

When Andy Grove, one day, asked co-founder Gord Moore - "what a new CEO would do if they were fired today"? Gord Moore's answer was - "get out of the memory business." They finally got out of the memory business and began the microchips business. The rest is history.

The outside-in philosophy applied here at Intel gave the co-founders a perspective, a vision and a conviction to not only see what went wrong with the company but also rectify it, and that created one of the most successful periods of growth and profits for the company. This philosophy can help reinvent a business, identify breakthrough innovations, growth opportunities and build strong brands.

WE are still a little fuzzy on the "outside-in" concept. Would you care to elaborate on it further? How is it different from the demand-first innovation model?

'Outside-in' is the overall philosophy of the demand-first model. The basic premise of 'outside-in' is based on our research, which shows that executives cannot sometimes see the biggest and even the most obvious opportunities in plain sight. The reason is that their past successes lead them to view the world from their own perimeters - their existing products and services.

Over time, success creates something like a smoke screen and companies become obsessed with finding more customers for their products or services. This is the opposite of the outside-in philosophy. It is an inside-out philosophy - everything is seen from the vantage point of existing products and services, past and current successes and the assumption is that the future will be more or less the same, subject to some trends.

In the short run, this approach might be successful, but ultimately, the constraints of inside-out paradigm become obvious. When every company is in search of customers, competition gets tougher with similar products or services for the same set of customers. The old adage - success breeds success, is wrong. We believe that success breeds failure to see the next breakthrough ideas or innovations.

Why is it important for a company to look from the outside-in and let go of the existing processes and models?

The inside-out philosophy limits your ability to see opportunities for growth. No company is an island. Every company lives within the context of other companies, competitors, suppliers, consumers and stakeholders.

Our environment is changing at an ever more rapid pace. In such an environment, you have only two choices: to change with the environment or to die in the commodity hell. An outside-in philosophy adopted at companies has proven to be the savior and source of successful reinvention.

Think back when Intel was competing in the memory business against tough competition from Japan. For Intel, it (competing on price) was a suicidal game, as Andy Grove said - 'marching through the valley of death'. The inspiration to think outside-in came,

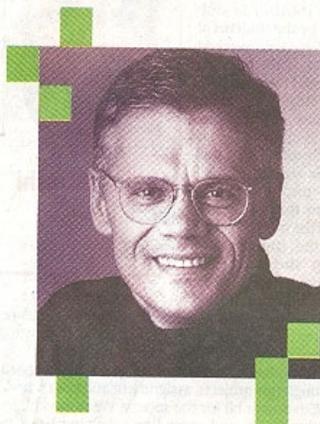
Becoming a consumer-centric brand will require a dramatic investment, in terms of time and energy to refocus corporate culture. Are companies willing to invest in this approach? How will it benefit them in the long run?

The book has been based on applications in over 50 companies around the world. Companies are adopting these ideas rapidly. We have studied about another 50 applications in all kinds of industries. The core reason for the rapid adoption of these principles is that companies don't have to adopt an extensive set of procedures and rigid processes.

It is not re-engineering or transforming business process. It is about adopting a focused set of tools, core methodologies and perfectly tailored models. It is about making growth itself a process. In our experiences, it is possible to experiment in just one market or one business unit or one segment and see the success within months. This will then form the foundation to successfully implement the outside-in thinking across the whole organization.

What do you think will drive tomorrow's innovation approaches? Global brands are traveling to markets like China, India, Brazil. What are the new challenges for the global brand marketer today?

The new challenges of global brand marketers have nothing or little to do with those of yesterday. The notion that brands, products or services travel across markets, that brands have to be consistent from one market to the other to become 'global brands,' is outdated. Of course, it still exists. If a company has a successful product or brand at hand in one market, they can skim the global markets for additional sales. But the opportunities for real inno-



ERICH JOACHIMSTHALER'S NEW BOOK HIDDEN IN PLAIN SIGHT IS CREATING A BUZZ AS IT BREAKS MARKETING MYTHS. MANSI TIWARI GOES ONLINE TO FIND OUT MORE ABOUT HIS DEMAND-FIRST INNOVATION MODEL

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The Economic Times has ran the following 4-column interview with Erich in their September 4th issue.

