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The most successful companies of our times face a problem of significant proportions. Sony, the venerable company that invented the Walkman, totally blew the MP3 opportunity and just recently the new PlayStation 3 launch. Motorola had a huge opportunity with the RAZR and could not ride its success to sustainable growth and leadership in mobile phones. Gillette had all the capabilities to reinvent the oral care category. It knew how to build and design wonderful small devices through its Braun division, it had the market-leading battery division with Duracell, and it had a world-class capability in toothbrushes with Oral-B.

The new ecosystem-of-demand paradigm formulates and executes a company's next big innovation and growth strategy by examining the 1,440 minutes in a consumer's day.

Room to Grow

EXECUTIVE briefing

Say hello to the new paradigm of reinventing a business or category, building strong brands, creating breakthrough new products and services, and connecting with customers. This article introduces a systematic and repeatable approach to identifying the biggest opportunities in plain sight and formulating your company's next big innovation and growth strategy.

Yet it was Procter & Gamble that saw the opportunity, licensed it through so-called open innovation, and launched the hugely successful Crest SpinBrush. In 2005, Procter & Gamble bought Gillette. How is it that those companies could not see their biggest and greatest opportunities in plain sight?

However, that alone is not the problem. The problem is much bigger; it is one of realizing the opportunity for profitable growth. The Corporate Strategy Board, a Washington think tank, has studied successful companies whose growth has slowed. It finds that only 10% of companies ever again can achieve the levels of their past growth, only 3% can sustain the new growth for more than three years, and only 1% achieve that growth through creating new growth platforms (read the 1998 Corporate Strategy Board study "Stall Points"). Adrian Slywotzky and Richard Wise, in their *Harvard Business Review* article of July 2002, show that between 1990 and 2000 only 10% of publicly traded companies enjoyed eight or more years of double-digit growth in their top line. And when the authors subtracted international growth, price increases, and acquisition growth, they found that companies in 11 industries had only modest growth averaging a few percentage points, if they found any at all. Sustainable top-line growth just appears to be very difficult to achieve.

■ Exhibit 1

Inside-out management practices

In search of products	In search of customers
Disruptive innovation	Customer orientation
Technology innovation	CRM
TQM	Segmentation
New product development	Customer delight
Brand extension	Customer co-creation
Competitive strategy	Ethnography, market research
Design innovation	Customer satisfaction
Jobs to be done	Customer centricity
Stage-gate process	Voice of the customer
Quality function deployment	Listening to the customer

The Problem Is Us

Marketers and strategists in search of innovation and growth tend to adopt practices or reapply approaches that worked long ago—in the hope that this time around they will help. They won't. As Exhibit 1 shows, there are many approaches to growth covering a wide range of management practices. They fall into two types.

The product perspective. That perspective suggests that consumers cannot know what they have not experienced. Hence, research and development, product management, and engineering create and design in search of the next product based on customer input. That kind of thinking let Motorola introduce the Iridium satellite phone only a few years back: a brick-sized phone with an antenna the size of a baseball bat, which would work only in wide-open spaces and never inside a building. The pricing plan called for a \$3,000 upfront payment and a \$7-a-minute charge for calling.

The customer perspective. That perspective is often adopted by today's marketers. It says that we should listen to customers or (even better) observe them through insightful and in-depth research—perhaps an ethnographic study design. Yet listening to or observing consumers is not equal to understanding consumers. If it were, then we would not face the also well-known problem of several thousand products and brands being launched and placed on American supermarket shelves—with only 5% remaining on the shelf after one year and the remainder filling the graveyard of "did not live up to expectations."

The essential problem with both perspectives is that they lead executives to view the world from the inside out. It doesn't matter whether product engineers look at consumers with their latest technologies tucked under their arms or use the latest methodologies in consumer research. It also doesn't matter whether marketers decide to split consumers into ever-smaller niches/segments and develop fanciful consumer portraits. Regardless, following those perspectives still involves looking at the opportunities from the inside out—with our own biases and preconceptions about markets and from the confines and perimeters of the company, its capabilities (or current product set), and its past successes.

