

Applying Customer-Driven Innovation to Health Care: An Interview with Jeneanne Rae, Co-Founder and President, Peer Insight, LLC

By The Innovations Exchange Team

Innovations Exchange: What is customer-driven innovation?

Jeneanne Rae: The term “customer-driven innovation” refers to innovation that focuses on solving problems and tapping into opportunities presented by the human condition—for example, helping customers manage the complexity of their life and/or be more productive. The goal is to “delight” the customer by improving his or her experience. This approach stands in stark contrast to the traditional, supplier-centric focus of many innovations, which aim to improve efficiency and/or quality from a technical or process perspective.

How does customer-driven innovation apply to health care?

Customer-driven innovation has many applications in the health care arena. Most health care consumers are trying to manage their health and health care within the context of a very busy life. For example, I’m a working mother, and often find it difficult to schedule and in some cases change appointments for my children. The physician’s office could do a lot to help make this easier. Even seemingly small things, such as including both the physician’s name and phone number on all communications, can make a big difference. Appointment reminders can also be quite useful, particularly if such reminders are set up to reach me “where I am”—for example, via cell phone or e-mail. The same approach can be used to help customers self-manage chronic conditions—for example, by sending timely, easy-to-access reminders about when and how to take medications. These relatively simple changes can often be “delight drivers” for health care customers.

What methods can health care organizations adopt from other industries in order to develop customer-driven innovations?

The first step is to engage in something known as “customer journey mapping,” which is widely used in the hospitality, banking, and retail industries. This approach maps out the consumer’s perspective from “end to end”—that is, from the time a customer first becomes aware of a product or service until he or she becomes a repeat user. The focus is on “touchpoints” during each step of the journey. For example, customers might learn of a product or service through an advertisement, and then may visit a web site or call the organization to learn more. The next step may be to meet with someone, or to actually try the product or service. Then there will typically be followup interactions before a decision is made whether to use the product or service again. The journey-mapping process covers each touchpoint, seeking to understand what Proctor & Gamble calls the critical “moments of truth” when a relationship is either made or broken with the customer. These make-or-break issues can often be quite simple; for example, some customers become fed up (and refuse to deal) with organizations that require them to navigate too many menus as part of the automated phone experience.

Can you share some examples of where you have used customer journey mapping with clients?

We've used it with companies in a wide spectrum of industries. For example, one of my project teams worked with senior managers and the Board at Amtrak to map the customer journey for the Acela high-speed train service. Historically, Amtrak's focus had been on the train itself, including the speed, interior design, and the like. But only after looking at the service from the customer's perspective did the Board begin to understand the full customer journey, and realize that many other factors were also important, including making reservations, waiting, boarding procedures, etc.

The journey map is a very useful framework, particularly in service industries, where customers may have lots of encounters that should be measured not only individually, but also in aggregate. Failures at any one point can detract from the overall experience, and thus it is critical to understand the whole journey and to determine where an organization may be underperforming. For example, health care providers often think that the only thing that matters to patients is what happens in the exam room, but in reality that encounter is only a small part of the customer's journey.

Do you need a journey for each customer segment?

It can be quite helpful to use a model to identify key customer segments, and then to develop a separate journey for each. Many health care organizations have not thought about different customer segments. But the experience of an elderly, chronically ill woman who does not know how to use a computer will be very different from that of a 30-year old, tech-savvy individual in good health. Many organizations make decisions based on "averages," but unfortunately "average" information does not drive customer delight for key segments that may be very different in nature. Rather, services must be personalized and customized.

Has anyone within the health care industry done a good job of customer mapping?

Most health care organizations have not applied resources to this kind of work. In fact, many have taken the attitude that health care is not a competitive business, and thus there is no need to strive to delight consumers. But that is changing rapidly, and some organizations seem to be moving in the right direction. Kaiser Permanente, for example, has adopted customer journey mapping as a "living, breathing" way of doing business. In fact, Kaiser recently surveyed me about my experiences as one of their health plan enrollees; the survey covered my entire journey map. The Mayo Clinic has also adopted this approach, and both organizations have made significant strides in improving the customer experience as a result.

What other tools and strategies can health care organizations use to develop customer-driven innovations?

A handful of companies, including Proctor & Gamble and Lego, have pioneered use of "co-creation"—that is, involving the customer in the creation and design of new, innovative products and services. Through "ideation" sessions with customers, these companies conduct research, synthesize observations and patterns (i.e., what is and is not true for customers), elicit ideas and suggestions, and test and refine new ideas. Some companies have taken the idea of co-creation to a second level by making it the centerpiece of their operations. For example, eBay, Amazon, Facebook, iTunes, and other organizations constantly co-create

customer experiences through the way their technology platforms operate. These companies have found the approach to be an extraordinarily effective way of adapting to the diversity and rapidly changing demands of their customers. Given these successes, the use of co-creation is only going to increase in the future.

