USING CUSTOMER EXPERIENCE INNOVATION TO REBUILD PERFORMANCE AT PACE

There is
no going
back

It is clear already that for all organisations, public, private and voluntary, there is no going back to how things were six months ago.

If there is no going back, then how can we move forward: more specifically how can we move forward in a way that reduces the risks associated with change? After the last six months, in all but very few instances, most leaders are facing balance sheets that look less attractive and that will carry greater uncertainty about their medium-term value. Under these circumstances we predict cash will become a bigger issue and the willingness of leaders to sanction investments in growth will be reduced as historically they are less reliable in their returns than investments aimed at reducing cost.

To help leaders responsible for growth, Kibo and Good Growth have pooled their expertise and experience from working with global brands in sectors as diverse as consumer goods, retail, automotive, travel and hospitality, financial services and higher education to create this action guide to innovation that delivers positive returns to rebuild balance sheets.

Blending their world-class technology and methodologies, they have created this guide to:

- Show how to build innovation as a capability

- Explore how to turn data into insight and insight into innovations that deliver positive returns

- Illustrate how technology plays a key role in de-risking innovation

- Lay out the implications for organisations

Innovation

Innovation is the bridge between ideas and value. Like any bridge, it only works if:

- There is a robust foundation

- The structure is well engineered

- And the place it takes you to is where you want to be

There is a significant difference between innovation and creativity. Creativity plays a part in innovation, but on its own cannot create value in a business setting. Just think about how many beautiful looking websites fail to meet customer needs. In innovation creativity is required once we have identified and agreed on the customer problem that we need to solve. It is the identification of the problem that is the challenge: ideation is then required to create options that may solve it and testing/prototyping then helps identify which idea (or iteration of an idea) will solve it best. What leaders must ensure is that their teams are solving the customer's problem and not a business problem.
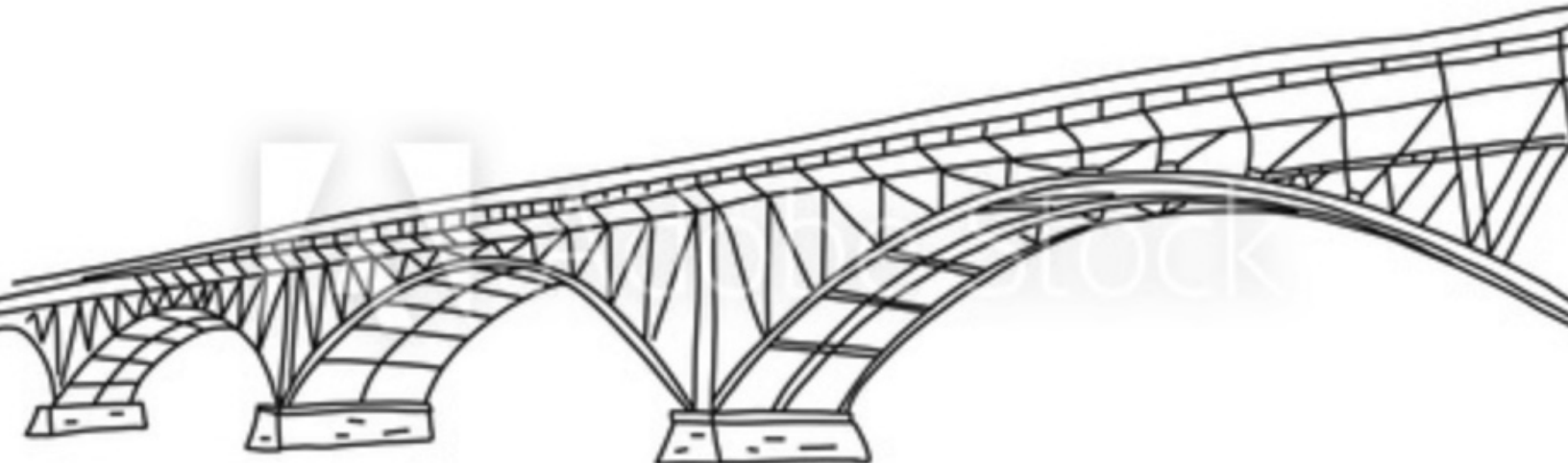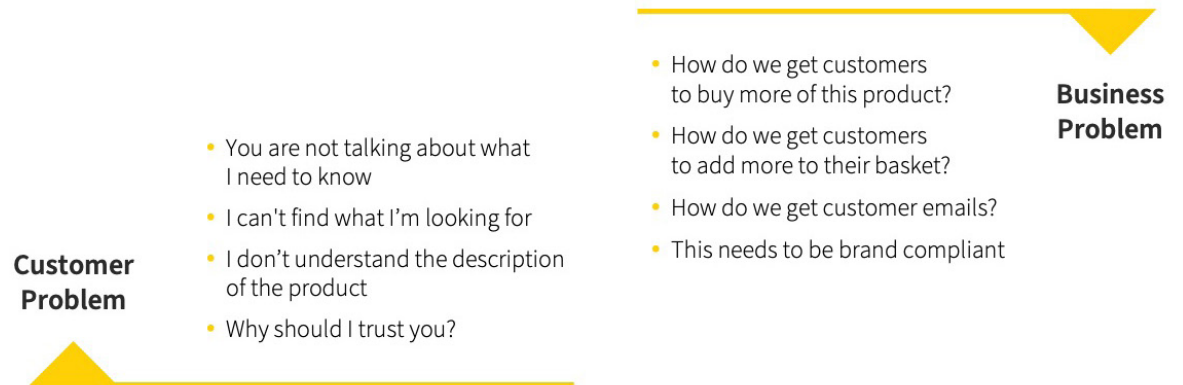
- How do we get customers
  to buy more of this product?
- How do we get customers
  to add more to their basket?
- How do we get customer emails?
- This needs to be brand compliant

