

# OUTSIDE INNOVATION

## How Your Customers Will Co-Design Your Company's Future

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The Web site for this book is at [www.outsideinnovation.com](http://www.outsideinnovation.com).

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**MAIN IDEA**

The best way to innovate today is to open up your business to your most passionate customers and let them become an integral part of your overall innovation process.

**Customers** » **An integral part of your product development team**

This “outside in” approach to innovation is even better than attempting to assemble the smartest product development people you can find. Astute and savvy customers, when provided with robust tools, will create products which are more appealing than you can ever develop using your own internal resources alone. The more ways you can develop to engage your customers, the more they will help redesign, upgrade and enhance your business models and practices. The end result of bringing customers into your product development loop is you end up with loyal customers who are fanatical about what you provide.

Provide more opportunities to engage your customers and you’ll generate tremendous energy which can then be used to spawn new products and services, to open new markets, to develop new and more powerful business models. You might even end up eventually transforming your industry. The innovation game is changing profoundly and if you plan on being in business in the future, you have to bring customers into your own product development loop.

*“What is outside innovation? It’s when customers lead the design of your business processes, products, services, and business models. It’s when customers roll up their sleeves to co-design their products and your business. It’s when customers attract other customers to build a vital customer-centric ecosystem around your products and services. The good news is that customer-led innovation is one of the most predictably successful innovation processes. The bad news is that many managers and executives don’t yet believe in it. Today, that’s their loss. Ultimately, it may be their downfall.”*

– Patricia Seybold

**1. The five types of customers who can help your firm innovate . . . . . Pages 2 - 3**

There are five distinct groups of people you should be attempting to recruit when you set out to harness customer-led innovation:

- |   |   |                       |  |
|---|---|-----------------------|--|
| Five types of customers who can help your firm innovate | 1 | <b>Lead Customers</b> | People who invent new solutions by themselves    |
|   | 2 | <b>Contributors</b>   | Those who are happy to donate their work to help |
|   | 3 | <b>Consultants</b>    | People with deep expertise who offer insights    |
|   | 4 | <b>Guides</b>         | Advisors who help others to solve their problems |
|   | 5 | <b>Promoters</b>      | Enthusiasts about your brand and your products   |

The secret of outside innovation is to find ways for your organization to engage as many of these five groups of people as possible and feasible. Your goal should be to redesign your entire business from the outside in with the help of your most visionary customers.

**2. The five steps of customer-led innovation . . . . . Pages 4 - 8**

Once you realize how inventive your customers naturally are, you then need to find ways to harness that resource to power your corporate growth. There are five steps involved in taking advantage of customer-led innovation:

- |   |   |  |  |
|---|---|--|--|
| The five steps of customer-led innovation | 1 | <b>Identify and watch your leading customers</b> | Observe what customers are doing and how they’re using your products to get things done. This will be a renewable source of great new ideas. |
|   | 2 | <b>Provide your customers with tools to use</b>  | Become an integral part of your customer’s own creative processes. Provide them with the tools they need to be innovative and creative.      |
|   | 3 | <b>Build and nurture customer communities</b>    | Hang out with your customers. Listen to what they’re saying and suggesting. They will keep you pointing in the right direction.              |
|   | 4 | <b>Empower customers to show their stuff</b>     | Create forums where smart contributors can earn the accolades of their peers. People love to show how creative they can be.                  |
|   | 5 | <b>Let customers engage in peer production</b>   | Don’t insist on doing everything yourself. Instead, let your customers create what you sell in the future. This is a great business dynamic. |

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