

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver What Customers Value Most

by Nigel Fenwick and Ted Schadler

May 9, 2017

Why Read This Report

What would it feel like to disrupt your industry? Better than being disrupted, we'd say. In this report, we lay out a simple orientation — we call it customer obsession — to help you imagine what you would do if you could start all over again. This blue-sky approach to self-disruption is a great way to energize the right conversation in your company. As a digital business leader, you can assemble the team, plan a day, and pick one key initiative with the potential to disrupt your industry. Use this simple plan to reinvent your business.

Key Takeaways

If You're Not Changing Experiences, You're Delivering Lower Value Every Day

The expectations of your customers are constantly evolving. Fail to evolve with them and you will lose customers to more nimble companies.

See The World Through Your Customers' Eyes

The way you create and deliver value to customers today may be gone in an instant. Your future revenue model depends upon the ability of your executive team to understand how to use technology to create value and deliver better outcomes for existing and new customers.

You Must Nurture An Innovation Culture

As an executive, you have the responsibility to nurture agile innovation in your business. Blue-sky thinking can help surface big opportunities for change, but you also have to be capable of scaling ideas and bringing them quickly to market.

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Table Of Contents

2 Digital Innovators Set Your Customers' Expectations

Outside-In Thinking Is A Powerful Tool For Self-Disruption

6 Use Blue-Sky Thinking To Kickstart Your Digital Innovation Process

Recommendations

10 Embrace Innovation Partnerships And Continuous Improvement

12 Supplemental Material

Related Research Documents

[Accelerate Digital Innovation Through A Business Technology Partnership](#)

[The Insights-Driven Business](#)

[The Top Emerging Technologies For Digital Predators](#)

Disrupt Your Business From The Outside In

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Digital Innovators Set Your Customers' Expectations

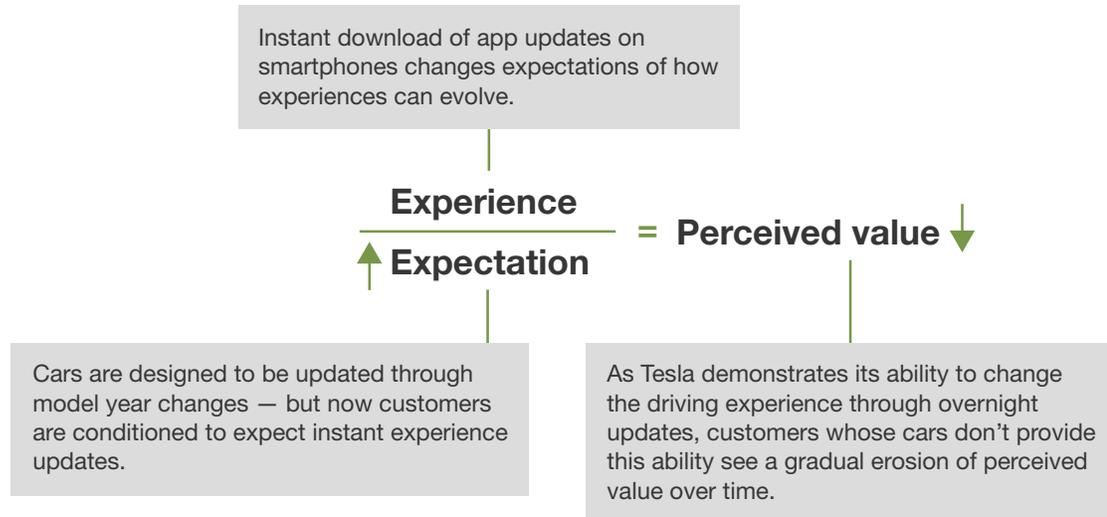
Your customers' expectations are not set by your competitors. Your customers' expectations of what's possible are raised every day through the experiences they get from the best companies in the world. As a digital business leader, you know your company is no longer competing just within your industry for customers' attention and money. If you want to grow revenue, you must become a digital innovator and continuously improve the quality of your experience and value delivery in order to stay ahead of these rising expectations:

- › **Born-digital companies are natural digital innovators.** Amazon and Tesla are masters of digital innovation. They focus on what customers value — not just what they need. They are customer obsessed because they digitize customer engagement and then iteratively improve them to better deliver the outcomes their customers value. These companies, and born-digital companies like them, wield digital business capabilities to disrupt entire industries.¹
- › **But it's not just digital natives — innovative giants also shape expectations.** Innovative giants also reinvent themselves to break out of their industries and disrupt markets by creating new revenue streams and new ways to give customers what they value. Companies like CaixaBank, General Electric, and The Washington Post have become digital innovators willing to reimagine future revenue streams by reinventing themselves from the outside-in.
- › **Your business can't afford to stand still.** Digital innovators are already shaping the expectations of your customers. The continually improving experience they deliver is the ever-shifting baseline against which your customers measure you. If the experiences you deliver don't keep up, the perceived value of your products and services falls — over time, customers move away and your market share or customer loyalty declines (see Figure 1).