**Business
Problem**

- You are not talking about what
  I need to know
- I can't find what I'm looking for
- I don't understand the description
  of the product
- Why should I trust you?

**Customer
Problem**

Operating Model:
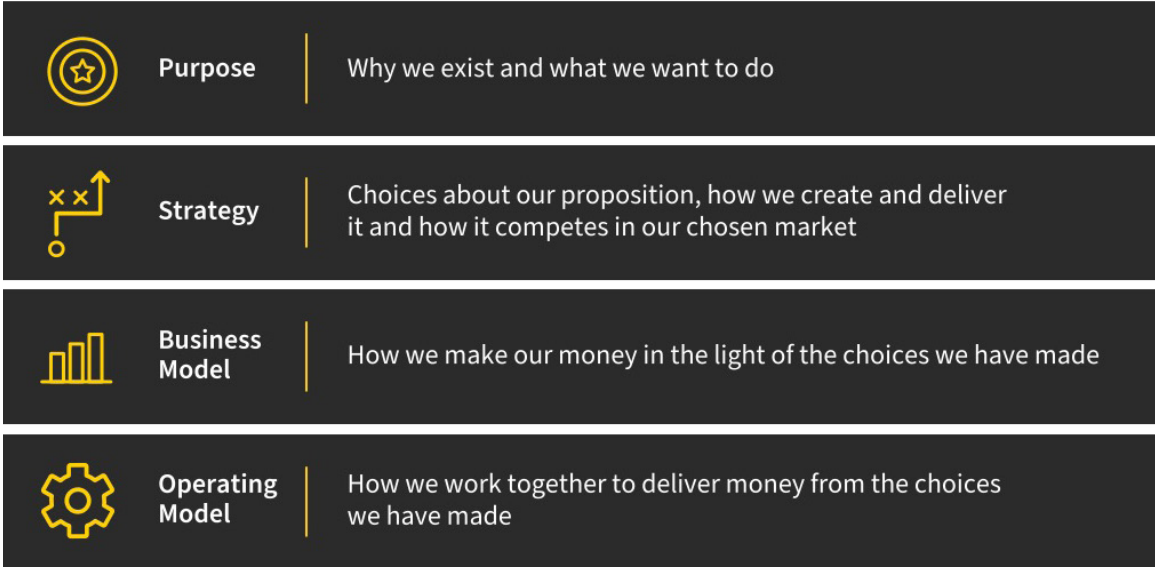## the engine that
drives success

We often hear about business success being ascribed to their being 'focused on their customers' what we hear less about is how hard it is to ensure that this becomes the cultural norm. Whilst individuals can do this intuitively, organisations cannot. Organisations work through processes. These can be defined or ill-defined but known to sufficient people to become the 'norm'. In whatever form they exist, they are the foundation block for 'how we get things done around here'. Without them, teams could not work together effectively and progress against goals and objectives becomes difficult if not impossible.

