely eliminated by applying the outcome-driven approach to pipeline prioritization.

Our theory behind effective pipeline prioritization is straight forward; products and services that satisfactorily address hidden market opportunities (by addressing underserved customer outcomes) are given high priority and the resources to get to market quickly. Those that fail to address targeted opportunities are reconsidered and often abandoned. Using this approach, companies are able to achieve three important business objectives simultaneously. They can deliver winning products that customers want, get valued products to market more quickly, and reduce unnecessary development expense. The result is an operational competitive advantage—more winning products on the market in less time and at less cost.

Using a “customer scorecard” based on the previously conducted outcome-driven research, the evaluation team systematically and quantifiably determines which projects and initiatives do the best job of addressing underserved outcomes, as well as those that fail to do so or address outcomes that are overserved. Upon completing a pipeline evaluation, managers know with a high degree of certainty which projects and initiatives are worthy of continued or even accelerated funding and which should be abandoned.

“Strategyn’s process for evaluating our current product features against the outcomes helped us to determine where to focus our next generation products and feature sets.”

—David Youn, Microsoft, Product Planner

Outcome-Driven Pipeline Prioritization

This program is conducted with the R&D, product planning and marketing functions in a 1 to 3-day facilitated strategy session. The length of the session is dependent on the number of initiatives that must be evaluated. Strategyn has conducted sessions in which as few as 5 and as many as 55 initiatives were evaluated. Such an evaluation results in a list of pipeline initiatives prioritized for their ability to deliver value to the customer and revenue to the firm. Resource adjustments are ultimately made to the product plan to reflect the findings. In addition, the high-priority initiatives are often further improved to deliver more value and are optimized for cost, effort and risk in this session. This results in products and services that are even more attractive to customers. Our unique focused-brainstorming methodology (described later) is used to achieve this objective.

Outcome-Driven Patent Portfolio Development

In addition to prioritizing a pipeline of products, Strategyn's outcome-driven research results are often used to create a valuable patent portfolio. Motorola, for example, used the results of an outcome-driven study in fuel cell technology to develop a portfolio of nearly two dozen patents. Each issued patent addressed an important customer outcome related to fuel cell commercialization. The insight Motorola had in this field enabled it to beat competition to the punch, create high margin licensing revenue streams and stop the advances of its competitors – all contributing to a leadership role in the future of fuel cell technology. Companies that possess the outcome-driven insight to know where value will migrate in the future are well poised to leverage that knowledge to drive long-term company growth. This can be an invaluable tool to the R&D and intellectual property teams.

Generating and Evaluating Concepts

Most brainstorming and idea generation efforts yield poor and un-actionable results for 3 key reasons. The first is because managers rarely know where to direct the employees' creative energy. The result is much wasted effort and, unfortunately, few ideas that are truly worthy of pursuit. Consider the typical pattern: in most firms, when employees are asked to come up with new ideas, they are not directed to focus on specific outcomes; rather, they are asked for ideas to improve the company's products in general—function, ergonomics, fit and finish, distribution, packaging, and so on—leaving the direction for improvement open to subjectivity. This scattershot approach to idea generation will not yield a bull's-eye because there is no target to aim for.

Despite this lack of focus, employees do come up with ideas—hundreds of them, in fact. And that is the second reason for inaction; companies often measure the success of an idea generation session by the number of ideas that are generated, not the quality of those ideas. Third party ideation firms often contribute to this exuberance for idea generation as they encourage unfocused ideation efforts whose aim is to bring forth hundreds of ideas. Should success be declared when a company comes up with 400 ideas? 500 ideas? What is the right number?

Will hundreds of ideas guarantee success? Not at all. We contend that measuring the number of ideas generated by employees and others is not only the wrong measure of success, but a misleading measure as well.

"We could have never gotten to the disruptive product concept with the ideation processes we have used in the past. The Strategyn method is the only process I have seen in my 30 years of experience that did not lead to over-featured, over-priced concepts."

—Randy Malone, Vtech, Director, Marketing Intelligence

The third reason for limited success arises because most companies lack an effective way to evaluate the hundreds of ideas that are generated. Because managers rarely know what customer outcomes are underserved, they are unable to recognize a good idea when they see it. Instead, they rely on arbitrary and often irrelevant criteria in evaluating ideas, and may decide to pursue an initiative because it is snazzy, sexy, or otherwise interesting—without knowing if and how the idea creates customer value.

From our perspective, companies do not need to generate hundreds of ideas. Rather they need only to generate a handful of ideas that specifically and satisfactorily address the customer's underserved desired outcomes. This in effect flips the innovation process on its head. Instead of thinking up ideas and then trying to figure out which ideas merit value, we believe that companies should only generate ideas that address the hidden opportunities, ensuring that the time spent doing so will result in ideas that are worthy of pursuit. Why waste time thinking about how to better satisfy outcomes that are unimportant or overserved? Until now, the key ingredient to successful idea generation has been missing: a target.

