Customer expectations have shifted.

THE WAY YOU INNOVATE SHOULD TOO.

Data is a sign-post to new spaces of innovation

COVID-19 accelerated a shift in the marketplace. While Ecommerce and "direct-to-consumer" are not new ideas, the pandemic years have encouraged consumers to blend digital and real-world shopping in highly sophisticated ways. Traditional linear customer journeys have morphed into complex pathways that move seamlessly between the real world and the digital space. Alongside these changes are greater demands for personalization, ease of use, and ultimately a better customer experience. Sometimes how a company should meet these demands is obvious, but often, it is unclear to both consumer and product manager.

Companies that are slow to meet these new expectations are in very real danger of being left behind. This shift is especially disruptive in health and wellness, where, historically, there has been limited interaction between manufacturers and consumers or patients. Thankfully, this shift to digital means more data about how patients and consumers behave is out there. The trouble is figuring out what to do with it.

We believe that organizations that are most able to capitalize on disruptive conditions employ data science and behavioral principles to learn from their user base. They then apply these learnings to generate ideas around new offerings, promotions, or products. These ideas are then designed into a testable form and validated in the market.
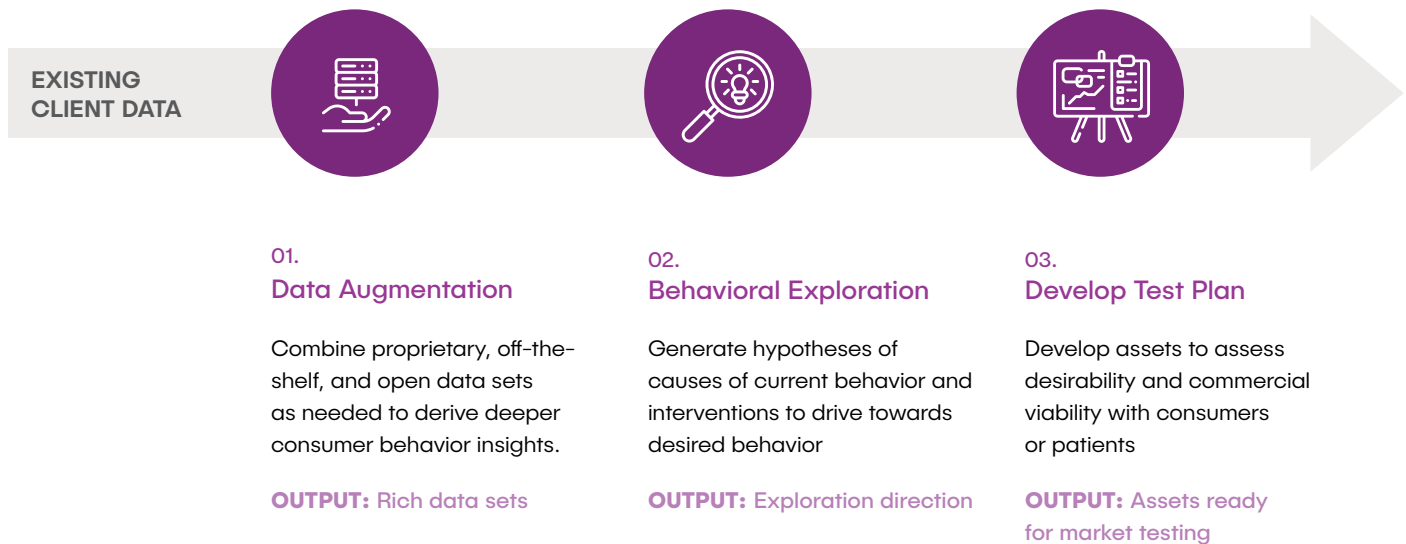
This cycle is the core of contemporary, data-driven innovation.

DATA-DRIVEN INNOVATION IS MODERN INNOVATION.

The purpose of applying data science to innovation is to turn mountains of undifferentiated data into actions that move consumer behavior. This innovation can take many forms, but often it is unlocking more value from a product or service offering that already exists.

To illustrate this, let's imagine a possible product. A novel nasal strip used to clear clogged pores and moisturize the skin is underperforming in the market. While user satisfaction is high, the product does not seem to garner repeat usage based on current DTC eCommerce data. We will follow this hypothetical product, and its product team, through the innovation process.

THE MODERN INNOVATION PROCESS

EXISTING CLIENT DATA

01.
Data Augmentation

Combine proprietary, off-the-shelf, and open data sets as needed to derive deeper consumer behavior insights.

OUTPUT: Rich data sets

02.
Behavioral Exploration

Generate hypotheses of causes of current behavior and interventions to drive towards desired behavior

OUTPUT: Exploration direction

03.
Develop Test Plan

Develop assets to assess desirability and commercial viability with consumers or patients

OUTPUT: Assets ready for market testing

Data analysis, led by human insights, is where it all begins.

