naked**innovation**

*uncovering a shared approach
for creating value*

Zachary Jean Paradis
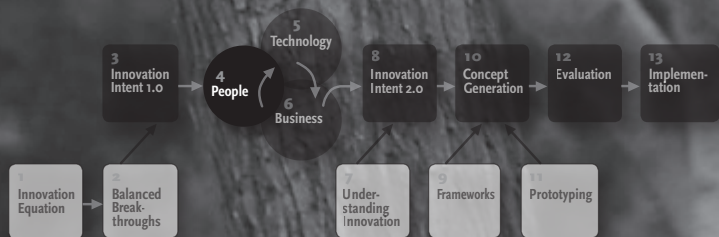
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4 People
People-focused Design

A Seinfeld Moment...

> **GEORGE**: She was sort of smiling at me, and I wasn't sure if she wanted me to ask her out, because when women smile at me ... I don't know what to do.
>
> **JERRY:** So you didn't ask?
>
> **GEORGE**: No, I froze. So ... a half-hour later I'm back in the office. I tell Lloyd the whole story. He says "So why don't you call her." I say "I can't." I couldn't do it right then. For me to ask a woman out, I gotta get into a mental state like the karate guys before they break the bricks. So Lloyd calls me a wimp.
>
> **JERRY:** He said wimp?
>
> **GEORGE**: Yeah. He shamed me into it.
>
> "The Message," *Seinfeld*, Season 2, Episode 9[1]

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[1] You could find the same basic trope in almost any Seinfeld episode. We find that most things in life can be related to Seinfeld—or, failing that, to *Paradise Lost*.

Ah, romance. The underlying absurdity here, of course, is how one clueless male turns to other clueless males in order to figure out how to make a social connection with a creature none of them understands: woman. Oddly enough, companies act in a very similar fashion when they try to come up with way of attracting and retaining customers. Executives and managers sit in a room and try to figure out how to entice the public with features or marketing, without having any idea what makes them tick. (This is the "vision" side of our Innovation Equation.) Or worse, they develop a fantastic new technology (what we call "invention") without even trying to understand their customer.

Now, you may be saying to yourself, *Hold on a minute—we do know what makes our customers tick. We ask them in hundreds and thousands of customer feedback surveys and in focus groups. We've never known more! Besides, since we use our own products, we are essentially customers ourselves. So, don't we inherently know what works?*

True—most companies aren't just throwing new products out blindly, desperately hoping somebody will want them. Far from it—in fact, they go to a lot of trouble developing complex marketing plans, drawing both on focus groups and surveys, and on personal, anecdotal experience with products. The results aren't bad. They just aren't consistently great. If, as Philip Kotler said, traditional marketing is not working, we think there are two reasons why.

Reason 1 for the Failure of Traditional Marketing
People are difficult to understand. Our knowledge of customers is necessarily limited. Responses to surveys and focus group questions can be incomplete or inaccurate, not least because people aren't always honest. Whether motivated by a desire to please the people asking the questions, or the perception that

certain kinds of answers may result in a greater reward, market researchers have discovered that the insights from such direct-questioning research is less valuable than they thought. And that's if people complete the survey at all—anything that takes more than a few minutes could result in a person just checking off answers at random just to get it over with—often known as "survey fatigue." Focus groups have their own perils, including the way individuals can be swayed by the group (or even by whichever participant is the most outspoken), the unfamiliar environment, and the background awareness of the power their answers may wield.

More importantly, even when people are being honest, they don't always understand their own motives, capabilities, and even preferences. What exactly is it about Coke that makes me select it instead of Pepsi—taste? marketing? legacy associations? memories of the first soft-drink I was served? what my friends drink? Besides, putting together the right list of questions to pose in a survey or focus group is much harder than it seems. Extensive (and expensive) use of those tools led Coca-Cola to develop "New Coke" in 1985—now seen as a colossal failure. While we aren't suggesting that focus groups and surveys never be used, overly specific questions can obscure real issues that are better observed through less-structured methods.

In practice, intuition often saves companies from making mistakes more often. Errant focus group research is often balanced by a manager saying to herself, "I just can't imagine liking that color myself, so maybe we shouldn't lock in our final selection just yet." Intuition has limits too. People within a company have a different relationships to the product than their customers do, even if it's just because they are always around the new models, instead of ones that are six months or ten years old. Company leaders are also often in different life circumstances

than customers. We heard of one CEO of a major home appliance manufacturer who described at great length, "what people really want" from washing machines. Only one person present had the courage to ask, politely, "Sir, how recently have you done a load of laundry yourself?" (It had been many years.)

Because survey and focus group findings about customers is inadequate, and intuition and our own background knowledge can't cover those gaps, we find it more fruitful to start from a position of empathy—knowing, understanding, and respecting customers as individuals with real needs and hopes and desires. We'll explain how to enter their world empathetically after we first look at the other reason traditional marketing has failed.