Disrupt Your Business From The Outside In

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FIGURE 1 As Expectations Rise, Experiences Must Also Improve, Or Perceived Value Will Fall



Outside-In Thinking Is A Powerful Tool For Self-Disruption

As a digital business leader, you know that even bolting excellent digital faces on the periphery of your business isn't enough to satisfy the ever-increasing expectations of your customers. Sure, you may drive some incremental revenue or strip some cost out of your operations, but to meet rapidly evolving customer expectations, you must redesign the very core of your business. You must disrupt yourself before someone does it for you. Applying the outside-in principles of what we call customer obsession is a healthy place to start (see Figure 2):²

- › **Customer-led means delivering outcomes that customers value.** To view every aspect of their business from the perspective of their customers, digital innovators turn to both quantitative and qualitative insights, like ethnographic research, journey mapping, and analytics.³ Netflix uses its knowledge of customer preferences to help shape its original programming strategy — in effect, they already know what will be a hit for most customers.
- › **Insights-driven means continuous improvement and, sometimes, great leaps forward.** To innovate in response to customers' needs, you must connect insights to action. Insights-driven firms like Amazon and StitchFix innovate continuously to grow faster than you.⁴ They optimize outcomes by continuously measuring and testing based on digital insights.⁵ Digital insights also stimulate disruptive innovation — e.g., Amazon constantly testing new markets by selling Fiat cars online in Italy or opening self-serve retail stores.

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver
What Customers Value Most

- › **Fast, not perfect, means innovating at the speed of customers.** Digital innovators are nimble in their response to change, often disrupting markets and resetting customer expectations. They build minimum viable products (MVP) to test and rapidly improve experiences rather than slavishly perfecting every detail in the design stage. This approach accelerates innovation and helps reduce the cost of failure. National Australia Bank does this with its continuous delivery model for digital banking services.
- › **Connected means working across boundaries to create valuable outcomes.** Digital innovators work from the outside-in to solve customer challenges, knock down historical organizational barriers, and harness partner capabilities to quickly bring more value to customers. Businesses like AT&T and USAA work across functional boundaries to build innovative new digital products. Bosch has built a cloud ecosystem of partners like Intel and Software AG to deliver internet-of-things capabilities to OEM customers.⁶

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver What Customers Value Most

FIGURE 2 Use The Principles Of Customer Obsession To Assess Your Innovation Gaps

To be . . .	Assess this . . .	Do this . . .
Customer-led	<ul style="list-style-type: none"> • Do we understand what outcomes our customers desire at every stage of the customer life cycle? • How well do we deliver these desired outcomes versus others? • What are our highest valued customer engagements? • How might other companies disrupt our business? 	<ul style="list-style-type: none"> • Undertake ongoing quantitative and qualitative research to understand how your customers' needs, wants, and desires as well as their expectations are evolving. • Measure your Customer Experience Index (CX Index™) to see how you're doing and identify where you can quickly improve. • Master customer journey mapping to share customers' context with every stakeholder. • Innovate new ways to better deliver outcomes that matter. • Invest in continuous outcome/experience development and refinement. <p>Goal: knowing how customers engage and what matters most on every step of customers' journeys</p>
Insights-driven	<ul style="list-style-type: none"> • Do we have the data we need to gather insights about our customers and what they value? • How well do we measure our delivery of customer outcomes and each person's contribution to it? • How might we use insights to optimize business operations? • How do we act based on the results? 	<ul style="list-style-type: none"> • Build insights teams and insights platforms to close the loop between data and action. • Partner with vendors to help develop and accelerate your insights capabilities. • Run A/B experiments to see what generates the best outcome for customers and the business? <p>Goal: clear measures and the ability to test different options in software</p>
Fast, not perfect	<ul style="list-style-type: none"> • How quickly can we build or extend a new application or product? • How frequently can we update digital customer experiences? • How fast can we evolve employee experiences? 	<ul style="list-style-type: none"> • Assemble a continuous delivery organization for digital that adopts a test-and-learn process with customers to take more risks, but fix problems much faster. • Use the proximity to customers to mitigate the risks from failure. • Evolve employee metrics to nurture innovation and creativity in service of customers. <p>Goal: continuous delivery — weekly releases of digital assets</p>

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver
What Customers Value Most

FIGURE 2 Use The Principles Of Customer Obsession To Assess Your Innovation Gaps (Cont.)