While we sometimes hear that organizations don't have enough data, often the problem is the opposite: too much data, and no idea of what to do with it. Figuring out how to interrogate the data determines whether you find signal from noise.

Behavorial science provides tools to enhance data exploration. Theories from literature and research techniques (e.g. ethnography, surveys, interviews) allow you to build hypotheses about why patients and consumers are doing what they are doing. These can identify "dig sites" to mine within the data to target your analysis. These dig sites also inform what data sources are required and where there are gaps that you may need to fill.

In the hypothetical case of our nasal pore strips, the product team initially gathered DTC eCommerce data, online reviews, and search trends to try and form a high-level view user behavior. This made them note something unusual: customers describing how they use the product when "they really need it." This prompted the product team to wonder if they are reluctant to use it on a regular basis, saving it for when their skin is particularly bad. This had some resonance with a concept from the scientific literature, the "value heuristic". To validate this hypothesis, they had the team put in place check-out surveys on their DTC website, which confirmed this consumer attitude and linked it to purchasing trends.

This conversation between ideas from the consumer behaviour and "ah-has" from the data leads to ideas of interventions, product enhancements, and more. The next step is to generate testable ideas through the design phase.

Strategic design in theory and practice

Ideas are great, but they don't have value until they are tested.

Strategic design is a design practice that, as a central role, determines the most effective path to evaluating innovative business ideas. For most organizations, a goal is to test the overall desirability of an offering rapidly and economically. A variety of techniques can be used: interviews, targeted advertising, and even launching a prototype pilot. The point is to generate ideas and get them in market quickly.

For our product team, they decided to explore launching a new "every day"

formulation of their nasal pore strips. They set up a "smoke-test" website to evaluate the commercial potential of the product extension. While the product was not yet even in development, they used the website to collect data that can gauge interest, refine the value proposition and positioning, and even recruit potential customers to test the product.

The result of the initial ideation phase is not always an immediately saleable idea – in many cases it is more data to analyze and more behavior to disentangle. But it is this rapid iteration that allows organizations to make intelligent, data driven bets around innovation.

EVALUATING BUSINESS IDEAS: SHEDDING LIGHT ON A DARK ART

There is no one way to evaluate innovative business ideas. Selecting the correct one means looking at the constraints in play (e.g., time, money, desired secrecy, regulatory hurdles) and the desired outcome of the test (e.g., conversion rate, acceptable price point) and trying best to balance them. This relies on experience as much as an exact formula, and Strategic Designers have formal and vocational experience in making these decisions.

That said, the business press has started to generate publications that demystify this process. Of particular interest is Strategyzer's *Testing Business Ideas* (Wiley, 2019). This book is a catalogue of dozens of testing approaches that may prove useful in your concept evaluation.

From the hypothetical to the practical: Temporal Landmarks

This first article has largely focused on explaining the general approach of modern innovation: collect data, use behavioral science to analyze it effectively, generate ideas, and use design to realize and validate them. We've also touched on the fact that the current moment in time is unique for health and wellness organizations in the possibility for gathering data and thus powering this whole approach.

An example of one behavioral science concept that we have employed recently is called "temporal landmarking". Temporal landmarks are moments in time when people are more receptive to change and when they are more likely to put intention into action. As data your customers are generating becomes more nuanced and varied, it likely holds many useful temporal landmarks particularly relevant to their experiences. Take a hypothetical men's wellness platform as an example: knowing a date of birth could be leveraged to remind a user

that an annual prostate cancer screening may be prudent. Or, understanding patio season is ending could be a cue to suggest smoking cessation products. Finding the undiscovered temporal landmarks that drive your target customers can turn your strategy into real-world shifts in customer behavior.

In our next article we'll dive deeper into the science of temporal landmarking, showing it as an example of data driven innovation and a useful tool in its own right.

As market shifts continue to accelerate, success will be won or lost on how well you meet the new expectations of your customers. Data-driven innovation can help you meet this challenge in a highly targeted way, using resources you probably already have. And we'd love to help you unlock this exciting reservoir of potential for your business.

Interested in transforming your data into meaningful innovation or simply continuing the conversation?

Visit us at consulting.klick.com

MARK WATSON
SVP, Innovation Consulting

mwatson@klick.com

PAROO UPPAL
Managing Director

puppal@klick.com

ALI VAHIT ESENSOY
VP, Data Science

aesensoy@klick.com

ALEKSANDRA LYONS
Director, Consulting Strategic Design

alyons@klick.com

klick
CONSULTING

Solving health's toughest challenges.