That insidious inside-out worldview blurs our vision, and it distorts our ability to see the biggest and most obvious opportunities in the market objectively and comprehensively. Worse, it permeates everything we do: how we innovate new products or services, how we define good brand extensions,

how we develop marketing plans, and how we activate them. The reason is simple: More than 50 years ago, the American marketing industry adopted that inside-out view by establishing need fulfillment as the dominant paradigm of marketing. Even worse, that paradigm is still followed today. We believed then—and believe now—that if we identify a consumer need or want and we fill it, then consumers will come and buy. But the need-fulfillment paradigm is a bankrupt enterprise in a world in which consumers are oversaturated with gazillions of product choices and brands.

Ecosystem of Demand

It is time to retire the simplistic need-fulfillment paradigm and replace it with the ecosystem-of-demand paradigm, a departure from the former. It aims to establish a comprehensive portrayal of the complex ephemeral and changing nature of consumers' behaviors in context first—and then define means by which a company, brand, or product might change and transform the very behaviors and serial realities it has identified. In contrast to the need-fulfillment paradigm, the new paradigm does not aim to identify a need and satisfy it or delight customers with a product or service better, faster, or cheaper than competitors do. It aims to temporarily deemphasize our assumptions and knowledge about consumers and their needs, wants, and demands—so that we set aside our brand or product altogether.

Specifically, in the ecosystem-of-demand paradigm, we first identify a relevant set of behaviors, rituals, activities, or tasks occurring in the 1,440 minutes that encompass a consumer's day (from midnight to midnight). That is, we look at the episodic, daily occurrences that matter most to consumers and

how they experience them. We then insert a new product or service, create a new business model or pricing plan, or define a new brand to change the way people go about their daily lives. Lesser-used products require studying episodic whole-life experiences and changes of life routines.

The goal of capturing the ecosystem-of-demand paradigm is to fit a product, service, or brand into a consumer's daily life or whole life—or into the workflow processes of an industrial customer—and create a transformative experience. The goal is no longer to merely create competitive advantage and be different from competitors by creating products or brands that are positioned on differentiating and relevant attributes.

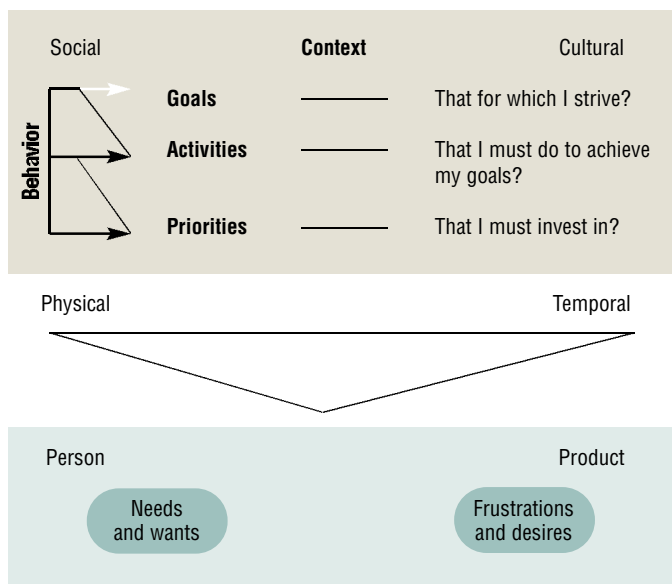
Demand-first Innovation and Growth

The ecosystem-of-demand paradigm gives rise to an entirely new outside-in process for dramatic innovation and big growth opportunities: the demand-first innovation and growth (DIG) model. Instead of trying to understand consumers broadly, by delving into differences in their psychological or socioeconomic makeup or their needs, the DIG model aims to dig deeper into the serial realities of people's routines, rituals, and ways of going about what really matters to them. Existing models hope that a change in attitude or brand image will lead to a change of behavior, whereas the DIG model reverses that process. It starts with the behavior and draws on consumers' episodic knowledge—not merely semantic recall of product features, needs, and wants.

The DIG model is a third perspective and, again, a very novel alternative to finding opportunities for innovation and growth. Implementation follows a simple three-step process: mapping the demand landscape, reframing the opportunity space, and formulating the strategic blueprint for growth.