“Erich Joachimsthaler’s new book *Hidden in Plain Sight* is creating a buzz as it breaks marketing myths”

We are still a little fuzzy on the concept of the "outside". Would you care to elaborate on it further? How is it different from the demand-first innovation model?

Outside-in is the overall philosophy of the demand-first model. The basic promise of outside-in is based on our research that shows that executives can not see the biggest and sometimes most obvious opportunities in plain sight. The reason is that their own successes of the past lead them to view the world from their own perimeters – their existing products and services. Over time, success creates something like a smoke screen and companies become obsessed with finding more customers for their products or services. This is the opposite of the outside-in philosophy. It is an inside-out philosophy – everything is seen from the vantage point of existing products and services, past and current successes and the assumption is that the future will be more or less the same, subject to some trends, perhaps. For a time, this search of customers for a product can be successful. But ultimately, the problems of this inside-out paradigm become obvious and limiting. Everyone else also has a product or services in search of customers. Companies compete ever more intensively with similar products or services for the same set of customers. The old adage of success breeds success is wrong. We believe that success breeds failure to see the next breakthrough ideas or innovations.

Why is it important for a company to look from the outside in and let go of the existing process and models?

It is important because the alternative to outside-in, namely the inside-out philosophy limits your ability to see opportunities for growth. It is important for every company because no company is an island. Every company lives within the context of other companies, competitors, suppliers, consumers and stakeholders. Our environment is changing at an ever more rapid pace. In such an environment, you have only two choices: to change with the environment or to die in commodity hell.

An outside-in philosophy adopted at companies has proven the savior and source of successful reinvention. Think back when Intel was competing in the memory business against tough competition from Japan. For Intel, it was a suicidal game, competing on price in what Andy Grove called: marching through the valley of death. One day, the inspiration for thinking about Intel from the outside-in came when Andy Grove asked the co-founder of Intel Gord Moore what a new CEO would do if they were fired today. The answer by Gord Moore was: to get out of the memory business. So, Andy Grove suggested to his colleague to walk out to the parking lot, to fire themselves, and look at Intel from the outside-in and do what a new CEO would do. They walked out and came back, they got out of the memory business and began the microchips business. The rest is history.

The outside-in philosophy applied here at Intel gave the co-founders the perspective, vision and conviction to not only see but also do what saved the company, and that created one of the most successful periods of growth and profits for the company. The outside-in philosophy can help reinvent a business, identify breakthrough innovation and growth opportunities, or build strong brands.

The switch to become much more consumer-centric brand will require a dramatic investment in terms of time and energy to refocus corporate culture. Will companies be willing to invest in this approach? How is it going to benefit them in the long run?

The book has been based on applications in over 50 companies around the world. Companies are adopting these ideas rapidly. We have studied about another 50 applications in all kinds of industry. The core reasons for the rapid adoption of these principles have to do with the fact that companies don't have to adopt an extensive set of procedures and rigid processes. This is not reengineering or business process transformation. This is about adopting a focused set of tools, core methodologies and perfectly tailored models, it is about making growth itself a process. In our experiences, it is possible to experiment in just one market or one business unit or one segment and see the success within months. This can then form the foundation to successfully implement outside-in thinking across the whole organization

What do you think will drive tomorrow's innovation approaches? Global brands have begun traveling to less developed markets like China, India, Brazil in the past few years. What are the new challenges for the global brand marketer today?

The new challenges of global brand marketers have nothing or little to do with those of yesterday. The notion that brands, products or services travel across markets, the notion that brands have to be consistent from one market to the other, to become "global brands" in some cases which you allude to in your question is outdated. Of course, it still exists. If a company has a successful product or brand at hand in one market, they can skim the global markets for additional sales. But the opportunities for real innovation and dramatic growth can not be achieved this way. We have got to rethink how we think about global markets altogether. From the outside-in perspective, there are no domestic markets versus global markets. The dichotomy is an artificial one and belongs to the tool box of marketers stuck in the 1980s and those years are over just like the Reagan presidency in the U.S.