So, if your organisation is to innovate successfully – i.e. it can project itself into its customers such that the customer problem is fully understood from the perspective of the customer – it will need a clearly defined process.

But it will need more than that. Processes work best when they are supported by appropriate technology, applied by people with relevant capabilities, embedded in role profiles, performance management and reward and enabled and supported by leaders who understand their value and create cultures within which they can thrive. In their books[1] Good Growth founders James Hammersley and Chris Bones define this as the 'Operating Model'. It is the engine of growth. If

purpose defines why your organisation exits and strategy your choices that enable you to meet that purpose successfully, then the business model defines how you make money and the operating model how your people will work together to ensure that you add value.

Purpose — Why we exist and what we want to do

Strategy — Choices about our proposition, how we create and deliver it and how it competes in our chosen market

Business Model — How we make our money in the light of the choices we have made

Operating Model — How we work together to deliver money from the choices we have made

The Good Growth E-Commerce Operating Model shows how Culture, Capability and Capacity need to be aligned in order to ensure that e-commerce teams perform to their full potential.

Figure 3: *The Good Growth E-Commerce Operating Model*

Operating Model

CAPACITY
- Purpose & governance
- Resources, structure, roles & responsibilities
- Measurement & reward

CAPABILITY
- Processes
- Technology
- Skills

CULTURE
- Ways of working
- Behaviour
- Leadership Impact

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1 Leading Digital Strategy, Kogan Pa
London, 2015; Optimizing Digital Strategy,
Kogan Page, London, 2019

How does that work in e-commerce?

In the experience of both Kibo and Good Growth, the defining characteristic of the most successful e-commerce teams is that they have developed an effective operating model that ensures their focus and energies are centred on solving the customer problem. This is equally true of all effective businesses but in e-commerce the differentiator comes from the understanding that the channel can operate as both a transmitter and a receiver at the same time. In other words, it is possible to get feedback in real time from real customers in the process of making real purchases or moving into a sales funnel where the transaction is completed elsewhere.

From this, they have built their operating models around the customer and their requirements as opposed to the business and its requirements. This may well explain why pure-play businesses are often seen as e-commerce exemplars: they emerged from an understanding of the opportunity provided by digital to 'observe' people as they engaged into looking for and transacting with products and services and so have built their operating models around the customers they wanted to serve. Legacy businesses have found this more challenging having been built around operating models that are producer centric and when they struggle it is often because they are applying operating models that focus on solving the business problem.

You could think about this in terms of team goals and team process.

Earlier we highlighted that business problems and customer problems are often different. In fact, at times they can be directly contradictory. Design thinking principles and experience suggest that by understanding the customer problem better we can solve the business problem. Digital gives us a direct portal into customers and understanding their behaviour as well as a way of testing solutions cheaply and rapidly. That means that team goals can be set around the customer and progress measured in terms of better customer outcomes. Figure 4 shows examples of goals and measures for an e-commerce team built around the customer.

Figure 4: *Team Goals*

RETAIN

Primary
- Conversion frequency

Secondary
- Number of active customers
- Active customer percentage
- Churn Rate
- Value per customer
- Average basket size
- Visits per visitor

LOCATE

Primary
- Organic search average position

Secondary
- Organic search impressions
- Organic search click through rate
- Organic search traffic volume
- Organic conversion rat e
- Referral traffic volume
- Referral conversion rate

ENGAGE

Primary
- Conversion rate effectiveness

Secondary
- Traffic
- Conversions
- Conversion rate
- Revenue
- Average order value
- Revenue per user

ACQUIRE

Primary
- Return on ad spend

Secondary
- Digital marketing impressions
- Digital marketing clicks
- Digital marketing spend
- Digital marketing cost per click
- Digital marketing click through rate
- Digital marketing cost per acquisition

