

Further training program “Realisation of customer-centred Innovations”

Modul 5 Difficulties & Benefits

Teaching Material 4 Difficulties in involving customers and Benefits from customer-centric innovations

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Difficulties in involving customers

When implementing customer-centric innovations, companies face a number of difficulties in engaging customers. The following difficulties can be identified in identifying the needs and experiences of customers and in communicating with customers: Involving consumers is time-consuming and financially resource-intensive (infrastructure, technology, IT). It is sometimes difficult to identify customers who can provide innovative ideas during the innovation process. In addition to these difficulties, companies face the problem that their customers are not motivated enough to give feedback to the company. To increase the willingness to provide feedback, it is important to encourage consumers. Such a tool could be, for example, when it builds on the emotions of consumers. (see, for example, Gaia's motto "We want to learn from you" or developing a sense of "belonging to a community"). Another way to encourage consumer feedback is to generate financial interest from consumers, for example by introducing coupons, vouchers, giveaways, idea contests, or consumer loyalty programs, or even securing a percentage of sales for the best ideas.

„We want to learn from you” – voucher

„GAIA is applying various methods to engage with their customers and to achieve customer innovation through that. They are doing a combination of offline and online strategy. Their offline strategy includes a little leaflet that is added to the customer's purchase with the call "we want to learn from you", so basically an invitation to give feedback on the shopping experience and the product. To motivate the customers to actually give feedback and reviews, they receive a voucher of 15€ for their next purchase. This strategy plays into a lesson learned by GAIA – a company should not only focus on the acquisition of new customers but really invest in the relationship with the already established customers. GAIA mostly works with standardized questionnaires to collect customer feedback. Another method in order to receive customer feedback for innovation is the offer to apply to become a product tester for GAIA's products.”

GAIA, Germany

Loyalty programme

„Customers are involved by using mainly digital tools through which the company collects customer feedback. This is done, for example, through social media and in stores. The company also has a loyalty programme for its customers which they use as a means to stay in touch with their customers. Additionally, they offer the option of a personal shopper where a customer can get help with the purchase of a product. Through these various interactions with their customers, the company collects data on the customers' needs and wishes and adapts its services and product range accordingly. „

La Rinascente, Italy

Refer a friend” option with a discount

„Additionally, the company offers a "Refer a friend" option which allows both the existing and the new customer a €14 discount on their next shop.”

Noie, Denmark

Community feeling - storytelling

„Krisa believes that the more customers are part of the creative process, the more the product becomes personal and gets a community feel. The storytelling aspect of her jewellery design connects the customers to a product and the

company and creates relationships to a piece. The community feeling is also increased by the fact that customers from all over the world, from very different countries, all have similar stories and experiences which people share across cultures and borders and a piece of jewellery can connect them and can thus feel very personal. Connecting to customers during the design process also makes Kriss feel like she can give something back and does more than 'just create a piece of jewellery' which is incredibly rewarding.

New Vintage by Kriss, a jewellery company, Estonia

Community feeling – share tips & tricks

„On top of that, Pixelmator has an online community, where customers can discuss the product, as well as “image editing, share tips & tricks, tutorials, and other useful resources, or just chat with other Pixelmator users”. Users can also request new features which are then taken into consideration and may be added to the editor. The company also has a strong social media presence where it interacts with its customers and regularly shares tips on how to use its editor.”

Pixelmator, Lithuania

Design contests

„Additionally to their individual design process, the company engages with its customers through social media. The company regularly hosts design contests and allows customers to pick their favourite design from a range of choices which are then added to the collection. The company also runs a blog on social and sustainability issues and topics and posts about these on their social media platforms, as well.”

Sould Bottles, Germany

Online community - competitions of design ideas - financial motivation for the designers

„LEGO is a leading company in the area of customer-centric innovation. The company is making the most of being able to connect to their customers online by providing them with an online community. Customers and fans can submit their own design ideas which then get voted on and if a design receives enough support, the company reviews the design and may turn it into a product. The designer receives a percentage of the sales and is heavily involved in the whole process, thus rewarded for being innovative and for sharing their ideas and design with the company. LEGO uses a mix of social media customer mechanisms, such as highlighting customers' ideas and reposting their social media posts, offering competitions, and replying to customers in a personal matter (e.g. @LEGO_Group, @LEGOIdeas).”