Outcome-Driven Concept Generation

Strategyn calls its advanced method for idea generation “focused brainstorming” – a new approach to idea generation that challenges conventional wisdom. With focused brainstorming, idea generation (or ideation) is simplified, eliminating much of the unnecessary complexity and process variability introduced with traditional methods. By brainstorming ideas that address big opportunities, companies can make sure that only those initiatives that promise to create customer value enter the development pipeline to begin with. This approach consistently produces valuable, if not breakthrough, results.

This specialized and customized ideation program includes participants from development, R&D, marketing, business development, product planning, sales and other internal and external functions – sometimes including customers themselves. The group is led through each idea generation session by an experienced Strategyn team, ensuring the group follows five guidelines that are critical to success.

We see to it that the group, (1) stays focused on the targets, (2) aims for breakthrough improvement, (3) constrains its thinking to enhance creativity, (4) eliminates bad ideas quickly, and (5) optimizes the best idea for cost, effort, risk, and sustainability.

Each 1 to 3-day session is designed to be an engaging, interactive, team exercise with concrete results delivered in real-time. We utilize various tools to help in the generation of new ideas and to quantify the value of the ideas that are generated. We also have a sketch artist create a rendition of the top ideas, bringing them to life on the spot. Concept boards are developed in the session and enhanced by the work team following the session. The session typically results in one or more valued, even breakthrough, product or service improvement ideas. Idea generation can be focused on developing solutions for the short term, mid-term and long-term, depending on the objectives of the organization.

Outcome-Driven Concept Evaluation

Once the idea generation sessions are completed and a number of potentially breakthrough ideas are generated, the concept evaluation process begins. This series of sessions typically includes a subset of the original idea generation team. Their goal is to make an objective assessment of the ideas that were generated to determine which are best – meaning which will deliver the most value for the least cost, effort and risk.

To accomplish this evaluation the team is led through an evaluation process in which the Customer Scorecard is used. We refer to this scorecard as the “virtual customer laboratory” because it reflects the views of hundreds of customers who were interviewed as part of the outcome-driven research effort. Their inputs become the criteria against which value is measured. A concept that dramatically improves the satisfaction level of many underserved outcomes – and one that can be developed for little cost, effort and risk – is given a high priority.

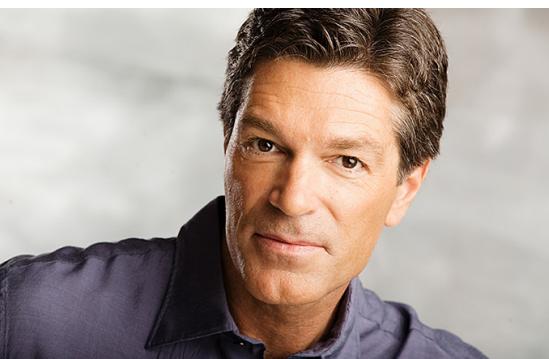
Ideas are often fine-tuned during this process, adding to their value. The top concepts are then moved into the initial stages of the product development process. The data generated from this evaluation is often used to justify a product’s entry into the Stage Gate or development process, as it brings predictability to the process of innovation and ensures a company’s success.

When it comes to innovation, it is not enough to simply know what opportunities exist. The truly successful company is the one that is able to take advantage of that knowledge with marketing and sales programs that connect with customers, with investments that address key areas of opportunity and with ideas that create value. With Strategyn’s help in these areas, your company will be well on its way to achieving its growth and innovation objectives.

Summary of Outcome-Driven Programs

Being able to use outcome-driven data is the key to success in growth and innovation. Once your company has gathered this unique information, it is able to leverage its investment by applying the results to the following marketing, sales, development and R&D programs. Let Strategyn assist your firm in applying this data to achieve optimal results.

Outcome-Driven Program	Deliverable	Participants
Messaging	A communications strategy the company can use to message currently un-messaged strengths.	Sales, agencies, marketing
Positioning	A value proposition that can be used to solidly connect the company's positioning strategy with the customers' underserved outcomes. This will place the company in a unique and valued competitive position.	Sales, agencies, marketing
Purpose Brand Development	A job-based or outcome-based purpose brand that connects the job, brand and customer. Clayton Christensen says this is the most powerful brand possible.	Sales, agencies, brand manager
Sales Team Integration	An educated sales management team that knows how to integrate the messaging, positioning and purpose brand strategy into the organization's existing sales strategy and approach.	Sales, marketing
Pipeline Prioritization	The company's pipeline initiatives prioritized for their ability to address hidden opportunities in the market. Knowing which to fund and which to abort gets more high value products to market quicker, and with less expense.	Business development, R&D, product planning
Patent Portfolio Development	A patent portfolio – or a patent fence in a market in which the company wants to participate in or own in the future.	R&D, development
Basic Concept Generation	A number of potentially breakthrough ideas that address key areas of opportunity in the market. They may be ideas for new market creation, core market growth or disruption.	All functions
Enhanced Concept Generation	Same as above but the program includes more team and relationship-building exercises and is intended to keep the team entertained as well.	All functions
Concept Evaluation	A quantitative assessment of the ideas that have been generated results in a list of initiatives prioritized by the amount of value delivered and the cost, effort and risk to produce.	Development, R&D and marketing
Acquisition Assessment	Quantitative assessments as to which company to pursue for acquisition in order to address an underserved outcome.	Finance, business development



About the Author

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