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Boost Your Innovation Confidence

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BY CATHERINE PALMIERI

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Consumers are incredibly poor predictors of the next big thing. Their knee-jerk reaction to new technology is almost always to say they don't need it and will never use it. For many company leaders, this creates a significant business challenge: They know they must drive change to stay competitive, yet they have no way to determine with confidence which moves will be successful. They bring in experts to provide vision, they do market research until they've exhausted the deviations three sigmas from the mean, and they analyze and plan — only to find themselves no more certain about which direction to pursue than when they started.

The answer is often hiding in plain sight. Most executives know their customers better than they realize, and in some cases better than their customers know themselves. In the late 1970s, for example, many people were still wary of ATMs. They were used to having their money handed to them from a teller inside their bank; the idea of entering a code into a machine on the street was impersonal and unnerving. But in 1977, Citibank invested about US\$160 million to install

ATMs all over New York City, and in a few years, they were everywhere. In 1979, despite significant concern from retailers that consumers wouldn't buy a portable music playback device that didn't also record, Sony introduced the Walkman. In 1995, according to a survey by the Pew Research Center, 97 percent of Americans had no online access, and 42 percent had "never heard of" the Internet. Yet that same year, Jeff Bezos launched Amazon. And finally, an example from my own career at Citibank: In 2007, research from Forrester and Ofcom showed that 87 percent of mobile phone owners didn't use their phones to access the Internet, and 72 percent of online consumers said they were not

your competition — and maybe even redefine your industry.

Understand what your customers want, and what they expect. Before developing a new product, get inside your customer's head. Ask yourself: Will this product make her life easier? Virtually every innovation that has transformed human lives has reduced the time needed to complete a task or the complexity of that task. Consider the ATM. This innovation not only increased the available window of time in which a consumer could complete her banking tasks, but also made banking (and people's cash) more accessible. And remember that today, the constant connectivity enabled by mobile technology has created an even

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at all interested in using their mobile device for banking. But we formally launched CitiMobile, the first downloadable mobile banking app, early in that year.

The key to these and other successful innovation leaps? Knowing that technology that can deliver against core consumer needs will trump consumers' anxiety or hesitation. Instead of looking outside for guidance, trust your own customer insight, and combine it with a deep understanding of what new technologies can deliver. Perhaps most important, foster an internal culture of experimentation, giving people the freedom to fail. On its own, each imperative may seem simple. But together they provide a powerful approach to innovation, enabling you to improve your customer experience and differentiate yourself from

higher expectation of instant gratification. Consumers want goods and services to be delivered immediately.

One of the best ways to find out the locus of consumers' pain points — and thus your opportunities — is to talk to your frontline people. Your retail and call center people have heard it all; once every quarter, spend half a day asking them what challenges your customers face, and then focus your innovation investments on finding ways to address those issues.

Beyond understanding what your customers want, it's also important to understand the consumer psychology of tech adoption. How significant is the perceived risk — physical, social, economic, psychological — of using the innovation? (Will the neighbors laugh, or will they be envious?) This is a tricky

question, depending on your target market, as early adopters are also greater risk takers. But for most consumers, the product's perceived risk must not outweigh its benefits. Consumers also need a compelling reason to change their behavior, and to keep them from reverting to old habits. Making their lives easier is just the start. You'll also need to ensure a smooth experience at the point of service.

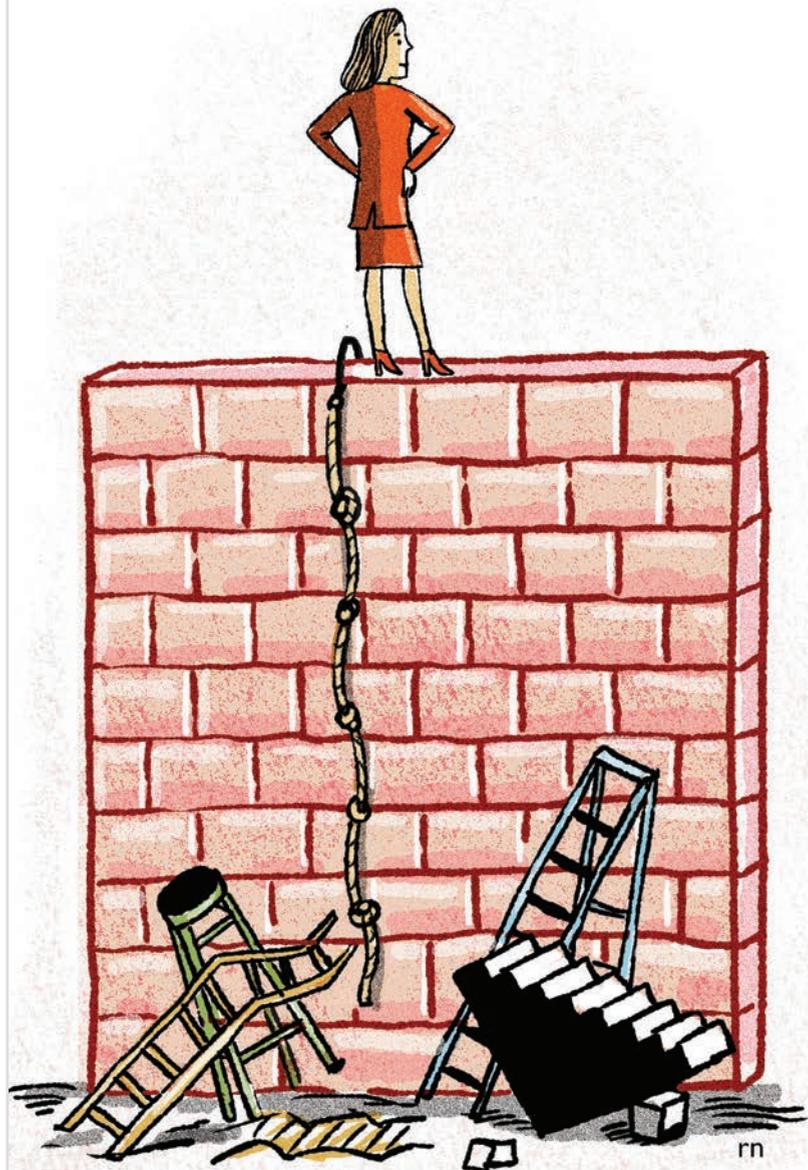
Determine what new technologies can (really) deliver. It is the corporate leader's responsibility to push the tech experts on how emerging technologies can be applied to a specific purpose — tempering the excitement that bubbles around new technologies with a pragmatism grounded in a firm understanding of the consumer and the company's own capabilities. Remember, an innovator's goal is not to react to events or jump on a bandwagon. It's to be proactive in applying technology in new ways that differentiate the company from competitors.