To be . . .	Assess this . . .	Do this . . .
Connected	<ul style="list-style-type: none"> • How well do our line-of-business and technology teams work across business/product silos? • Do we have digital design and delivery teams that work across corporate functions and boundaries to deliver the customer outcome? 	<ul style="list-style-type: none"> • Connect a digital product management function to existing product design and development. • Make digital design a core part of your product design. • Build digital teams with staff from each function that are committed to delivering digital experiences/outcomes for an extended period. <p>Goal: outcome-focused teams working across the business</p>

Use Blue-Sky Thinking To Kickstart Your Digital Innovation Process

How can you start a conversation that stimulates passion and commitment to rethink your business for the digital era? One successful technique we have found is a digital innovation workshop — which could be a one-day brainstorm or an eight-week design-thinking process — that brings together leaders from marketing, technology management, products, sales, channels, finance, and operations to probe some fundamental questions:

1. **What do our customers really value?** Every successful entrepreneur we know understands what customers value and why they pay. They do this by asking what customers desire and relentlessly adjusting what they do based on customer feedback and revenue. Start with the outcomes your customers seek. By identifying their outcomes and describing how your business fits into their journey, you can identify opportunities for disruption.
2. **How would we serve customers if we could start our business today?** Entrepreneurs also understand how to use emerging technology to undercut an existing business or generate a new business. This question pushes you to think like an entrepreneur and ask how you can overcome customers' pain and better deliver the outcomes they value. Come up with three to five opportunities (see Figure 3).⁷ Think like a startup with no baggage and deep pockets.
3. **What resources would we need to achieve this result?** For each opportunity, identify what it would take (at a high level) to fulfill it. This is the start of a proper planning process to identify the current state and future state of business capabilities (people, technology, product, fulfillment, monetization, labor, innovation process, and partnerships).⁸ In a workshop, simply identifying the resources you need is enough to trigger the right follow-up analyses.

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver
What Customers Value Most

4. **What are our first steps on the path to continuous improvement?** A key to digital disruption is starting small without knowing the end game, then adapting rapidly as customer and market demands become clearer. So, one of your first steps will be defining this continuous improvement process. With that as a foundational mission, it's time to identify leaders, budgets, and commitments that get you off the ground.

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver What Customers Value Most

FIGURE 3 Understand How Emerging Technology Can Disrupt Your Business

What digital technology enables you to do?	How is this better than before?	What's an example?
Use advanced analytics to reach new customer segments.	Instead of throwing marketing dollars against the wall and hoping some sticks, analytics helps identify segments with a higher propensity to purchase and deliver tailored marketing messages designed to connect on an emotional level with each segment — ultimately targeting a segment of one person. The net impact is a reduction in cost of sale.	A beverage brewing system company collects data from its hot brewing products to provide consumers with additional services (e.g., recommendations, loyalty programs, etc.) and functionality (autorefill, brew from mobile, and more) based on each customer's usage and preferences.
Serve customers directly through digital touchpoints.	Digital engagement is 10 or 100 times cheaper than a visit or phone call — and reach is global, not local. And when well-designed, the customer experience can be superior, leading to higher lifetime value.	NCR uses Salesforce LiveMessage to help customer service agents engage and serve customers via SMS and messaging channels like Facebook Messenger. Since the launch of LiveMessage, NCR Silver has improved first call resolution by 12%, reduced customer phone contacts by 26%, and improved agent efficiency with 218% volume growth, with no added staff.
Use AI, software bots, and algorithms to automate customer interactions and empower employees.	Many business processes were designed around a person needing to work on some information or complete a form. Many such processes can be automated using modern AI tools, reducing the time to complete from days to seconds. These technologies let you scale expertise and interactions infinitely through software interfaces, decoupling growth from labor or facilities costs, while simultaneously delivering a better customer experience.	TicketMaster uses an event discovery bot to help customers find events 10 times faster. The bot also remembers customer preferences to optimize future interactions. WorkFusion pairs machine learning with human workforces to automate information processing. WorkFusion lets the business create, tier, and orchestrate full-time employee (FTE) and offshore and crowdsourced workforces, who train WorkFusion's algorithms to automate repetitive manual work. For example, WorkFusion built a mobile app that allows farmers to take photos of their crops and then lets crowdsourced analysts make judgments on the photos. Thus, Thomson Reuters eliminates the need for site visits to evaluate crop health and, more broadly, reduces the cost and improves the accuracy of its data operations.

