How to drive disruptive change

Start-up ecosystem requires understanding of customer behaviour, passion and survival mentality. By Amy Bonsall

Hotel room by hotel room, and grocery order by grocery order, startups like Airbnb, Flotations, and RedMart are taking on giants in established industries, rethinking everything from hospitality to food distribution. What made these companies successful, even in spaces that are dominated by big players? They've hit on an unmet customer need, firstly, but they've also created a supportive environment in which their particular product can thrive.

Developing and adapting key start-up qualities can help big companies more consistently create growth through new ventures.

Get close to your customer. The start-up team at Fabstalls.com, a new, defunct social networking site, was close to the ground enough to see that a small feature in their product was driving huge customer interest. They flipped this feature, a design deal of the day, into a new iteration of their service, Fab.com, which went on to see much greater growth than their initial social networking platform.

In large organisations, there's usually a gap between senior executives and the product team, those who have developed the on-the-ground knowledge of consumer needs and behaviours. This knowledge often doesn't make its way to the top of a large organisation, and decision-makers — even the CEO — are left without a deep understanding of who the end user will be, and how the product will benefit them.

Aware of this potential risk, Sensis CEO John Allan left most key decisions about the design of new ordering and payment service Skip (www.skip.com.au) to his team, recognising that they were better placed to know what would drive customer usage. For instance, the team identified early on that it wasn't enough to help people order a product: the Skip service had to help with the end-to-end consumption process — from ordering all the way through to loyalty and payment. By incorporating these features early on, the team was able to gain a loyal cadre of customers, and they brought the new service to market quickly — it went from idea to pilot in just six months.

Large Singaporean organisations, which sometimes prioritise efficiency over putting consumers first, could start to introduce new products with a greater likelihood of success, by ensuring product decisions are made with the customer in mind.

When Airbnb was getting off the ground, its initial goals were to learn about how customers used the service and to adapt it accordingly. For instance, they found that amateur photos taken by their hosts created a sense of uncertainty for their guests, so they began offering free professional photography to hosts. They quickly found a two-to-three-times increase in bookings for houses with the nicer photos. In this case, their measure of success was making a better experience for customers, and it drove revenue.

START-UP ECOSYSTEM

Processes and measures are usually designed to get existing products — often the core products on which the business was built — to market in an efficient way. When an internal team creates a new offering that will appeal to a different group of consumers, longstanding processes can act as lead weights, hindering the product's development. Especially in Singapore, decision-making needs to be structured around a variety of factors, not just KPIs.

Take Amazon for instance: it focuses its measures on driving customer satisfaction. For example, when they first launched their grocery offering in Seattle in 2007, by all traditional measures it was a bomb. Revenue was low and costs were high. Undaunted, and knowing they were addressing an unmet customer need, Amazon focused not on revenue or profit in the early days, but rather on what they were learning about customers and their own operational systems. Seven years later, Amazon fresh has evolved into a smart model both for customers (get your groceries in time for dinner) and for Amazon (they've built a subscription service that encourages frequent orders).

When black car company Uber was starting out, they worked with Y Combinator, an accelerator, or programme to help startups evolve their products quickly and smartly. Mentors in the accelerator helped them make key decisions on how to support the nascent product. And they acted as links to helpful people and companies.

New products in big companies face double challenges — they often don't have access to mentors that help them push their product in a new way, and on top of that they have an organisation that is actively making it hard for the product to succeed. Well-meaning but under-informed colleagues in various departments such as legal and marketing will try to enforce certain rules that limit the potential of a new idea. And mentorship from those who are well versed in getting new and different products to market is noticeably absent.

Establishing a deliberate start-up ecosystem can allow large companies to place small bets on a handful of new ventures, including those that might appeal to customers that the company isn't currently serving. In Singapore, even in the start-up stage, organisations often put strict ROI targets on new initiatives, rather than nurturing them with resources and mentoring.

In contrast, at Intuit, the American company that develops tax and accounting software, founder Scott Cook and CEO Brad Smith have created an environment for experimentation and risk-taking. Intuit Labs encourages anyone with an idea to explore it, and Mr Cook himself runs frequent — often daily — lunchtime office hours where he mentors and provokes these nascent start-up founders.

Thanks to these initiatives, Intuit now counts more than US$100 million in revenue from products that didn't exist just a few years ago.

Companies with the courage and foresight to adopt — and adapt — start-up behaviours will ultimately secure their own future and lead innovation in their industries. By acting nimply, these industry leaders can better respond to, and drive, disruptive change.  

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