■ Exhibit 2

Capturing the ecosystem of demand



Mapping the Demand Landscape

The first step is to comprehensively understand the ecosystem of demand without bias and independent from the current product or feature set. We begin by reconstructing the relevant daily or life episodes or rituals in a consumer's life by recalling the memory of recent episodes (e.g., setting up the breakfast table or taking a vacation). The research follows an adapted version of the "day reconstruction methodology" and measures the goals, activities, and priorities or the GAP (see Exhibit 2). It captures all relevant episodes as well as the associated affective experiences. (Read "A Survey Method for Characterizing Daily Life Experiences: The Day Reconstruction Method" by Daniel Kahneman et al. in the Dec. 3, 2004, *Science*.) Goals are very specific things for which a person strives daily, such as getting home early to spend more time with the children. Activities are the means to achieve goals, such as taking the subway or listening to music in the park. And priorities are the time and effort allocated to activities. The GAP depends on the context: temporal (time of day, week, or month), cultural (life setting), and social and physical (at home or at work).

That analysis helps to draw up the basic contours of the demand landscape. From that unbiased, objective foundation of relevance and importance to consumers, we explore unarticulated or latent needs, wants, moods, urges, fantasies, frustrations, and other passionate consumption motivations.

Centering on the GAP in the contexts in which people live, work, or play provides an entirely new dimension to understanding consumers. That's because the DIG model focuses innovation on similarities in people's behaviors and episodes in their lives rather than on differences in attribute or brand perceptions. Instead of merely eliciting an understanding of the differing needs or wants of high-fidelity music lovers versus those of "Joe Six-Pack," research elicits the activities that people go through in living around music: how they find out about music and how they evaluate, select, buy, listen, store, and discard music. The DIG model calls for understanding the specific goals that people seek in each of those activities and then deeply exploring how consumers experience those activities. Only after that is a marketer in a position to explore those unarticulated or latent needs and wants and—more importantly—moods, urges, fantasies, frustrations, and passions. It can lead to the next iPod, but it will more likely lead to a breakthrough such as the iPod-iTunes-iMusicStore ecosystem of products or a new business model (as Netflix has done). Most importantly, it doesn't aim to just create customer satisfaction or fulfill needs and wants. It also doesn't try to just make competition irrelevant or find uncontested market spaces. Those inside-out objectives belong to the dominant need-fulfillment paradigm. Instead, as mentioned, the objective is to achieve a transformative and lasting experience of a daily or life episode that matters to consumers.

The new category leader in the male grooming business, Unilever's Axe brand, is illustrative of what that new approach can lead to. Young men's needs and wants have little to do with staying dry in the armpits or sampling different "flavors" of the latest deodorant or antiperspirant. Those needs and wants are already fulfilled by many other deodorants or antiperspirants. When one deeply explores the ecosystem of demand, the real motivations of young men emerge. Many of their activities, daily goals, and priorities focus on one thing: getting the girl. Thus, Unilever studied the daily episodes around dating and mating and the sequences of activities that led up to a successful date: how young men prepare themselves for a date, the various ways they date, and when and how they succeed and fail. One finding from the research was that men are not very good at dating.

So Axe did not position itself as the better fragrance or body spray. It positioned itself as the brand that helps young men get an edge in the mating game. Instead of looking back into research and development for new fragrances or asking consumers to go through sniff tests, Unilever dug deeper into the activities and daily rituals of guys. It sent brand managers,

as live-ins, to fraternities at U.S. universities for more than a month and asked them to map young men's activities—around the house, on parties, during a night out at a club, and at school. Research showed that success in the frequent ritual of dating on campus requires playing the good-guy/bad-guy personae that some girls like. That led to the launch of Essence body spray. And when Unilever studied males' various methods of making first contact, research also showed that some pickup lines are better than others and that most men are pretty bad at the pickup. So Unilever launched a Web site to help teach young men the many different ways of meeting girls. It launched the Unlimited variant to remind guys of the unlimited possibilities in playing the mating game.

Today, Axe has already taken over 10% of the global grooming market and is available in 69 countries. In the United States, it has replaced the longtime category leader in just four years in key retail markets.

Reframing the Opportunity Space

Understanding the ecosystem of demand through comprehensively mapping life experiences is important. But, again, it is only the first step. A company needs to have a process to really see the biggest and most obvious opportunities in plain sight—even beyond what can be learned from consumers.

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That process needs to be as structured and as thoroughly pursued as companies presently benchmark competitors, drive themselves crazy disrupting competitors, analyze competitive advantages, and aim to make competitors irrelevant.