How specifically do these companies delight customers?

One of the most innovative technologies to come out of the co-creation experience is the use of “collaborative filtering.” This technology, pioneered by Jeff Bezos, CEO of Amazon, uses the patterns of a customer’s behavior to determine what he or she might like in the future. In essence, the technology works behind the scenes, allowing a customer to co-create an experience by comparing his or her unique wants to others with the same characteristics. The output is a customized set of suggestions for that customer. This robust technology has been adopted by other organizations as well, including TiVo and Netflix. Many customers are delighted by the service, as it helps them manage their complexity and save time.

How can co-creation, collaborative filtering, and other concepts be used in health care? Are patient-support Web sites an example of this?

While these approaches have not been widely used in health care, some experiments are underway, and more are needed. For example, a number of Web sites have been developed that allow patients with certain conditions to interact with each other, sharing advice and lessons and providing emotional and other support. Most of these efforts have been spearheaded by patients themselves, with relatively little involvement from the provider or health plan community. As a result, there are few opportunities for patients to interact with providers; adding that capability will be an important next step for the industry.

This type of cross-stakeholder interaction, however, is relatively new to those in the fragmented health care community. As more stakeholders realize that people are whole individuals with a complexity of needs, different silos within health care will begin to collide, and that’s when interesting things occur. I’ve seen this happen in other industries, and it will happen in health care as well. Patients want more control in their lives, and they are tired of others telling them what to do. Dealing with health issues creates obvious stresses, including coordinating and paying for care. Customers need help in these areas; those who are able to help them navigate this complex terrain will end up delighting their customers.

What specific steps can health care organizations take in order to make customer-driven innovation a reality?

There are a number of steps that must be taken along the “migration” path to customer-driven innovation. The first is simple awareness. Leaders must understand that innovation is something that can be managed, and that doing so is important. Many health care organizations are not thinking about delighting their customers, so the first step, as a matter of staying competitive, is to recognize the need to do so.

The second step is to invest in this area. Many health care organizations are financially strapped for capital. But this kind of work costs money. Just as organizations invest in new information technology, they must invest in customer experience as well. For large organizations, the discovery/research phase alone can sometimes cost hundreds of thousands of dollars. But the costs need not be prohibitive. Sharing best practices can help to reduce expenses. In addition, much of the research can be done relatively

inexpensively at the practitioner level. The key is to develop the right processes and to find appropriate people to lead them.

The third step is to get buy in and participation, both from those providing the service and those using it. In health care and other service organizations, there is no factory line to be re-tooled; rather, people and processes are the factory, and their participation is needed before improvements can be made.

The final piece is to "systematize" customer-driven innovation by integrating it into the way business is done throughout the organization. Innovation is not achieved through "one-off" events, but rather through new, disruptive systems and processes that lead to permanent change.

Assuming that leaders recognize the need for (and are willing to invest in) this approach, where should they start?

Begin by understanding who is in the customer base, and how that base breaks down into different segments. From a project management perspective, an organization cannot simultaneously serve all customer types perfectly; projects that attempt to do so end up getting bogged down. The key is to begin with a particularly needy customer segment, and/or a segment that represents the customer of the future.

Once a target segment is identified, develop an expert panel made up of customers from that segment. This approach is widely used in the consumer products arena. Lego, for example, uses customers from throughout the world to help understand how people use its products and to help identify the next "big thing." The key is to listen to customers in order to identify problems and needs, recognize patterns, and uncover solutions. While many health care organizations rely on patient surveys for such feedback, this approach does not provide the right information. Instead, companies need to "shadow" customers in order to understand their context and their many "points of pain" along the customer journey, including "moments of truth" that make or break their experience.

Suggested readings from Jeneanne Rae:

MacMillan IC, McGrath RG. Discovering New Points of Differentiation. Harvard Business Review. July-August 1997. Reprint number 97408.

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Brown T. Design Thinking. Harvard Business Review. June 2008.

Leonard D, Rayport JF. Spark Innovation Through Empathic Design. Harvard Business Review. November-December 1997. Reprint number 97606.

About Jeneanne Rae

Jeneanne Rae is Co-Founder and President of Peer Insight, LLC, a firm that helps clients to explore and harness the economic forces of the new millennium, where customers rule, technology is pervasive, and capturing value for profit or social impact is the end game.

An internationally recognized thought leader, speaker, and author, Jeneanne was named one of *Business Week's* "Leaders of the Year" in 2005. She has worked in the field of design and innovation for over 17 years, consulting to and educating dozens of leading companies in a multitude of industries. Jeneanne is a Harvard Business School graduate and has been an adjunct faculty member at Georgetown University's McDonough School of Business for 8 years. Her popular columns for *Business Week's* design and innovation channel can be downloaded at:

<http://app.businessweek.com/ParametricSearch/Columnists?selectedAuthor=Jeneanne+Rae>.



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