Reason 2 for the Failure of Traditional Marketing
The innovation space is so broad that both customers and companies have difficulty imagining how new systems and technologies might change their lives. Our technical abilities make it

THE INNOVATION GAP

possible to do things far beyond what we have ever been capable of before. We once consulted with a startup software company that had a clever solution to a common business problem. When customers finally got a working beta of the software, they found out that their hypothetical needs hadn't actually been so great as to merit the effort required to use the solution. Our client hadn't actually identified an opportunity that the market would reward. The important question for business is less often "How do we build it?" than it is "What should we build in the first place?"

Patrick Whitney, Dean of the IIT Institute of Design, uses the **Innovation Gap** to compare the increasing distance between what technology enables us to do, and what we know about the increasingly complex lives of customers:

A lot of problems come from misunderstanding (or failing to try to understand) what people want and need. Our solution is to start the Innovation Cycle with *Desirability* (for People) even though companies are often more skilled at determining *Viability* (for Business) or *Feasibility* (for Technology). The way to focus on people without being misled by traditional market-research methods is to act as empathetic observers rather than
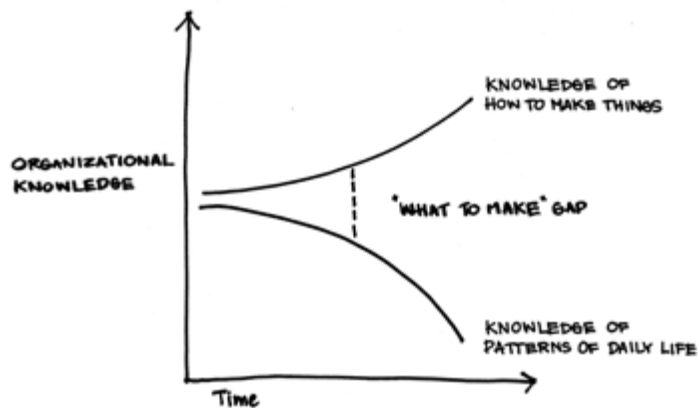
User-Centered *vs*. People-Focused

This approach has been called "user-centered," and we think that is a good term. It can, however, obscure the need to pay attention to non-users—the people who haven't yet tried our product, or who have stopped using it because it failed to work for them. While people's needs and wants are important, they are only one part of a balanced solution, so deep respect of people shouldn't be confused with making them the absolute center of the innovation effort. People-focused innovation is perhaps a broader and more inclusive description.

expecting customers to rattle off a series of demands we can get busy responding to. What we are calling for is an attitude as much as it is a series of methods: enter the world of your customer (and, as importantly, your potential and former customers) and watch what they do. Be in their context; learn from their actions; feel their pain; embrace their ingenuity. And yes, talk to them—but as someone eager to learn, not as someone wanting validation of a predicted response.

Bridging the gap will also require more effort to help both ourselves and our customers envision what the solution will look like. We'll look at ways of previewing our tremendous inventive capacity in Chapter 11: Prototyping.

In recent years, designers have been drawing on ethnographically-informed methods to better understand the people they hope to serve. The constraints of most projects make it impossible to spend years living "in the field" watching people, the way Margaret Mead did to learn about aboriginal cultures. But there is a surprising amount of insight to be gained even from a brief series of field observations—well within reach of any innovation team. If your project is large enough to change the strategic direction of a major company, you may indeed take years in a research mode. Colleagues have done just that at companies like Intel, Nokia, Microsoft, and McDonald's.

A simple field observation is to spend time as a customer yourself, watching other customers. You may be reading this book on an airplane, in a coffee shop, or other public place. Take a look around you: what is going on? Who is there, and what can you tell about them just by watching and listening? If you're there for more than a few minutes, you will notice interactions between customers, multitasking, complications, different modes of behavior, and how people transition from one thing (or person) to the next.

Mere observation won't automatically result in successful innovation. You'll need to ...

› Go beyond what is obvious

› Capture insights in a form usable later by design and innovation teams

› Use those insights to drive change that results in value

POEMS observational framework

Before you panic, we're not going to send you back to school to get an Anthropology degree. Field observations can produce rich insights by using a simple structured observational framework. There are several you could use; we like the POEMS framework, developed by Patrick Whitney and Vijay Kumar at the IIT Institute of Design:

› **People** Who is there? What are their values, pre-conceptions? When do they hesitate or have problems? What are their (unmet or underserved) needs?

› **Objects** What physical things are in the environment, and how do they relate to activities?

› **Environments** Where are people working? What else is going on in the background?

› **Messages** What information is exchanged between people? What information is offered to people by objects or systems?