Consider Axe. Reframing the opportunity space of Axe involves extending its positioning beyond the episodes of dating itself. One new frame could be the episodes that matter after successful dating, when a couple engages. That reframes the opportunity space of Axe into a potentially huge and entirely different product or service market—ranging anywhere from jewelry to real estate to savings accounts to life insurance products. What's important here is that those innovation and growth opportunities explore radically and highly relevant consumer directions; they are not merely incremental changes in the feature or product attribute set or more nuanced and finely crafted brand benefits and message points. That leads to the identification of a much larger sweet spot.



■ Exhibit 3

Tools to reframe the opportunity space

Eyes of the customer	Eyes of the market	Eyes of the industry
Goal adjacencies	Substitutes and spoilers	Changing industry assumptions
Related activities	Enhancers, complementors, enablers	Discontinuities/changes in the environment
Priorities/tradeoffs	Segments of opposites	New business models

Think Apple right after launching the iPod. The need-fulfillment paradigm's natural direction for seizing new opportunities would have been to think through differences among consumers in terms of age, sophistication, or preferences for music and then segment. Different consumers then would have been offered slight variants of the iPod—each with a more nuanced, elusive, and different value proposition. Instead, Apple thought about the comprehensive integration of behaviors before, during, and after listening to music: learning, evaluating, choosing, purchasing, and storing music. That course of action radically changed the innovation agenda for Apple. It involved launching iTunes, iMusicStore, downloadable music for a dollar a song, and more—again, instead of creating different product variants for different segments. Moreover, it involved launching thousands of accessories with collaborator companies (such as Bose for stereo speakers) to help consumers assimilate and absorb the iPod into their lives when listening to music in various contexts. And in the end, CEO Steve Jobs reinvented Apple as a music company or entertainment company—not merely as a world-class computer maker with accessories for sale (e.g., the iPod) located deep down among the optional purchases on its Web site.

Reframing the opportunity space requires creativity, in addition to structured thinking, to explore the ecosystem of demand from many different angles. There are three major ways of reframing.

Examine the demand landscape from an individual consumer's perspective. Axe's looking at a consumer's episodes after a period of successful dating is an example of that type of structured thinking. The research question is what opportunities exist to help young men in the activities beyond the dating game?

Examine the demand landscape around dating from a market perspective. What activities or episodes exist when dating is not an option? What do consumers substitute for dating? What products and services complement?

Examine the demand landscape from the industry perspective. How is the mating game changing overall? What is the role of places such as MySpace and Facebook? Where are

the market discontinuities? What are the larger societal trends that are changing the mating game? Those are the fundamental questions for clearly defining the relevant sweet spot. In the book *Hidden in Plain Sight: How to Find and Execute Your Company's Next Big Growth Strategy* (Harvard Business School Press, 2007), I describe 12 breakthrough thinking tools. Those are summarized in Exhibit 3.

The reframed opportunity space then has to be structured into meaningful episodic or behavior-based, consumer-relevant growth platforms. In a typical study, initial quantification involves about 30 people mapping their activities over three months. They do so using various forms of methodologies, diaries, journals, and reconstruction tools that generate around 35,000 activities—including 120 hours from four hours of one-on-one confessional conversations with each person. The database quickly becomes enormous and increasingly valuable for structuring the demand landscape, exploring the opportunity space, and ultimately developing a compelling business case for innovations and growth.

F o m u l a t i n g t h e G r o w t h B l u e p r i n t

One of the biggest benefits of the DIG model is that it allows marketers to build strategies for profitable growth from an unbiased and untainted view of the greatest opportunities in the future—rather than from merely the existing business scope. Hence, instead of simply building a marketing strategy or plan around a new product or service, marketers define the business and growth agenda of a company and decisively influence it. Another benefit is the aforementioned focus of innovation, indeed of the entire business, on the similarities of daily routines, episodes, and activities that really matter to consumers—again, not on the differences among products, latest technologies, or feature sets or the ever-more nuanced differences between consumer preferences and fleeting purchase motivations. Those benefits translate into completely new ways of reinventing a company or category, building strong brands, and connecting with customers.

Reinventing a company or category. Arguably, Apple and Axe are some of the greatest reinvention examples of our times. As indicated, the success of the iPod has created a very different company and refocused it on entirely new growth opportunities in consumer electronics, music, and our digital lives. And, again, Axe has equally reinvented the category of male grooming in the world. Other companies and brands have achieved similar successes, such as IKEA for home furnishing, Starbucks for coffee, and Netflix for movie rentals.

