

Innovation with Customers Deepens Relationships, Provides Insights



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What can be achieved by innovating with customers?

SA: There's a growing sense around the world that customers can be a great source of innovation. It's not just the people inside a company who can innovate, the customers themselves are a source of innovative ideas. So involving them intimately in the innovation process can be a fantastic thing. This is more true now than ever before—the increase in computing power, computer-aided design tools, and other tools, means it's easier than ever for customers to innovate on their own.

SF: The most important thing about innovating with customers is synergy. It provides a wide range of benefits such as relationships that are deeper, more open, and inclusive. There's a competitive advantage as well, as you're working with customers on different levels so these innovations are more difficult to match. We innovate together in many areas, ranging from new products, markets, and channels to innovations in the customer's experience, new business models, and brands. Innovation occurs at the interfaces between customers, business partners, and functions, so it's when you bring those diverse interfaces together that you have breakthroughs in thinking, enhanced value, and both parties profit.

What's required to fully understand a customer and its markets in order to innovate together?

SA: Watching customers, understanding what they're doing, helping them do it, and learning from them is incredibly important. This can involve going out and seeing how customers are using your products or competitors' products. If someone's got to solve a problem, they're going to figure out the best way to solve that problem. Sometimes the way that customers have jerry-rigged your product to do different things can teach you there's a totally different customer need than you imagined.

In this dialogue, Scott Anthony, a partner of Innosight, exchanges views with Scott Fuson, Chief Marketing Officer, Dow Corning Corporation, about innovation with customers.

SF: We conducted a broad-based customer segmentation study to gain insights into customer requirements and expectations. We also work to understand what they are dealing with, how they segment the market, and the reasons why. We look at the markets in which they invest, so we can provide the right solutions to support their business goals based on the end user's needs. Our process also involves assessing the customer's customer and the customer's market. We explore alliances where we can get customers and customers' customers involved. So the world is getting to be a lot more networked, based on what each brings to the table and each organization's strengths.

How do you choose the best customers to involve in joint innovation?

SA: It depends on the circumstances. One caution—companies often pay special attention to those they consider their best customers, those who pay them the highest prices or purchase the greatest volumes. The challenge with that is if you listen too closely to the best customers, you might get the wrong signals. You understand what is very important to this small group, but those elements might not matter to anybody else. So the balance companies always have to strike lies in paying close attention to those who are paying the bills, while also being careful not to miss other needs in the marketplace. Companies ought to be spending time with many different types of customers.

SF: We have an internal process called customer distinction that has a formal methodology and model for making these decisions. The growth potential of the customer and financial implications are key criteria but also important is cultural fit. We consider, "Do we share the same values and goals? Are we driven by the same things?" These are critical, because there's got to be trust in order for the innovation process to be sustainable. This requires on ongoing investment in relationships, especially if you're putting your best technology and thinking into it.

What's the best way to share the rewards? How important are incentives to encourage people to innovate?

SA: In terms of creating incentives to encourage innovation, we feel that it's less about money than people think. The best incentive you can give someone to be more innovative is freedom and the opportunity to dare to dream the big dream, to follow through, and to do things differently. The intrinsic motivation of doing interesting things, working on interesting projects, and having an impact on the company and the customer motivates people a lot more than throwing money at them. In fact, the biggest de-motivating factor has nothing to do with money and has everything to do with internal resistance. What de-motivates people who are innovating and trying different things are corporate delays and requiring them to go through normal approval processes. There's nothing that can de-motivate people more quickly than making them sit and twiddle their thumbs when they think they have a great idea.

SF: Regarding sharing the rewards, the allocation depends on how much intellectual property and technology each company brings to the table and the strategy for exploiting them. These have to be synergistic and consistent. It also depends on the contract with the customer. Sometimes, they want to own the innovation for a certain period of years. They would pay more for that than a customer who wants it for one year and then allows you to offer the innovation to other customers.

For more information about Dow Corning, go to www.dowcorning.com.

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