The challenges of global marketers today have to do with developing customers and markets, not targeting them or rolling out products or services into developing markets. Customers don't want to be targeted. They are not standing on a marketers' shooting range. In particular, consumers in China, India or Brazil don't wait to be graced by products or services from other markets any longer like they did in the past.

Today, whether you live in New York City, Chennai, Singapore or Frankfurt, we all live in a Times Square-like world where most consumers give a damn about marketers' messages and promises, where products that one does not need exist in abundance and where media and channels have proliferated. And most importantly, those people walking on Times Square or anywhere around the world are smarter than ever, and they are self-reliant and prefer to inform themselves. They don't rely on marketers telling them what they need.

In this world, building strong brands, achieving innovation and growth depends on deeply understanding the ecosystem of demand of a market and then applying the reframing tools as I have outlined in the book. It is about rethinking business from the outside-in, from the unbiased and untainted perspective to the consumers' everyday life – how consumers live, work and play in the 1,440 minutes they live from midnight to midnight. From this vantage point, the opportunities for innovation and growth are not only abundant, they also can happen anywhere in the world – anywhere in our life. I dislike your characterization of developed markets versus developing markets here, it serves no useful purpose. That dichotomy also should be retired.

How has the term "marketing" changed intrinsically over the years? What do you think has been a watershed in changing consumer behavior in recent years?

The most important aspect of consumer behaviour that has changed is the consumer itself and the speed in which the context changes in which a consumer lives. I have just discussed the self-reliant and smart consumer everywhere around the world. I strongly believe that this is the most important consumer trend. Nearly everything follows from here: the difficulty to predict new product success, the relative ineffectiveness of communications and messaging, the high costs of building strong brands.

Another major trend has to do with the changing context in which we live. In the book, I describe an entirely new way of understanding consumers, what I call: capturing the ecosystem of demand. This involves understanding the behaviors and episodes of a consumer's life first, deeply understanding the context of our daily activities, before we study demographic or psychographic differences among consumers.

We, as marketers, face challenges of gargantuan proportions. We have to replace the need-fulfillment paradigm of business that has served us so well for over 50 years. This simplistic paradigm suggests that marketing and business is about "Find a need and then fulfill it!". This need-fulfillment paradigm has outlived its usefulness. We have to replace this paradigm by the new notion of capturing the ecosystem of demand paradigm.

If you adopt the ideas of the ecosystem of demand paradigm, you will see that marketing altogether changes. For example, niching is then the new market strategy; intensive strategies win over extensive strategies, focus on similarities in behavior rather than differences in demographics or psychographics and segments. Innovation is no longer technology- or product-driven, marketing is not about communication about connection and engagement, it is not about mind share or share of wallet but about share of the 1,440 minutes we all live from midnight to midnight; It's about share of life. Also, as I described in the book, the very model of building strong brands is changing and of communicating with consumers is flipped upside down.

Companies are spending billions of dollars on researching consumers. Do you think, that in an environment where change is constant, the money is well-spent?

Yes, there is no alternative. Unless marketers will want to compete on the suicidal strategies of an ever improved feature set or downward spirals of low prices. There is only doom on the horizon for companies pursuing these strategies.

If you accept that consumers are smart and ever more sophisticated, you also have to accept that millions or even billions of consumers are together more ingenious and can be more inventive about your opportunities for innovation and growth than the few or even hundreds or R&D managers or engineers tucked away in the company's laboratory.

The models described in my book show how you can harness this ingenuity of people without being "customer-driven." Customer-driven, even though it sounds so nice and politically correct, is another totally illogical concept of the past. At our company Vivaldi Partners, we trust in an insight of Henry Ford, who once said: "If I had asked customers what they wanted, they would have told me they wanted a faster horse". This is why our dominant paradigm is to capture the ecosystem of demand using very innovative discovery or research procedures like the Day Reconstruction Method, a tool to re-instantiate in memory episodes of the previous day or an important event in a customers' life. Through this systematic reconstruction of episodes of the lives of people, what really matters to them, we circumvent the classic traps of measuring feature preferences that consumers don't even care for or know about.