One way to understand those reinvention successes is to examine them from the point of view of strategy, the ends or the objectives, and the means or the advantages they were creating. Those companies did not focus on competitive objectives.

Starbucks did not think about serving better coffee. Rather, Chairman Howard Schultz's vision was to create the "third place for Americans," by which he meant the place to be after

work and home. After the minutes consumers spend at home and at work, out of the total 1,440 minutes they live every day, Schultz wanted them to spend most of the discretionary time at Starbucks. And that's why Starbucks divides the day into parts it calls "day parts" and looks for opportunities to get a bigger share of a consumer's 1,440 minutes. Again, that is an entirely different objective than becoming the No. 1 coffee company in terms of market share or maximizing share of wallet. Starbucks focuses on the customer advantage: how long they spend in the store and how often they come. The passionate consumer visits a Starbucks an average of 18 times a month and spends about 45 minutes per visit.

And Apple was hardly thinking about creating a better Walkman. Do you know the biggest online music retailer today? It is Apple. Do you know the No. 2? Most likely you don't. Do you know the No. 1 MP3-player company? It is Apple. Do you know the No. 2? Most likely you don't. Consumers usually don't know because they have never been invited to compare the iPod with anything else. Have you ever seen an iPod ad that touted its better product features?

Indeed, the iPod has defied the classic idea of strategic positioning and growth. Instead, as mentioned, Apple has rolled out numerous devices that help us absorb and assimilate the iPod into our lives (e.g., Nike sports shoes that record a runner's time and distance on an iPod). With every accessory sold and with every new launch, such as the iPhone, Apple generates profitable growth by capturing more of the 1,440 minutes we all live, work, and play. It pursued an intensive strategy by digging deeper into the relevant episodes and activities of passionate consumers, rather than with an extensive strategy of segmenting and resegmenting consumer markets, proliferation of its product portfolio, or racing competitors to the bottom of lower prices, lower margins, and commodity hell. It created customer advantage, not merely competitive advantage.

Building strong brands. The DIG model leads to a new way of building strong brands. Instead of building a brand around a product, the superiority of a feature, or an emotional benefit communicated to a broadly defined market, DIG-model marketers center on narrow but big opportunities and, as mentioned, go very deep. They focus on making the brand a cultural currency among a particular set of customers. They focus on those similar behaviors or activities among those customers and create a better transformative experience, which in turn creates authentic and real word-of-mouth communications.

Axe focused on the very specific niche of those ages 17-24 and the sultry activities of the mating game. It leveraged its deep understanding and the cultural codes of those young men to exploit a large market opportunity. The activation programs fit the context in which those young men live so well

that every effort of Axe to help them get better in the mating game was welcomed not only by hapless college students but also by a huge number of men across all age ranges. The brand became a part of culture and conversation everywhere for men of any age.

Connecting with customers. Existing communication theory and practice suggest that the goal is to find a simple message that resonates with consumers and effectively moves them along the purchase funnel—from awareness toward purchase and loyalty. A set of proof points and repetition ensures that the message is credible and believable to as many consumers as possible. That could be called the spray-and-pray model: Reach many consumers by spraying wherever you can and pray that they find their way to the store or your Web site.

The DIG model flips that one upside down. Instead of widely spraying messages and ever-more highly nuanced and emotional brand promises, the DIG model again aims to first focus on and change the behaviors, activities, or daily routines of a particular set of consumers. Messages become stories told in a contextually relevant way. The network and communities among the narrow targets become the brand builder. Think of how consumers learned about Google, Skype, or Starbucks. All three of them have become billion-dollar brands by narrowly focusing on changing behaviors before spending a dime on advertising. They create an experience by allowing consumers to download a software application, for example. They leverage the close connections between narrow target audiences to spread the message and influence the larger consumer markets.

Thinking Ahead

Opportunities for innovation and growth are abundant, and we often don't see them or pursue them. The DIG model is a systematic way to make sure that does not happen. It ensures that your company's next big innovation and growth are built on a full understanding of those opportunities, whether they are big or small. That is important so you never again have to say, "Why didn't we think of that?" when a rival company or a startup comes out with a wildly successful and innovative concept or idea, a marketing program, a breakthrough product, or a brand that your company could have introduced. ■

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