This has become such a key differentiator that Good Growth have recently launched an e-commerce performance tool, 4Front, that enables e-commerce leaders to pull together key measures that correlate with key customer problems; applying high quality analyses to these, the tool highlights areas where a focused effort would improve customer outcomes and as a result business performance.[2]
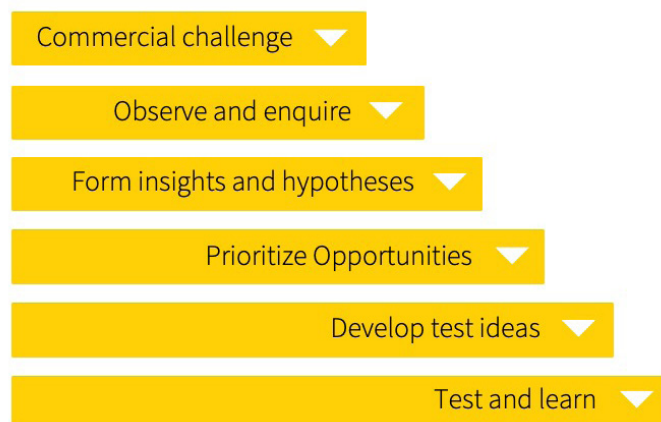
Once goals are clear, all those involved in channel performance and outcomes need to work to a single, transparent process that matches the principles of Design Thinking.

2 More details on 4Front© can be found here[link]

Design Thinking:
the key to understanding the problem

Credited to global design company IDEO, *Design Thinking*, is a methodology that has underpinned some of the iconic innovations of the last thirty years. Why it is important today is that it is based upon a key principle used by product and service designers in their work: the need to focus on the human experience.

Successful innovation comes from understanding the human problem – often in seeing that problem from a different perspective – and to do that requires a process that centres on the human with the problem, not on anything else. The design thinking process does this by starting out observing people and uses these observations as the basis for creating problem statements against which solutions can be generated and then tested through experimentation or prototyping. It is often shown as an iterative activity where lessons from testing are then fed back into the problem statement and new ideas generated that better address the issue. The flow is described in Figure 5.

Commercial challenge ▼

Observe and enquire ▼

Form insights and hypotheses ▼

Prioritize Opportunities ▼

Develop test ideas ▼

Test and learn ▼

There are many words used by designers to describe what they do, but the one that reoccurs most often is 'empathise'. This is a carefully chosen word: empathy is defined as 'the power of projecting one's personality into, and so fully understanding, the object of contemplation'[3] and the process in Figure 5 is the designer's methodology of doing this such that they can truly understand the problem from the perspective of another individual. In a business setting this translates into 'how can we understand our customer?'.

The process utilised by Good Growth in clients such as Wall Street Journal, Boohoo, TripAdvisor, Puma and QVC is one of the best examples of how to drive growth through e-commerce. **This process helps an e-commerce team:**

- Observe the customer and engage them such that the issues they encounter with marketing, proposition, product, transaction or lead generation journey, post-engagement activity are surfaced and explained from the customer perspective

- Blend the data sources and through their interrogation identify the key issues and use these to develop hypotheses about the customer experience

- Use hypotheses as the key to effective ideation. Here the process requires the maximum possible creativity to generate possible changes that could unlock value.

- Prioritise potential solutions against a set of agreed criteria. Normally these include ease of implementation of the test idea, the scale of the value to be created if the idea worked and the complexity of the test itself. Once prioritised, tests are launched and run to the highest possible scientific standard.

As test results are confirmed, it is important to agree that there is no such thing as a bad test result. Every result tells you something about the customer, some quickly deliver sufficient value to be turned into the mainstream engagement. Others suggest learning that will enable intelligent iteration – sometimes by changing the whole hypothesis. In addition, really effective teams focus on process measures as well as outcome measures, looking for ways to increase pace, agility and enhance the chances of value creating outcomes.

Figure 6: *Digital Innovation* **Process**
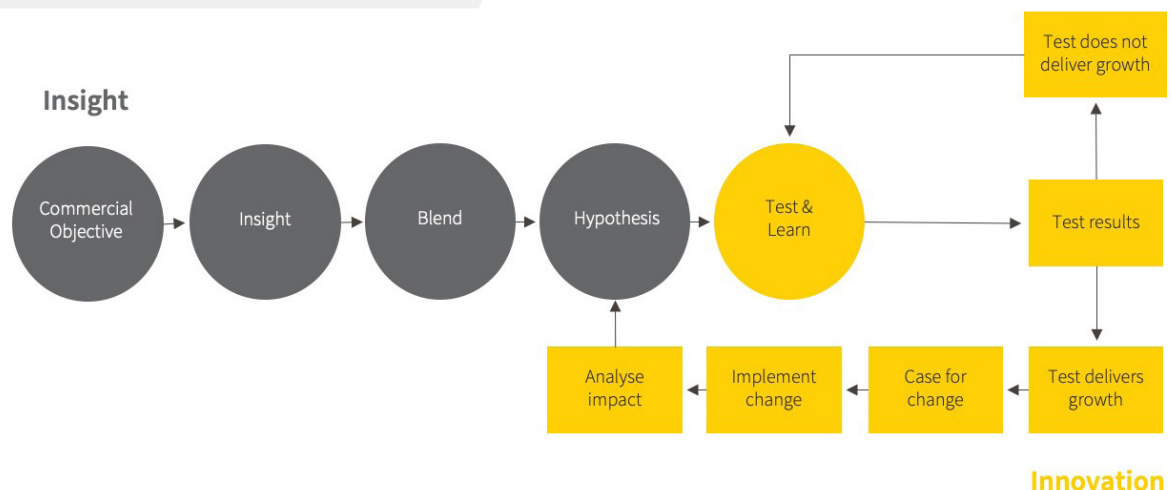
Innovation