LEGO, Denmark

Made Unboxed campaign – TalentLAB – design competition - Talent Award - financial motivation for the designers

„The company relies on customers to showcase its products through its Made Unboxed campaign which allows customers to share photos of a product in their home which then gets uploaded to the company's social media and online presence. The company also has an online platform called the TalentLAB where customers can put down a deposit on an design idea they are interested in and if the design receives enough funds, the company will produce it and the customer who put down a deposit on the design will receive the finished product once it's being produced. Additionally, the company has an annual design competition, the Made Emerging Talent Award, where anyone can submit a design idea and upload it to the TalentLAB platform. A panel of experienced designers then shortlists six products which are then voted on by the public, the customers. The design that wins the contest

is produced and sold on Made.com within 12 months and the company publicizes the design, giving the designer exposure, a career boost and royalties.”

MADE.com, United Kingdom

Pleasure in creating for clients

„Modern technology meets handcrafts, where clients will be able to paint their pictures chosen, thus, they can take pleasure in creating.”

IFresco, Hungary

Benefits from customer-centric innovations

More kind of benefits can be reached by companies through the introduction of customer-centric innovations. These can be divided into five major groups:

1. Financial benefits (increased sales revenue, profitability, cost reduction)
2. Growing operation effectivity (increased sales volume, product and service portfolio, productivity, product and service quality, speed and reliability of communications and transactions, positive change in business model and business practice)
3. Market benefits (increased number of customers and potential clients, market position, market share, entering of new markets, global trade, geographic expansion, business linkages, competitiveness)
4. Increasing customer satisfaction (increased understanding and response to customer needs, tailor-made/customised product development, better and faster communication with the customers)
5. Improving organizational image, reputation.

In most cases, market advantages were highlighted by companies in presenting their practices. With the involvement of consumers, the products/services offered by the company increasingly meet consumer needs, thereby increasing consumer satisfaction and brand loyalty, strengthening the company's market position, increasing the number of customers and sales volume.

Improve of brand loyalty

„In addition, this also increases the acceptance of the products by the customers and thus sales and brand loyalty.”

mamiblock Shop, Germany

Improve of consumer loyalty

„On top of that, engaging directly and continuously with the customers also means that customers tend to stay with the company for a long time (some since the beginning) and that showcases the good quality of a product. These customers also tend to give good and honest feedback and also speak up if something is not up to standard which helps with improving the products and services in the long run. „

New Vintage by Kriss, a jewellery company, Estonia

Increase in number of users

„OmaPosti users increased by 50% during its first six months, and this number continues to increase.”

Posti, Finland

Increasing customer satisfaction

„The number of complaints was reduced to minimum.”

PkHome Kft, Hungary

Professional recognition

„We have gained wide professional recognition nationally and internationally.”

IFresco, Hungary

Positive feedback from other customers can in many cases motivate new customers, increasing confidence regarding the product/service and the company itself.

Putting positive feedback as reference

„The feedback GALA receives from customers is sometimes put as a reference on their website or social media. Feedback is put publically on website and serves as a reference. Overall, the customer innovation methods go hand in hand with marketing and outreach strategies. Furthermore, this has huge impact on the market acceptance.”

GAIA, Germany

The positive impact of social media can not only be direct, it can also have indirect benefits.

Indirect benefit of social media

„It is interesting to point out that GALA has a lot of followers on Instagram (29.700) but only few of them actually purchase their products online. Many of them are following the GALA account for lotteries and to receive something for free. However, the social media is still highly valuable for customer feedback and market acceptance purposes, although the followers might not be the main purchasing power. When GALA reached out to collaborate with a local supermarket, they could show that they have an impressive amount of Instagram followers, for example, which was very attractive for the supermarket.”

GAIA, Germany

In addition to market benefits, a company can also increase operational efficiency by learning about and using consumer feedback.

Increase of customer satisfaction and performance

„The company has also been publishing reports on customer-centric innovation practices and has reported a huge increase of both customer satisfaction and their on-time delivery performance. „

DHL, Germany

„Thanks to the involvement of customers at every stage of the design process, we are sure that the final product will be best suited to the customer's expectations and will meet his expectations to the greatest extent.”

AJ PROJEKT MEBLE, Poland

Simplifying and rationalizing industrial production

„User involvement in TI is often about simplifying and rationalizing industrial production for the customer, but also about contributing to the customer's development of new products. The typical pattern of user involvement in TI is based on continuous dialogue with their main customers, where the customer's needs can be expressed and

understood. Sometimes this becomes simpler projects that TI solves on its own, while other times it becomes a joint development run through several phases.”

TINE, Norway

Improving customer experience and efficiency

„We have faith in digitalisation and new technologies in improving customer experience and efficiency as well as seeking growth through agile innovation.”

