

3.12: The bigger picture

Data driven innovation

The view of data and its place in a business is evolving, but it is still lagging behind where it needs to be. Data tends to be focused on customer intelligence (CI), which includes customer profiling, or business intelligence (BI), which includes transactional behaviour. Businesses use these to decide what to do next. Some businesses are forward thinking and combine the two so that they have two different indicators of what the consumer might need.

CI and BI are the bare minimum of what businesses should be doing with data. Consider the notorious example of Target, a U.S. retailer that used data about customer shopping habits to send relevant marketing material to their customer. One father of a teenage girl complained to the store about sending his daughter coupons aimed at pregnant women. A short while later he apologised after discovering that his daughter was indeed pregnant (Business Insider, 2012).

That Target knew the teenage girl was pregnant is impressive. If they had combined CI and BI, they would have realised that they were about to market pregnancy-related products to a teenager. They could have avoided a great deal of embarrassment!

Both BI and CI are lagging indicators, data that the brand has collected about the past behaviour of consumers and the past performance of products. Many businesses only look at data with this traditional view, but it can tell us much more. A business that focuses on how to collect and analyse data can predict future customer behaviour, work on forward-path product development and improve personalisation.

Technology-enabled innovation is all about the customer experience. If the customer enjoys their experience with your brand, no matter what the product, they will keep using it. If your product is connected to the Internet, you can gather customer data that will further inform your product development. This creates a feedback loop in which you gather data, improve the customer experience, and gather more data, and so on.

Withings, a brand connected to Nokia, has created a weight scale that connects to a database, tracks your weight on a graph, and feeds it back to you in an app. The app can also connect to Withings' other lifestyle devices such as smartwatches and blood pressure monitors. This gives the user a lot of useful data, but it's also a great way for the company to collect data about its customers.

Any object that is both connected and information-intensive has the capability to do things in new and different ways, in other words, to disrupt.

Technology-enabled innovation should focus on the customer experience and should be data-led. It comes in two forms:

- **Incremental innovation** – doing things better in your everyday business practice to improve your customer's experience.
- **Disruptive innovation** – positioning your business for future customers.

Both are equally important. Incremental innovation is sometimes downplayed, but changing one small thing might have a big impact on how your customers perceive your brand. People often associate 'innovation' in a business context with innovation labs, or assume that it belongs to an innovation team and is someone else's problem. However, when you have a data-driven customer experience, because you have such a thorough understanding of where your customer is and who they are, a tiny incremental innovation plan can fundamentally change your customer experience.

Disruptive innovation is about positioning your business for the future customer. It refers to big changes that will change how customers interact with your business (and possibly your whole industry), and it generally ends up displacing whatever technology preceded it. For example, cell phones have almost replaced landline phones. For innovation to be relevant to your consumer, you need the right data.



Figure 3.12.1: The data feedback loop

An obvious example of a brand that did this, and in turn completely disrupted an industry, is Uber. They saw people struggling to find taxis and a lot of people who owned cars not driving them (Belarbi, n.d.). They then thought about how to add technology to bring the two together, took a map (information), added a layer of connection (person to person), and invented an app that has almost toppled traditional taxi brands. Uber used already existing GPS technology to solve a problem in a way no one had considered before.

Uber also uses incremental innovation by regularly rolling out updates to its app and services that will positively affect customer experience. For example, Uber noticed that many potential customers in their South African locations did not have access to a credit card, so they piloted experiments with cash payments in that country.

Think about how Uber gathers the data it needs to make these incremental improvements. They receive a huge amount of data every time someone uses their app. Updates of where people are going, their most frequently visited locations, times of day during which travel takes place, and more. This kind of data-first thinking allows them to provide more value to customers, track their improvements and thus establish a powerful data feedback loop.

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