Do you think consumers today, and this particularly noticeable in tech products, are more interested in the features/value-adds a product delivers rather than the brand itself?

No, they are neither interested in the features/value-adds a product delivers nor are they interested in brands. Marketers are interested in brands. But for consumers, brands are just things in their lives they live with. Brands are as interesting as your neighbors, I see them and hear them but so what?

We have got to throw out these outdated thinking about features, benefits, needs, wants and brands altogether. What consumers care for is living their lives, the activities, projects, tasks, and every concerns they have to deal with, the challenges and pressures they face.

This is precisely where the models I describe in the book begin. We need to study in an unbiased and untainted way, independent of our existing product or feature set, what really matters to consumers. For example, what matters to consumers is not a better feature of the Walkman over another music listening device. What matters to them is what they do around music: how they find out about music, evaluate music, choose music, buy music, listen to music, store music and discard music. iPod is a brand from Apple that is not a better listening device than Walkman. In fact, have you ever wondered why nobody ever made the comparison between the Sony Walkman and the Apple's iPod? It is because it does not matter. The reason is that the iPod is not achieving a better feature set over Walkman, it is a way to manage our music entirely from finding out about music through email invite or the iTunes Store, to comparing music there, to listening it on the device or my Bose stereo system or storing it in iTunes.

Can brands survive today, with just differentiation?

Differentiation is overrated. Differentiation and positioning are two concepts in marketing that derive from the notion that if you have something different from competitors that competitors can't copy you on, you have a competitive advantage. It is worrisome that the whole notion of business strategy and profits resides on differences.

However, in the day and age of 250 different brands of mobile phones and 74 different varieties of Lay's potato chips, how important is differentiation?

In the book, I recommend to supplement the notion of competitive advantage with the concept of customer advantage. Customer advantage is the extent to which consumers have absorbed and assimilated a product, service, brand or innovation in their everyday life. Frankly speaking, I don't know whether Starbucks is really a better coffee or even a better coffee shop experience, and I don't really care. Because between the time I spent at work and at home, I spend an additional some minutes usually at a Starbucks coffee shop. It is my third place where I spent nearly 45 minutes several times a week. That's what I mean by customer advantage and if you want to know why this is important, just think what opportunity space this opens up for Starbucks to connect and engage with me beyond selling me an overpriced coffee or a mug.

What is DIG and how is it different from the company's innovation model?

The DIG model is a systematic and repeatable process to find and execute a company's next big growth strategy. I strongly believe that the occasional brilliance of an employee or executive is like a drop on a hot stone when it comes to innovation and growth. What is necessary is to have a system and systemic process to win again and again.

I disagree with some of the notions that innovation can be achieved by letting 1,000 flowers bloom and source as many innovations as possible from anywhere in the hope that some will find its way through the system, processes and structures of an organization. I can't believe that companies would gamble with an important function of business like that.

What do you think are the top three take-aways from your book Hidden in Plain Sight?

The three take-aways are: first, the biggest and most obvious opportunities for innovation and growth are in plain sight and we can often not see them. We need an entirely new paradigm to understanding consumers. Retire the need-fulfillment paradigm and say hello to the capturing the ecosystem of demand paradigm.

Second, in order to see, really see the biggest opportunities, you can not rely on customers. You have to do your own work. Customers can not know what they have not experienced. Hence, you need to reframe, like a photographer reframes a picture, to really see the big opportunities and your company's sweet spot. There are several major reframing tools that I have suggested in the book that help to search the demand landscape and that lead to the creation of growth platforms, not merely a new product or service. Stop innovating around products and start innovating around demand-first growth platforms.

Third, in formulating your strategy and action plan, what we call the strategic blueprint for growth, you have to abandon the notion of competitive advantage and replace it by achieving customer advantage. This new way of formulating growth strategies will lead to entire new ways of building brands, of connecting and engaging with customers, of activating growth platforms and to achieve breakthrough innovation.