› **Services** How are people being supported in their activities—either by systems or by employee actions?

Some individual observations might fit under more than one POEMS heading—and that's OK. The point of using these types of frameworks is to cover a lot of areas—not in dividing them

up rigidly. Just open your eyes, and jot down what you see, under whichever heading makes sense. We bet you'll start to notice unexpected things that could be better.

Workarounds

As you observe customers, keep your eyes open for **Workarounds**—examples of unintended or modified uses of a product or service. Workarounds reveal shortcomings in existing products, and often represent an innovation opportunity. A great example is the amazingly successful OXO line of kitchen tools. Measuring cups hadn't changed much in decades: they were basic tools, easy to make, and relatively easy to use. But almost everyone who uses a traditional measuring cup will do one of two things: to check to see if the amount of liquid poured in is exactly lined up with the little tick marks on the side, you either have to bend down to counter height, or lift the cup up to your eye level.

Researchers at Smart Design, which developed OXO's products, noticed this workaround. Their insight helped spur creation of a new kind of measuring cup with a slanted ledge on the inside, so you could check the alignment of liquid and tick marks from above, while you pour something into it. No workaround required! People who have the new OXO measuring cup love them (we each have one, and have given them out as gifts), and unquestionably find them worth double or triple the price of a plain old measuring cup. People-focused design, stemming from careful observation, provides OXO both with passionate customers and higher profit margins.

Contextual Interviews

Another approach often used in common with field observations is the **Contextual Interview**. After watching a customer do whatever it is you're interested in, talk with them about what happened, and why. It seems straightforward, but it can reveal

gaps between intention and outcome, and the thought processes behind a workaround. Contextual observations played a key role in some work we did for a large fast-food restaurant chain on drive-through restaurants. We recruited a dozen or so customers who let us ride around in their cars going through various drive-through experiences. First we watched silently as they did whatever they would normally do; then, we asked them to park the car and talk us through what they were thinking at various points. Subtle insights were the result: the expectation for 100% accuracy every single time (no grace for a forgotten 2¢ napkin); the subtle power dynamic between the employee with the headset and the customer; how the time spent by a customer placing an order goes by quickly, but time spent waiting for an order to be filled goes by slowly. Nuances like these are nearly impossible to discover with feedback cards or focus group discussions—and once these small reactions are uncovered, they become obvious opportunities for improving service. They also act as a powerful starting point for an interdisciplinary team to generate new ideas.

Watching Customer Innovations

You will also gain fantastic insights if you can equip your customers to innovate on their own. For example, the Google Maps web tool we've enjoyed using has a back entrance (an "open API," application program interface) that allows someone with rudimentary programming ability to layer on their own kinds of information. Paul Rademacher created a mashup of the Apartments for Rent postings from Craigslist.org, with the Google Maps open API, to create HousingMaps.com, which usefully displays available apartments directly on a map. A cheer rose up from millions of apartment-hunting web users, and Google found itself with a valuable insight into what customers were looking for. (It also ended up hiring Paul.) We'll talk more about these emerging trends of customer "co-creation" in the chapter on prototyping.

The POEMS framework and contextual interviews are just two of the hundreds of people-focused design research tools available. You could write an entire book on them all—and in fact, several have been written. (See the "Resources" section at the end of this chapter.) By the way, the recommended methods do include focus groups and surveys, for some situations. Remember, we aren't suggesting you not do focus groups or surveys at all—they can be powerful tools when trying to validate solutions. But their results can't substitute for the powerful insights about unmet needs you get with direct user observation; they also tools that tend to work much better when created and wielded by trained experts.

If all this seems daunting, we can assure you that while user observation can take some time, it's not that hard to do. It's a strategy that's not underused because it's hard—companies often don't know about it, and rarely try it. Even if you outsource some aspects of user research, it's exceptionally worthwhile to spend time with your customers. You're impacting their lives, after all. Making your innovation project people-focused will make you a more empathetic and generous advocate for them, even as you strive to create value for them and profits for your company.

Finding Value for People

User observation should be more than a check-off step in an innovation process—it should become part of your organization's strategic culture. That way, over time, you will become skilled at discerning underlying real needs and opportunities, even when they are at odds with what a person says out loud. The realization that "I need a cup of coffee" is (at least in part) an expression of a deeper need to take a brief break from a hectic day, is one of the insights that has made Starbucks hugely profitable. When you find an "unarticulated" need that hasn't yet been met, that's your opportunity step in and provide
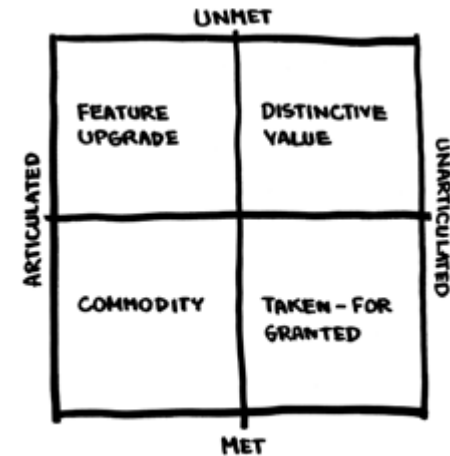
NEEDS MAP

distinctive value—the same way Starbucks provided the "third place" (neither home nor office) we never knew we needed to retreat to.