Innovation
in practice

In each of the following case examples, the outcome was a transformed performance through applying a highly disciplined process to the challenge of innovation to support growth.

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Migrating from our homegrown platform to Kibo has given Jelly Belly the power to drive growth much faster than we could on our own.

Brandon Finch
Director of eBusiness,
Jelly Belly

CASE STUDY

Jelly Belly Candy

In the process of supporting high growth across both their B2C and B2B channels, candy manufacturer Jelly Belly Candy Company sought an e-commerce solution that removed the burden of technology maintenance and that simplified the purchasing experience for customers across all devices.

After working with Kibo, Jelly Belly now offer a responsive mobile shopping experience that simplifies and enhances purchasing across desktop and mobile and their eBusiness team launched 46 multiple sites at 2X the speed.

Jelly Belly's eBusiness team can now quickly launch new sites from a single, comprehensive admin UI, leveraging a master catalog to further simplify inventory management and roll out discounts and coupons without IT support. Built with the end shopper in mind, now, Jelly Belly spends their time servicing customer needs through Kibo eCommerce, not maintaining the technology required to do so.

As a result, Jelly Belly have seen the very growth they set out to capture at the onset of their partnership with Kibo, seeing a 300% growth in mobile sales and a 26% increase in tablet sales.

"Migrating from our homegrown platform to Kibo has given Jelly Belly the power to drive growth much faster than we could on our own," said Brandon Finch, Director of eBusiness at Jelly Belly.

The Economist

160%

uplift in lead generation

The Economist utilised the Good Growth methodology to increase online subscription through understanding and responding to their customers. As a result of understanding the customer, a period of 'test & learn' utilising A/B testing across multiple online subscription journeys was launched. As a result, customer insight helped the Economist grow faster. The programme generated a 160% uplift in lead generation and a subsequent 80% increase in online subscriptions through targeted paywall split testing. For The Economist the key learnings have been:

1 Letting the customer set the agenda and responding to it through testing delivers results that significantly improve performance.

2 Using strong process and a blend of quantitative and qualitative data creates powerful and actionable insights.

3 Developing an organisation-wide acceptance of strong process disciplines enables a more agile and responsive approach to change that drives growth.

Senior Marketing Director, Paul Cooper, noted *"Good Growth ensured that we weren't testing for the sake of testing and that there was a more robust strategy underpinning the work. The way they combined the insight data and linked this directly through to an analysis of business strategy execution was very difficult to find elsewhere."*

Regus

92%

uplift in site conversion rate

Regus was looking to grow engagement with its range of serviced office solutions across the globe with the objective of increasing online acquisition. They employed the Good Growth methodology in three stages: customer insight, customer hypothesis and test & learn. Working to build customer insight quickly, they identified key blockers that customers faced globally and developed a high velocity programme that delivered a test win rate of 1:2. These tests cumulatively drove a 92% uplift in site conversion rate, nearly £2m in-test revenue gain and an annualised revenue impact of over £200m.

In addition to customer-led testing, after the initial optimisation phase, we refreshed the customer insight and tested a completely new customer experience and branding, to support Regus to de-risk the new executions before launch.