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver
What Customers Value Most

FIGURE 3 Understand How Emerging Technology Can Disrupt Your Business (Cont.)

What digital technology enables you to do?	How is this better than before?	What's an example?
Use AI/ML to predict a customer's next best action and serve up the means to complete it through a digital interface.	Helping customers proactively improves the perceived value of their brand experience and can even lead to additional revenue opportunities.	When ports have to close or become unavailable due to unforeseen circumstances like inclement weather or strikes, the costs can run up to hundreds of millions annually, especially for shipping companies like Maersk, not to mention the disruption to flow of cargo. Rerouting a container vessel when a port needs to be omitted requires detailed analysis of all the freight relative to perishability and value and availability of ground transportation options, etc. Maersk uses the Maana Knowledge Platform to automate this analysis and dramatically reduces the time it takes to evaluate all alternative ports to make an optimal decision from hours to minutes, saving cost for the company while simultaneously reducing disruption for Maersk customers waiting for their precious cargo.
Over-air upgrade of software embedded in physical products to deliver new product capabilities.	Instead of needing to physically access the product, you can now deliver improved product performance for customers, creating higher perceived customer value.	Tesla regularly downloads new vehicle updates for owners overnight. These software updates can change so many of the operating characteristics of the vehicle that owners suggest it's like waking up and having a brand new, improved car.
Embed digital sensors in physical products; collect and analyze usage data. Use insights to improve customer outcomes (e.g., predict when a product will need repairs).	Instead of waiting for the customer to call and complain their product is no longer working, now you can proactively support customers and at the very least, reduce the time taken to get the needed parts to the customer.	Prospera automates agriculture using internet-of-things and predictive analytics techniques: By monitoring the fields using sensors and computer vision, the company helps growers improve the health, development, and stress levels of plants while enabling the forecasting of crop yield.

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver What Customers Value Most

FIGURE 3 Understand How Emerging Technology Can Disrupt Your Business (Cont.)

What digital technology enables you to do?	How is this better than before?	What's an example?
Use augmented reality to remotely assist repairs.	Flying experts around the globe or hiring local experts is costly. Allowing remotely located experts help local personal execute complex processes with the aid of augmented visuals reduces costs and improves response times.	Israel's national water company, Mekorot, uses AR smart glasses and a mobile app platform to support field engineers by giving access to real-time remote help from experts or vendors located anywhere in the world. AR allows the remote expert to superimpose markings, messages, and diagrams directly onto the engineer's field of view, and the use of smart glasses ensures the engineer's hands are kept free to simultaneously perform fixes.
Accelerate innovation and speed to market.	Integration of platforms allows for instant/up-to-date analysis of clinical-trials data.	AstraZeneca has developed an adaptable solution for real-time investigation of clinical-trials data to improve process effectiveness and data availability and accelerate the drug program. The result was the early closure of a cancer study by six months.
Use 3D printing to transform engineering and manufacturing.	Additive printing allows for the fabrication of complex metal alloy components impossible to engineer with traditional manufacturing techniques. The resulting components can be engineered stringer and lighter.	GE uses 3D additive printing to make parts for jet engines, oil pumps, and other machines. GE plans to build a business with \$1 billion of revenue in additive equipment and services by 2020.

Recommendations**Embrace Innovation Partnerships And Continuous Improvement**

Digital innovation is a commitment to continuous improvement. As experiences and technologies evolve, digital business leaders need to repeat this process often. But start where you are today and find partners to help you augment your core competency and accelerate your innovation culture:

- › **Build a sustainable digital innovation culture.** Establish a digital innovation lab to focus on blue-sky opportunities and partner with emerging tech companies.⁹ Formulate an innovation process for your business that helps move an MVP idea from concept to scalable customer experiences. But innovation isn't just big blue-sky ideas. It's also the many small, incremental changes that contribute to continuous improvement. To help coordinate and manage innovation ideas, invest in

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver
What Customers Value Most

innovation collaboration platforms and innovation management tools. Encourage enterprisewide innovation through employee recognition programs and innovation challenges/hackathons. And guard against conservative measures that reflect an intolerance of failure and experimentation.