VR Group, Finland

Gaining knowledge, experience

„The advantage of W.UP also lies in the diversified experience and knowledge that our colleagues have gained over the years in the field of banking IT and customer service. Much of this knowledge is gained by actual customer feedback as well as our comprehensive market knowledge, which complements the results of the above methodologies and research.”

W.UP

Gaining knowledge, experience

„Do the customers, guest brings new ideas to us? Yes, if the requirements grow, more and more people are in search of a new type of service. For example, straightening the hair, and my colleagues learnt it. And I purchased the necessary tools. I will have more customers, I will earn more money. And the chances will be higher that my good employees will not leave me.,,

Berendi Hair @ Academy, Hungary

However, the benefits in terms of market and operational efficiency are also realized in the long run in terms of financial benefits.

Increase in total turnover - maintain leading position

„For the past 15 years, the company has included innovation as an increasingly important part of its overall strategy, both to promote a stagnant market for traditional dairy products, and to meet increasing national and international competition. Despite declining sales of milk from the 1990s until now, TINE has increased its total turnover every year, mainly due to continuous product development. TINE thinks strategically about product development and innovation at all levels in the organization. Thus, despite declining sales volumes, TINE has managed to increase its financial turnover and maintain its position as the leading (dominant) supplier of food in Norway. Internationally, TINE has had considerable success in exporting Jarlsberg cheese and has had to set up production facilities in Ireland and the USA as well.”

TINE, Norway

Better results – saving time and money

„This together: builds better products as DEWALT better understands how its products fit and function in the lives of their customers, provides better service, and delivers better results.”

“While traditional market research can be impersonal, time consuming and expensive, the DEWALT Insights Forum creates relationships with members and saves the company time and money. The company saved more than \$1 million in research costs in 2016 and almost \$6 million since establishing the Insight community. DEWALT

can now use one resource for the entire lifespan of a project and once products have launched they can follow up easily with satisfaction and quality surveys (Dewalt, 2016)."

DEWALT, USA

More income and more investment into development

„Thanks to digitalisation, my company can use the time available for work much better, can provide the services for more customers simultaneously, thus has more income and thus invest more into development."

Földvári, self-employed, Hungary

More orders from clients - increase in consumer confidence - increase in revenue

„One of our large clients worked with an external UX company on the projects, but as the workshops saw that our team understands the problems of the users better than the team they employ, they terminated the contract and we continued to do so. This change meant approximately a 5-10% increase in revenue over projects depending on the exact scope of the project.

For our other important customer, UX was not considered in an implementation project. We stressed the importance of this throughout the project and dripped them down from our expertise in this direction. For the customer, these ideas proved to be so good that UX elements were already ordered in the following projects in all cases, which also meant a 5-10% increase in revenue, depending on the exact scope of the projects."

W.UP, Hungary

Reduction in resource need and costs – faster processes

„Benefits for the company: administrative costs have been significantly reduced, labour savings were realized, faster process turnaround time, there are no administrative errors."

Bionika, Hungary

It is important to mention that the benefits of customer-centric innovations also apply to customers, as the products better meet their needs and they are tailor-made.

Benefits also at the partners of the company

„Benefits for the company: Revenue growth, market expansion, entering new markets, new customers. Benefits at our partners: administrative costs have been significantly reduced, efficient processes, utilization of the workforce's knowledge in other areas, faster turnaround times, fewer errors, more efficient use of working time."

FlexInform Kft., Hungary

Results of Research and Surveys: Difficulties

As part of the project "Digital methods, toolbox and trainings for increasing customer innovation in SMEs" (ICInSMEs), research and surveys were conducted in the project countries. These led to the following results with regard to difficulties in involving customers.

When implementing customer-centric innovations, companies face with several difficulties in engaging customers. We examined which factor means the greatest difficulty in exploring the needs and experiences of customers and in communicating with customers.

The following difficulties could be identified:

- Involving consumers is time consuming
- Consumer involvement requires financial resources
- Involving consumers allocates resources, is resource-intensive (Infrastructure, technology, IT)
- It is difficult to identify customers who can provide innovative ideas during the innovation process
- It needs Know how
- Others

Based on the responses of thirty-five companies, the biggest difficulty proved to be time requirements as well as the need for financial resources (Figure 16). Based on this, it seems that the issue of getting to know consumer opinions and involving consumers is mostly a matter of time and money. More than half of the companies had difficulty with these two factors. This is presumably related to the fact that human resources are scarcer in the case of SMEs, there is no person who could deal with this separately at the company. And hiring another employee would incur additional costs for them.