Stefan Gass, Chief Marketing Officer of Regus brand owner IWG commented that: *'Our Good Growth experience stands for commercially relevant & quantifiable insight delivered in a way to make impactful business decisions which increase growth and bottom-line revenue.'*

The process only works if you get the problem right

In an exercise run by Good Growth as part of a capability building programme, e-commerce leaders and team members were asked to go out into a variety of coffee shops and observe how customers bought and consumed drinks and food. Each group sat in a shop for about an hour and were then asked to share their observations. In presentations back to the wider group, each made the same basic error: their presentations covered the store, the décor, the range, the types of product sales in the hour and the density/frequency of customer interactions but none of them talked about the customer and what they observed, despite this being the only brief they were given. It was as though they didn't see the customer, but instead saw the business.

Most people employed by any organisation very quickly become insiders. We pay them to solve our problems, we measure them to meet our goals and we set the frame around how they see the world in which we operate. We actively engage them to ensure they see the world through our eyes. This creates an organisational and cultural barrier to being empathetic with customers, especially at more senior levels when the job is increasingly defined around meeting investor and indeed other stakeholder imperatives. As the exercise example demonstrated, we become programmed to assess any situation from a particular perspective: in that case the managers concerned displayed a 'business bias'.

The innovation process plays a critical role therefore in countering perspective bias – it demands that we pay attention to the customer; however, bias cannot be addressed by process alone. All bias comes from mindset. **This sets a cultural challenge and requires three things:**

- ✔ A ruthless requirement that the approach be data-led.

- ✔ An insistence that any survey or other customer interaction that is brought into the process to understand the 'why' is not developed to confirm a bias – e.g. 'tell us why you left the site today without making a purchase?' As opposed to 'tick one of the following reasons for not making a purchase today'.

- ✔ A bias test on all hypotheses developed that they frame the problem without suggesting a particular answer.

This may sound precious, but without this level of skill and a constant vigilance against anyone trying to push their preferred solution, the chances are that you will end up trying to solve the wrong problem; and as a result you won't make the performance breakthrough that you were hoping for.

So, what makes a great test?

If you're looking to innovate to deliver a step change in growth then generally the bigger the change, the better the test. By big we don't mean a complete re-design, what we mean is a significant change to one of the below:

- **The marketing engagement to attract interest**

- **The customer engagement with the proposition**

- **The customer journey**

- **The presentation of categories and products**

- **The transaction**

- **Post transaction service and retention**

Small changes tend to generate small responses, that gives problems with significance in results and also offers little by way of new insights or understanding into the customer. It is also true that changing too many things in a test may not allow for a real understanding of which change made the difference.

The key point here is that the flow of "data – insight – innovation" is a core process in every aspect of e-commerce from digital marketing through to CRM and the use of emails in lead generation and customer retention. It's the machine in the centre of activity from which hypotheses are driven and then ideation encouraged. Whatever change you are testing however, has to be grounded in data and the data has to be blended to generate insight.

$$(a+b)^2 = a^2 + 2ab + b^2 \qquad \sqrt{3{,}14159}$$

$$\sin(90° + \alpha) = \cos \alpha \qquad \frac{3}{2} < x \leq 2$$

$$f_2(x, y) = \left(\frac{x+2}{2}, \frac{y}{2}\right)$$
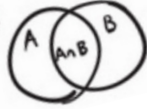
Effective testing isn't just about pinpointing the issue: it is also about setting the appropriate measures and being able to interpret the outcome. **Here are two things to bear in mind:**

MEASURE THE COMMERCIAL OUTCOME, BUT DON'T ALWAYS MEASURE CONVERSION TO SALE/LEAD

Further up the sales funnel key measures may be better set as click through to the next stage, or registering interest through a download, than whether or not you sold more. Set the measure and the criteria for success in advance: that brings clarity to the test and alignment to the hypotheses.

GET THE MATHS RIGHT

This is a critical capability and one that is often challenging given the scarcity of in-depth mathematical skills in e-commerce teams. Testing results in any technology needing to be calibrated and reported against credible probability standards if it is to be utilised to make decisions to change the customer experience. Both of us have experience of poor analysis of results undermining good thinking and decisions being made that either miss the opportunity or reduce the effectiveness of the current engagement.

Testing isn't however just about testing the current proposition and engagement for the optimised outcome. Digital provides the opportunity to prototype new propositions and completely new engagements in a way that enables rapid learning and development.