Let's imagine you run a regional grocery store chain, circa 1990. You've put out comment cards and surveyed your customers, and they seem to indicate you're doing a good job, yet you still are just about even with your competitors. Spending in-depth time with your customers, however, has helped you observe unarticulated needs that go beyond what they have told you about in your surveys. Sorting these needs out into articulated/unarticulated, and met/unmet categories, you end up with the Needs Map shown above.

Let's look a little closer at this map, starting with the lower half:

Commodity *(Articulated, Met Needs)*
Of course everybody wants low prices—customers often say that. That becomes a point of competition for all the grocery

stores in the area, even though there are limits to how low they can cut prices and remain in business.

Taken for Granted *(Unarticulated, Met Needs)*
These are the cost of doing business; your customers assume you will provide these services. (Try taking them away and watch your business dry up!)

As we will discuss further in Chapter 6, the lower quadrants on the Needs Map will tend to provide fewer opportunities for profit—because everybody else is already doing those things. (An exception is when you can find a brilliant, new way of meeting the same needs at a lower cost to your, or by wildly exceeding those expectations with an unusually improved offering.) Savvy business strategy is more often built on exploiting the upper two quadrants:

Feature Upgrade *(Articulated, Unmet Needs)*
Why haven't grocery stores embraced free home delivery (at least, not since the Good Old Days)? It costs too much. But a responsive businessperson might explore ways of meeting this expressly stated need by tinkering with enabling processes (see Chapter 7: Understanding Innovation), and eventually services like Peapod emerge to tap into this desire.

Distinctive Value *(Unarticulated, Unmet Needs)*
Aha, now we're getting somewhere. Families that are increasingly busy have less time to shop for and prepare food at home, but feel guilty about the cost of eating at restaurants. Savvy grocery stores noticed this unspoken need and began providing complete, prepared meals far beyond what had been available in the deli section: rotisserie chickens, side dishes, and everything else, packed conveniently in grab-n-go displays. Sales, and profitability, surged.

Customers may never ask for the things they will end up gladly paying for—who could have foreseen the rise of cable TV or satellite radio (after all, the broadcast versions were free), or personal computers (remember the famous IBM president who scoffed at the very idea?). That's why we can't just ask them what they want, and build it. People-focused design, driven by observational research techniques, will help us find new areas of value, instead of competing with everybody else on the obvious stuff.

By the way, while Feature Upgrades are less sexy and groundbreaking than Distinctive Value, they are still perfectly legitimate areas for an innovation project to explore. They provide greater value than commodities do.

However you work at gaining a better understanding of the people who do or might use your product or service, what is most important is to have an attitude of respect and empathy for them. In a previous generation, Henry Ford could get away with offering cars in any color you wanted as long as you wanted black—that's the "no empathy" approach. Recently, Microsoft asked us, "Where would you like to go today?"—which reflects a certain amount of empathy.

We hope that in the future you know your customers so well that you can tell between those who really want an open choice of where to go, those who would like a personalized recommendation, and those who don't want to go anywhere but enjoy the chance to see where other people are going. Truly understanding and respecting your customers' perspectives, and giving them what they really want, is what we recommend to companies.

Before You Go On...

› Spend time with your team watching customers. Use the poems tool to break out insights. What new opportunity areas are you finding? Which stories to you find yourselves telling each other (and others) about your time spent with users?

› Attempt to formally state your customer's Unmet, Unarticulated Needs, and think about how they might lead to Distinctive Value.

› Can your team write a brief paragraph describing your typical customer? If you can't do it easily, you may need to spend more time with users until their concerns, habits, workarounds, and relationship to your product are clear.

RESOURCES FOR USER OBSERVATION

aiga and Cheskin. "An Ethnography Primer," aiga, http://www.aiga.org/resources/content/3/7/4/5/documents/ethnography_primer.pdf

Bolt, Nate and Tulathimutte, Tony. *Remote Research: Real Users, Real Time, Real Research.* Brooklyn, N.Y.: Rosenfeld Media, 2010. You will also find other helpful resources at http://rosenfeldmedia.com.

Kuniavsky, Mike. *Observing the User Experience: A Practitioner's Guide to User Research.* Burlington, Mass.: Morgan Kaufmann, 2003. One of the best guides to user research available.