The identification of consumers with innovative ideas and the technical and infrastructural conditions did not prove to be a difficulty among the responding companies.

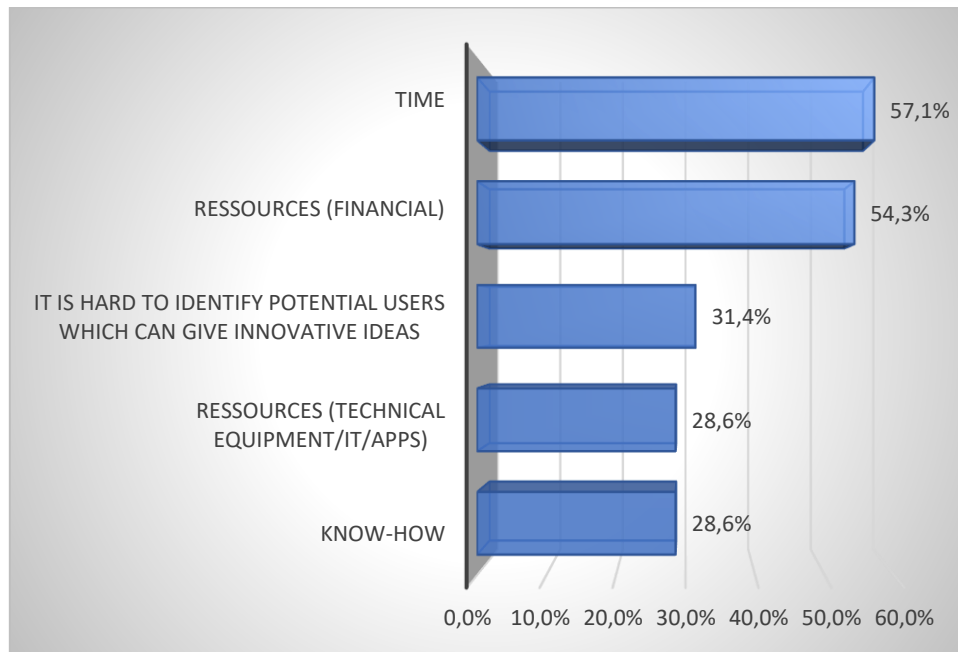


Figure 16 Difficulties in involving customers

The existence of a marked difference was examined among countries in perceiving difficulties in engaging consumers. (Table 8) As before, data from Germany, Hungary, Poland, and Denmark were compared. In the examination only those companies were studied that have been involved in customer-centric innovation and have answered that question. Thus, Germany is included in the analysis with five companies, Hungary with eleven companies, Poland with five companies and Denmark with six companies.

The most frequently marked difficulty was marked in green, the moderately marked methods in yellow, and the less frequently marked methods in red. Darker colours have the highest frequency for green and red for the lowest frequency.

Table 8 Difficulties in involving customers by countries

	Denmark	Germany	Hungary	Poland
Time	66.7%	60.0%	45.5%	40.0%
Resources (financial)	50.0%	20.0%	54.5%	80.0%
It is hard to identify potential users which can give innovative ideas	16.7%	60.0%	36.4%	20.0%
Resources (technical equipment/IT/apps)	16.7%	20.0%	45.5%	20.0%
Know-How	33.3%	20.0%	27.3%	40.0%

Remarks regarding countries:

- Two-thirds of Danish companies report that the time required to involve consumers is the biggest challenge, and half of the companies mentioned the need for financial resources to involve consumers as a difficulty. The Danish experience is in line with the results of the analyses based on the whole sample.
 - In case of German companies, financial factors meant less of a difficulty, the time required to involve consumers and the identification of consumers with innovative ideas were more often among the difficulties. German respondents indicated the least impediment.
 - More than half of the Hungarian companies identified the financial factor as an aggravating circumstance. In addition, other resources as well as the need for time were among the more frequently mentioned difficulties.
 - In case of Polish companies, the financial factor was predominantly highlighted as a difficulty for companies.
- Low sample sizes are not suitable for drawing general conclusions, they are only valid for the analysed sample.

Results of Research and Surveys: Benefits

As part of the project "Digital methods, toolbox and trainings for increasing customer innovation in SMEs" (ICIinSMEs), research and surveys were conducted in the project countries. These led to the following results with regard to benefits from customer-centric innovations.