Good Growth have built an expertise in MVP testing using low-cost websites and small digital marketing budgets that can size a market, test the best propositions for those looking within the market and build customer insight around which strategic decisions can be made in a way that reduces risk and can support faster decisions to invest or to withdraw.

$$x\sqrt{x+1} + \sqrt{3-x} = 2\sqrt{x^2+1}$$

$$e = \lim_{n \to \infty} \left(1 + \frac{1}{n}\right)^n$$

Heinz to Home

Launching Heinz's first direct to consumer offering within a three-week turnaround in a COVID-19 lockdown required both Good Growth and Heinz to respond with speed and agility. Working closely with key stakeholders in daily update briefings, the Heinz to Home concept took shape rapidly and the full site designs were agreed and development started within the first few days.

Working with Kraft Heinz, Good Growth managed the end-to-end delivery of the Heinz to Home website, using our e-commerce experience to support proposition creation, strategy, design and development. The initial proposition included a bundle containing sixteen cans of the most popular Heinz Essential Varieties for £10. This was soon extended with the addition of sauces, infant bundles and personalised products.

Using Shopify Plus as a platform ensured the solution could be built and scaled quickly whilst customising the functionality to meet the specific needs of Heinz and their customers.

In addition, the partnership with Blue Light Card meant that frontline workers including healthcare workers and the emergency services received free delivery on their orders, further enabling Heinz to fulfil its ambition to help customers during unprecedented times.

Following the initial launch, the site received an incredible response from customers and national press – with over 80m impressions across launch weekend. Once launched we applied the innovation process to focus on optimisation of the proposition and the development of customer insight.

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We worked with Good Growth like a start-up, aiming to launch an MVP as quickly as possible and improve our proposition every day from launch. Good Growth quickly managed to work collaboratively with other agencies and internal stakeholders involved in the project and quickly implemented changes decided after daily brainstorming. The commitment from their team was truly amazing.

Jean-Philippe Nier
UK & Ireland Head of E-Commerce

The role of technology in digital innovation

We call this performance technology to differentiate it from technology platforms that support digital marketing, websites, apps and CRM.

The most effective e-commerce teams support their engagements with customers using the following:

WEB AND PAGE ANALYTICS
Whilst web analytics are standard, it surprises us how often page analytics (for example heatmapping and scroll length tracking) is not part of the armoury. Not having this reduces the quality of the insight that can be generated.

SURVEY TOOL
No, not a polling tool with endless radio button questions - but a smart tool that allows open questions, free text responses and creates a sense of engagement in customers on the site or in an app.

TESTING TOOL
Experimentation online can be delivered in many ways but for finding better alternatives to the current website/app engagement a split testing tool is an essential piece of kit.

Alongside these are all sorts of additional tools that can be attached to various parts of the customer engagement to support insight generation. These provide greater specificity of journey analysis for example in sites where there is a high volume of traffic.

Key tools from Kibo

Delivering an exceptional digital customer journey is no longer optional. Failure to meet and exceed the expectations of the modern consumer comes with real costs, as they are increasingly willing to abandon brands if they feel their unique needs are not understood and appreciated. Personalization makes customers feel understood and appreciated on an individual human level. Winning and losing at personalization is dependent on three critical elements:

1. **Knowing the most you can about your customers**

2. **Experimenting with what you know to build relevant experiences**

3. **Scaling these efforts across the customer journey**

Below are three solutions, powered by the industry-leading capabilities of Monetate and Certona, Kibo leverages to power winning personalization across the end-to-end customer journey:

CUSTOMER DATA MANAGEMENT
Kibo Personalization capabilities allow you to understand customers like never before, identifying them across devices to deliver consistent experiences across channels. It also allows users to centralize customer data in one place to build always-evolving customer profiles that can personalized against under any scenario.

TESTING & OPTIMIZATION
Further optimization is possible by experimenting across the customer journey to eliminate guesswork and understand what truly resonates (and delivers real ROI). With Kibo Personalization, it's possible to choose which metrics to optimize against, and track the impact of your tests in real time.

1:1 PERSONALIZATION
Kibo's predictive AI decisioning engine can be harnessed to transform customer journeys into individualized experiences that better engage your customers, reduce abandonment, and improve conversion, resulting in the type of growth that rebuilds balance sheets.

What can leaders do with all this?

Pulling this together, here are five straightforward actions that leaders could take now that would help them rebuild balance sheets and move forward in the new economic conditions:

AUDIT YOUR DATA

This is the fundamental building block and if it isn't good quality (for all sorts of reasons), then whatever innovation you launch, it won't work as well as it could have done. Great test question:

Has someone with a science degree looked at this?