To illustrate, let me return to my own experience with mobile at Citibank. In 2001, wireless was in the nascent stages of development, and wireless carriers didn't have a lot of network coverage. As a result, although mobile banking seemed to offer promise and customers had expressed some interest, the technology just wasn't yet in place to deliver a good customer experience. I decided to shut down the mobile initiative. But by 2004, carriers were expanding their networks and buying new cell towers to reduce the irritation of lost calls. What's more, the new 3G phones in the pipeline were going to be Java-enabled and have increased memory, which would allow for a more robust customer experience. Customers would

be able to download an application and perform a banking transaction on their device without a continuous phone connection, providing better security and eliminating the negative experience of failed transactions due to dropped calls. We launched the CitiMobile app before apps became common — and even before the iPhone was released.

Today, several new technologies are emerging, and companies should watch them closely — considering how they can use them, and whether they are prepared to do so. The

Internet of Things promises to simplify our lives by providing connectivity between us and the machines we use on a daily basis. The sharing economy has leveraged technology to create ride sharing, task outsourcing, peer-to-peer lending, and cooperative business management. The disruptions to traditional employment, expertise, and pricing will have a ripple effect for many years to come. We'll also see the line between human and machine continue to blur: 3D printing is already being used to create prosthetics and



human tissue, and at an office park in Sweden, employees can have a tiny RFID chip implanted in their hand to gain access to their building.

Create an environment where failure is acceptable. There can be no innovation without experimentation, and there can be no experimentation without failure. That goes against the grain of many corporate cultures. Nevertheless, I have found that part of what gives corporate leaders confidence is the accumulated wisdom of a lifetime of failures — experiments that just didn't pan out. It gives them an ever-clearer vision of what will work.

Again, I look to my own career. When I first joined Citi in 1997, I was part of a team that launched an

bonus is in jeopardy. Thus, there are extremely powerful incentives for people to play it safe. Corporate leaders must work especially hard to counter these forces and give their teams the permission to fail and the confidence to make their case and go out on a limb. Not only does this encourage experimentation, but it also encourages people to pull the plug faster on projects that aren't working without fear of retribution. In other words, fail, but fail as fast as possible — and take the lessons learned to the next experiment.

New technologies offer many opportunities to those who would pursue them. It may seem like such innovations are best left to Silicon Valley mavericks, but in reality,

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Internet bank that failed rather spectacularly. It was embarrassing. We might have abandoned the Internet right then. But we also had reason to be confident in this pervasive technology's ability to deliver more of what the customer was seeking: ease of access, greater control, and frictionless transactions. So my team spent the next few years building all the capabilities that would enable us to create a superior customer experience. In 2006, we launched Citibank Direct, an online bank that gathered its first billion dollars in 10 days.

Unfortunately, no matter how valuable the lessons learned from a failed experiment, people worry — and sometimes rightfully so — that they've lost political capital. They think their next idea won't get backing, their path to the corporate suite has been derailed, or their year-end

these opportunities are within everyone's reach. You know your customers. And when you combine what they want with a new technology that can enable it, and encourage your employees to go all in, you can cultivate the kind of judgment that lets you make the right leaps. Remember that you are playing the long game — you may not see immediate results. Trust your newfound confidence to pay off in the end. +

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Catherine Palmieri

cdpalmieri@gmail.com

spent years launching online and mobile business platforms for various corporations, and now speaks and writes on innovation and marketing in the digital world.

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