In the survey, was examined the kind and extent of benefits reached by companies through the introduction of customer-centric innovations. The available benefits are divided into five major groups:

- Financial benefits (increased sales revenue, profitability, cost reduction)
- Growing operation effectivity (increased sales volume, product and service portfolio, productivity, product and service quality, speed and reliability of communications and transactions, positive change in business model and business practice)
- Market benefits (increased number of customers and potential clients, market position, market share, entering of new markets, global trade, geographic expansion, business linkages, competitiveness)
- Increasing customer satisfaction (increased understanding and response to customer needs, tailor-made/customised product development, better and faster communication with the customers)
- Improving organizational image, reputation

Respondents were able to rate on one to five Likert scale, the extent to which each benefit came to their company through the introduction of customer-centric innovation. The numerical values have the following meanings: 1: not beneficial, 2: slightly beneficial, 3: somewhat beneficial, 4: moderately beneficial, 5: strongly beneficial.

For each benefit, 34-36 reviews were received. The arithmetic mean of these responses is shown in Figure 17.



Figure 17 Benefits realised from customer-centric innovations (arithmetic mean of the answers in a 1 to 5 Likert scale)

Through the introduction of customer-centric innovations, companies have reached an advantage in all areas, albeit to varying degrees. The lowest mean value was 2.97, which has a somewhat beneficial, somewhat advantageous meaning. The greatest (medium) benefits were seen by companies in terms of increasing customer satisfaction, which goes hand in hand with an increase in the image of the organization. They perceived these benefits the least on the financial side and in terms of their operational efficiency. Based on these, they seem to have been less able to monetize the results of innovations involving customers, but customer satisfaction and the strengthening of the company's reputation also pay off financially in the long run.

If we examine the realization of the advantages according to the size of the company, the advantages occurred to different degrees in each size category. (Table 9) Thirty-six companies answered the question, of which twenty were micro-enterprises, six small enterprises, three medium-sized enterprises, seven large enterprises.

Table 9 Benefits realised from customer-centric innovations by size of companies (arithmetic mean of the answers in a 1 to 5 Likert scale)

	less than 10	10-50	51-250	more than 250
Increasing customer satisfaction (increased understanding & response to customer needs. tailor-made/customised product development. better and faster communication with the customers)	3.55	3.00	4.33	3.57
Organizational image. reputation	3.26	3.50	4.00	3.43
Market benefits (increased number of customers & potential clients. market share. entering of new markets. global trade. geographic expansion. business linkages)	3.30	3.00	2.67	3.29
Financial benefits (increased sales revenue. profitability. cost reduction)	3.00	2.50	3.00	3.43
Growing operation effectivity (increased sales volume. product & service portfolio. productivity. quality. speed. reliability)	2.89	2.80	2.67	3.43

In general, in most cases a value between 3-4 can be found, which indicates a small to medium advantage. Financial benefits and operational efficiency benefits were perceived the least by companies. The colours in the table mean: green: higher than average. yellow: average. red: below average. Based on this, it can be clearly seen that large companies have on average achieved greater benefits in all areas through their customer-centric innovation. While in the case of the responding small companies in almost all cases the benefits were perceived to be below average.

Microenterprises were closer to the mean values, which is not surprising since they were overrepresented in the sample.

If the realization of benefits by countries are examined, benefits have occurred and/or perceived to different degrees in each country (Table 10). Thirty-six companies answered the question, of which seven companies in Denmark, five companies in Germany, eleven companies in Hungary and five companies in Poland. (A further eight responses were received from four additional countries, which are ignored here.) The green fields in the table indicate above-average values, and the red fields indicate below-average values.

An interesting result is that Danish companies rated the benefits of customer-centric innovations more pessimistically than average in all areas. Polish companies rated the financial benefits as the smallest, but also found the increase in customer satisfaction to be smaller than average. German and Hungarian companies perceived the benefits in all areas more than average.

Table 10 Benefits realised from customer-centric innovations by countries (arithmetic mean of the answers in a 1 to 5 Likert scale)

	Denmark	Germany	Hungary	Poland
Increasing customer satisfaction (increased understanding & response to customer needs. tailor-made/customised product development. better and faster communication with the customers)	3.14	3.60	4.18	3.00
Organizational image. reputation	2.57	3.60	3.70	3.60
Market benefits (increased number of customers & potential clients. market share. entering of new markets. global trade. geographic expansion. business linkages)	2.43	3.80	3.64	3.40
Financial benefits (increased sales revenue. profitability. cost reduction)	2.57	3.60	3.30	2.80
Growing operation effectivity (increased sales volume. product & service portfolio. productivity. quality. speed. reliability)	2.43	3.60	3.20	3.00