

Quick-Start Guide to Low-Cost Reinvention

Three steps for low-cost reinvention in under 2 months

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Because of COVID-19...



Businesses are resetting the way they work

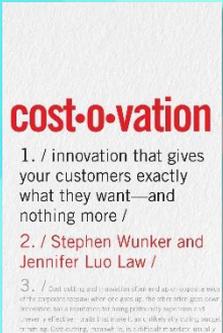


And customers are changing what they expect



This creates an opportunity for organizations to make step-changes in cost *and* customer satisfaction. We call this low-cost innovation, or costovation

Costovation is a type of innovation that focuses on being both low cost and delightful to target customers. Companies that have both a competitive advantage in cost and a loyal customer following—like Target in retail or Southwest in airlines—are difficult to knock off their perch



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HOW CAN NEW MARKETS HELP?

As authors of the award-winning book Costovation, we've helped companies around the world uncover innovation opportunities and build strategic growth plans

1. Creating strategic alignment

Virtual strategy workshops • Gaining top-level buy-in • Strategic planning

2. Spotting costovation opportunities

Rapid customer research using a range of methodologies • Cost driver analysis • Ideation workshops

3. Building action plans for innovation

Concept building • Validating and testing • Feasibility assessments • Development planning

Sample Project Structure

How to do a Costovation strategy sprint

Step 1: Strategic Direction

2 weeks: Stakeholder discussions / Industry research / Remote strategy workshop

Align on appetite for change, timeframes for impact, research priorities, and other strategic considerations

Step 2: Opportunity Identification

4-6 weeks: Cost driver analysis / Quick-hit customer research

Discover costovation opportunities through parallel deep dives:

Cost driver analysis: Assess hidden cost drivers in your business and determine how those can change depending on your customer focus, value proposition, or customer experience

Customer research: Identify target customers, understand that they value most, and explore what options you have to serve them differently

Step 3: Action Plan

2 weeks: Share out and alignment session

Evaluate costovation opportunities, potential market responses to them, and options for low-cost testing and implementation. Determine what changes to prioritize and how to sequence them

Step 2: Opportunity Identification

Seven hidden cost drivers to root out

Many of the most critical drivers of company costs aren't line items in a budget. They come in the form of complex operations, or serving over-diverse sets of customers, or pushing a business to address "corner cases" of extreme customer needs.

Use internal stakeholder interviews to expose hidden cost drivers such as:

- 1** **Expensive features.** A significant amount of cost is driven by a handful of features.
- 2** **Expensive customers.** A significant amount of expense is driven by a handful of customers.
- 3** **Expensive sales.** A significant amount of expense is in sales, not in the product itself.
- 4** **Over-standardized product.** Output is standardized despite very specialized customer needs.
- 5** **Over-standardized sales.** The offering is sold the same way to all customers.
- 6** **Cost imbalance.** The revenue for certain activities is not proportional to their costs.
- 7** **Contingency creep.** The system is built to cover all conceivable use cases, even those that are rare.

Step 2: Opportunity Identification

Use customer research to identify what's truly important—and where they are willing to make tradeoffs

Uncover opportunities for low-cost innovation by:

1. **Re-visiting who your target customers should be.** Start by acknowledging who your customers are now, understanding if certain types are more expensive to service than others, and comparing how your competition varies for different customers. What customer types may be well-suited for a low-cost offering?
2. **Conducting customer research** among these prioritized customer types to identify what matters most to them and what tradeoffs they are willing to make. This research can be conducted in several different ways:
 - In-depth video interviews—especially effective for exploring underlying motivations, asking in detail about tradeoffs, and doing light concept testing. IDIs can also be used to create journey maps to visualize opportunities to simplify or eliminate elements in a customer's journey
 - Online focus groups—efficient at gathering customer insights in a short period of time
 - Online surveys—a powerful tool for quantifying needs and tradeoffs
3. Using these inputs to **brainstorm how you can serve your target customers** in the simplest way possible. Brainstorm individually before coming together as a group to build on ideas and prioritize which ones merit further consideration

Case Studies

Finding low-cost ways to sell

Problem: A B2B organization was tied to a high-cost sales channel where it was being perpetually outbid by competitors. How else could it reach its customers?

Solution: Through stakeholder interviews and cost driver analysis, we identified a lower-cost sales channel where competition was less intense and where marketing spend could be reduced—ultimately saving the organization \$5M per year

Differentiating with a low-cost offering

Problem: A medical device company sought to launch a new product in a crowded field. How could the company differentiate itself?

Solution: Our customer research identified a patient type that incumbents had overlooked. Since they were early in their disease progression and did not need advanced features, they were glad to have a lower-cost device that they could easily purchase online. The medical device company tailored its product to these needs and entered this new market in a distinctive way

Identifying customers that desire a simplified offering

Problem: A lifestyle brand found that one of its products had fallen behind the competition and was now considered substandard. Short of copying what everyone else had done, what could the organization do with it?

Solution: New Markets used customer research to identify a customer type that found great value in a simplified version of the traditional offering. They appreciated the tool's simplicity, which made it both affordable and easy to operate, and preferred it above more complex offerings on the market



DEVELOP GROWTH STRATEGIES

Build innovative approaches to compete in fast-moving markets

UNCOVER JOBS TO BE DONE

Understand your market and customers more deeply

BUILD INNOVATION CAPABILITIES

Build teams and structures that can turn ideas into breakthrough products and services

ADDITIONAL RESOURCES

Access our [resource center](#) for leading through the Coronavirus, which includes working papers and articles with advice on how organizations can respond to the challenges posed by the COVID-19 crisis

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