MAKE SURE YOU HAVE INSIGHT NOT OPINION

The classic mistake and one that at times is really difficult to judge as a business leader. So, check there is an insight process and that it has qualitative and quantitative inputs from online customers - quantitative consumer research won't help you improve shopping outcomes. The data has to come from the same people as are on your website/app or receiving your emails. Great test question:

Can you show me the customer insight on which this proposal is based?

CHECK THAT TESTING PROPOSALS ARE BASED ON IDEAS GENERATED AGAINST AN HYPOTHESIS

There is a difference between a thesis and an hypothesis: a thesis is a closed conclusion that argues for one outcome whilst an hypothesis is a suggested outcome that is there to test. Hypotheses are an important management tool in e-commerce in that they establish the reason for the problem faced by the customer, not the answer. Great test question:

What is the problem statement from which these ideas come?

MAKE SURE THE TEST IS MEASURING THE RIGHT THING

Whether it's a split test or an MVP resolving how to measure success in advance and ensuring that the test will deliver data against the success criteria is another point of failure in many organisations. Failing to check data relevance before you test leads to failures further down the innovation process. Great test question:

What are the success criteria for this test and how will we ascertain that they have been met?

GET THE RESULTS RIGHT

Far more important than getting the right results. Here you have to make sure that someone with degree level mathematics gets involved in the analysis and extrapolation of the outcome where you are using quantitative data to determine whether or not you have met pre-defined success criteria. Data quality in the outcome is as important as data quality in the development of the insight. Great test question:

Has this been reviewed by someone with a science degree and are they content for us to act on the maths?
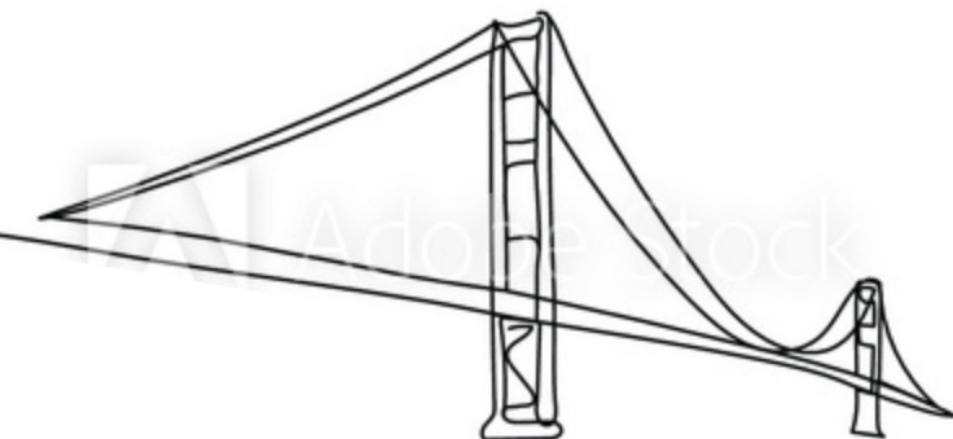
Who
we are

Good Growth

Good Growth are an international e-commerce consultancy who bring world class data, analytics and insight together using a methodology proven across the globe to deliver commercial success for clients as diverse as The Wall Street Journal, QVC, ITV, Regus, Kraft Heinz, Puma, Boohoo, WH Smith, Pets at Home, TripAdvisor, Bentley Motors, The Economist and LK Bennett. They have worked on projects aimed at improving e-commerce effectiveness in digital marketing, website, apps and known customer marketing (CRM) across the globe and the methodology has been tested and proven in digital interactions in 15 languages including Polish and Mandarin.

Their work for Kraft Heinz supporting the move into 'Direct to Consumer' online sales has been the subject of coverage in the Financial Times as well as in the marketing press and is considered to have established a new benchmark in brand to consumer e-commerce.

To learn more visit **goodgrowth.co.uk**

KIBO®

Kibo Commerce are a unified, headless platform that combines AI-driven personalization from industry leaders Certona and Monetate, omnichannel commerce, and distributed order management.

Global clients like Office Depot, Taco Bell, and Patagonia rely on Kibo to optimize across the web, mobile, search, in-store and across each and every fulfilment touchpoint for a truly end-to-end personalized commerce experience. Retailers can easily manage supply chain logistics, ecommerce and marketing personalization through one system, centralizing strategy, increasing agility, and gaining valuable customer insights that maximizes return on investment.

To learn more, visit **kibocommerce.com**