- › **Identify partners with capabilities you can harness.** You want to keep your focus on the things that differentiate your business in the mind of your customer — your strategic capabilities. Everything else should be considered as potential for sourcing through a business partner. You must plan your business ecosystem to support both business operations and improved customer engagement. Digital service providers that your customers already use are prime candidates for ecosystem partnerships.
- › **Also, identify partners to help you accelerate your digital innovation culture.** If you lack the skills and capabilities you need to quickly build and test your ideas, ask for help. Many technology companies, digital agencies, and consulting firms offer innovation labs and processes. Examine your existing business partners and the leading innovators in your industry for clues on which partners can best accelerate your innovations. But remember, your culture may act as a brake on your innovation — while partners can help, only your leadership can change your culture.
- › **Embrace the venture capital (VC) mindset.** Great CIOs and CTOs are well-versed in uncovering opportunities for applying technology to drive revenue. CIOs in larger companies use this skill to help establish a venture fund within their company — sometimes capitalizing it from the savings derived by moving from on-premises to cloud services. The fund can provide early seed money for local startups related to their industry. VC firms are also reaching out to larger companies as potential investors in their portfolio companies. Some CIOs work with startup incubators to help nurture embryonic startups and develop their products in ways that also benefit the CIO's company as well.

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver What Customers Value Most

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Companies Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the research for this report.

Accenture

GE Digital

Atos

GlobalLogic

Capgemini

HCL

Dialexa

Isobar

DigitasLBi

KPMG

EPAM

LiquidHub

Disrupt Your Business From The Outside In

Take A Blue-Sky Approach To Digital Innovation By Asking How Technology Can Deliver What Customers Value Most

Luxoft	Salesforce
Maana	SapientRazorfish
MRM/McCann	TCS
MU/DAI	TIBCO
Ness Software Engineering Services	VML
Persistent Systems	West Monroe Partners
PwC	

Endnotes

¹ They harness emerging technologies to continuously improve customer and business outcomes, sometimes disruptively so. They disrupt traditional sales and distribution with ever-evolving digital business models. They disrupt products with new digital capabilities. They disrupt markets with platform-based ecosystems. They disrupt marketing and customer care with personalized contextual self-service. And most importantly, they disrupt innovation itself by iteratively introducing and improving products and experiences to deliver the outcomes customers value most.

² Source: “Mekorot Success Story,” Fieldbit (<https://www.fieldbit.net/resources/mekorot-success-story/>).

³ See the Forrester report “[Drive Customer Obsession With Journey Analytics.](#)”

⁴ See the Forrester report “[The Insights-Driven Business.](#)”

Thirty-nine percent more likely to report year-over-year revenue growth of 15% or more. And we predict that insights-driven businesses will grow at least eight times faster between 2015 and 2020 than global GDP. We asked data and analytics decision makers what percentage of business decisions were based on quantitative information and analysis rather than gut feeling. We also asked respondents about their firms’ plans for changing their management culture to rely more on quantitative decisions. We characterized respondents’ firms as insights-driven if they made more than 50% of their decisions based on data and also responded “expanding/upgrading their implementation” to the question on changing their management culture. Only 8% of firms qualified for this categorization, but their results are eye-opening: They were 39% more likely to report 15% or higher year-over-year (YOY) revenue growth and 44% more likely to report 20% or higher YOY growth. Source: Forrester Data Global Business Technographics® Data And Analytics Survey, 2016.

⁵ See the Forrester report “[Vendor Landscape: Insights Service Providers.](#)”

⁶ Source: “Partner portal,” Bosch (<https://www.bosch-si.com/partners/partner-network/partner-ecosystem.html>).

⁷ Source: James Weatherall, “REal time Analytics for Clinical Trials (REACT),” AstraZeneca (<https://www.astrazeneca.com/what-science-can-do/real-time-analytics-for-clinical-trials-react.html>).

⁸ One tool for doing this is a “business model canvas.” Find this tool in the following link. Source: The Business Model Canvas, Strategyzer (<https://strategyzer.com/canvas/business-model-canvas>).

⁹ Source: John Moore, “CIOs seek R&D partnerships with early-stage companies,” TechTarget SearchCIO, March 2017 (<http://searchcio.techtarget.com/feature/CIOs-seek-RD-partnerships-with-early-stage-companies>).

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